

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended October 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission File Number: 000-53646

GROWN ROGUE INTERNATIONAL INC.

(Exact name of Registrant as specified in its charter)

Ontario, Canada

(Jurisdiction of incorporation or organization)

**550 Airport Road, Medford, Oregon, United States,
97504**

(Address of principal executive offices)

Obie Strickler, Telephone (458) 226-2100

550 Airport Road, Medford, Oregon, United States 97504

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to section 12(b) of the Act: **None**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **Common Stock, no par value**

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

(Title of Class)

The number of outstanding shares of the issuer's common stock as of October 31, 2020, was 107,782,397 shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or a transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards by the
International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:
Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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GENERAL

In this Annual Report, references to “we”, “us”, “our”, the “Company”, and “Grown Rogue” means Grown Rogue International Inc., and its subsidiaries, unless the context requires otherwise.

We use the United States (“U.S.”) dollar as our reporting and presentation currency and our consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). All monetary references in this document are to U.S. dollars, unless otherwise indicated. All references in this document to “dollars” or “\$” or “US\$” mean United States dollars, unless otherwise indicated, and references to “CDN\$” mean Canadian dollars.

NOTE REGARDING MATERIAL CHANGE IN BUSINESS

The Company entered into a Definitive Transaction Agreement, dated October 31, 2018 (the “Definitive Agreement”), with Grown Rogue Canada, Inc. (“Grown Rogue Canada”), Novicius Acquisition Corp. (“Novicius Subco”), and Grown Rogue Unlimited, LLC, an Oregon limited liability company (“GRUS”). Pursuant to the Definitive Agreement, the Company combined its business operations with GRUS (the “Transaction”) resulting in a reverse take-over of the Company by GRUS (See Item 4.A “History and Development of the Company”). A copy of the Definitive Agreement is attached to this Form 20-F as Exhibit 1.21. The Transaction was consummated on November 15, 2018 and the Company began conducting the principal business of GRUS.

Immediately prior to the Transaction, the Company had ceased its previous business operations as an emerging media and internet company with a focus on user experience and engagement. Following the Transaction, GRUS and its subsidiaries became the Company’s only operating assets.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Much of the information included in this Form 20-F (“Report”) is based upon estimates, projections or other “forward-looking statements”. Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. These statements relate to future events or our future financial performance. In some cases you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of those terms or other comparable terminology. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Such estimates, projections or other forward-looking statements involve various risks and uncertainties and other factors, including the risks in the section titled “Risk Factors” below, which may cause our actual results, levels of activities, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform those statements to actual results.

Please see “Item 3. Key Information — Risk Factors” for a further discussion of certain factors that may cause actual results to differ materially from those indicated by our forward-looking statements. The statements contained in Item 4 – “Information on the Company”, Item 5 – “Operating and Financial Review and Prospects” and Item 11 – “Quantitative and Qualitative Disclosures about Market Risk” are inherently subject to a variety of risks and uncertainties that could cause actual results, performance or achievements to differ significantly. “Exchange Act” shall mean the U.S. Securities Exchange Act of 1934, as amended.

PART I

ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. DIRECTORS AND SENIOR MANAGEMENT

Not applicable.

B. ADVISERS

Not applicable.

C. AUDITORS

The auditor of the Company is Turner, Stone, and Company, LLP, located at 12700 Park Central Drive, Suite 1400, Dallas, Texas 75251, United States of America.

The auditor of the Company for the years ended October 31, 2020 and 2019 was Dale Matheson Carr-Hilton Labonte LLP, located at 1500-1140 W. Pender Street, Vancouver, British Columbia, V6E 4G1, Canada.

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

A. OFFER STATISTICS

Not applicable.

B. METHOD AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 KEY INFORMATION

A. [RESERVED]

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

In addition to the other information presented in this Report, the following risk factors should be given special consideration when evaluating an investment in our securities.

THERE ARE NUMEROUS AND VARIED RISKS, KNOWN AND UNKNOWN, THAT MAY PREVENT US FROM ACHIEVING OUR GOALS. THE RISKS DESCRIBED BELOW ARE NOT THE ONLY ONES WE WILL FACE. IF ANY OF THESE RISKS ACTUALLY OCCURS, OUR BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATION MAY BE MATERIALLY ADVERSELY AFFECTED. IN SUCH CASE, THE TRADING PRICE OF OUR SECURITIES COULD DECLINE AND INVESTORS IN OUR SECURITIES COULD LOSE ALL OR PART OF THEIR INVESTMENT. THE INFORMATION IN THIS REPORT IS COMPLETE AND ACCURATE AS OF THE DATES REFERENCED HEREIN, BUT THE INFORMATION MAY CHANGE AFTER SUCH DATE.

SHOULD ONE OR MORE OF THE FOLLOWING RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD THE UNDERLYING ASSUMPTIONS OF OUR BUSINESS PROVE INCORRECT, ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THOSE ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED, INTENDED OR PLANNED.

Risks Factors Relating to Our Business

The report of our independent registered public accounting firm contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Although the report of our independent registered public accounting firm on our audited financial statements as of and for the year ended October 31, 2020 is unqualified, it contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of the uncertainty regarding our ability to continue as a going concern. This going concern opinion could materially limit our ability to raise additional funds through the issuance of equity or debt securities or otherwise. Further reports on our financial statements may include an explanatory paragraph with respect to our ability to continue as a going concern.

We may not be able to continue to operate as a going concern. Our independent registered public accounting firm has included an explanatory paragraph relating to our ability to continue as a going concern in its report on our audited financial statements. The adequacy of our working capital depends, in part, on our ability to raise additional funding, without which we may be unable to continue to operate without the threat of liquidation. Even if future financing is successful, we expect that we will need to raise substantial additional funding before we can expect to become profitable from sales of our products. This additional financing may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our operations.

GRUS' Business is Illegal under U.S. Federal Law. The Company, through its subsidiaries, engages in the medical and adult-use marijuana industry in the United States where local state law permits such activities. Producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a federal crime in the United States. The United States federal government regulates drugs through the Controlled Substances Act (the "Federal CSA"), which places controlled substances, including cannabis, on one of five schedules. Cannabis is currently classified as a Schedule I controlled substance, which is viewed as having a high potential for abuse and having no currently accepted medical use in treatment in the United States. No prescriptions may be written for Schedule I substances, and such substances are subject to production quotas imposed by the United States Drug Enforcement Administration (the "DEA"). Schedule I drugs are the most tightly restricted category of drugs under the Federal CSA. State and territorial laws that allow the use of medical cannabis or legalize cannabis for adult recreational use are in conflict with the Federal CSA, which makes cannabis use and possession illegal at the federal level. Because cannabis is a Schedule I controlled substance, the development of a legal cannabis industry under the laws of these states is in conflict with the Federal CSA, which makes cannabis use and possession illegal on a national level. Additionally, the Supremacy Clause of the United States Constitution establishes that the Constitution, federal laws made pursuant to the Constitution, and treaties made under the Constitution's authority constitute the supreme law of the land. The Supremacy Clause provides that state courts are bound by the supreme law; in case of conflict between federal and state law, including Oregon and other state law legalizing certain cannabis uses, the federal law must be applied.

Until Congress amends the Federal CSA with respect to marijuana production, processing, distribution, and use, there is a risk that federal authorities may enforce current federal law against companies such as the Company for violation of federal law or they may seek to bring an action or actions against the Company and/or its investors for violation of federal law or otherwise, including, but not limited to, a claim against investors for aiding and abetting another's criminal activities. The US federal aiding and abetting statute provides that anyone who commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal. Additionally, even if the U.S. federal government does not prove a violation of the Federal CSA, the U.S. federal government may seize, through civil asset forfeiture proceedings, certain assets such as equipment, real estate, moneys and proceeds, or your assets as an investor in the Company, if the U.S. federal government can prove a substantial connection between these assets or your investment and marijuana distribution or cultivation.

Because many states in the United States have approved certain medical or recreational uses of cannabis, the U.S. Department of Justice, through a memorandum dated August 29, 2013 and titled "Guidance Regarding Marijuana Enforcement" (the "Cole Memorandum"), had previously described a set of priorities for federal prosecutors operating in states that had legalized the medical or other adult use of cannabis. The Cole Memorandum represented a significant shift in U.S. federal government priorities away from strict enforcement of federal cannabis prohibition. However, the Cole Memorandum was merely a directive regarding enforcement and did not overturn or invalidate the Federal CSA or any other federal law or regulation.

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The Cole Memorandum was rescinded by Jeff Sessions, the US Attorney General, in January 2018. The rescission of the Cole Memorandum, and comments made publicly by Mr. Sessions and other members of the Trump Administration, signal a significant shift by the U.S. federal government back to more strict enforcement of federal law, which is expected to have a material adverse effect, financially, operational and otherwise, on state-approved cannabis businesses, including GRUS.

In Oregon, Billy J. Williams is the United States Attorney for the District of Oregon until Scott Erik Asphaug's appointment on December 25, 2021.

On January 4, 2018, Mr. Williams provided the below statement on marijuana enforcement in the District of Oregon: "As noted by Attorney General Sessions, today's memo on marijuana enforcement directs all U.S. Attorneys to use the reasoned exercise of discretion when pursuing prosecutions related to marijuana crimes. We will continue working with our federal, state, local and tribal law enforcement partners to pursue shared public safety objectives, with an emphasis on stemming the overproduction of marijuana and the diversion of marijuana out of state, dismantling criminal organizations and thwarting violent crime in our communities."

In an editorial published on January 12, 2018, Mr. Williams wrote: "In sum, I have significant concerns about the state's current regulatory framework and the resources allocated to policing marijuana in Oregon."

At a meeting on February 2, 2018, Mr. Williams told Oregon's top politicians and law enforcement officials that there's more cannabis being produced in the state than can legally be consumed. "And make no mistake about it, we're going to do something," Williams told dozens of politicians, tribal leaders, sheriffs as well as representatives of the FBI and the U.S. Drug Enforcement Administration. "Here's what I know, in terms of the landscape here in Oregon: We have an identifiable and formidable marijuana over-production and diversion problem," Williams said. "That's the fact. My responsibility is to work with our state partners to do something about it."

Because marijuana is illegal under U.S. federal law, investing in a cannabis business could be found to violate the Federal CSA. As a result, individuals involved with cannabis businesses, including but not limited to, investors and lenders, may be indicted under U.S. federal law. Your investment in the Company may: (a) expose you personally to criminal liability under U.S. federal law, resulting in monetary fines and jail time; and (b) expose any real and personal property used in connection with GRUS' business to seizure and forfeiture to the U.S. federal government.

Active enforcement of the current federal law on cannabis may thus directly and adversely affect revenues and profits of the Company. The risk of strict enforcement of the Federal CSA remains uncertain.

Other Laws and Regulations. The industry in which GRUS operates could require the Company and/or GRUS to comply with a myriad of other federal, state and local laws and regulations, which could include, among others, laws and regulations relating to cannabis, personally identifiable information, wage and hour restrictions, health and safety matters, consumer protection and environmental matters. Compliance with such laws and regulations may be costly and a failure to comply with such laws and regulations could result in fines, penalties, litigation and other liability that could materially adversely affect the Company.

The Company's business and products are and will continue to be regulated by the Oregon Liquor Control Commission (the "OLCC") and other regulatory bodies as applicable laws continue to change and develop. Regulatory compliance with the OLCC and other regulatory bodies, and the process of obtaining regulatory approvals, can be costly and time-consuming. Further, the Company cannot predict what kind of regulatory requirements its business will be subject to in the future. Any delays in obtaining, or failure to obtain, regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company.

Local, state and U.S. federal laws and enforcement policies concerning marijuana-related conduct are changing rapidly and will continue to do so for the foreseeable future. Changes in applicable law are unpredictable and could have a material adverse effect on the Company. Changes in applicable laws or regulations could significantly diminish the Company's prospects. The Company has little or no control over potential changes to laws or regulations that may affect its business, including the business of GRUS.

Additionally, governmental regulations affect taxes and levies, healthcare costs, energy usage and labor issues, all of which may have a direct or indirect effect on the Company's business and its customers or suppliers. Changes in these laws or regulations, or the introduction of new laws or regulations, could increase the costs of doing business for the Company, or its customers or suppliers, or restrict the Company's actions, causing the Company to be materially adversely affected.

Current and Future Consumer Protection Regulatory Requirements. The Company may manufacture and sell food and other products for human consumption which involves the risk of injury to consumers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling or transportation phases. Even though the Company intends to grow and sell products that are safe, it has potential product liability risk from the consuming public. The Company could be party to litigation based on consumer claims, product liability or otherwise that could result in significant liability for the Company and adversely affect its financial condition and operations. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that the Company's products caused illness or injury could adversely affect its reputation with existing and potential customers and its corporate and brand image.

The US Food and Drug Administration (the "FDA") may now or in the future regulate the material content of the Company's products pursuant to the Federal Food, Drug and Cosmetic Act and the Consumer Product Safety Commission (the "CPSC"), regulates certain aspects of certain products intended for human consumption pursuant to various U.S. federal laws, including the Consumer Product Safety Act and the Poison Prevention Packaging Act. The FDA and the CPSC can require the manufacturer of defective products to repurchase or recall these products and may also impose fines or penalties on the manufacturer. Similar laws exist in some states, cities and other countries in which the Company sells or intends to sell its products. In addition, certain state laws restrict the sale of packaging with certain levels of heavy metals and impose fines and penalties for noncompliance. A recall of any of the Company's products or any fines and penalties imposed in connection with noncompliance could have a materially adverse effect on its business.

Operational Risks. The Company will be affected by a number of operational risks and it may not be adequately insured for certain risks, including: labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Company's operations, potential legal liability, and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which it may elect not to insure because of the cost. This lack of insurance coverage could have a material adverse effect on the Company.

No Operating History. While the Company's principals have operated other successful cannabis companies, GRUS has a limited operating history and had no record of prior performance as a separate enterprise prior to the reverse take-over of the Company by GRUS. (See Item 4.A "History and Development of the Company.") GRUS faces the general risks associated with any new business operating in a competitive industry, including the ability to fund operations from unpredictable cash flow and capital-raising transactions. There can be no assurance that GRUS or the Company will achieve its anticipated investment objectives or operate profitably. The Company's business must be considered in light of the risks, expenses, and problems frequently encountered by companies in their early stages of development. Specifically, such risks may include, among others:

- inability to fund operations from unpredictable cash flows;
- failure to anticipate and adapt to developing markets;
- inability to attract, retain and motivate qualified personnel; and
- failure to operate profitably in a competitive industry.

There can be no assurance that the Company will be successful in addressing these risks. To the extent it is unsuccessful in addressing these risks, the Company may be materially and adversely affected. There can be no assurance that the Company will ever achieve or sustain profitability.

The Company will not be able to deduct many normal business expenses. Under Section 280E of the US Internal Revenue Code ("Section 280E"), many normal business expenses incurred in the trafficking of marijuana and its derivatives are not deductible in calculating federal and Oregon income tax liability. A result of Section 280E is that an otherwise profitable business may in fact operate at a loss, after taking into account its income tax expenses. Although the Company has accounted for Section 280E in its financial projections and models, the application of Section 280E may have a material adverse effect on the Company.

External Factors. The Company's business strategy includes commercial scale production and sales of cannabis. The success of this strategy is subject to numerous external factors, such as the availability of suitable land packages, the Company's ability to attract, train and retain qualified personnel, the ability to access capital, the ability to obtain required state and local permits and licenses, the prevailing laws and regulatory environment of each jurisdiction in which the Company may operate, which are subject to change at any time, the degree of competition within the industries and markets in which the Company operates and its effect on the Company's ability to retain existing and attract new customers. Some of these factors are beyond the Company's control.

Failure to Manage Growth Effectively. The rapid execution necessary for the Company to successfully implement its business strategy requires an effective planning and management process. The Company will be required to continually improve its financial and management controls, reporting systems and procedures on a timely basis, and to expand, train and manage its personnel. There can be no assurance that the Company's procedures or controls will be adequate to support operations. If the Company is unable to manage growth effectively, it could suffer a material adverse effect.

Changes in Industry Standards. The industry in which the Company operates could be subject to rapid changes, including, among others, changes in consumer requirements and preferences. There can be no assurance that the demand for any products or services offered by the Company will continue, or that the mix of the Company's future product and service offerings will satisfy evolving consumer preferences. The success of the Company will be dependent upon its ability to develop, introduce and market products and services that respond to such changes in a timely fashion. Consumer preferences change from time to time and can be affected by a number of different and unexpected trends. The Company's failure to anticipate, identify or react quickly to these changes and trends, and to introduce new and improved products on a timely basis, could result in reduced demand for the Company's products, which in turn cause a material adverse impact to the Company.

Dependence on Technology. The Company relies on information technology systems. All of these systems are dependent upon computer and telecommunications equipment, software systems and Internet access. The temporary or permanent loss of any component of these systems through hardware failures, software errors, the vulnerability of the Internet, operating malfunctions or otherwise could interrupt the Company's business operations and materially adversely affect the Company.

Failure to Protect Intellectual Property. Because producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a crime under the Federal CSA, the U.S. Patent and Trademark Office will not permit the registration of any trademark that identifies marijuana products. As a result, the Company likely will be unable to protect the marijuana product trademarks beyond the geographic areas in which the Company conducts business. The use of GRUS trademarks by one or more other persons could have a material adverse effect on the Company.

Even if the Company obtains federal, state or international trademark or copyright registrations for any products or services it develops, such registrations may not provide adequate protection. The Company may also rely on federal, state and international trade secret, trademark and copyright laws, as well as contractual obligations with employees and third parties, to protect intellectual property. Such laws and contracts may not provide adequate protection. Despite the efforts to protect its intellectual property, unauthorized parties may attempt to copy aspects of the Company's products or services, or obtain and use information that the Company regards as proprietary. The Company's efforts to protect its intellectual property from third-party discovery and infringement may be insufficient and third parties may independently develop products or services similar to the Company or duplicate their products or services. In addition, third parties may assert that the Company's products or services infringe their intellectual property.

Vulnerability to Rising Energy Costs. The Company's marijuana growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably. Increased energy costs would result in higher transportation, freight and other operating costs, including increases in the cost of ingredients and supplies. The Company's future operating expenses and margins could be dependent on its ability to manage the impact of such cost increases. If energy costs increase, there is no guarantee that such costs can be fully passed along to consumers through increased prices.

Agricultural Operations. Since the Company's business revolves mainly around the cultivation of cannabis, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include plant and other diseases, insect pests, adverse weather (including but not limited to drought, high winds, earthquakes and/or wildfire) and growing conditions, and new government regulations regarding farming and the marketing of agricultural products, among others. There is a risk that these and other natural elements will have a material adverse effect on the production of the Company's products, which in turn could have a material adverse effect on its results of operations.

Security Risks. The business premises of GRUS are a target for theft. While the Company has implemented security measures and continues to monitor and improve its security measures, its cultivation and processing facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and the Company fell victim to a robbery or theft, the loss of cash, cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Company.

Liability, Enforcement, Complaints, etc. The Company's participation in the marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities. Litigation, complaints, and enforcement actions could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Licenses. The Company's success depends on its ability to obtain and maintain marijuana licenses from state and local authorities including the OLCC. If the Company fails to obtain or maintain one or more marijuana production licenses from the OLCC or other applicable state or local government authorities, its business will be limited to Oregon's medical marijuana market only, which may not be a viable long-term business model. The Company's failure to obtain and maintain a marijuana license from the OLCC or other applicable state or local governmental authorities will have a material adverse effect on the Company and possibly require it to cease operations.

Limited Customer Base; Oregon Retail Price Decline. The customers of the Company's cannabis production business will be limited to other state-licensed marijuana businesses that the Company operates in, which currently is limited to Oregon. The Company currently may not sell its products to any business or person located outside Oregon. Generally, the Company will not be able to sell any of its products outside of the state of production. Consequently, the Company's customer base is limited to the jurisdictions it operates in for any cannabis based products, which currently is only Oregon. The retail and wholesale prices in Oregon of cannabis products have declined substantially in recent months due to an imbalance between demand for the products and the supply of the products. Such price declines, if sustained, will have a material adverse effect on the Company.

Local Laws and Ordinances. Although legal under Oregon and Michigan state law, local governments have the ability to limit, restrict, and ban medical or recreational cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could also be adopted or changed, and have a material adverse effect on the Company.

The Company's contracts may be unenforceable and property may be subject to seizure. As the U.S. Federal CSA currently prohibits the production, processing and use of marijuana, contracts with third parties (suppliers, vendors, landlords, etc.) pertaining to the production, processing, or selling of marijuana-related products, including any leases for real property, may be unenforceable. In addition, if the U.S. federal government begins strict enforcement of the Federal CSA, any property (personal or real) used in connection with a marijuana-related business may be seized by and forfeited to the federal government. In this case, the Company's inability to enforce contracts or any loss of business property (whether the Company's or its vendors') will have a material adverse effect on the Company.

Third party service providers to the Company may withdraw or suspend their service. Because under U.S. federal law the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law, companies that provide goods and/or services to companies engaged in cannabis-related activities may, under threat of federal civil and/or criminal prosecution, suspend or withdraw their services. Any suspension of service and inability to procure goods or services from an alternative source, even on a temporary basis, that causes interruptions in the Company's operations could have a material adverse effect on the Company.

The Company's business is highly regulated and it may not be issued necessary licenses, permits, and cards. The Company's business and products are and will continue to be regulated as applicable laws continue to change and develop. Regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. Even if the Company obtains one or more licenses from the OLCC or other applicable state or local governmental authorities, no assurance can be given that it will receive all of the other licenses and permits that will be required to operate. Further the Company cannot predict what kind of regulatory requirements its business will be subject to in the future.

The marijuana industry faces significant opposition in the United States. It is believed by many that large well-funded businesses may have strong economic opposition to the marijuana industry. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical marijuana industry. Any inroads the pharmaceutical industry could make in halting or impeding the development of the marijuana industry could have a material adverse effect on the Company.

The size of the target market is difficult to quantify. Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies, and few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, there can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

The Company has numerous competitors. Its marijuana production business is not, by itself, unique. The Company has numerous competitors throughout Oregon, Michigan, and other states utilizing a substantially similar business model. Excessive competition may impact sales and may cause the Company to reduce prices. Any material reduction in prices could have a material adverse effect on the Company. We are operating in a highly competitive industry where we may compete with numerous other companies in the marijuana industry, who may have far greater resources, more experience, and personnel perhaps more qualified than we do. There can be no assurance that we will be able to successfully compete against these other entities. To remain competitive, we will require a continued high level of investment in research and development, marketing, sales and client support. We may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect our business, financial condition and results of operations.

The Company may not be able to obtain or maintain a bank account. Because producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a crime under the Federal CSA, most banks and other financial institutions are unwilling to provide banking services to marijuana businesses due to concerns about criminal liability under the Federal CSA as well as concerns related to federal money laundering rules under the U.S. Bank Secrecy Act. In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, many cannabis businesses still operate on an all-cash basis. Operating on an all-cash or predominantly-cash basis makes it difficult for the Company to manage its business, pay its employees and pay its taxes, and may create serious safety issues for the Company, its employees and its service providers. Although the Company currently has several bank accounts, its inability to maintain those bank accounts, or obtain and maintain other bank accounts, could have a material adverse effect on the Company.

The protections of US bankruptcy law may be unavailable. As discussed above, the use of marijuana is illegal under U.S. federal law. Therefore, it may be argued that the federal bankruptcy courts cannot provide relief for parties who engage in marijuana or marijuana-related businesses. Recent bankruptcy court rulings have denied bankruptcies for dispensaries upon the justification that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for the same activity. In addition, some courts have reasoned that courts cannot ask a bankruptcy trustee to take possession of and distribute marijuana assets as such action would violate the Federal CSA. Therefore, the Company may not be able to seek the protection of the bankruptcy courts for the equal protection of creditors or debtor-in-possession financing or obtain credit from federal-charted financial institutions.

The Company may have a difficult time obtaining insurance which may expose the Company to additional risk and financial liabilities. Insurance that is otherwise readily available, such as workers compensation, general liability, and directors and officers insurance, is more difficult for the Company to find, and more expensive, because it is in the cannabis industry. There are no guarantees that the Company will be able to find such insurance in the future, or that the cost will be affordable. If the Company is forced to go without such insurance, it may prevent the Company from entering into certain business sectors, may inhibit its growth, may expose the Company to additional risk and financial liabilities and could have a material adverse effect on the Company.

The Company's websites are accessible in jurisdictions where medicinal or recreational use of marijuana is not permitted and, as a result the Company may be found to be violating the laws of those jurisdictions. The Company's websites, which advertise its products for use in connection with marijuana, are visible in jurisdictions where the medical and recreational use of marijuana is unlawful. As a result, the Company may face legal action brought against it by such jurisdictions for engaging in an activity illegal in that jurisdiction. Such an action could have a material adverse effect on the Company.

Currency Fluctuations. Due to the Company's operations in the United States, and its intention to continue future operations outside Canada, the Company may be exposed to significant currency fluctuations. All or substantially all of the Company's financings will be raised in Canadian dollars, but a substantial portion of the Company's operating expenses are incurred in US dollars. There is no expectation that the Company will put any currency hedging arrangements in place. Fluctuations in the exchange rate between the US dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Risks Associated with Acquisitions. As part of its overall business strategy, the Company may pursue select strategic acquisitions, which could provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Environmental Risks. The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not materially adversely affect the Company.

Government environmental approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of medical and/or recreational marijuana or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of marijuana, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Border crossing for non-U.S. residents may create additional challenges. Although cannabis use and sale is legal and regulated in numerous U.S. states, individuals who are not U.S. residents and employed or involved with licensed cannabis companies could be denied entry or face lifetime bans from the U.S. for their involvement with such companies. There has been increasing anecdotal evidence of non-U.S. residents who are involved in the cannabis industry being denied entry at the U.S. border or facing lifetime bans from the U.S. after disclosing to U.S. border officials the nature of their work. The Company's board of directors is made up of both U.S. and non-U.S. residents, so there is no guarantee that certain members of the Company's board would not be subject to such denials or bans. Should a director be prevented from entering the U.S., either in one instance or permanently, his or her ability to serve the Company as a board member could be hindered. This could equally impact any other non-U.S. resident employees employed by the Company.

The Company may suffer reduced profitability if it loses foreign private issuer status in the United States. If, as of the last business day of the Company's second fiscal quarter for any year, more than 50% of the Company's outstanding voting securities are directly or indirectly held of record by residents of the United States, the Company will no longer meet the definition of a "Foreign Private Issuer" under the rules of the U.S. Securities and Exchange Commission (the "SEC"). This change in status could have a significant effect on the Company as it would significantly complicate the raising of capital through the offer and sales of securities and reporting requirements, resulting in increased audit, legal and administration costs. The loss of Foreign Private Issuer status could have a material adverse effect on the Company.

United States Tax Classification of the Company. The Company is treated as a United States corporation for United States federal income tax purposes under Section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. The Company is also, regardless of any application of Section 7874 of the U.S. Tax Code, treated as a Canadian resident company (as defined in the Income Tax Act (Canada)) for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the United States which will have a material adverse effect on it.

General Risk Factors

Public health threats such as the recent outbreak of the novel coronavirus may have a negative effect on our business and customers. The World Health Organization recently declared the coronavirus (COVID-19) outbreak to be a “pandemic.” Since its detection in China during 2019, the virus has spread to various countries, including Canada and the United States. Several countries, including Canada and the United States, have placed restrictions on travel, and a number of businesses in affected regions have temporarily closed either voluntarily or in response to government mandates or guidance. The geographic scope of the outbreak remains uncertain and changes daily. Although it is uncertain to what extent this outbreak will disrupt our business operations or consumer demand for our products, the outbreak has already had a material adverse effect on the global economy. The outbreak’s impact on the economy may lead to a decrease in demand for our products. Our business would experience a material adverse effect if consumer demand were to decrease, we were unable to operate the business or our suppliers or vendors were unable to provide the products and services we require as a result of the outbreak.

Holding Company Status. As a result of the Transaction, the Company is currently a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company’s cash flows are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt or other contracts, in each case, which could limit the ability to pay such dividends or distributions, if at all. In the event of a bankruptcy, liquidation or reorganization of any of the Company’s subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Grown Rogue.

We require additional capital which may not be available to us on acceptable terms, or at all. We have accumulated significant losses and negative cash flows from operations in recent years which raises doubt as to the validity of the going concern assumption. As at October 31, 2020, we had working capital of \$35,671 and an accumulated deficit of \$19,394,044. We may not have sufficient funds to meet our liabilities for the ensuing twelve months as they become due. Our ability to continue operations and fund our liabilities may become dependent on our ability to secure additional financing and cash flow.

We have significant trade and other payables which may make it difficult to service our debts and adversely affects our ability to obtain additional financing. At October 31, 2020, we had trade and other payables in the amount of \$1,059,971. If in the future we are unable to service our debt obligations we may, among other things, need to refinance all or a portion of our debt at an increased borrowing cost, obtain additional financing, delay capital expenditures, or sell material assets. If we are not able to re-finance our debt as necessary, obtain additional financing, or sell assets on commercially acceptable terms or at all, we may not be able to satisfy our debt obligations and continue business operations.

We must continue to institute procedures designed to avoid potential conflicts involving our officers and directors. Some of our directors and officers are or may serve on the board of directors of other companies from time to time. Pursuant to the provisions of the Business Corporations Act (Ontario), our directors and senior officers must disclose material interests in any contract or transaction (or proposed contract or transaction) material to us. To avoid the possibility of conflicts of interest that may arise out of their fiduciary responsibilities to each of the boards, all such directors have agreed to abstain from voting with respect to a conflict of interest between the applicable companies. In appropriate cases, we will establish a special committee of independent directors to review a matter in which several directors, or members of management, may have a conflict.

We rely on the expertise of certain persons and must ensure that these relationships are developed and maintained. We are dependent on the advice and project management skills of various consultants and joint venture partners contracted by us from time to time. Our failure to develop and maintain relationships with qualified consultants and joint venture partners will have a material adverse effect on our business and operating results.

We must indemnify our officers and directors against certain actions. Our articles contain provisions that state that we must indemnify every director or officer, subject to the limitations of the Business Corporations Act (Ontario), against all losses or liabilities that our directors or officers may sustain or incur in the execution of their duties and subject to other applicable law. Our articles further state that no director or officer will be liable for any loss, damage, or misfortune that may happen to, or be incurred by us in the execution of his duties if he acted honestly and in good faith with a view to our best interests. Such limitations on liability may reduce the likelihood of litigation against our officers and directors and may discourage or deter our shareholders from suing our officers and directors based upon breaches of their duties to us, though such an action, if successful, might otherwise benefit us and our shareholders.

Risks Factors Relating to Our Securities

Possible volatility of price of shares of our securities. The market price for our securities may be volatile and is subject to significant fluctuations in response to a variety of factors, including the liquidity of the market for our securities, variations in our quarterly operating results, regulatory or other changes in the cannabis industry generally, announcements of business developments by us or our competitors, litigation, changes in operating costs and variations in general market conditions. Because we have a limited operating history in the cannabis industry, the market price for our securities may be more volatile than that of a seasoned issuer. Changes in the market price of our securities may have no connection with our operating results. No predictions or projections can be made as to what the prevailing market price for our securities will be at any time.

Our investors may have difficulty selling our securities as there is a limited public trading market for such securities. An investor in the Company may find it difficult to resell our securities. There is only a limited public market for our securities, and no assurance can be given that a broad or active public trading market will develop in the future or, if developed, that it will be sustained. Our common stock trades on the OTC Markets and the Canadian Securities Exchange. Our common stock has not been qualified under any applicable U.S. state blue-sky laws, and we are under no obligation to so qualify or register our common stock, or otherwise take action to improve the public market for such securities. Our common stock could have limited marketability due to the following factors, each of which could impair the timing, value and market for such securities: (a) lack of profits; (b) need for additional capital; (c) limited public market for such securities; (d) the applicability of certain resale requirements under the Securities Act; and (e) applicable blue sky laws and the other factors discussed in this Risk Factors section.

As a public company we are subject to complex legal and accounting requirements that will require us to incur significant expenses and will expose us to risk of non-compliance. As a public company, we are subject to numerous legal and accounting requirements in both Canada and the United States that do not apply to private companies. The cost of compliance with many of these requirements is material, not only in absolute terms but, more importantly, in relation to the overall scope of the operations of a small company. Our relative inexperience with these requirements may increase the cost of compliance and may also increase the risk that we will fail to comply. Failure to comply with these requirements can have numerous adverse consequences including, but not limited to, our inability to file required periodic reports on a timely basis, loss of market confidence, delisting of our securities, and/or governmental or private actions against us. We cannot assure you that we will be able to comply with all of these requirements or that the cost of such compliance will not prove to be a substantial competitive disadvantage compared to privately held and larger public competitors. Prior to the filing of this Report, we received a cease trade order from the Ontario Securities Commission for failure to meet filing requirements. As of the date of this Report, the Company had made the necessary filings and the cease trade order was removed.

We do not anticipate paying dividends on shares of our common stock. We do not anticipate paying cash dividends on shares of our common stock in the foreseeable future. We may not have sufficient funds to legally pay dividends. Even if funds are legally available to pay dividends, we may nevertheless decide, in our sole discretion, not to pay dividends. The declaration, payment, and amount of any future dividends will be made at the discretion of our Board of Directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors our Board of Directors may consider relevant. There is no assurance that we will pay any dividends in the future, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend.

Our shareholders may experience dilution of their ownership interests because of our future issuance of additional shares of common stock. Our organizational and corporate documents authorize the issuance of an unlimited number of shares of common stock, without par value. In the event that we are required to issue additional shares of common stock or securities exercisable for or convertible into additional shares of common stock, enter into private placements to raise financing through the sale of equity securities, the interests of our existing shareholders will be diluted and existing shareholders may suffer dilution in their net book value per share depending on the price at which such securities are sold. If we do issue additional shares, it will cause a reduction in the proportionate ownership and voting power of all existing shareholders. As of January 31, 2021, we had outstanding the following common share purchase warrants: 8,409,091 warrants exercisable at CDN\$0.16 per share, 5,000,000 warrants exercisable at CDN\$0.125 per share, 10,000,000 warrants exercisable at CDN\$0.13 per share, and 2,148,117 warrants exercisable at \$0.44 per share. As of January 31, 2021, we had outstanding the following share purchase options: 500,000 options exercisable at CDN\$0.44 per share and 3,851,250 options exercisable at CDN\$0.15 per share. (See Item 5: “Operating and Financial Review and Prospects – Share Capital and Reserves and Derivative Liabilities” and Item 4.A “History and Development of the Company”).

Applicable SEC rules governing the trading of “penny stocks” will limit the trading and liquidity of our common stock and may affect the trade price for our common stock. The SEC has adopted rules which generally define “penny stock” to be any equity security that has a market price (as defined) of less than US\$5.00 per share or an exercise price of less than US\$5.00 per share, subject to certain exceptions. Our securities will be covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and “accredited investors”. The term “accredited investor” refers generally to institutions with assets in excess of US\$5,000,000 or individuals with a net worth in excess of US\$1,000,000 or annual income exceeding US\$200,000 or US\$300,000 jointly with their spouse.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer’s account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer’s confirmation.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the shares that are subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We expect that the penny stock rules will discourage investor interest in and limit the marketability of shares of our common stock.

In addition to the “penny stock” rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives, and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements will make it more difficult for broker-dealers to recommend that their customers buy shares of our common stock, which may limit your ability to buy and sell our shares and have an adverse effect on the market for our shares.

FINRA sales practice requirements may limit a shareholder’s ability to buy and sell our securities. In addition to the “penny stock” rules described above, FINRA has adopted rules that require that in recommending an investment to a client, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that client. Prior to recommending speculative, low-priced securities to their non-institutional clients, broker-dealers must make reasonable efforts to obtain information about the client’s financial status, tax status, investment objectives, and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative, low-priced securities will not be suitable for at least some clients. FINRA requirements make it more difficult for broker-dealers to recommend that their clients buy our securities, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our securities.

Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and pose challenges for our management. Changing laws, regulations, and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated thereunder, the Sarbanes-Oxley Act and SEC regulations, have created uncertainty for public companies and significantly increased the costs and risks associated with accessing the U.S. public markets. Our management team needs to devote significant time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

Changes in tax laws or tax rulings could materially affect our financial position and results of operations. Changes in tax laws or tax rulings could materially affect our financial position and results of operations. Certain changes in the taxation of business activities may increase our worldwide effective tax rate and harm our financial position and results of operations.

Because we are quoted on the OTC Markets instead of a national securities exchange in the United States, our U.S. investors may have more difficulty selling their stock or experience negative volatility on the market price of our stock in the United States. In the United States, shares of our common stock are quoted on the OTC Markets. The OTC Markets is marketed as an electronic exchange for high growth and early stage U.S. companies and a prospective “final step toward a NASDAQ or NYSE listing” (although no assurances can be provided that such change of market shall occur). Trades are settled and cleared in the U.S. similar to any NASDAQ or NYSE stock and trade reports are disseminated through Yahoo, Bloomberg, Reuters, and most other financial data providers. The OTC Markets may be significantly illiquid, in part because it does not have a national quotation system by which potential investors can follow the market price of shares except through information received and generated by a limited number of broker-dealers that make markets in particular stocks. There is a greater chance of volatility for securities that trade on the OTC Markets as compared to a national securities exchange in the United States, such as the New York Stock Exchange, the NASDAQ Stock Market or the NYSE Amex. This volatility may be caused by a variety of factors, including the lack of readily available price quotations, the absence of consistent administrative supervision of bid and ask quotations, lower trading volume, and market conditions. U.S. investors in shares of our common stock may experience high fluctuations in the market price and volume of the trading market for our securities. These fluctuations, when they occur, have a negative effect on the market price for shares of our common stock. Accordingly, our U.S. shareholders may not be able to realize a fair price from their shares when they determine to sell them or may have to hold them for a substantial period of time until the market for shares of our common stock improves.

Volatility in our common share price may subject us to securities litigation, thereby diverting our resources that may have a material effect on our profitability and results of operations. The market for shares of our common stock is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may in the future be the target of similar litigation. This type of litigation could result in substantial costs and could divert management’s attention and resources.

Rule 144 sales in the future may have a depressive effect on the price of shares of our common stock as an increase in supply of shares for sale, with no corresponding increase in demand may cause prices to fall. All of the outstanding shares of common stock held by the present officers, directors, and affiliate stockholders are “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act of 1933 (the “Securities Act of 1933”), as amended. As restricted shares, these shares may be resold in the U.S. only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemptions from registration under the Securities Act of 1933 and as required under applicable state securities laws. Rule 144 provides in essence that a person who is an affiliate or officer or director who has held restricted securities for six months may, under certain conditions, sell every three months, in brokerage transactions, a number of shares that does not exceed the greater of 1.0% of the Company’s issued and outstanding common stock or the average of the four-week trading volume. There is no limit on the amount of restricted securities that may be sold by a non-affiliate after the owner has held the restricted securities for a period of six months if the Company is a current reporting company under the Securities Exchange Act of 1934. A sale under Rule 144 or under any other exemption from the Securities Act of 1933, if available, or pursuant to subsequent registration of shares of common stock of present stockholders, may have a depressive effect upon the price of the common stock in any market that may develop. In addition, if we are deemed a shell company pursuant to Section 12(b)-2 of the Act, our “restricted securities”, whether held by affiliates or non-affiliates, may not be re-sold for a period of 12 months following the filing of a Form 10 level disclosure or registration pursuant to the Securities Act of 1933.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) could have a material adverse effect on our business and our operating results. Pursuant to Section 404 of the Sarbanes-Oxley Act and current SEC regulations, we are required to prepare assessments regarding internal controls over financial reporting. In connection with our on-going assessment of the effectiveness of our internal control over financial reporting, we may discover “material weaknesses” in our internal controls as defined in standards established by the Public Company Accounting Oversight Board, or the PCAOB. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The PCAOB defines “significant deficiency” as a deficiency that results in more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected. The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. We cannot assure you that the measures we will take will remediate any material weaknesses that we may identify or that we will implement and maintain adequate controls over our financial process and reporting in the future.

We have identified significant deficiencies in our internal controls related to Section 404 of the Sarbanes-Oxley Act. Although we are currently in the process of employing qualified personnel and adopting and implementing policies and procedures to address these significant deficiencies, we cannot assure you that the measures we are taking will effectively or completely remediate these significant deficiencies or that we will implement and maintain adequate controls over our financial process and reporting in the future. If we fail to sufficiently remedy these significant deficiencies, or otherwise fail to comply with the requirements of Section 404 of the Sarbanes-Oxley Act regarding internal control over financial reporting in the future, our financial statements may contain material misstatements, investors may lose confidence in our reported financial information, and we may become subject to sanctions or investigations by the SEC or other regulatory authorities, which could have a negative effect on the trading price of our securities and entail the expenditure of additional financial and management resources. Any such failure could also adversely affect the results of the management evaluations of our internal controls.

ITEM 4 INFORMATION ON THE COMPANY

Prior to the Transaction, we were an emerging media and internet company with a focus on user experience and engagement, creating brands, products and destinations globally, regionally and by language that are value driven providing an informative, interactive, entertaining and engaging look at content.

As a result of the reverse takeover Transaction, we became a fully integrated, seed to experience cannabis brand with a focus on user experience. The Company delivers cannabis related products to cannabis users in the state of Oregon with intent to expand into other markets. The Company manages indoor and outdoor growing facilities in the Rogue Valley of Southern Oregon to take advantage of the unique microclimates inherent to each of the various farm locations that help create varied flavor and product profiles while retaining the unique core characteristics that consumers desire. In 2021, we expanded into Michigan by obtaining an interest in an operating company with an indoor grow facility.

Shares of our common stock trade on the OTC Markets under the symbol GRUSF and is listed on the Canadian Securities Exchange under the symbol GRIN. Our registered office and management office is located at 340 Richmond Street West, Toronto, Ontario, M5V 1X2. Telephone (416) 364-4039, Facsimile (416) 364-8244. Our books and financial records are located in the registered office and management office. Our Canadian public filings can be accessed and viewed via the System for Electronic Data Analysis and Retrieval (“SEDAR”) at www.sedar.com. Readers can also access and view our Canadian public insider trading reports via the System for Electronic Disclosure by Insiders at www.sedi.ca.

Our Registrar and Transfer Agent Capital Transfer Agency ULC located at Suite 920, 390 Bay Street, Toronto, Ontario, M5H 2Y2. Our Co-transfer Agent is Worldwide Stock Transfer, LLC located at One University Plaza, Suite 505, Hackensack, N.J. 07601.

Our U.S. public filings are available at the public reference room of the U.S. Securities and Exchange Commission (“SEC”) located at 100 F Street, N.E., Room 1580, Washington, DC 20549 and at the website maintained by the SEC at www.sec.gov.

A. HISTORY AND DEVELOPMENT OF THE COMPANY

The Company’s legal name is Grown Rogue International Inc. The Company’s commercial name is Grown Rogue. The Company is a Canadian corporation. We were incorporated in Ontario, Canada on September 22, 1978, under the Business Corporations Act (Ontario), under the name Bonanza Red Lake Explorations Inc. (“Bonanza Red Lake”). Between the time of our incorporation and fiscal year 2013, we operated predominantly as a mining and energy company. During that time period, we underwent various share consolidations, exchanges, and issuances of shares of our common stock. Our mining and energy operations took place in different parts of Canada and the United States. The Company’s name was changed from Bonanza Red Lake Explorations Inc. to Eugenic Corp; and from Eugenic Corp to Eagleford Energy Inc.

During fiscal 2014 and 2015, the Company’s principal activities consisted of exploration, development and production of petroleum and natural gas properties. In 2016, the Company divested itself of its mining, petroleum and natural gas assets and began acquiring assets to facilitate operations as a digital media and technology company.

During January and February 2017, the Company developed a technology-based platform, through its wholly owned subsidiary DoubleTap Daily Inc., (“DoubleTap”) creating a digital media asset designed to showcase content and deliver digital media to engage social discourse while facilitating advertising and eCommerce with the intent to improve the overall user experience. The Company launched the platform during March 2017 and also began implementing native advertising services and ad-overlay services on its digital media asset for commercialization.

During the summer of 2017, DoubleTap executed its strategy to drive revenues through technologies and services that deliver content, social and digital media, eCommerce and advertising. Management continued developing the asset, by focusing activities to acquire content creators, bloggers and influencers while building a sales pipeline to position growth. DoubleTap continued activities to expand its social media reach, and web presence of its website. The digital media marketplace is crowded and competitive and although DoubleTap’s web presence was growing, management was unable to sustain or build revenues that exceeded its expenditures. In the month of September of 2017, the Company maintained its digital media, and advertising platform while pursuing further ventures of merit to enhance shareholder value. Such efforts resulted in a non-binding Letter of Intent to combine with GRUS as announced on September 28, 2017. The Company divested of DoubleTap Daily Inc. and its business following the closing of the Transaction.

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Effective November 15, 2018 and pursuant to the Definitive Agreement, the Company combined its business operations with GRUS, resulting in a reverse take-over of the Company by GRUS. Pursuant to this reverse takeover Transaction, the Company issued 60,746,202 common shares at a deemed price of CDN\$0.44 and 5,446,202 warrants with an exercise price of \$0.55 per share.

Effective November 1, 2018, we changed our name from Novicius Corp. to Grown Rogue International Inc.

During the fiscal years ended October 31, 2020, 2019 and 2018, the Company invested \$625,793, \$397,017 and \$1,055,874, respectively, on property and equipment, the significant majority of which was spent on the build-out of its indoor growing and processing facility. The Company anticipates further expenditures to be made on future opportunities evaluated by the Company. Any expenditure that exceeds available cash will be required to be funded by additional share capital or debt issued by the Company, or by other means. The Company's long-term profitability will depend upon its ability to successfully implement its business plan. The Company's past primary source of liquidity and capital resources has been proceeds from the issuance of share capital, shareholders' loans and cash flow from oil and gas operations.

On February 10, 2020, the Company announced that it had received a commitment from Plant-Based Investment Corp (CSE: PBIC) ("PBIC") to invest up to CDN\$1,500,000 in a non-brokered private placement offering (the "February 2020 Private Placement") of units (the "Units") with each Unit comprising of one common share in the capital of the Company and one common share purchase warrant (the "Warrants"). Each Warrant is exercisable into one Share at a price equal to a 25% premium to the Unit price for a period of 24 months. The Company has the right to accelerate the expiry of the Warrants to thirty (30) days following written notice to the holder if the Shares close at or above CDN\$0.25 per share for a period of ten (10) consecutive trading days on the Canadian Securities Exchange. As of the date of this filing, the offering has been completed for gross proceeds of approximately CDN\$1,500,000, with 15,000,000 Units issued at a price of CDN\$0.10 per Unit. In addition, PBIC and the Company entered into subscription agreements to exchange approximately CDN\$1,500,000 worth of each other's shares (the "Share Swap"). Under the terms of the Share Swap, the Company received 2,362,204 common shares of PBIC at a price of \$0.635 per share, and PIBC received 15,000,000 shares of the Company at a price of \$0.10 per share. PBIC and the Company signed a voting and resale agreement providing that both will be required to vote the shares acquired under the Share Swap as recommended by the other party and were restricted from trading the shares for a period of eighteen months.

In February 2020, the Company, through its subsidiary GR Michigan, LLC, signed an Option to Purchase Agreement (the "Option Agreement") to acquire a 60% controlling interest in Golden Harvests, LLC ("Golden Harvests"). Golden Harvests is a Michigan-based, fully licensed, and operating cultivation company located in Bay City, Michigan. During the nine months ended July 31, 2021, the Company's majority controlled subsidiary GR Michigan, LLC, terminated the Option Agreement. Simultaneously with the termination of the Option Agreement, a new entity, Canopy Management, LLC ("Canopy"), majority-owned by the CEO, signed an option agreement to purchase Golden Harvests under similar terms (the "New Option"). Canopy has already been approved by the State of Michigan for licensing and this facilitated the Company's ability to accelerate and exercise its option to obtain a 60% interest in Golden Harvests. The Company has an option to acquire 87% of the CEO's membership interest in Canopy, which, when exercised, pending approval by the State of Michigan of the Company's application, will provide identical economic rights as the Company originally had in the Option Agreement. Canopy is majority owned by GRIN's CEO, who has a fiduciary responsibility to the Company and is prohibited from omitting or taking certain actions relating to Canopy where to do so would be contrary to the economic benefits which the Company expects to derive from the acquisition of Golden Harvests. Canopy acquired a 60% controlling interest in Golden Harvests in May 2021, and until we exercise the option to acquire 87% of Canopy, it will be consolidated with a 100% non-controlling interest. The Company acquired a controlling 60% interest in Golden Harvests for aggregate consideration of US\$1,007,719 comprised of 1,025,000 common shares of the Company with a fair value of US\$158,182, and cash payments and cash payable of US\$849,537.

On January 19, 2021, the Company completed the first tranche of a private placement of 2,031,784 shares for proceeds of \$200,000. On February 5, 2021, the Company completed the second tranche of the private placement (the "February 2021 Private Placement 2nd Tranche") comprised of 8,200,000 units (the "Units") at CDN\$0.16 per Unit for proceeds of CDN\$1,312,000 (US\$1,025,000). Each Unit was comprised of one common share and one warrant to purchase one common share. Each warrant has an exercise price of CDN\$0.20 and a term of two years. The second tranche included subscriptions by the following related parties: the CEO subscribed to 1,600,000 Units; the CFO of GR Unlimited subscribed to 2,000,000 Units; a key Company operations manager subscribed to 1,000,000 Units; and PBIC subscribed to 2,000,000 Units.

On February 5, 2021, the Company agreed to acquire substantially all of the assets of the growing and retail operations of High Street Capital Partners, LLC (“HSCP”) for \$3,000,000 of total agreed-upon consideration. The Company also executed a Management Services Agreement (“MSA”) with HSCP. The Company operated the growing facility under the MSA until the acquisition of the growing assets obtained regulatory approval. On April 14, 2022, the transaction closed with modifications to the original terms: the retail dispensary purchase was mutually terminated, and total consideration for the acquisition was reduced to \$2,000,000. Upon closing, the Company had paid \$750,000 towards the acquisition, and owed payments of \$500,000 due on August 1, 2022, and US\$750,000 due on May 1, 2023.

On March 5, 2021, the Company announced the completion of a brokered private placement offering through the issuance of an aggregate of 21,056,890 special warrants (each a “Special Warrant”) at a price of CDN\$0.225 (the “Issue Price”) per Special Warrant for aggregate gross proceeds of approximately \$3.7 million (CDN\$4,737,800) (the “Offering”). Each Special Warrant entitled the holder thereof to receive, for no additional consideration, one unit of the Company (each, a “Unit”) on the exercise or deemed exercise of the Special Warrant. Each Unit was comprised of one common share of the Company and one warrant to purchase one common share of the Company. Each Special Warrant entitled the holder to receive upon the exercise or deemed exercise thereof, at no additional consideration, 1.10 Units (instead of one (1) Unit), if the Company had not received a receipt for a final short form prospectus qualifying distribution of the common shares and warrants (the “Qualifying Prospectus”) from the applicable securities regulatory authorities (the “Securities Commissions”) on or before April 5, 2021. Each Special Warrant was to be deemed exercised on the date that was the earlier of: (i) the date that was three (3) days following the date on which the Company obtained receipt from the Securities Commissions for the Qualifying Prospectus underlying the Special Warrants and (ii) July 6, 2021. The Company obtained receipt for the Qualifying Prospectus on April 26, 2021. Accordingly, on April 30, 2021, the Company issued 23,162,579 Units, comprised of 23,162,579 common shares and 23,162,579 warrants to purchase one common share. The warrants entitle the holder to purchase one common share at an exercise price of CDN\$0.30 for a period of two years.

On December 9, 2021, the Company announced that it had closed a non-brokered private placement of common shares (“December 2021 Private Placement”) for total gross proceeds of \$1,300,000 (CDN\$1,645,800). The Private Placement resulted in the issuance of 13,166,400 common shares of Grown Rogue at a purchase price of CDN\$0.125 per share. All common shares issued pursuant to the December 2021 Private Placement were subject to a hold period of four months and one day. The CEO of Grown Rogue invested USD\$300,000 in the December 2021 Private Placement and received 3,038,400 common shares of the Company.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including the Company. The address of such Internet site is <http://www.sec.gov>. The Company’s Internet site is <https://www.grownrogue.com/>. The information on the Company’s Internet site is not included in and does not form a part of this Form 20-F.

Our registered office and principal place of business in Ontario is located at 340 Richmond Street West, Toronto, Ontario, M5V 1X2. Our telephone number at that address is (416) 364-4039.

B. BUSINESS OVERVIEW

General

Immediately prior to the Transaction, the Company operated as an emerging media and internet company with a focus on user experience and engagement.

As a result of the Transaction and through GRUS, we became a multi-state cannabis company curating innovative products that allow consumers to enhance life experiences. Grown Rogue is committed to educating, inspiring and empowering consumers with information about cannabis so they can “enhance experiences” by selecting the right product. The Grown Rogue portfolio of brands have a diverse cannabis product suite that includes premium flower (indoor and sungrown), flower pre-rolls, and flower jars.

Grown Rogue is strategically focused on high quality, low cost production of flower and flower-based products. Flower continues to be the leading product category in most every state as compared to other products such as edible, vape cartridges, pre-rolls, or concentrates. With its best-in-class production methods, low cost cultivation, award winning product, and geographic location in the famed Emerald Triangle, Grown Rogue is well positioned to execute on becoming a leader in flower production in the cannabis sector.

Oregon

Grown Rogue, through its wholly owned subsidiary, Grown Rogue Gardens LLC (“GR Gardens”), operates four cultivation facilities in Oregon, comprising approximately 130,000 sq ft of cultivation area, that currently service the Oregon recreational marijuana market: “Foothill” (sungrown, license transferred from the former “Manzanita Glen” location), “Trail’s End” (sungrown), and two state-of-the-art indoor facilities (“Rossanley” and “Airport”). GR Gardens currently holds four producer licenses in Oregon from the Oregon Liquor Control Commission (“OLCC”), two wholesaler licenses, and two processor licenses. In September 2021, GR Gardens transferred its processor license from Rossanley to a new facility to support processing operations for the Company.

Grown Rogue’s Oregon business is headquartered in the world-renowned Emerald Triangle, which is known world-wide for the quality of its cannabis. The Emerald Triangle includes the southern part of Oregon and northern part of California. The company capitalizes on this ideal outdoor growing environment to produce high-quality, low-cost cannabis flower. The two sungrown farms produce one crop per year per farm, which is planted in June and harvested in October.

GR Gardens is responsible for production of recreational marijuana using outdoor and indoor production methodologies. Foothill and Trail’s End are both outdoor, sungrown farms, with 40,000 sq ft of flowering canopy, for a total of 80,000 square feet, sitting on a combined land package of approximately 80 acres.

Rossanley, an approximately 17,000 square-foot indoor facility, produces high-quality indoor flower through controlled atmosphere environment operations. By carefully controlling temperature, humidity, carbon dioxide levels, and other criteria, we are able to provide year-round supply of high-quality cannabis flower with multiple harvests per month. Rossanley has eight dedicated flower rooms, which allows for an average of nearly four harvests per month resulting in approximately 3,600 pounds annually.

Airport is a 30,000 square feet of indoor production space, from which we estimate annual production of nearly 6,000 pounds of high quality indoor whole flower in calendar year 2022. Airport is a short distance from Rossanley, which is a benefit to operating efficiency, and it is equipped with state-of-the-art equipment which facilitates the implementation of best practices already developed at Rossanley.

The total annual production capacity for Grown Rogue’s Oregon operations, based on the current constructed capacity, will range between 13,000 and 18,000 pounds, depending upon various factors including sungrown seasonality and strain performance.

Michigan

As described in *Item 4(A) - History and Development of the Company*, we acquired a 60% controlling interest in Golden Harvests in May 2021. Golden Harvests operates a single, 80,000 sq ft facility that currently serves the Michigan recreational and medical market. Golden Harvests currently hold two medical Class C licenses and 4 recreational class C licenses, allowing for 3,000 and 8,000 plants, respectively.

The Golden Harvests facility is approximately 60% constructed, with approximately 50,000 square feet in operation, which provides for flowering space of approximately 20,000 square feet, and all ancillary support space, including office and administration. The facility produces high quality indoor flower through controlled atmosphere operations with twelve individual flowering rooms currently operating. The total annual production in 2021 was approximately 4,000 pounds; 8,000 pounds are expected in 2022. This location produces flower that is sold as bulk, packaged flower, as well as pre-rolls which are manufactured on site.

Product

Grown Rogue produces a range of cultivars for consumers to enjoy (traditionally classified as indicas, sativas, and hybrids). Grown Rogue has a mix of “core” and “limited” strains to provide consumers with consistent and unique purchasing options at their local dispensary. Grown Rogue flower has won multiple awards in Oregon, which is one of the most competitive cannabis production environments in the world, including the prestigious Growers Cup competition on two occasions. Grown Rogue won 1st place for highest THC content, 1st place for highest terpene content, and 3rd place in the grower’s choice category and won 1st place for highest terpene content. In addition, we believe we achieved an outdoor production potency record in the state of Oregon, when its Monkey Train cultivar tested at a THC potency of 35.13%. Consumers can enjoy both bulk flower and in Michigan our innovative nitrogen sealed 3.5 gram flower jars, 3.5 gram flower bags, and our patented nitrogen sealed pre-rolls.

Genetics

We are committed to developing unique, proprietary genetics as long-term genetic diversity will be a major factor in establishing brand differentiation with consumers. We have allocated research and development space to develop new strains, while also phenotype hunting to identify new and exciting strain options that will resonate with consumers. Grown Rogue has developed a compelling mix of proprietary strains, along with a library of “fan favorites” to ensure that consumer and dispensary demand will remain strong for its flower and flower-derived products. All Grown Rogue genetics are rigorously tested to establish the genetic makeup of each strain in its portfolio. We continue to focus on bringing new unique genetics to bring a steady flow of innovative flower and flower products to market. Currently we carry more than 50 unique cultivars in our genetic library and are continually adding to the library as we trial new genetics.

Distribution and Sales

Grown Rogue uses a multi-channel distribution strategy that includes direct-to-retail delivery and third-party delivery (Michigan regulations mandate independent third-party delivery); wholesalers, who have their own distribution channels; and processors, who utilize Grown Rogue products (e.g., trim) to create retail-ready products. Regarding the direct-to-retail channel, Grown Rogue’s sales team works closely with dispensary owners and intake managers to provide consistent product, competitive prices, and personalized service using sales techniques from other industries such as pharmaceutical and liquor. Grown Rogue’s goal is to establish and maintain the client relationship as we continue to expand our footprint in the states in which we operate.

By way of example, Grown Rogue has developed end user product marketing collateral and other educational information regarding Grown Rogue products as part of all sales with dispensaries that include strain type, testing results, information on the product and other necessary information to clearly articulate the product being provided. Each product is uniquely packaged while maintaining brand consistency across the product suite.

Grown Rogue works with dispensary owners to develop promotional opportunities for the retail customers and bud tenders. Grown Rogue provides detailed tutorials to the staff and owners of the dispensaries around the product and how it is grown, processed, cured and packaged so that they are intimately familiar with the Grown Rogue process. Grown Rogue also invites dispensary owners and operators to Grown Rogue’s operating facilities so they can see first-hand the methods and processes used to create the product.

Branding

Developing compelling branding that engages, inspires, and creates transparency and trust with consumers is one of the most important aspects of building a successful cannabis company. Cannabis product branding has been evolving from promising high-quality flower, to providing descriptions of the effect a consumer should expect from a particular product.

Grown Rogue was one of the first brands in the United States to go to market with this type of branding as part of the ROGUE Categorization: Relax, Optimize, Groove, Uplift and Energize. The focus was to provide consumers with “The Right Experience, Every time” made easier by a simple product description that was not cannabis based, such as Sativa or Indica.

While other brands have shifted into the “one word” product description, Grown Rogue has leveraged consumer insights and product feedback to evolve the messaging to provide significantly more detail so consumers can make a more informed choice about which Grown Rogue products will optimally enhance their experience.

Grown Rogue’s unique “Mind, Body & Mood” product descriptions provide a level of detail about the expected cannabis experience that is much more insightful and beneficial than competitors. Instead of one word, such as Relax, describing a product, Grown Rogue has six words across three categories. Still easy to understand, but much more informative. Grown Rogue is refining this branding effort and intends to launch this new and innovative approach to ensuring consumers select the right experience in 2020.

In order to grow the Grown Rogue community and spread knowledge of its products, Grown Rogue leverages social media and other digital platforms. Grown Rouge aspires to eliminate the “dark mystery” historically associated with cannabis by empowering consumers to learn about the plant and then “enhance experiences” as they desire. The transition from prohibition to legal cannabis has provided the cannabis community with an opportunity to welcome a large group of new members and it is vital that product education is completed in an authentic and informative manner to ensure that everyone’s first cannabis experience is not only positive but also as expected.

Marketing and Advertising

Grown Rogue’s marketing channels include a comprehensive, fully responsive (mobile) interactive website. The website has been search engine optimized (SEO) and includes calls to action that encourage consumers to become part of the Grown Rogue community by joining its newsletter list or following the company on social media. Grown Rogue is focused on providing education to new and existing consumers, which is available through its monthly newsletter or via the blog section of its website. Consumers can find information about Grown Rogue, different types of cannabis products and general industry information.

Grown Rogue strategically leverages digital advertising, primarily on industry sites such as Leafly and Weedmaps, and has selectively advertised in endemic and non-endemic magazines including Grow, Northwest Leaf, Oregon Leaf, Dope, Portland Mercury, and Willamette Weekly.

Grown Rogue has established a social media presence that includes Facebook, Twitter, and Instagram. Grown Rogue’s social identity will be defined by delivering fresh content and keeping interaction with followers/fans prompt and positive. Grown Rogue intends to attract existing cannabis industry participants as well as people not familiar with the industry by creating a positive, inclusive environment where dialogue is encouraged. The goal is to change existing stereotypes and overcome the stigmas associated with the cannabis industry.

Licenses

Grown Rogue is dependent upon its ability (and the abilities of its subsidiaries) to obtain and maintain state and local licenses required to conduct its marijuana business in Oregon, California, and Michigan. Failure to obtain or maintain licenses any such licenses would have a material adverse effect on the Company’s business.

Trademarks and Patents

Grown Rogue actively seeks to protect its brand and intellectual property. Grown Rogue currently has three registered U.S. trademarks:

1. *Grown Rogue* was filed on September 22, 2017 and registered on August 7, 2018 under Registration No. 5537240
2. *The Right Experience Every Time* was filed on September 29, 2017 and registered on August 7, 2018 under Registration No. 5537260.
3. *Sizzleberry* was filed on September 29, 2017 and registered on August 7, 2018 under Registration No. 5537259.

Grown Rogue filed a patent for its nitrogen sealed glass containers on February 15, 2018 with the United States Patent and Trademark Office (“USPTO”). The nitrogen sealed glass containers preserve the freshness of the flower and essential terpenes to improve the “entourage effect.” The USPTO issued Grown Rogue United States Patent Number 10,358,282 on July 23, 2019. Several third parties have contacted us to request licensing information on this technology. We have introduced nitrogen sealed jars and pre-rolls in Michigan and plan on launching them as we enter additional new markets and may license the technology to third parties operating in markets in which Grown Rogue is not currently licensed.

Social and Environmental Policies

Grown Rogue employs sustainable business models in all of its operations. On the cultivation side, Grown Rogue maintains the highest standards of environmental stewardship. This includes sustainable water sources with reclamation and recapture as much as possible from runoff and recycling of water input. Grown Rogue uses only natural and sustainable products in all of their applications from nutrients to integrated pest management. Grown Rogue maintains the highest level of sustainable cannabis practices through its focus on sustainable and natural cultivation methods.

Grown Rogue hires and pays living wage to all of its team members and is very involved in each of the communities where it operates.

Plans for Expansion & Economic Outlook

Grown Rogue continues to focus on taking its learnings and experience from Oregon and Michigan into new markets across the US. During the last two years, Grown Rogue has established a platform that excels at licensing, compliance, high-quality and low-cost production, understanding consumer purchasing preferences, and product innovation. This platform places Grown Rogue in a superior position to capitalize on new markets compared to our competitors. Oregon is arguably the most competitive cannabis market in the world, and we have excelled by implementing standard business practices that make the Company well suited for entering and building successful brand presence in newly legalized cannabis markets.

The recently completed expansion into Airport and acquisition by Canopy of a 60% interest in Golden represent execution of management’s strategy of growth through high quality, low-cost flower production. As other growth opportunities arise under favorable financial terms, management can activate known and repeatable systems into new assets.

We believe that the future of the cannabis industry is in branded products and that the leading brands are being developed on the west coast, which is the area that is well known for high quality cannabis. Unlike many current multi-state operators who prefer to obtain just a few licenses in a large volume of states, Grown Rogue is focused on establishing a larger number of licenses in fewer states to capitalize on the economies of scale we view as optimal to maximize profits. Over the next 12 months, Grown Rogue is focused on furthering its footprint and market share in the Oregon market, continuing to add to the portfolio projects in Michigan and exploring strategic opportunities in new states.

With the recent shift in political landscape, Grown Rogue has also begun analyzing the potential for federal de-regulation and the subsequent ability to export cannabis products across state lines. We believe Oregon will be a large export state. Being located in the Emerald Triangle also provides a unique product differentiator due to the ability to produce high quality low cost sungrown flower due to the environmental conditions that occur naturally in Southern Oregon. Our strategy for how to take advantage of what is projected to be a multi-billion dollar export business is developing and we are excited to begin implementation of this business plan over the coming years.

C. ORGANIZATIONAL STRUCTURE

As of the date of this Report, and as a result of the Transaction, we have five wholly-owned subsidiaries: GRUS, GR Gardens, Grown Rogue Distribution, LLC (“GR Distribution”), GRU Properties, LLC (“GRUP”), and GRIP, LLC (“GRIP”). The Company owns GR Gardens, GR Distribution, GRUP, and GRIP, indirectly through its ownership of GRUS; each of GR Gardens, GR Distribution, GRUP, and GRIP is a wholly owned subsidiary of GRUS. Through GRUS, the Company also has an indirect ownership interest in Idalia, LLC, an Oregon limited liability company (“Idalia”); GRUS owns a 60% interest in Idalia and an 87% interest in GR Michigan, LLC, a Michigan limited liability company (“GR Michigan”), as well as an option to acquire 87% of Canopy, which owns 60% of Golden Harvests.

All intercompany balances and transactions have been eliminated on consolidation.

The following tables include wholly owned subsidiaries of the Company following the Transaction:

Grown Rogue International Inc.	
100% owned subsidiaries incorporated in the Province of Ontario	100% owned subsidiary Organized in Oregon
Grown Rogue Canada Corp. (incorporated November 15, 2018)	Grown Rogue Unlimited, LLC (organized in Oregon October 31, 2016)

Grown Rogue Unlimited, LLC			
100% owned subsidiaries of Grown Rogue Unlimited, LLC organized in Oregon*			
Grown Rogue Gardens, LLC (organized November 1, 2016)	Grown Rogue Distribution, LLC (organized November 1, 2016)	GRU Properties, LLC (organized November 1, 2016)	GRIP, LLC (organized October 31, 2016)

* Grown Rogue Unlimited, LLC also owns (i) a 60% interest in Idalia, LLC, an Oregon limited liability company that was organized June 20, 2018; (ii) a 60% interest in GRD Cali, LLC, a California limited liability company that was organized August 15, 2018; and (iii) an 87% interest in GR Michigan.

The corporate structure of the Company is as follows:

Company	Ownership
Grown Rogue Unlimited, LLC	100% by GRIN
Grown Rogue Gardens, LLC	100% by Grown Rogue Unlimited, LLC
GRU Properties, LLC	100% by Grown Rogue Unlimited, LLC
GRIP, LLC	100% by Grown Rogue Unlimited, LLC
Grown Rogue Distribution, LLC	100% by Grown Rogue Unlimited, LLC
GR Michigan, LLC	87% by Grown Rogue Unlimited, LLC
Idalia, LLC	60% by Grown Rogue Unlimited, LLC
Canopy Management, LLC	0% ⁽ⁱ⁾
Golden Harvests, LLC	60% by Canopy Management, LLC

- i. The Company, through its subsidiary, entered into an option to acquire an 87% controlling interest in Canopy, which owns a 60% controlling interest in Golden Harvests. Canopy is majority owned by the Company's CEO, who is prohibited from omitting or taking certain actions where to do so would be contrary to the economic benefits which the Company expects to derive from the aforementioned options and the investments in the underlying businesses.

D. PROPERTY, PLANTS AND EQUIPMENT

We do not own any real property at this time. Our U.S. executive offices consist of approximately 5,000 square feet of office space located at the Airport facility. The address of our U.S. executive offices 550 Airport Road, Medford, Oregon 97504. Our Ontario executive offices are located at 340 Richmond Street West, Toronto, Ontario, M5V 1X2, Canada.

Through GR Gardens, the Company operates four cultivation facilities that currently service the Oregon recreational marijuana market: Airport, Rossanley, Trail's End, and Foothill. The Company also leases a facility used to for post-harvest processing called Lars.

The Company leases approximately 42 acres of real property in Jackson County, Oregon, commonly known as 741 West Fork Trail Creek Road, Trail, Oregon 97541, through that certain Commercial Lease Agreement, dated March 1, 2017, between J. Obie ("Jesse") Strickler and GRUP. This property is subleased by GRU Properties LLC ("GRUP") to GR Gardens pursuant to that certain Commercial Sublease Agreement, dated March 1, 2017, between GRUP and GR Gardens.

The Company leases approximately 64 acres of real property in Jackson County, Oregon, commonly known as 3100 N. Foothill Road, Medford, Oregon, 97504, through that certain Commercial Lease Agreement, dated March 17, 2021, between Naumes, Inc., and GR Gardens.

The Company leases property located at 655 Rossanley Drive, Medford, Oregon, pursuant to that certain Commercial Lease Agreement, dated January 31, 2017, between VWPP, LLC, and GRUP. This property is subleased by GRUP to GR Gardens pursuant to that certain Commercial Sublease Agreement, dated January 31, 2017, between GRUP and GR Gardens.

The Company leases property located at 550 Airport Road, Medford, Oregon, pursuant to that certain Commercial Lease Agreement, assumed on April 14, 2022, between Airport Road LLC and GRUP.

The Company leases property located at 2046 Lars Way, Medford, Oregon, pursuant to that certain Commercial Lease Agreement, dated December 20, 2021, between Airport Road LLC and GR Gardens.

The Company leases property located at 333 Morton St, Bay City, Michigan, pursuant to that certain Commercial Lease Agreement, dated February 1, 2020, between David Pleitner, LLC and Golden Harvests.

ITEM 4A UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with our Audited Consolidated Financial Statements for the fiscal years ended October 31, 2020, 2019 and 2018 and notes thereto included under Item 18.

Certain statements made in this Item are forward-looking statements. Forward-looking statements are based on current expectations that involve a numbers of risks and uncertainties, which could cause actual events or results to differ materially from those reflected herein. See, Item 3.D Key Information - Risk Factors for discussion of important factors, which could cause results to differ materially from the forward-looking statements below.

Overview

The Company, (formerly: Novicius Corp.) was amalgamated under the Business Corporations Act (Ontario) on November 30, 2009. The Company filed articles of amendment effective November 1, 2018, and changed its name from Novicius Corp. to Grown Rogue International Inc. The Company had previously filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its shares of common stock on the basis of one (1) new share for every ten (10) old shares. The Company filed articles of amendment effective February 1, 2016, and changed its name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and consolidated its shares of common stock on the basis of one (1) new share for every ten (10) old shares. Through the Company's wholly owned Ontario subsidiary, DoubleTap Daily Inc. (formerly: Digital Widget Factory Inc.), the Company developed an online content management and advertising platform that powers user and advertising engagement programs in real-time to desktop, mobile and portable devices. DoubleTap operations ceased immediately prior to the effectuation of the Transaction.

The Company's registered office is 340 Richmond Street West, Toronto, Ontario, M5V 1X2, Canada. Shares of our common are quoted on the OTC Markets under the symbol GRUSF and listed on the Canadian Securities Exchange under the symbol GRIN.

The Consolidated Financial Statements include the accounts of Grown Rogue International Inc., the legal parent, together with its wholly owned subsidiaries as at October 31, 2020, Grown Rogue Canada Corp. ("GRC"), GRUS, and GRUS's wholly-owned subsidiaries (collectively referred to as the "Subsidiaries") and joint-venture interests. GRUS's wholly-owned subsidiaries include Grown Rogue Gardens, LLC; Grown Rogue Distribution, LLC; GRU Properties, LLC; and GRIP, LLC. GRUS also has 60% ownership interests in two joint ventures GRD Cali, LLC and Idalia, LLC (the "Joint Ventures"), and an 87% interest in GR Michigan, LLC.

Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to fund its operations, growth and ongoing development opportunities. The Company's capital requirements currently exceed its operational cash flow. As such, the Company is dependent upon future financings in order to maintain liquidity and will be required to issue equity or issue debt.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, availability of capital and the risk characteristics of any underlying assets in order to meet current and upcoming obligations.

The Company's Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favourable market conditions to sustain future development of the business. As at October 31, 2020 and 2019, the Company considered its capital structure to be comprised of shareholders' deficiency.

Going Concern

The Consolidated Financial Statements attached to and incorporated into this Report have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of developing its advertising platform and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of development, content creation and marketing of its platform.

The Company’s ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to discharge its liabilities as they become due and generate positive cash flows from operations. During the year ended October 31, 2020, the Company incurred a net loss of \$2,356,488 and as of that date, the Company’s deficit was \$19,394,044. As at October 31, 2020, the Company had working capital of \$35,671. These aforementioned conditions have resulted in uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern in the foreseeable future. The ability of the Company to continue as a going concern and to meet its obligations will be dependent upon successful sales of product and a return to successful operations and cash flows as well as the potential issuance of members’ capital. The accompanying Consolidated Financial Statements do not reflect any adjustment that might result from the outcome of this uncertainty. If the going concern assumption is not used then the adjustments required to report the Company’s assets and liabilities at liquidation values could be material to the Consolidated Financial Statements.

BASIS OF PREPARATION

Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretation Committee (“IFRIC”). The Board of Directors approved the Consolidated Financial Statements on March 1, 2021.

Basis of Measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. The Company’s significant accounting policies are disclosed in Note 4 of the Consolidated Financial Statement attached hereto.

Functional and Presentation Currency

The Company’s functional currency is the Canadian dollar and the functional currency of its Subsidiaries is the United States (“U.S.”) dollar. The Consolidated Financial Statements are presented in U.S. dollars.

Transactions denominated in foreign currencies are initially recorded in the functional currency using exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using exchange rates prevailing at the end of the reporting period. All exchange gains and losses are included in the statement of loss and comprehensive loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company are expressed in U.S. Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive loss and reported as currency translation reserve in shareholders’ equity.

RECENT ACCOUNTING PRONOUNCEMENTS AND RECENT ADOPTED ACCOUNTING STANDARDS

Recent Issued Accounting Pronouncements

The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

- (i) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The pattern and timing of revenue recognition under IFRS 15 was consistent with prior practice, and the Company adopted IFRS 15, effective November 1, 2018, without an impact on the Company’s financial statements.
- (ii) In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments – Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company adopted IFRS 9 effective November 1, 2018, without material impact to the Company’s financial statements.
- (iii) On January 13, 2016, the IASB issued IFRS 16 Leases (“IFRS 16”) which replaced IAS 17, Leases. IFRS 16 brought leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 was effective for annual reporting periods beginning on or after January 1, 2019. The Company adopted IFRS 16 effective November 1, 2019, using the following permitted practical expedient: (i) Grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases under IAS 17; and (ii) Application of a single discount rate to a portfolio of leases with similar characteristics. The following table summarizes the impacts of adopting IFRS 16 on the Company’s consolidated financial statements:

	Balance – October 31, 2019 (\$)	Adoption of IFRS 16 (\$)	Restated balance, November 1, 2020 (\$)
Right-of-use assets	-	276,431	276,431
Property and equipment	232,059	-	232,059
Current portion of lease liability	129,876	225,862	355,738
Lease liability	12,329	50,569	62,898

- (iv) In October 2018, the IASB issued “Definition of a Business (Amendments to IFRS 3)”. The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company adopted the Amendments to IFRS 3 effective November 1, 2020, with no impact to the Company’s consolidated financial statements.

SEGMENTED INFORMATION

The Company's only operating segment is the production and sale of cannabis. All property and equipment and intangible assets are located in the United States. All revenues were generated in the United States during the periods ended October 31, 2020, 2019, and 2018. As such, amounts disclosed in the Consolidated Financial Statements also represent the single operating and geographical reporting segment.

Geographical information relating to the Company's activities is as follows:

	Revenue		
	Year ended October 31,		
	2020	2019	2018
United States	\$ 4,239,604	\$ 3,924,983	\$ 1,932,128
Canada	-	-	-
	<u>\$ 4,239,604</u>	<u>\$ 3,924,983</u>	<u>\$ 1,932,128</u>

	Long-Term Assets ⁽¹⁾	
	Year ended October 31,	
	2020	2019
United States	\$ 1,929,643	\$ 1,499,514
Canada	-	-
	<u>\$ 1,929,643</u>	<u>\$ 1,499,514</u>

(1) Includes: Plant and equipment

SHARE CAPITAL AND RESERVES

The Company filed articles of amendment effective November 1, 2018 and changed its name from Novicius Corp. to Grown Rogue International Inc.

a) Share Capital*Authorized:*

Unlimited number of shares of common stock at no par value

Unlimited number of preferred shares issuable in series

Shares of Common Stock Issued:

The following table sets out the changes in shares of common stock during the respective periods, presented at the number of common shares issued in connection with completion of the Transaction:

	Number	Amount \$
Balance October 31, 2017	22,432,446	\$ -
Common units issued pursuant to conversion of notes payable	9,159,871	-
Seed Round units issued for cash	4,007,236	-
Common units issued for cash	925,000	-
Common units issued to service providers	4,182,320	-
Balance October 31, 2018	40,706,873	\$ -
Common shares exchange pursuant to conversion of notes payable	5,465,877	-
Common units issued pursuant to technology license agreement	6,600,000	-
Common units issued pursuant to exercise of purchase option	4,202,429	-
Common units issued pursuant to subscription receipts	3,771,023	-
Exchange of Units for common shares pursuant to the Transaction	-	9,860,416
Common shares issued to existing shareholders of the Company pursuant to the Transaction	3,773,689	900,403
Common shares issued to former debt holders of the Company	839,790	200,651
Common shares pursuant to the Acquisition of Grown Rogue Canada	100,000	23,860
Common shares issued pursuant to subscription receipts	6,193,917	1,479,947
Fair value of broker warrants	-	(50,508)
Issuance costs	-	(143,786)
Common shares issued for services rendered	1,035,500	255,360
Common shares issued for debt	530,818	121,587
Balance October 31, 2019	73,219,916	\$ 12,647,930
Issuance pursuant to private placement	15,000,000	564,147
Common shares issued pursuant to share swap	15,000,000	848,011
Share issuance costs	-	(11,508)
Common shares issued for compensation	909,386	76,797
Common shares issued for services	2,300,000	163,543
Common shares issued for investment	200,000	12,812
Conversion of debt into common shares	1,038,095	112,863
Issuances pursuant to convertible debt	115,000	9,746
Balance October 31, 2020	107,782,397	\$ 14,424,341

Preferred Shares Issued:

As at October 31, 2020 and October 31, 2019, there were no preferred shares issued.

b) Members Capital

Authorized:

GR Unlimited is authorized to issue up to 20,000 Common units, up to 750 Seed Round Preferred Units and up to 3,000 Incentive Units.

Common Units, Seed Round Preferred Units and Incentive Units Issued:

The following table sets out the changes in common units, seed round preferred units and incentive units during the respective periods:

	Number of Common Units	Number of Incentive Units	Number of Seed Round Preferred Units	Member's Capital \$
Balance October 31, 2017	7,000	-	-	\$ 100
Issued pursuant to conversion of promissory notes	1,854	-	-	2,152,134
Issued for cash proceeds	191	-	733	1,525,345
Issued as employee compensation	-	300	-	-
Issued to service providers	1,500	-	-	1,049,595
Issuance costs	-	-	-	(25,401)
Balance October 31, 2018	10,545	300	733	4,701,773
Issued pursuant to conversion of promissory notes	1,322	-	-	1,451,400
Issued in connection with Technology License Agreement	6,600,000	-	-	1,574,761
Issued upon exercise of unit purchase options	4,202,429	-	-	1,218,784
Issued pursuant to Subscription receipts	3,771,023	-	-	913,698
Exchange of incentive units for common units	150	(300)	-	-
Exchange of units for common shares	(14,585,469)	-	(733)	(9,860,416)
Balance October 31, 2019 and 2020	-	-	-	\$ -

c) Share Purchase Warrants

The following table sets out the changes in warrants during the respective periods:

	October 31, 2020		October 31, 2019	
	Number of Warrants	Weighted Average Price (CDNS)	Number of Warrants	Weighted Average Price (CDNS)
Warrants				
Outstanding, beginning of year	27,584,605	\$ 0.53	148,722	\$ 7.39
Issued pursuant to private placement	15,000,000	0.13	-	-
Cancellation of warrants pursuant to change in terms of convertible debentures	(6,818,182)	0.55	-	-
Issuance of warrants pursuant to change in terms of convertible debentures	6,818,182	0.16	-	-
Consideration warrants for change in terms of convertible debentures	1,590,909	0.16	-	-
Issued in connection with the Transaction	-	-	11,288,149	0.55
Issued pursuant to subscription receipts	-	-	9,964,940	0.55
Issued in connection with convertible debentures	-	-	3,409,091	0.55
Issued to brokers	-	-	757,125	0.44
Issued to terminate purchase agreement	-	-	2,148,117	0.44
Expired	(17,183)	(14.05)	(131,539)	(6.52)
Balance, end of year	44,158,331	\$ 0.33	27,584,605	\$ 0.53

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The following tables summarize the outstanding warrants as at October 31, 2020, and October 31, 2019, respectively:

Number of Warrants 2020	Exercise Price (CDN\$)	Expiry Date	Remaining Contractual Life (Years)
17,843,998	\$ 0.55	November 30, 2020	0.1
757,125	0.44	November 30, 2020	0.1
8,409,091	0.16	November 1, 2021	1.0
5,000,000	0.125	February 10, 2022	1.3
10,000,000	0.13	May 15, 2022	1.5
2,148,117	0.44	June 28, 2023	2.7
44,158,331	\$ 0.33		0.8

Number of Warrants 2019	Exercise Price (CDN\$)	Expiry Date	Remaining Contractual Life (Years)
17,183	\$ 14.00	November 30, 2019	0.08
757,125	\$ 0.44	November 15, 2020	1.04
21,253,089	\$ 0.55	November 15, 2020	1.04
3,409,091	\$ 0.55	May 1, 2021	1.50
2,148,177	\$ 0.44	June 28, 2023	3.66
27,584,665	\$ 0.53		1.13

d) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	October 31, 2020	October 31, 2019	October 31, 2018
Weighted Average Shares Outstanding, basic	90,596,827	70,928,833	33,437,503
Weighted Average Shares Outstanding, diluted	90,596,827	70,928,833	33,437,503

e) Share Purchase Options

The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options	Weighted Average Exercise Price CDN\$
Balance, October 31, 2018	-	\$ -
Granted	650,000	0.44
Expired	-	-
Balance, October 31, 2019	650,000	\$ 0.44
Granted to employees	3,575,000	0.15
Forfeitures by service provider	(150,000)	0.44
Forfeitures by employees	(355,000)	0.15
Balance, October 31, 2020	3,720,000	\$ 0.19

The following table is a summary of the Company's stock options outstanding and exercisable as at October 31, 2020:

Options Outstanding				Options Exercisable		
Exercise Price CDN\$	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price CDN\$	
\$ 0.44	500,000	1.2	January 1, 2022	150,000	\$ 0.44	
\$ 0.15	3,120,000	3.7	July 9, 2024	2,112,500	\$ 0.15	
\$ 0.15	100,000	3.7	July 20, 2024	-	-	
\$ 0.19	3,720,000	3.4		2,612,500	\$ 0.17	

OVERALL PERFORMANCE

Revenues during the twelve months ended October 31, 2020, increased relative to the comparable period in 2019 due to the discontinuance of reselling low-margin third party products, offset by an increase in sales of product from operations. Revenues from management services were earned from Golden Harvests. Set out below is a table of revenues by revenue type:

Year ended October 31,	2020	2019	2018
Revenue from third-party products	\$ 125,488	\$ 1,800,816	\$ 924,382
Revenue from management services	393,381	-	-
Revenue from Grown Rogue production	3,720,735	2,124,167	1,007,746
Total revenue	\$ 4,239,604	\$ 3,924,983	\$ 1,932,128

Cost of finished cannabis inventory sold for the year ended October 31, 2020 amounted to \$2,155,507 compared to \$2,935,934 for the year ended October 31, 2019, resulting in gross profit excluding fair value items and management services of \$1,690,716 and \$989,049 for the 2020 and 2019 fiscal years respectively. Gross profit for the year ended October 31, 2020 was increased to \$1,845,697 following the added expense of the realized fair value amounts included in inventory sold of \$1,482,725, less the gain on the unrealized fair value on the growth of the Company's biological assets of \$1,515,492, plus the gross margin from management services of \$122,214. For the year ended October 31, 2019, the Company had a gross margin of \$852,599 once the realized fair value amounts included in inventory sold of \$622,804 were deducted, which was partially offset by the unrealized fair value on the growth of the Company's biological assets of \$486,354. These fair value adjustments related to the growth of the Company's biological assets relate to increasing the fair value (less costs to sell) of the cannabis crops in various stages of growth prior to harvest and any further processing required to produce inventory available for sale. The valuation of Grown Rogue's biological assets, and the resulting fair market adjustment, includes several estimates made by management based on inputs that, by their nature, are unobservable as at October 31, 2020 and 2019. These include the average harvest yield, average selling prices, standard costs to bring the plants to harvest, as well as the stage of growth. Changes in these estimates could result in changes to the fair value of the biological assets, as well as the unrealized gain on changes in the fair value of these biological assets.

Our ability to generate margin depends upon the following significant factors: direct and indirect costs incurred to grow biological assets and complete inventory; depreciation of capital investments required to grow biological assets and complete inventory; and the impact of the adjustments that result from the fair valuation of biological assets. We prioritize cost efficiency in production and efficiency of capital allocation, and to maximize sales revenues through a variety of efforts, including production of flower which is desirable to consumers, sales team incentives, and continually increasing the number of our wholesale customers.

Operating expenses for the year ended October 31, 2020 were \$3,420,376, an decrease of \$5,055,179 when compared to expenses of \$8,475,555 for the year ended October 31, 2019. Costs related to the Transaction of \$3,453,790, the majority of which relate to the fair value of shares issued to effect the Transaction, did not recur in 2020. In addition, there was a \$2,464,254 decrease in general and administrative expenses, of which was an approximately \$1.1 million decrease in professional services, which followed from the stabilization of services required after the Transaction. Also contributing to the decrease in general and administrative expenses was an approximately \$789 thousand decrease in salaries & benefits and an approximately \$581 thousand decrease in office, banking, travel, and overheads, which reflect our improvements in staffing efficiency and administrative efficiency following the demands of the Transaction.

During the year ended October 31, 2020, we raised capital through debt and equity issuances, which resulted in net cash proceeds of \$1,682,744, comprised of proceeds of \$615,000 from debt and \$1,067,744 from a private placement of equity.

On March 20, 2020, principal of \$600,000 was received under a secured debt investment of \$600,000 (the "Michigan Debt"). The Michigan Debt carries a two year term, with monthly payments of principal commencing June 15, 2020, and with payments calculated at 1% of cash sales receipts of Golden Harvests. Once the principal is repaid, each investor will receive a monthly royalty of 1% per \$100,000 invested of cash receipts for sales by Golden Harvests (the "Royalty"). The Royalty commences on the date that repayments equal to principal have been made for a period of two years. The Royalty maximum is two times the amount of principal invested and the Royalty minimum is equal to the principal loaned. The Company has the right but not the obligation, to purchase the Royalty from any lender by paying an amount equal to the original principal invested by such lender. The debt is reported at the carrying value of the probability-weighted estimated future cash flows of all payments under the Michigan Debt agreement at amortized cost using the effective interest method, which is 73%, reflecting the discounting of the royalty as a cost of debt. Interest accreted during the year ended October 31, 2020 was \$260,943. During the year ended October 31, 2020, \$75,126 was repaid against this debt. Principal amounts of the Michigan Debt of \$50,000 and \$100,000 (a total of \$150,000), were loaned by officers of the Company. Principal of \$150,000 was loaned by a director of the Company.

During the year ended October 31, 2020, we modified the terms of convertible debentures in order to extend their maturity dates. As a result of the modifications, we recorded a non-cash loss from restructuring of \$765,707; cancelled 6,818,182 warrants with an exercise price of CDN\$0.55; issued 6,818,182 replacement warrants with an exercise price of CDN\$0.16; issued 1,590,909 consideration warrants with an exercise price of CDN\$0.16. The fair value of the newly issued warrants of \$427,710 was expensed as part of the loss from restructuring, and the expensed difference between the carrying value of the convertible debentures was \$337,997.

During the year ended October 31, 2020, we also borrowed and repaid a note payable with a principal amount of \$15,000, which was transacted with the CEO.

Interest expense during the years ended October 31, 2020 and 2019 were similar, at \$249,296 and \$245,549, respectively. Accretion expense was \$456,162 higher during the year ended October 31, 2020 as compared to the year ended October 31, 2019, reflecting the accretion of the Michigan Debt of \$260,943, and the impact of a full fiscal year of convertible debt interest accretion during the year ended October 31, 2020, compared to a partial year of accretion in the year ended October 31, 2019, because the convertible debt was issued midway through the year ended October 31, 2019.

During the year ended October 31, 2020, in exchange for total proceeds of \$1,084,335 (CAD\$1,500,000), the Company issued, in two tranches, 15,000,000 common shares and 15,000,000 warrants to purchase an aggregate of 15,000,000 common share of the Company. Of the warrants issued, 5,000,000 have a strike price of CAD\$0.125 and expire on February 10, 2022. Of the warrants issued, 10,000,000 have a strike price of CAD\$0.13 and expire May 15, 2022. The Company paid \$16,591 in transaction costs, resulting in net proceeds of \$1,067,744.

During the year ended October 31, 2020, the Company implemented an employee stock option plan, under which we granted 3,575,000 stock options to employees, exercisable into common shares at CDN\$0.15. We recorded share-based compensation of expense of \$337,162 during the year ended October 31, 2020, compared to \$113,227 during the year ended October 31, 2019.

During the year ended October 31, 2020, we adopted *IFRS 16 – Leases*, with an increase to depreciable right-of-use assets of \$267,431 and corresponding increases to lease liabilities. We repaid lease principal of \$372,154, as compared to \$117,125 during the year ended October 31, 2019.

RISK AND UNCERTAINTIES

The Company is subject to several risk factors that may have adverse effects on our business and which could harm our operating results including, but not limited to: the ability to generate and aggregate compelling content to increase the number of users of our services or users' level of engagement with our services; the effect of technologies, tools, software, and applications could block our advertisements, impair our ability to deliver interest-based advertising, or shift the location in which advertising appears; changes in regulations or user concerns regarding privacy and protection of user data; continued and unimpeded access to the internet by us and our users. Internet access providers may be able to block, degrade, or charge for access to certain of our products and services, which could lead to additional expenses and the loss of users and advertisers and certain of our metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

As the Company has not experienced any cash flow from operations to independently finance its growth and operations, it has been reliant on access to capital in the form of both debt and equity to fund on-going operations and to fund capital investments. Although periodic volatility of financial and capital markets may severely limit access to capital, the Company has been able to attract the required investment capital in the past, however no assurances can be made that it will continue to do so in the future.

The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Company also cautions readers not to place undue reliance on these forward-looking statements. Moreover, the forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above (See Item 3.D "Key Information, Risk Factors").

A. OPERATING RESULTS**Selected Annual Information**

The following table reflects the summary of results for the years set out.

	For the Years Ended October 31		
	2020 \$	2019 \$	2018 \$
Revenue	4,239,604	3,924,983	1,932,128
Net loss	(2,356,488)	(9,476,934)	(7,509,986)
Comprehensive loss	(2,490,605)	(9,355,014)	(7,509,986)
Net loss per share – basic and diluted	(0.03)	(0.13)	(0.22)
Total Assets	3,764,418	2,932,476	5,366,268
Total non-current financial liabilities	2,910,333	217,633	2,292,634

Revenue

For the year ended October 31, 2020, revenue increased by \$314,621 to \$4,239,604, compared to \$3,924,983 for the same twelve-month period ended October 31, 2019. Revenues reflect decreases in revenues from third party products of \$1,800,816 in 2019 to \$125,460 in 2020. The decrease in third party product sales was offset partially offset by service revenues of \$393,381 in 2020 (2019 – nil), as well as increased pounds sold and selling prices of flower during the year ended October 31, 2020 as compared to the year ended October 31, 2019. The departure from third party products reflects our focus on Grown Rogue production, with a higher gross margin than third party products.

For the year ended October 31, 2019, revenue increased by \$1,992,855 to \$3,924,983, compared to \$1,932,128 for the same twelve-month period ended October 31, 2018. Revenues reflect increases in revenues from third party products of \$924,382 in 2018 to \$1,800,816 in 2019. Sales from Grown Rogue production increased from \$1,007,746 during the year ended October 31, 2018, to \$2,124,167 during the year ended October 31, 2019, an increase of \$1,116,421.

General and Administrative	For the Years Ended October 31,		
	2020	2019	2018
Office, banking, travel and overheads	\$ 253,669	\$ 835,619	\$ 1,017,769
Professional services	794,154	1,887,034	898,599
Salaries and benefits	1,148,598	1,938,022	791,518
Total	\$ 2,196,421	\$ 4,660,675	\$ 2,707,886

For the year ended October 31, 2020, General and administrative expenses decreased by approximately \$2,500,000 compared to the prior fiscal year. The reduction in the general and administrative costs was a result of a larger allocation of overhead to inventory, biological assets and, in turn cost of sales. We also reduced salaries, legal and professional fees, travel, and general office and corporate overhead costs, as administrative costs following the Transaction were reduced.

For the year ended October 31, 2019, the Company's general and administrative costs increased by \$1,952,789 to \$4,660,675 versus \$2,707,886 for the year ended October 31, 2018. The increase in expenses during fiscal 2019 was primarily attributed to the increase in administrative demands and professional services supporting our initial year after the Transaction.

Equity-Based Compensation**Employees**

For the years ended October 31, 2020, 2019, and 2018, the Company recorded employee equity-based valued at \$316,876, \$Nil, and \$Nil, respectively.

Non Employees

For the year ended October 31, 2020, the Company recorded non-employee equity-based compensation valued at \$163,543, compared to \$113,227 in share-based compensation expense for the same period in 2019, resulting from 650,000 stock options granted to two consultants, and compared to the 2018 share-based compensation expense of \$1,049,595, a result of the Company issuing 750 common units to the Company's CFO/general counsel and 750 common units to the Company's marketing consultant.

During fiscal 2020, the Company granted the following stock options:

Number granted	Vesting terms	Exercise price (CDNS)	Expiration
1,270,000	Fully vested on grant date	0.15	4 years from date of grant
1,500,000	1/3 on grant date, 1/3 three months from grant date, 1/3 ten months from grant date	0.15	4 years from date of grant
220,000	1/2 on grant date, 1/4 on first anniversary of grant date, 1/4 on second anniversary of grant date	0.15	4 years from date of grant
235,000	1/4 on grant date, 1/4 on first anniversary of grant date, 1/4 on second anniversary of grant date, 1/4 on third anniversary of grant date	0.15	4 years from date of grant
250,000	1/4 on first anniversary of grant date, 1/4 on second anniversary of grant date, 1/4 on third anniversary of grant date, 1/4 on fourth anniversary of grant date	0.15	4 years from date of grant
100,000	One year from start date of employment	0.15	4 years from date of grant
<u>3,575,000</u>			

Gain/(Loss) on De-recognition of Derivative Liabilities

During fiscal 2020, the Company record a gain on de-recognition of derivative liabilities in the amount of \$244,572 as a result of the modification of terms of convertible debentures, compared to a losses on de-recognition of derivative liabilities in the amount of \$39,500 and \$57,500 during fiscal 2019 and 2018, respectively.

Interest

For the year ended October 31, 2020, the Company recorded interest expenses of \$249,296, compared to \$245,549 and \$965,285 in interest expense for the years ended October 31, 2019 and 2018, respectively.

Loss on Debt Settlement

During fiscal 2020, the Company reported gain on debt settlement of \$23,939 related to settlement of trade payables.

During fiscal 2019, the Company converted debt in the aggregate amount of \$116,645 through the issuance of 530,818 common shares of the Company. The fair value of common shares issued was of \$121,587 resulting in a loss on debt settlement of \$4,942.

Acquisition Costs

During the year ended October 31, 2019, the Company entered into a binding letter of intent (the "LOI") pursuant to which the Company was to acquire assets including real estate, intellectual property and other assets for aggregate consideration of \$3,000,000, subject to certain adjustments. The Company decided to terminate the LOI and, in doing so, incurred acquisition costs of \$49,188 which have been expensed in the statement of loss and comprehensive loss.

During the year ended October 31, 2019, the Company entered into a binding agreement for the option to acquire operational control of certain assets in Michigan. The Company decided not to move forward with this acquisition and, pursuant to a termination agreement, issued 2,148,177 warrants. The fair value of the vested warrants of \$77,014 has been expensed as an acquisition cost in the statement of loss and comprehensive loss.

Total Other Comprehensive Income (Loss)**Currency Translation Adjustment**

For the year ended October 31, 2020, the Company recorded a currency translation expense of \$134,177, compared to \$121,920 for the year ended October 31, 2019, and \$Nil for the year ended October 31, 2018.

These translation adjustments are the result of the following. Transactions denominated in foreign currencies are initially recorded in the functional currency using exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using exchange rates prevailing at the end of the reporting period. All exchange gains and losses are included in the statement of loss and comprehensive loss. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company are expressed in U.S. Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive loss and reported as currency translation reserve in shareholders' equity.

Net Loss and Comprehensive Loss

Net loss for the year ended October 31, 2020 was \$2,356,488, compared to the year ended October 31, 2019 net loss of \$9,476,934 and net loss of \$7,509,986 for the year ended October 31, 2018. The decrease in net loss during 2020 was primarily related to non-recurrence of the impairment of technology license of \$1,574,761 during 2019, as well as non-recurrence of transaction costs related to the Transaction. General and administrative costs decreased as a result of decreased salaries & labor costs, as well as significant decreases in professional service fees following completion of the Transaction.

Comprehensive Loss for the year ended October 31, 2020 of \$2,490,605 was lower than comprehensive loss of \$9,355,014 for the year ended October 31, 2019 due primarily to the change in net loss, adjusted currency translation adjustments.

Net loss and comprehensive loss for the year ended October 31, 2018 was \$7,509,986, which included unit-based compensation expense of \$1,049,595 and finance charge expense of \$1,510,489, which did not recur in 2019, while 2019 included the above-noted impairment of technology license charge of \$1,574,761, Transaction costs of \$3,453,790, and general & administrative expenses of \$4,660,675.

Total Loss per Share, Basic

Total basic loss per share for the year ended October 31, 2020, was \$0.03 compared to total basic loss per share of \$0.13 and \$0.22 for the same twelve-month period in 2019 and 2018, respectively.

SUMMARY OF QUARTERLY RESULTS-CONTINUING OPERATIONS

The following tables reflect the summary of quarterly results from continuing operations for the periods set out.

Fiscal 2020

For the quarter ending	2020 October 31	2020 July 31	2020 April 30	2020 January 31
Net loss for the period	\$ (122,401)	\$ (794,072)	\$ (1,206,828)	\$ (233,187)
Loss per share, basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)

During the quarter ended October 31, 2020, the Company incurred stock-based compensation expenses of \$16,310 and general and administrative expenses of \$382,102.

Fiscal 2019

For the quarter ending	2019 October 31	2019 July 31	2019 April 30	2019 January 31
Net loss for the period	\$ (2,098,742)	\$ (931,184)	\$ (1,648,446)	\$ (4,798,562)
Loss per share, basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.08)

During the quarter ended October 31, 2019, the Company recorded impairment of technology license expense of \$1,574,761, gain on de-recognition of derivative liabilities of \$39,500, and general and administrative expenses of \$831,680.

General and Administrative	For the Three Months Ended October 31,		
	2020	2019	2018
Office, banking, travel and overheads	\$ 45,917	\$ (86,336)	\$ 327,196
Professional services	293,181	392,946	318,768
Salaries and benefits	43,004	525,070	259,892
Total	\$ 382,102	\$ 831,680	\$ 905,856

General and administrative expenses for the three months ended October 31, 2020, decreased to \$382,102 compared to \$831,680 for the same period ended October 31, 2019. For the three months ended October 31, 2019, facilities expense decreased by \$174,875, as a result of an adjustment to depreciation expense at year end, as well as allocation of expense to inventory that also effected repairs and maintenance and utilities expense. For the three months ended October 31, 2019, bad debt expense was negative \$86,384 as a result of adjustment to allowance for doubtful accounts for the year. For the three months ended October 31, 2020, salaries and benefits expense was lower than the comparative periods in 2019 and 2018, largely attributable to the recognition of approximately \$266 thousand in wages expense as cost of service revenues.

Net Income (Loss) from Continuing Operations

Net loss from continuing operations for the three months ended October 31, 2020 was \$102,615, compared to the three months ended October 31, 2019 of \$433,824 and three months ended October 31, 2018 of \$1,620,825. The most significant expenses incurred during the three months ended October 31, 2020, were general and administrative expenses of \$382,102 (2019 - \$831,680), accretion expense of \$147,942 (2019 - \$89,368), and amortization of property & equipment of \$50,456 (2019 - (\$417,187)). General and administrative expenses decreased significantly after completion of the Transaction. The increase in accretion expense reflects the impact of a full year of accretion during 2020, as compared to a portion of 2019. The credit in amortization and property & equipment during the three months ended October 31, 2019, reflects capitalization of annual property & equipment amortization into biological assets and inventory.

The most significant expenses incurred during the three months ended October 31, 2019, were general and administrative expenses of \$831,680 (2018 - \$905,856), accretion expense of \$89,368 (2018 - (\$76,799)), and amortization of property & equipment of (\$417,187) (2018 - (\$277,215)). General and administrative expenses increased significantly leading up to completion of the Transaction. The negative accretion in 2018 reflects correction of accretion during the fourth quarter of 2018. The credit in amortization and property & equipment during the three months ended October 31, 2019 and 2018, reflects capitalization of annual property & equipment amortization into biological assets and inventory.

Net Income (Loss) and Comprehensive Income (Loss)

Net loss for the three months ended October 31, 2020 was \$122,401 compared to a net loss of \$2,098,742 for the same three-months ended October 31, 2019. The decrease in net loss was driven by an impairment loss on the technology license acquired in connection with the Transaction in 2019; Transaction costs incurred in 2019; and improved gross profitability.

Net loss for the three months ended October 31, 2019 was \$2,098,742 compared to a net loss of \$2,512,110 for the same three-months ended October 31, 2018. Significant to net loss in the three months ended October 31, 2018, was equity-based compensation of \$639,259, which did not recur in 2019, while impairment expense of \$1,574,761 was reported during the three months ended October 31, 2019 and which did not occur during the comparable period in 2018.

See Item 3.D “Key Information, Risk Factors” for discussion regarding the impact of foreign currency fluctuations on the Company and information on governmental, economic, fiscal, monetary or political policies or factors that could materially affect the Company’s operations.

COMMITMENTS

As at October 31, 2020, we had the following commitments for facilities and equipment leases:

	Total future minimum lease payments
Due in less than one year	\$ 114,010
Due between one and five years	17,525
Total	\$ 131,535

B. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents position was \$217,788 as at October 31, 2020 as compared to \$74,926 on October 31, 2019. The Company had working capital of \$35,671 as at October 31, 2020, compared to a working capital deficiency of \$2,709,527 as at October 31, 2019. Working capital improvements are due in part to improving operational efficiencies and yield; and margin on Grown Rogue product sales as a result.

During the year ended October 31, 2020, Grown Rogue used cash of approximately \$293,000 through its operating activities, compared to cash used on similar activities of approximately \$3,427,000 for the year ended October 31, 2019. The Company invested approximately \$558,000 in property and equipment during the year ended October 31, 2020 (year ended October 31, 2019 - \$216,000).

Cash from financing activities of approximately \$1,100,000 during the year ended October 31, 2020, was the result of:

- Lease payments of approximately \$372,000;
- Debt repayment of approximately \$226,000;
- Debt proceeds of \$615,000; and
- Private placement proceeds of approximately \$1.1 million.

Cash generated during the year ended October 31, 2019, from financing activities included (amounts rounded to nearest \$5,000):

- Outflow against subscription receivable of \$720,000;
- Debt repayments of \$250,000;
- Proceeds of subscription receipts of \$3,235,000;
- Proceeds from convertible debenture issuances of \$1,105,000;
- Net lease payments of \$115,000;
- Payments of \$200,000 for costs of issuing debt & equity; and
- Payments of \$165,000 for Transaction costs

Historically, the Company's capital requirements to fund expansion and operations have been met primarily through the completion of private placements of equity and debt instruments, including debt with features to convert into equity.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

We do not engage in significant research and development activities. As such, included in general and administrative expenses is limited spending on research and development during the year ended October 31, 2020 of \$1,675 (2019 - \$28,250).

D. TREND INFORMATION

The current trend of cannabis legalization in the United States has resulted in a significant opportunity. 54% of the U.S. population now lives in a state where marijuana has been legalized. The U.S. cannabis industry is projected to reach US\$20.8 billion by year 2021 in consumer spending which is expected to generate an overall economic impact (based primarily on purchases by consumers and indirect revenue for growers and various subcontractors as well as money spent with businesses not affiliated with the sector, such as supermarkets) of \$39.6 billion, 414,000 jobs and US\$4 billion in tax receipts [Source: Report from Arcview Market Research and BDS Analytics, January 2018].

Total sales of cannabis products in Oregon have trended upward since the Company began cannabis operations. For the years ended October 31, 2020, 2019, and 2018, total sales of cannabis products in Oregon were approximately \$444 million; \$629 million, and \$768 million, respectively. The following table summarizes sales prices for indoor-grown cannabis by producers to retailers in Oregon.

Fiscal year	2020	2019	2018
Average of monthly (\$/lb)	1,524	1,151	1,371
Minimum monthly (\$/lb)	1,349	995	1,134
Maximum monthly (\$/lb)	1,794	1,387	1,968
First month of year / ending month of year	1,393 / 1,698	1,021 / 1,299	1,968 / 1,134

The following table summarizes sales prices for outdoor-grown cannabis by producers to retailers in Oregon.

Fiscal year	2020	2019	2018
Average of monthly (\$/lb)	874	557	701
Minimum monthly (\$/lb)	799	472	405
Maximum monthly (\$/lb)	993	799	1,134
First month of year / ending month of year	799 / 986	522 / 799	1,134 / 599

Consumer preferences change from time to time and can be affected by a number of different and unexpected trends. The Company's failure to anticipate, identify or react quickly to these changes and trends, and to introduce new and improved products on a timely basis, could result in reduced demand for the Company's products, which in turn could result in a material adverse effect on the Company.

E. CRITICAL ACCOUNTING ESTIMATES

Not applicable.

ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**A. DIRECTORS AND SENIOR MANAGEMENT**

The following table sets forth the names of all of our directors and executive officers as of the date of the filing of this Report, with each position and office held by them in our Company, and the period of their service as a director or as an officer.

Name	Position with the Company	Date First Elected or Appointed
J. Obie Strickler	President, Chief Executive Officer and Director	November 15, 2018
Ryan Kee	Chief Financial Officer, Corporate Secretary and Director	August 18, 2021
Adam August	Senior VP, Grown Rogue Unlimited LLC	February 24, 2020
Abhilash Patel	Director	November 15, 2018
Stephen Gledhill	Director	November 15, 2018
Sean Conacher	Director	August 27, 2020

All of our directors serve until our next Annual General Meeting or until a successor is duly elected, unless the office is vacated in accordance with our Articles or Bylaws. Subject to the terms of their employment agreements, if any, executive officers are appointed by the Board of Directors to serve until the earlier of their resignation or removal, with or without cause by the directors. Mr. Strickler, our President, devotes 100% of his work time to his duties as an officer and director of the Company.

There are no family relationships between any of our directors or executive officers. There are no arrangements or understandings between any major shareholders, customers, suppliers or others, pursuant to which any named two or more directors or executive officers were selected.

J. Obie Strickler – President, Chief Executive Officer and Director. Mr. Strickler is the President, Chief Executive Officer and Chairman of the Company. He is also CEO, President, and founder of GRUS. He founded Canopy Management, LLC in 2015 to consolidate the three medical facilities he had operated since 2006 within one company. Mr. Strickler formed GRUS in 2016 and entered the Oregon recreational cannabis market with a plan to build a multi-national cannabis brand. Mr. Strickler has been active in the Oregon medical marijuana market since early 2000 where he organically scaled a single 15 plant property to four separate facilities with approximately 200 outdoor plants and 30 lights operating indoors. Mr. Strickler has a BS in Geology from Southern Oregon University and is also an Oregon Professional Geologist. During the time he was financing and overseeing Canopy's growth he was also the regional manager for a large multi-service environmental company where he oversaw a staff of 15 people before starting his own business in 2011 to provide management services to large natural resource companies primarily in the mining sector. In this role, he was responsible for building and integrating complex technical teams to advance large, world-class, multi-billion-dollar mining projects from exploration through feasibility primarily in base and precious metals. In 2014, Mr. Strickler teamed with aerospace engineers to form HyperSciences, Inc a platform technology company focused on commercializing hypervelocity technology into a variety of industrial applications. Mr. Strickler helped secure a large contract with one of the world's larger oil and gas providers to solve deep drilling challenges and moved this project through proof of concept before departing to focus on the opportunities in cannabis full time. Mr. Strickler will take his production experience in the cannabis industry and his integration and execution experience from the natural resource industry to build GRUS into a premier cannabis company. Mr. Strickler is 39 years old and is employed on a full-time basis with the Company. Mr. Strickler has not signed a non-competition or non-disclosure agreement with the Company.

Ryan Kee – Mr. Kee is an experienced accounting professional with a history of working in mining in various global jurisdictions. He is skilled in financial reporting, IT integrations, and team building and development. Mr. Kee has a BS in Accounting and Spanish from the University of Idaho, and is a Certified Public Accountant, licensed in Washington state. He has developed financial models to quantitatively describe the cost profiles of operating mines, optimize grade cutoffs, and drive cost reductions. Most recently, he led accounting, supply chain, and IT teams for an operating gold mine in South America, and will apply the best practices learned and developed in mining to cannabis production. Mr. Kee is 38 years old and is employed on a full-time basis with the Company.

Sean Conacher – Mr. Conacher is an experienced executive with a demonstrated history of working in the financial services and marketing sectors. He is skilled in entrepreneurship, venture capital, public and private equity, foreign exchange, options and asset management. He is currently the Chief Strategy Officer of PBIC, a publicly traded investment corporation that offers unique global exposure to the emerging global cannabis and plant-based sector. PBIC’s main objective is to provide shareholders long-term total return through its actively managed portfolio of securities, both public and private, operating in, or that derive a portion of their revenue or earnings from products or services related to the cannabis and plant-based industry. Mr. Conacher is 51 years old and intends to devote the time necessary to serve as a director of the Corporation.

Adam August – Senior VP of Grown Rogue Unlimited. Mr. August is responsible for implementing efficiencies and cost saving strategies along with overseeing the finance, accounting, IT and human resources functions. Mr. August began his career at Harry & David where he worked for 15 years in multiple roles, starting as a Financial Analyst and advancing to the position of Vice President of Finance and Treasurer where he was responsible for the Treasury, Credit, Payroll and FP&A functions for the vertically-integrated retailer. Mr. August graduated Cum Laude in 1998 from Whitman College with a Bachelor’s degree in Economics. He was a recipient for an Academic Excellence Award upon his 2002 graduation with a Master’s degree in Business Administration from the University of Oregon’s Lundquist College of Business. Mr. August is 44 years old. Mr. August has signed a non-competition and non-disclosure agreement with the Company.

Abhilash Patel – Director. Mr. Patel is a serial entrepreneur, venture investor, speaker, and philanthropist. He is currently Founder & Principal at Lotus Capital, an early-stage investment fund in Santa Monica, CA. He is on the Board of Directors for several non-profit organizations in Southern California, including the Los Angeles Food Bank, Junior Achievement of Southern California, and 10,000 Beds. Previously, Mr. Patel was founder and CEO at Ranklab, a digital marketing agency listed in Inc. Magazine’s fastest growing private companies in 2015, and Co-founder at Recovery Brands, a digital publishing company based in San Diego, CA. In 2015 both companies were acquired by AAC, Holdings Inc. and Mr. Patel remained in an active leadership position at both companies until his exit in late 2016. Mr. Patel holds a Bachelor of Arts in Economics and Philosophy from Columbia University, and a Master of Business Administration from the University of California, Los Angeles’ Anderson School of Management. Mr. Patel’s work has been featured in several major publications, including Inc., Huffington Post, Forbes, and Entrepreneur, USA Today, among others. Dr. Drew., Inc. named Mr. Patel “One of 20 Inspiring Entrepreneurs Improving Health for All” and Forbes highlights him in an interview entitled “How Web Publishing is Saving Lives”. Mr. Patel is 38 years old and intends to devote the time necessary to serve as a director of the Company, which is estimated to be 10% of his time. Mr. Patel has signed a non-disclosure agreement with the Company but has not signed a non-competition agreement with the Company.

Stephen Gledhill – Director and Audit Committee Chairman. Mr. Gledhill is a founding member and Managing Director of RG Mining Investments Inc. and RG Management Services Inc., both of which are accounting, administrative and corporate secretarial services companies. In 1992, he formed Keshill Consulting Associates Inc., a boutique management consulting practice. Mr. Gledhill has over 25 years of financial-control experience and acts as CFO and Corporate Secretary for multiple publicly-traded companies, several of which he was instrumental in scaling-up and taking public. He currently serves as the CFO of Caracara Silver Inc. (TSXV:CSV) and CO2 Gro Inc. (TSXV:GROW). Prior to the inception of RGMI and RGMS, Mr. Gledhill served as the Senior Vice President and CFO of Borealis Capital Corporation, a Toronto-based merchant bank as well as Vice President of Finance of OMERS Realty Corporation (ORC), the real estate entity of the Ontario Municipal Employees Retirement System. Mr. Gledhill is a Chartered Public Accountant and Certified Management Accountant and holds a Bachelor of Math Degree from the University of Waterloo. Mr. Gledhill is 57 years old and intends to devote the time necessary to serve as a director of the Company, which is expected to be 10% of his time. Mr. Gledhill has signed a non-disclosure agreement with the Company but has not signed a non-competition agreement with the Company.

B. COMPENSATION**Executive Compensation**

The following table presents a summary of all annual and long-term compensation paid or accrued by us including our subsidiaries, for services rendered to us by our executive officers and directors in any capacity for the year ended October 31, 2020 and 2019.

Name	Year	Salary, consulting fee, retainer or commission	Bonus	Committee or meeting fees	Value of perquisites	Value of all other compensation	Total compensation
		(\$)	(\$)	(\$)		(\$)	(\$)
J. Obie Strickler, President, CEO and Director	2020	114,000	Nil	Nil	Nil	118,708 ⁽¹⁾	232,708
	2019	130,000	Nil	Nil	Nil	60,500 ⁽¹⁾	190,500
Michael Johnston, CFO and Corporate Secretary	2020	71,815 ⁽²⁾	Nil	Nil	Nil	Nil	71,815
	2019	172,510 ⁽²⁾	Nil	Nil	Nil	Nil	172,510
Adam August, CFO of Grown Rogue Unlimited, LLC	2020	188,412 ⁽³⁾	Nil	Nil	Nil	69,928	258,361
	2019	160,612 ⁽³⁾	Nil	Nil	Nil	Nil	160,612
Ryan Kee, Chief Accounting Officer	2020	66,500	Nil	Nil	Nil	4,783	71,283
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Rob Rigg, Former Chief Marketing Officer	2020	187,602 ⁽⁴⁾	Nil	Nil	Nil	69,928	257,530
	2019	125,155 ⁽⁴⁾	Nil	Nil	Nil	Nil	125,155
Abhilash Patel, Director	2020	Nil	Nil	13,409 ⁽⁵⁾	Nil	Nil	13,409
	2019	Nil	Nil	67,045 ⁽⁵⁾	Nil	Nil	67,045
Stephen Gledhill, Director	2020	Nil	Nil	31,409 ⁽⁵⁾⁽⁶⁾	Nil	Nil	31,409
	2019	Nil	Nil	109,211 ⁽⁵⁾⁽⁷⁾	Nil	Nil	109,211
Sean Conacher, Director	2020	Nil	Nil	1,909 ⁽⁵⁾	Nil	Nil	1,909
	2019	Nil	Nil	Nil	Nil	Nil	Nil

(1) Represents rent charged by a company owned by Mr. Strickler, lease payments for equipment sold by Mr. Strickler to the Corporation, and royalty payments made to Mr. Strickler.

(2) Fees were paid to an accounting firm in which Mr. Johnston is a partner.

(3) Inclusive of the \$36,505 paid to Mr. August in Common Shares in 2020 and \$50,612 in 2019.

(4) Inclusive of the \$24,424 paid to Mr. Rigg in Common Shares in 2020 and \$25,550 in 2019.

(5) Represents director and committee fees paid in Common Shares.

(6) Mr. Gledhill was paid an additional \$18,000 in fees in his role as chair of the Audit Committee and Compensation Committee.

(7) Mr. Gledhill was paid an additional \$60,500 in fees in his role as chair of the Audit Committee and Compensation Committee, which was paid in a combination of cash and Common Shares.

Outstanding Option-Based Awards

The following table summarizes options outstanding as at October 31, 2020.

Exercise price	Options outstanding	Number exercisable	Remaining Contractual Life (years)	Expiry date
\$ 0.44	500,000	500,000	1.2	January 1, 2022
0.15	3,120,000	2,112,500	3.7	July 9, 2024
0.15	100,000	-	3.7	July 20, 2024
\$ 0.19	3,720,000	2,612,500	3.4	

Compensation Discussion and Analysis

Objective of the Compensation Program

The objectives of the Company's compensation program are to attract, hold and inspire performance of J. Obie Strickler, Adam August and Michael Johnston, its Named Executive Officers ("NEOs"), of a quality and nature that will enhance the sustainable profitability and growth of the Company. The Company views it as an important objective of the Company's compensation program to ensure staff retention.

The Compensation Review Process

To determine compensation payable, the compensation committee of the Company (the "Compensation Committee") determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the NEOs of the Company while taking into account the financial and other resources of the Company.

The Company's Compensation Committee is comprised of J. Obie Strickler, Abhilash Patel and Stephen Gledhill. Compensation is determined in the context of our strategic plan, our growth, shareholder returns and other achievements and considered in the context of position descriptions, goals and the performance of each NEO. With respect to directors' compensation, the Compensation Committee reviews the level and form of compensation received by the directors, members of each committee, the board chair and the chair of each board committee, considering the duties and responsibilities of each director, his or her past service and continuing duties in service to us. The compensation of directors, the CEO and executive officers of competitors are considered, to the extent publicly available, in determining compensation and the Compensation Committee has the power to engage a compensation consultant or advisor to assist in determining appropriate compensation.

Elements of Executive Compensation

The Company's NEO compensation program is based on the objectives of: (a) recruiting and retaining the executives critical to the success of the Company; (b) providing fair and competitive compensation; (c) balancing the interests of management and shareholders of the Company; and (d) rewarding performance, on the basis of both individual and corporate performance.

For the financial year ended October 31, 2020, the Company's NEO compensation program consisted of the following elements:

- (a) a management fee (the "Short-Term Incentive").
- (b) a long-term equity compensation consisting of stock options granted under the Company's stock incentive plan ("Long-Term Incentive").

The specific rationale and design of each of these elements are outlined in detail below.

Short-Term Incentive

Salaries form an essential element of the Company's compensation mix as they are the first base measure to compare and remain competitive relative to peer groups. Base salaries are fixed and therefore not subject to uncertainty and are used as the base to determine other elements of compensation and benefits. The base salary provides an immediate cash incentive for the Named Executive Officers. The Compensation Committee and the Board review salaries at least annually.

Base salary/management fees of the Named Executive Officers are set by the Compensation Committee on the basis of the applicable officer's responsibilities, experience and past performance. In determining the base salary to be paid to a particular Named Executive Officer, the Compensation Committee considers the particular responsibilities related to the position, the experience level of the officer, and his or her past performance at the Company and the current financial position of the Company.

Long-Term Incentive

The granting of stock options is a variable component of compensation intended to reward the Company's Named Executive Officers for their success in achieving sustained, long-term profitability and increases in stock value. Stock options may be provided to enhance the Named Executive Officers motivation to achieve long-term growth of the Company and increases in shareholder value. The Company provides long-term incentive compensation through its stock option plan. The Compensation Committee recommends the granting of stock options from time to time based on its assessment of the appropriateness of doing so in light of the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract particular key personnel, the number of stock options already outstanding and overall market conditions. The Compensation Committee views the granting of stock options as a means of promoting the success of the Company and higher returns to its shareholders. The Board grants stock options after reviewing recommendations made by the Compensation Committee.

Stock Option Plan

The Company's Amended Stock Option Plan (the "Plan") was adopted by the Board of Directors on January 20, 2012 and approved by a majority of our shareholders voting at the Annual and Special Meeting held on February 24, 2012. The Plan was adopted in order that we may be able to provide incentives for directors, officers, employees, consultants and other persons (an "Eligible Individual") to participate in our growth and development by providing us with the opportunity through share options to acquire an ownership interest in us. Directors and officers currently are not remunerated for their services except as stated in "Executive Compensation" above. The Plan was revised on July 21, 2020.

The maximum number of shares of our common stock which may be set aside for issue under the Plan is an amount not to exceed 20% of the total shares issued and outstanding of the Company as of the date of each Option grant provided that the board has the right, from time to time, to increase such number subject to the approval of our shareholders and any relevant stock exchange or other regulatory authority. Any shares of our common stock subject to an option, which are not exercised, will be available for subsequent grant under the Plan. The option price of any shares of our common stock is to be determined by the Board in its sole discretion.

Options granted under the Plan may be exercised during a period not exceeding five years, subject to earlier termination upon the optionee ceasing to be an Eligible Individual, or, in accordance with the terms of the grant of the option. The options are non-transferable and non-assignable except between an Eligible Individual and a related corporation controlled by such Eligible Individual upon the consent of the Board of Directors. The Plan contains provisions for adjustment in the number of shares issuable there under in the event of subdivision, consolidation, reclassification, reorganization or change in the number of shares of our common stock, a merger or other relevant change in the Company's capitalization. The Board of Directors may from time to time amend or revise the terms of the Plan or may terminate the Plan at any time. The Company does not have any other long-term incentive plans, including any supplemental executive retirement plans.

Overview of How the Compensation Program Fits with Compensation Goals

The compensation package is designed to meet the goal of attracting, holding and motivating key talent in the highly competitive cannabis industry through salary and providing an opportunity to participate in the Company's growth through stock options. Through the grant of stock options, if the price of the Company shares increases over time, both the Named Executive Officer and shareholders will benefit.

Incentive Plan Awards

During the year ended October 31, 2020, the Company granted 3,575,000 stock options, of which 750,000 were granted to the Senior VP; 750,000 were granted to the Chief Market Officer; 250,000 options to the Chief Accounting Officer; and 500,000 were granted to the spouse of the CEO.

Pension Plan Benefits

The Company does not currently provide pension plan benefits to its Named Executive Officers.

Termination and Change of Control Benefits

At October 31, 2020, the Company had one executive employment agreements in place with the Chief Accounting Officer, which could be triggered by termination, or a constructive dismissal within six months of a change in control event. If triggered, a payment equal to 50% of the Chief Accounting Officer's compensation for the twelve months prior to the change in control event would be due within sixty calendar days after the effective date of the triggering event.

The Company has no compensatory plan where a named executive officer or director is entitled to receive compensation in the event of resignation, retirement, termination, change of control or a change in responsibilities following a change in control.

Director Compensation

The Company does not compensate its directors based on the number of meetings attended. Mr. Gledhill is paid a monthly fee of \$1,500. Each director is paid in common shares of the Company. Aggregate compensation paid to each director during the year ended October 31, 2020 is included in the Executive Compensation table above. As of the date of this Report, none of the Company's directors has a service contract with the Company or its subsidiaries providing for benefits upon termination of employment.

Retirement Policy for Directors

The Company does not have a retirement policy for its directors.

Directors' and Officers' Liability Insurance

The Company does not maintain directors' and officers' liability insurance.

Pension Plans, Retirement Plans, and Similar Benefits

Neither the Company nor its subsidiaries have set aside or accrued any amounts to provide pension, retirement or similar benefits.

C. BOARD PRACTICES

Board of Directors

The mandate of our Board of Directors, prescribed by the Business Corporations Act (Ontario), is to manage or supervise the management of our business and affairs and to act with a view to our best interests. In doing so, the board oversees the management of our affairs directly and through its committees. The Board of Directors has met at least once annually or otherwise as circumstances warrant to review our business operations, corporate governance and financial results.

Mr. Strickler, Mr. Patel, and Mr. Gledhill were appointed as directors on November 15, 2018. The terms of Mr. Uban and Mr. Batra as directors began on September 9, 2016 and ended upon their resignations on November 14, 2018. The term of Mr. Cassina as director began on February 9, 2010 and ended upon his resignation on November 14, 2018. The term of Mr. Klyman as a director began on August 10, 2000 and ended upon his resignation on September 9, 2016. Mr. Budden was appointed on December 22, 2015 and resigned on September 9, 2016. Our directors serve until our next Annual General Meeting or until a successor is duly elected, unless the office is vacated in accordance with our Articles or Bylaws. Our chief executive officer, our president and our chief financial officer were appointed by our Board of Directors to serve until the earlier of their resignation or removal, with or without cause by the directors. There was no compensation paid by us to our directors during the fiscal year ended August 31, 2017 for their services in their capacity as directors or any compensation paid to committee members.

As of the date of this Report our Board of Directors consists of five directors, two of which are considered “independent directors” in that they are “independent from management and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the directors ability to act with a view to our best interests, other than interests and relationships arising from their shareholding”. It is our practice to attempt to maintain a diversity of professional and personal experience among our directors.

The Company holds meetings as required, at which the opinions of the directors are sought by management and duly acted upon for all material matters relating to the Company.

Directorships

As at October 31, 2020, the following director and officer of the Company also served as a director and/or officer of other reporting issuers, as follows:

Stephen Gledhill	CFO and Corporate Secretary of DelphX Capital Markets Inc. (TSXV) ¹ CFO and Corporate Secretary of CO2 Gro Inc. (TSXV) CFO and Corporate Secretary of POSaBIT Systems Corporation (CSE) CFO and director of Bhang Inc. (CSE)
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¹ Services by Mr. Gledhill to DelphX Capital Markets Inc. terminated on November 30, 2021.

On February 1, 2021, Mr. Gledhill began providing services to Tombill Mines Limited (TSXV) as Corporate Secretary

Board Mandate

The Board assumes responsibility for stewardship of the Company, including overseeing all of the operation of the business, supervising management and setting milestones for the Company. The Board reviews the statements of responsibilities for the Company including, but not limited to, the code of ethics and expectations for business conduct.

The Board approves all significant decisions that affect the Company and its subsidiaries and sets specific milestones towards which management directs their efforts.

The Board ensures, at least annually, that there are long-term goals and a strategic planning process in place for the Company and participates with management directly or through its committees in developing and approving the mission of the business of the Company and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Company’s business. The strategic planning process is carried out at each Board meeting where there are regularly reviewed specific milestones for the Company.

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The strategic planning process incorporates identifying the main risks to the Company's objectives and ensuring that mitigation plans are in place to manage and minimize these risks. The Board also takes responsibility for identifying the principal risks of the Company's business and for ensuring these risks are effectively monitored and mitigated to the extent practicable. The Board appoints senior management.

The Company adheres to regulatory requirements with respect to the timeliness and content of its disclosure. The Board approves all of the Company's major communications, including annual and quarterly reports and press releases. The Chief Executive Officer authorizes the issuance of news releases. The Chief Executive Officer is generally the only individual authorized to communicate with analysts, the news media and investors about information concerning the Company.

The Board and the audit committee of the Company (the "Audit Committee") examines the effectiveness of the Company's internal control processes and information systems.

The Board as a whole, given its small size, is involved in developing the Company's approach to corporate governance. The number of scheduled board meetings varies with circumstances. In addition, special meetings are called as necessary. The Chief Executive Officer establishes the agenda at each Board meeting and submits a draft to each director for their review and recommendation for items for inclusion on the agenda. Each director has the ability to raise subjects that are not on the agenda at any board meeting. Meeting agendas and other materials to be reviewed and/or discussed for action by the Board are distributed to directors in time for review prior to each meeting. Board members have full and free access to senior management and employees of the Company.

Position Descriptions

The Board has not developed written position descriptions for the Chairman of the Board, the Chief Executive Officer, Chief Financial Officer or the President (the "Officers"). The Board is currently of the view that the respective corporate governance roles of the Board and management, as represented by the Officers, are clear and that the limits to management's responsibility and authority are well-defined.

Each of the Audit Committee and Compensation Committee has a chair and a mandate.

Orientation and Continuing Education

We have developed an orientation program for new directors including a director's manual ("Director's Manual") which contains information regarding the roles and responsibilities of the board, each board committee, the board chair, the chair of each board committee and our president. The Director's Manual contains information regarding its organizational structure, governance policies including the Board Mandate and each Board committee charter, and our code of business conduct and ethics. The Director's Manual is updated as our business, governance documents and policies change. We update and inform the board regarding corporate developments and changes in legal, regulatory and industry requirements affecting us.

Ethical Business Conduct

We have adopted a written code of business conduct and ethics (the "Code") for our directors, officers and employees. The board encourages following the Code by making it widely available. It is distributed to directors in the Director's Manual and to officers, employees and consultants at the commencement of their employment or consultancy. The Code reminds those engaged in service to us that they are required to report perceived or actual violations of the law, violations of our policies, dangers to health, safety and the environment, risks to our property, and accounting or auditing irregularities to the chair of the Audit Committee. In addition to requiring directors, officers and employees to abide by the Code, we encourage consultants, service providers and all parties who engage in business with us to contact the chair of the Audit Committee regarding any perceived and all actual breaches by our directors, officers and employees of the Code. The chair of our Audit Committee is responsible for investigating complaints, presenting complaints to the applicable board committee or the board as a whole, and developing a plan for promptly and fairly resolving complaints. Upon conclusion of the investigation and resolution of a complaint, the chair of our Audit Committee will advise the complainant of the corrective action measures that have been taken or advise the complainant that the complaint has not been substantiated. The Code prohibits retaliation by us, our directors and management, against complainants who raise concerns in good faith and requires us to maintain the confidentiality of complainants to the greatest extent practical. Complainants may also submit their concerns anonymously in writing. In addition to the Code, we have an Audit Committee Charter and a Policy of Procedures for Disclosure Concerning Financial/Accounting Irregularities.

Since the beginning of our most recently completed fiscal year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code. The board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Code and expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere. The board is required by the Board Mandate to satisfy our CEO and other executive officers are acting with integrity and fostering a culture of integrity throughout the Company. The board is responsible for reviewing departures from the Code, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. In addition, the board is responsible for responding to potential conflict of interest situations, particularly with respect to considering existing or proposed transactions and agreements in respect of which directors or executive officers advise they have a material interest. The Board Mandate requires that directors and executive officers disclose any interest and the extent, no matter how small, of their interest in any transaction or agreement with us, and that directors excuse themselves from both board deliberations and voting in respect of transactions in which they have an interest. By taking these steps the board strives to ensure that directors exercise independent judgment, unclouded by the relationships of the directors and executive officers to each other and us, in considering transactions and agreements in respect of which directors and executive officers have an interest.

Nomination of Directors

The Board has not appointed a nominating committee and does not believe that such a committee is warranted at the present time. The entire Board determines new nominees to the Board, although a formal process has not been adopted. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members and officers. The Board generally looks for the nominee to have significant public company experience. The nominee must not have a significant conflicting public company association.

Compensation

The Board determines director and executive officer compensation by recommendation of the Compensation Committee. The Company's Compensation Committee reviews the amounts and effectiveness of compensation. The Board reviews the adequacy and form of compensation and compares it to other companies of similar size and stage of development. There is no minimum share ownership requirement of directors.

The Compensation Committee generally convenes at least once annually to review director and officer compensation and status of stock options. The Compensation Committee also responds to requests from management and the Board to review recommendations of management for new senior employees and their compensation. The Compensation Committee has the power to approve and/or amend these recommendations.

The Company has felt no need to retain any compensation consultants or advisors at any time since the beginning of the Company's most recently completed financial year.

Committees of the Board

Our Board of Directors discharges its responsibilities directly and through committees of the Board of Directors, currently consisting of the Audit Committee and a compensation committee (the "**Compensation Committee**").

Audit Committee

The mandate of the Audit Committee is formalized in a written charter. The members of the Audit Committee are J. Obie Strickler, Abhilash Patel and Stephen Gledhill (Chair). Based on his professional experience, the board has determined that Stephen Gledhill is an Audit Committee Financial Expert and that J. Obie Strickler and Abhilash Patel are financially literate. The Audit Committee's primary duties and responsibilities are to serve as an objective party to monitor our financial reporting process and control systems, review and appraise the audit activities of our independent auditors, financial and senior management, and the lines of communication among the independent auditors, financial and senior management, and the Board of Directors for financial reporting and control matters including investigating fraud, illegal acts or conflicts of interest.

Compensation Committee

The mandate of the Compensation Committee is formalized in a written charter. The members of the Compensation Committee are J. Obie Strickler, Abhilash Patel and Stephen Gledhill. Compensation is determined in the context of our strategic plan, our growth, shareholder returns and other achievements and considered in the context of position descriptions, goals and the performance of each individual director and officer. With respect to directors' compensation, the Compensation Committee reviews the level and form of compensation received by the directors, members of each committee, the board chair and the chair of each board committee, considering the duties and responsibilities of each director, his or her past service and continuing duties in service to us. The compensation of directors, the CEO, CFO and executive officers of competitors are considered, to the extent publicly available, in determining compensation and the Compensation Committee has the power to engage a compensation consultant or advisor to assist in determining appropriate compensation.

Assessments

The board assesses, on an annual basis, the contributions of the board as a whole, the Audit Committee and each of the individual directors, in order to determine whether each is functioning effectively. The board monitors the adequacy of information given to directors, communication between the board and management and the strategic direction and processes of the board and committees. The Audit Committee will annually review the Audit Committee Charter and recommend, if any, revisions to the board as necessary.

Relevant Education and Experience of Audit Committee Members

See Item 6.A – Directors and Senior Management for biographies of Audit Committee members.

Audit Committee Charter

- Our Audit Committee Charter (the “Charter”) has been adopted by our Board of Directors. The Audit Committee of the board (the “Committee”) will review and reassess this charter annually and recommend any proposed changes to the board for approval. The Audit Committee’s primary duties and responsibilities are to:
- Oversee (i) the integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; and (iii) the independent auditors’ qualifications and independence.
- Serve as an independent and objective party to monitor our financial reporting processes and internal control systems.
- Review and appraise the audit activities of our independent auditors and the internal auditing functions.
- Provide open lines of communication among the independent auditors, financial and senior management, and the board for financial reporting and control matters.

Role and Independence: Organization

The Committee assists the board on fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing, internal control and financial reporting practices. It may also have such other duties as may from time to time be assigned to it by the board.

The Audit Committee is to be comprised of at least three directors.

All members shall, to the satisfaction of the board, be financially literate (i.e. will have the ability to read and understand a balance sheet, an income statement, a cash flow statement and the notes attached thereto), and at least one member shall have accounting or related financial management expertise to qualify as “financially sophisticated”. A person will qualify as “financially sophisticated” if an individual possesses the following attributes:

- an understanding of financial statements and generally accepted accounting principles;

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- an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities;
- an understanding of internal controls and procedures for financial reporting; and
- an understanding of audit committee functions.

The Committee members will be elected annually at the first meeting of the Board following the annual meeting of shareholders. Each member of the Committee serves at the pleasure of the Board and, in any event, only so long as he or she is a director.

One member of the Committee shall be appointed as chair. The chair shall be responsible for leadership of the Committee, including scheduling and presiding over meetings and making regular reports to the Board. The chair will also maintain regular liaison with the CEO, CFO, President and the lead independent audit partner.

Responsibilities and Powers

Although the Committee may wish to consider other duties from time to time, the general recurring activities of the Committee in carrying out its oversight role are described below.

- Annual review and revision of the Charter as necessary with the approval of the board.
- Review and obtain from the independent auditors annually a formal written statement delineating all relationships between the auditor and us, consistent with Independence Standards Board Standard 1. The Committee shall actively engage in a dialogue with the independent auditors with respect to any relationship that may impact the objectivity and the independence of the auditors and shall take, or recommend that the board take, appropriate actions to oversee and satisfy itself as to the auditors' independence.
- Recommending to the board the independent auditors to be retained (or nominated for shareholder approval) to audit our financial statements. Such auditors are ultimately accountable to the board and the Committee, as representatives of the shareholders.
- Evaluating, together with the board and management, the performance of the independent auditors and, where appropriate, replacing such auditors.
- Ensuring that the independent auditors are prohibited from providing the following non-audit services and determining which other non-audit services the independent auditors are prohibited from providing:
 - Bookkeeping or other services related to our accounting records or consolidated financial statements;
 - Financial information systems design and implementation;
 - Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - Actuarial services;
 - Internal audit outsourcing services;

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- Management functions or human resources;
- Broker or dealer, investment advisor or investment banking services;
- Legal services and expert services unrelated to the audit; and
- Any other services which the Public Company Accounting Oversight Board determines to be impermissible.
- Approving any permissible non-audit engagements of the independent auditors.
- Meeting with our auditors and management to review the scope of the proposed audit for the current year, and the audit procedures to be used, and to approve audit fees.
- Reviewing the audited consolidated financial statements and discussing them with management and the independent auditors. Consideration of the quality of our accounting principles as applied in its financial reporting. Based on such review, the Committee shall make its recommendation to the Board as to the inclusion of our audited consolidated financial statement in our Report to Shareholders.
- Discussing with management and the independent auditors the quality and adequacy of and compliance with our internal controls.
- Establishing procedures: (i) for receiving, handling and retaining of complaints received by us regarding accounting, internal controls, or auditing matters, and (ii) for employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters.
- Review and discuss all related party transactions involving us.
- Engaging independent counsel and other advisors if the Committee determines that such advisors are necessary to assist the Committee in carrying out its duties.
- Publicly disclose the receipt of warning about any violations of corporate governance rules.

Authority

The Committee will have the authority to retain special legal, accounting or other experts for advice, consultation or special investigation. The Committee may request any officer or employee of ours, our outside legal counsel, or the independent auditor to attend a meeting of the Committee, or to meet with any member of, or consultants to, the Committee. The Committee will have full access to our books, records and facilities.

Meetings

The Committee shall meet at least yearly, or more frequently as the Committee considers necessary. Opportunities should be afforded periodically to the external auditor and to senior management to meet separately with the independent members of the Committee. Meetings may be with representatives of the independent auditors, and appropriate members of management, all either individually or collectively as may be required by the Chairman of the Committee.

The independent auditors will have direct access to the Committee at their own initiative.

The Chairman of the Committee will report periodically the Committee's findings and recommendations to the Board of Directors.

D. EMPLOYEES

As of October 31, 2020 we had 37 employees.

E. SHARE OWNERSHIP

Shares of our common stock are owned by Canadian residents, United States residents and residents of other countries. The only class of our securities, which is outstanding as of the date of the filing of this Report, is common stock. All holders of shares of our common stock have the same voting rights with respect to their ownership of shares of our common stock.

The following table sets forth as of November 4, 2022, certain information with respect to the amount and nature of beneficial ownership of shares of our common stock held by (i) each person who is a director or an executive officer of ours; and (ii) all directors and executive officers of ours, as a group. Shares of our common stock subject to options, warrants, or convertible securities currently exercisable or convertible or exercisable or convertible within 60 days of the date of filing of this Report are deemed outstanding for computing the share ownership and percentage of the person holding such options, warrants, or convertible securities but are not deemed outstanding for computing the percentage of any other person.

Name and Owner	Identity	Amount and Nature of Beneficial Ownership of Common Stock ⁽¹⁾	Percentage
J. Obie Strickler	President, Chief Executive Officer and Director	34,194,416 ⁽²⁾	20.04%
Ryan Kee	Chief Financial Officer and Director	97,500 ⁽³⁾	0.06%
Adam August	Senior VP, Grown Rogue Unlimited LLC	4,036,136 ⁽⁴⁾	2.37%
Abhilash Patel	Officer/Director	754,971	0.44%
Stephen Gledhill	Director	44,386	0.03%
Sean Conacher	Director	485,000 ⁽⁵⁾	0.28%
All officers and directors as a group (6 persons) ^{(2), (3), (4), (5), (6)}		39,612,409	23.22%

(1) Unless otherwise indicated, the persons named have sole ownership, voting and investment power with respect to their stock, subject to applicable laws relative to rights of spouses. Percentage ownership is based on 170,632,611 shares of common stock outstanding as of November 4, 2022.

(2) Mr. Strickler beneficially owns options to acquire 500,000 common shares and warrants to acquire 1,600,000 common shares.

(3) Mr. Kee owns options to acquire 250,000 common shares.

(4) Mr. August owns options to acquire 750,000 common shares and warrants to acquire 2,000,000 common shares.

(5) Mr. Conacher is a director of PBIC.

As of the date of the filing of this Report, to the knowledge of our management, there are no arrangements which, could at a subsequent date result in a change in control of us. As of such date, and except as disclosed herein, our management has no knowledge that we are owned or controlled directly or indirectly by another company or any foreign government.

ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**A. MAJOR SHAREHOLDERS**

There were 170,632,611 issued and outstanding shares of our common stock as of November 4, 2022. As of November 4, 2022, to the best of our knowledge, Mr. Strickler and Bengal Catalyst Fund, LP were the only persons who held directly or indirectly or exercised control or direction over, shares of our common stock carrying 5% or more of the voting rights attached to all issued and outstanding shares of the common stock except as stated under Item 6.E above or set out in the table below. The shares of our common stock, owned by our major shareholders have identical voting rights as those owned by our other shareholders.

Name	Amount and Nature of Beneficial Ownership of Common Stock	Note	Percentage
J. Obie Strickler ¹	34,194,416	1	20.04%
Bengal Catalyst Fund, LP	24,262,000		14.22%

1. Mr. Strickler owns options to acquire 500,000 common shares and warrants to acquire 1,600,000 common shares.

The following table discloses the geographic distribution of the majority of the holders of record of our common stock as of November 4, 2022.

Country	Number of Shareholders	Number of Shares	Percentage of Shareholders	Percentage of Shares
Canada	1,076	146,743,807	92.44%	85.99%
USA	74	23,640,359	6.36%	13.85%
All Other	14	248,445	1.20%	0.15%
Total	1,164	170,632,611	100.00%	100.00%

We are not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person. There are no arrangements known to us, the operation of which may at a subsequent date result in a change in the control of us.

B. RELATED PARTY TRANSACTIONS

Except as disclosed below, there are no existing or potential material conflicts of interest between the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company.

Canopy Management (a distinct entity from Canopy as defined in *Item 4.A History and Development of the Company*) sold finished product inventory to GR Gardens on May 1, 2017 payable to Canopy Management in cash when such inventory was processed and sold into the Oregon recreational market. The amount GR Gardens agreed to pay Canopy Management would be reflective of market prices of the product to retail locations (without additional margin for GR Gardens). All inventory previously owned by Canopy Management has been liquidated and the amount owed to Canopy Management was adjusted to reflect market price conditions at the time of sale by GR Gardens in the recreational market. Accordingly, the adjusted amount owed to Canopy Management for the purchased inventory was \$180,799. This transaction with Canopy Management was a related party transaction given that, at the time of the agreement, Mr. J. Obie Strickler was the majority owner and sole manager of Canopy Management and the sole owner and manager of Grown Rogue.

Property and Equipment Leases

Obie Strickler, our CEO, currently owns the Trails End Property that is one of the facility properties leased to GRUP. In fiscal year 2020, Trail End Property charged rent of \$77,000. Beginning with the 2019 outdoor harvest, 2.5% of gross sales achieved from this property is payable in cash. The royalty terminated in December 2021. Although this lease began January 1, 2017, Grown Rogue began paying this amount in October, 2017. As such, Grown Rogue had \$45,000 of accrued liabilities at October 31, 2020 and 2019, related to nine months' rent that went unpaid. The rent owed by GRUP to Mr. Strickler is paid in cash at comparable market rates. During the years ended October 31, 2021, and 2020, rent charged was \$73,000 and \$77,000, respectively. During the three months ended January 31, 2022, rent charged was \$18,000.

Obie Strickler, our CEO, beneficially owns the Lars Property which was leased to GR Gardens during the year ended October 31, 2021. Lease charges of \$60,000 were incurred for the year ended October 31, 2021, and lease charges of \$45,450 were incurred during the three months ended January 31, 2022.

During the year ended October 31, 2021, Mr. Strickler leased two pieces of mobile equipment to the Company, for which total aggregate payments of \$17,802 were made. During the three months ended January 31, 2022, payments totaled \$7,630. Monthly payments total \$2,543 per month, comprised of payments of \$1,994 which terminate in March 2023, and \$549, which terminate in July 2022.

Financing Transactions

Effective June 1, 2017, GRUS entered into an agreement with its President and CEO and the President and CEO's spouse (the "Holder"), whereby the Holder purchased a convertible non-negotiable promissory note for total principal of \$637,775 with simple interest calculated at a rate of 25% per annum. The note, which included any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement was due and payable on the earlier of the following: (a) 36 months from the effective date of the note; or (b) the occurrence of a change of control of GRUS. A balloon interest payment of \$30,000 was to the Holder on June 1, 2018. The note did not have a prepayment option under the agreement, unless agreed to in writing by the Holder. In the event GRUS completed a qualified equity financing transaction on or before the maturity date of the promissory note, the holder had the right to convert in whole or in part the unpaid principal and interest balance into fully paid non-assessable shares of common stock of GRUS at a price per unit equal to the applicable conversion price calculated immediately before the closing of a going public event or qualified transaction. At any time prior to the maturity of the agreement, the Holder had the right to convert a portion of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of GRUS. The conversion price represented an amount equal to the applicable conversion valuation divided by the number of units outstanding at the time of conversion. The conversion valuation represented the following a) \$10,000,000 if the holder converted the note within 12 months of the effective date of the note and b) \$15,000,000 if the holder converted the note after 12 months of the effective date of the note, but prior to the note's maturity. On June 1, 2018, the principle of \$637,775 and unpaid interest of \$146,157 were converted into 922.70 common units of GRUS (4,350,823 common shares of the Company).

Effective October 1, 2017: GR Unlimited entered into an agreement with its President and CEO and the President and CEO's spouse (the "Holder"), whereby the Holder purchased two convertible non-negotiable promissory notes for total principal of \$250,000 with simple interest calculated at a rate of 50% per annum. The notes, which included any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement were due and payable on the earlier of the following: (a) 12 months from the effective date of the notes; or (b) the occurrence of a change of control of the Company. A balloon interest payment of \$15,000 was due to the Holder on day 180. The notes did not have a prepayment option under the agreement, unless agreed to in writing by the Holder. At any time prior to the maturity of the agreement, the Holder had the right to convert a portion of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of GRUS at a price per unit equal to the applicable conversion price calculated immediately before the closing of a going public event or qualified transaction. The conversion price represents an amount equal to the applicable conversion valuation divided by the number of units outstanding at the time of conversion. The Conversion valuation represented the following a) \$10,000,000 if the holder converted the note within 6 months of the effective date of the note and b) \$15,000,000 if the holder converted the note after 6 months of the effective date of the note, but prior to the note's maturity. Effective March 31, 2018, the principal and unpaid interest of \$46,250 were converted into 332.4 common units of GRUS (1,644,188 common shares of the Company).

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On October 2, 2019, the Company borrowed \$50,000 with simple interest accrued at a rate of 60% per annum and a maturity of 90 days from the CEO of the Company. As at October 31, 2019, accrued interest of \$2,384 was incurred.

On October 17, 2019, the Company borrowed \$50,000 with simple interest accrued at a rate of 60% per annum and a maturity of 90 days from the Senior VP of GRUS. As at October 31, 2019, accrued interest of \$1,151 was incurred.

On February 10, 2020, the Company announced the February 2020 Private Placement, pursuant to which PBIC invested CDN\$1,500,000 and received with 15,000,000 Units at a price of CDN\$0.10 per Unit, with each Unit comprised of one common share and one common share purchase Warrant. Each Warrant is exercisable into one common share at a price of CDN\$0.125. In addition, PBIC and the Company entered into the Share Swap, pursuant to which the Company received 2,362,204 common shares of PBIC at a price of \$0.635 per share, and PIBC received 15,000,000 shares of the Company at a price of \$0.10 per share. PBIC and the Company signed a voting and resale agreement providing that both will be required to vote the shares acquired under the Share Swap as recommended by the other party and were restricted from trading the shares for a period of eighteen months.

February 28, 2020, the Company's majority-owned subsidiary, GR Michigan, issued the Michigan Debt. Obie Strickler, a director of the Company and the Company's President and Chief Executive Officer, Adam August, the Senior VP of GRUS, and Abhilash Patel, a director of the Company, or entities affiliated with them, purchased non-negotiable promissory notes from GH Michigan in the original principal amounts of \$50,000, \$100,000, and \$150,000, respectively. The non-negotiable promissory notes purchased by each of Mr. Strickler, Mr. August, and Mr. Patel have the same terms as the non-negotiable promissory notes purchased by other investors in the offering.

On November 23, 2020, a director, Mr. Steve Lightman, prior to his directorship, purchased 6.25 newly issued equity units of Grown Rogue Distribution, LLC ("GRD Units") for \$250,000, out of the total of 11.875 GRD Units issued during the year ended October 31, 2021. On April 30, 2021, the Company purchased 6.25 GRD Units from Mr. Lightman for consideration of 1,953,125 common shares with a fair value of \$349,809, and 5.625 GRD Units from other parties for consideration of 1,758,813 common shares with a fair value of \$315,007. After the Company's purchases of GRD Units, Grown Rogue Distribution, LLC returned to being a wholly owned subsidiary.

On February 5, 2021, the Company completed the February 2021 Private Placement 2nd Tranche, comprised of 8,200,000 units (the "Units") at CDN\$0.16 per Unit for proceeds of CDN\$1,312,000 (US\$1,025,000). Each Unit was comprised of one common share and one warrant to purchase one common share. Each warrant has an exercise price of CDN\$0.20 and a term of two years. Related party subscribers include the following: the CEO subscribed to 1,600,000 Units; the CFO of GR Unlimited subscribed to 2,000,000 Units; a key Company operations manager subscribed to 1,000,000 Units; and PBIC subscribed to 2,000,000 Units.

On March 5, 2021, PBIC invested an aggregate total of \$394,546 in the March 5, 2021, Special Warrant offering, for which PBIC received 2,444,444 common shares and 2,444,444 warrants to purchase common shares. Each warrant is exercisable at CDN\$0.30 for a period of two years.

On December 9, 2021, the Company announced that it had closed the December 2021 Private Placement for total gross proceeds of \$1,300,000 (CDN\$1,645,800). The Private Placement resulted in the issuance of 13,166,400 common shares of Grown Rogue at a purchase price of CDN\$0.125 per share. All common shares issued pursuant to the Private Placement were subject to a hold period of four months and one day. The CEO of Grown Rogue invested USD\$300,000 in the Private Placement and received 3,038,400 common shares of the Company, and Bengal Catalyst Fund, LP, invested USD\$1,000,000 and received 10,128,000 common shares of the Company.

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the amount agreed to by the related parties.

Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the periods set out were as follows:

	October 31, 2020	October 31, 2019	October 31, 2018
Short term employee benefits	\$ 577,774	\$ 425,412	\$ 533,568
Equity-based compensation	\$ 205,568	\$ 33,083	\$ 1,049,565
	<u>\$ 783,342</u>	<u>\$ 458,083</u>	<u>\$ 1,583,133</u>

The following balances owing to key management personnel which are included in trade and other payables are unsecured, non-interest bearing and due on demand:

	October 31, 2020	October 31, 2019
Short term employee benefits and reimbursables payable to key managers	\$ 215,625	\$ 211,353
Deferred lease amounts payable to CEO	\$ 45,000	45,000
Amount due to Canopy Management, related to CEO	180,799	180,799
	<u>\$ 441,424</u>	<u>\$ 437,152</u>

During the three months ended January 31, 2022, and the years ended October 31, 2021 and 2020, the Company incurred compensation expense of \$15,000, \$58,020, and \$59,500, respectively, for Sarah Strickler's employment services, who is the spouse of our CEO. During the year ended October 31, 2020, Ms. Strickler was granted 500,000 options, exercisable to acquire 500,000 common shares of the Company at a price of CDN\$0.15 per share for four years from the date of the grant. During the year ended October 31, 2019, the Company incurred employee/director fees of \$22,000 Ms. Strickler's services.

The Company incurred fees related to marketing and promotion services of \$Nil (2019 \$183,674) from two companies owned by the Company's former Chief Strategy Officer ("CSO"). At October 31, 2020, accounts payable and accrued liabilities were \$Nil (October 31, 2019 \$6,000) payable to these companies.

During the year ended October 31, 2020, the options to purchase common shares were granted to key management personnel, summarized in the following table:

Key Management Person	Name	Number of options granted	Strike Price	Term	Number of options cancelled
Senior VP of GRUS	Adam August	750,000	CDN\$0.15	Four years	Nil
Chief Financial Officer	Ryan Kee	250,000	CDN\$0.15	Four years	Nil
Chief Market Officer	Robert Rigg ¹	750,000	CDN\$0.15	Four years	750,000

¹ Employment terminated in May 2021.

C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable.

ITEM 8 FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

The Company's Audited Consolidated Financial Statements for the fiscal years ended October 31, 2020, 2019 and 2018 and the notes thereto required as part of this Report are filed under Item 18 of this Report.

Litigation

There are no pending legal proceedings to which we or our subsidiaries are a party or of which any of our property or assets is the subject. There are no legal proceedings to which any of the directors, officers or affiliates or any associate of any such directors, officers or affiliates of either our company or our subsidiary is a party or has a material interest adverse to us.

Dividends

We have not paid any dividends on our common stock during the past five years. We do not intend to pay dividends on shares of our common stock in the foreseeable future as we anticipate that our cash resources will be used to finance growth.

B. SIGNIFICANT CHANGES

There have been no significant changes that have occurred since the date of our annual financial statements included with this Report except as disclosed in this Report.

ITEM 9 THE OFFER AND LISTING

Common Shares

Our authorized capital consists of an unlimited number of shares of our common stock without par value, of which 107,782,397 were issued and outstanding as of October 31, 2020. All shares are initially issued in registered form. There are no restrictions on the transferability of shares of our common stock imposed by our Articles of Amalgamation. Holders of shares of our common stock are entitled to one vote for each common share held of record on all matters to be acted upon by our shareholders. Holders of shares of our common stock are entitled to receive such dividends as may be declared from time to time by our Board of Directors, in their discretion. In addition we are authorized to issue an unlimited number of preferred shares, issuable in series with such rights, preferences and privileges as may be determined from time to time by our Board of Directors and consistent with our Articles of Amendment of which Nil preferred shares were issued and outstanding at October 31, 2020.

Shares of our common stock entitle their holders to: (i) vote at all meetings of our shareholders except meetings at which only holders of specified classes of shares are entitled to vote, having one vote per common share, (ii) receive dividends at the discretion of our Board of Directors; and (iii) receive our remaining property on liquidation, dissolution or winding up.

A. OFFER AND LISTING DETAILS

Our common stock is quoted for trading on the OTC Markets under the symbol “GRUSF” and listed on the Canadian Securities Exchange (“CSE”), under the symbol “GRIN”. During the past three years, there have been two suspensions of trading for failure to timely file financial reports: trading of our common stock ceased over the OTC Markets in March 2020 and the CSE ceased trading of our common stock in March 2020, both associated with the same filing delay. On March 24, 2020, the Company rectified the default situation that gave rise to the suspension of trading, and trading on the CSE and OTC Markets resumed. The Securities and Exchange Commission’s (“SEC”) amendments to Rule 15c2-11 went into effect September 28, 2021, and on that date, quotations on the OTC Markets were no longer publishable due to lack of current information about the Company. Quotations on the OTC Markets may resume after filing this Report, and Form 20-F for the years ended October 31, 2021 and 2020.

Our common stock became eligible for trading on October 22, 2009 on the OTC Markets under the symbol (“EGNKF”). Following the amalgamation on November 30, 2009 with our wholly owned subsidiary 1406768 Ontario, we changed our name to Eagleford Energy Inc. and commenced trading under the symbol (“EFRDF”). Prior to our common stock being included on the OTC Markets, our common stock had not publicly traded in the United States. We completed a 2-for-1 forward stock split, pursuant to which one (1) newly-issued share of the Company’s common stock was issued to each holder of a share of common stock as of the close of business on March 16, 2012. On August 31, 2014 we completed a 1-for-10 stock consolidation and following commenced trading under the symbol (“EGFDF”). On February 1, 2016, we changed our name to Intelligent Content Enterprises Inc. and completed a 1-for-10 stock consolidation and following commenced trading on the OTC Markets under the symbol (“ICEIF”). On May 26, 2017, we changed our name from Intelligent Content Enterprises Inc., to Novicius Corp., and completed a 1-for-10 stock consolidation and following commenced trading on the OTC Markets under the symbol (“NVSIF”). On November 15, 2018, the Transaction was consummated and prior to the close of the Transaction we completed a 1-for-1.4 stock consolidation.

There is currently only a limited public market for the common stock in the United States. There can be no assurance that a more active market will develop in the future.

B. PLAN OF DISTRIBUTION

Not Applicable.

C. MARKETS

See Item 9.A.

D. SELLING SHAREHOLDERS

Not Applicable.

E. DILUTION

Not Applicable.

F. EXPENSES OF THE ISSUE

Not Applicable.

ITEM 10 ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Certificate of Incorporation

We were incorporated under the Business Corporations Act (Ontario) on September 22, 1978 under the name Bonanza Red Lake Explorations Inc. The corporation number as assigned by Ontario is 396323.

Articles of Amendment dated January 14, 1985

By Articles of Amendment dated January 14, 1985, our Certificate of Incorporation (as amended, the “Articles”) was amended as follows:

1. The minimum number of directors of the Company shall be 3 and the maximum number of directors of the Company shall be 10.
2. (a) Delete the existing objects clauses and provide that there are no restrictions on the business we may carry on or on the powers that we may exercise;
(b) Delete the term “head office” where it appears in the Articles and substitute therefor the term “registered office”;
(c) Delete the existing special provisions contained in the Articles and substitute therefor the following:

The following special provisions shall be applicable to the Company:

Subject to the provisions of the Business Corporations Act, as amended or re-enacted from time to time, the directors may, without authorization of the shareholders:

- (i) borrow money on the credit of the Company;
 - (ii) issue, re-issue, sell or pledge debt obligations of the Company;
 - (iii) give a guarantee on behalf of the Company to secure performance of an obligation of any person;
 - (iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Company owned or subsequently acquired, to secure any obligation of the Company; and
 - (v) by resolution, delegate any or all such powers to a director, a committee of directors or an officer of the Company.
3. (a) Provide that the Company is authorized to issue an unlimited number of shares;
(b) Provide that the Company is authorized to issue an unlimited number of preference shares.

Articles of Amendment dated August 16, 2000

By Articles of Amendment dated August 16, 2000, our Articles were amended to consolidate our issued and outstanding shares of our common stock on the basis on one common share for every three issued and outstanding shares of our common stock, and change our name from Bonanza Red Lake Explorations Inc. to Eugenic Corp.

Our Articles of Amendment state that there are no restrictions on the business that may carry on, but do not contain a stated purpose or objective.

Articles of Amalgamation dated November 30, 2009

By Articles of Amalgamation dated November 30, 2009, we amalgamated with our wholly owned subsidiary Eagleford Energy Inc. (formerly: 1406768 Ontario Inc.), and changed the entity's name to Eagleford Energy Inc.

Our Articles of Amalgamation state that there are no restrictions on the business that may carry on or on the powers the Company may exercise.

We are authorized to issue an unlimited number of shares of our common stock and an unlimited number of preference shares of which Nil were outstanding as of the date of this Report (the "Preference Shares").

A description of the rights, preferences and privileges relating to the Company's Preference Shares is as follows:

- (a) Our Preference Shares have a par value of one-tenth of one cent (1/10) and are redeemable, voting, non-participating shares.
- (b) No dividends at any time shall be declared, set aside or paid on our Preference Shares.
- (c) In the event of a liquidation, dissolution or winding of the Company or other distribution of assets or property of the Company among shareholders for the purpose of winding up its affairs, the holders of the Preference Shares shall be entitled to receive from the assets and property of the Company a sum equivalent to the aggregate par value of the Preference Shares held by them respectively before any amount shall be paid or any property or assets of the Company distributed to holders of any shares of our common stock or shares of any other class ranking junior to the Preference Shares. After payment to the holders of the Preference Shares of the amount so payable to them as above provided, they shall not be entitled to share in any further distribution of the assets or property of the Company.
- (d) The Company may not redeem the Preference Shares prior to the expiration of five years from the respective dates of issuance thereof, without the prior consent of the holders of the Preference Shares to be redeemed. The Company shall redeem all of the then outstanding Preference Shares five years from the respective dates of issue.
- (e) The Company may at any time or times purchase for cancellation all or any part of the Preference Shares outstanding from time to time from the holders thereof, at a price not exceeding the par value thereof, with the consent of the holders thereof.
- (f) The holders of the Preference Shares shall be entitled to receive notice of and attend all meetings of shareholders of the Company and shall have one (1) vote for each Preference Share held at all meetings of the shareholders of the Company.

Other Provisions

The following special provisions shall be applicable to the Company:

Subject to the provisions of the Business Corporations Act, as amended or re-enacted from time to time, the directors may, without authorization of the shareholders:

- (i) borrow money on the credit of the Company;
- (ii) issue, re-issue, sell or pledge debt obligations of the Company;
- (iii) give a guarantee on behalf of the Company to secure performance of an obligation of any person;
- (iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Company owned or subsequently acquired, to secure any obligation of the Company; and
- (v) by resolution, delegate any or all such powers to a director, a committee of directors or an officer of the Company.

Articles of Amendment dated effective March 16, 2012

By Articles of Amendment dated effective March 16, 2012, our Articles were amended:

- a) To change each issued and outstanding common share in the capital of the Company into two (2) common share of the Company (the “Stock Split”) effective as of the close of business on March 16, 2012; and
- b) To provide that no fractional shares shall be issued as a result of the Stock Split, and if any fractional share would otherwise result from the Stock Split, such fractional share shall be rounded up to the nearest whole share and distributed to the holder of the fractional interest as his or her interest appears.

Articles of Amendment dated effective November 1, 2018

Effective November 1, 2018, we changed our name from Novicius Corp. to Grown Rogue International Inc.

Bylaws

At the Annual and Special Meeting of Shareholders held on February 24, 2012, shareholders approved a resolution to repeal and replace the Company’s By-Law No. 1 and Special By-Law No. 1 (the “Old By-Laws”) with a new By-Law No. 1 (as amended, the “Bylaws”) in order to reflect the current circumstances and practices of the Company and certain amendments to the Business Corporations Act (Ontario) (the “OBCA”), which came into force on August 1, 2007.

No director of ours is permitted to vote on any resolution to approve a material contract or transaction in which such director has a material interest (Bylaws, Article 3.17).

Neither our Articles nor our Bylaws limit the directors’ power, in the absence of an independent quorum, to vote compensation to themselves or any members of their body. The Bylaws provide that directors shall receive remuneration as the Board of Directors shall determine from time to time (Bylaws, Article 3.19).

Under our Articles and Bylaws, our Board of Directors may, without the authorization of our shareholders, (i) borrow money upon our credit; (ii) issue, reissue, sell or pledge debt obligations of ours; whether secured or unsecured (iii) give a guarantee on behalf of us to secure performance of obligations; and (iv) charge, mortgage, hypothecate, pledge or otherwise create a security interest in all currently owned or subsequently acquired real or personal, movable or immovable, tangible or intangible, property of ours to secure obligations (Bylaws, Article 13.1).

The annual meeting of shareholders shall be held at such time in each year as the Board, the Chairman of the Board (if any), the Chief Executive Officer, or the President may from time to time determine, for the purpose of considering the financial statements and reports required by the OBCA to be placed before the annual meeting, electing directors, appointing an auditor and for the transaction of such other business as may properly be brought before the meeting (Bylaws, Article 9.1).

The Board of Directors, the Chairman of the Board (if any) or the President shall have power to call a special meeting of shareholders at any time (Bylaws, Article 9.2).

Shareholders of record must be given notice of any meeting not less than 21 days or more than 50 days before the date of the meeting or as otherwise prescribed by applicable laws. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditors’ report, election of directors and reappointment of the incumbent auditor shall state or be accompanied by a statement of the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and the text of any special resolution or by-law to be submitted to the meeting (Bylaws, Article 9.4). Our Board of Directors is permitted to fix a record date for any meeting of the shareholders that is between 30 and 60 days prior to such meeting or as otherwise prescribed by applicable laws. (Bylaws, Article 9.6). The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and the auditor of the Company and others who, although not entitled to vote are entitled or required under any provision of the OBCA or the Articles or the Bylaws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting (Bylaws, Article 9.9).

Neither our Articles nor our Bylaws discuss limitations on the rights to own securities or exercise voting rights thereon, and there is no provision of our Articles or Bylaws that would delay, defer or prevent a change in control of us, or that would operate only with respect to a merger, acquisition, or corporate restructuring involving us or any of its subsidiaries. Our Bylaws do not contain a provision indicating an ownership threshold above which shareholder ownership must be disclosed.

Articles of Amendment dated effective August 25, 2014

By Articles of Amendment dated effective August 25, 2014, our Articles were amended to change our name from Eagleford Energy Inc., to Eagleford Energy Corp., and

- a) To change every ten (10) issued and outstanding common share in the capital of the Company into one (1) common share of the Company (the “Stock Consolidation”) effective as of the close of business on August 25, 2014; and
- b) To provide that no fractional shares shall be issued as a result of the Stock Consolidation and if any fractional share would otherwise result from the Stock Split, such fractional share shall be rounded up to the nearest whole share and distributed to the holder of the fractional interest as his or her interest appears.

Articles of Amendment dated effective February 1, 2016

By Articles of Amendment dated effective February 1, 2016, our Articles were amended to change our name from Eagleford Energy Corp., to Intelligent Content Enterprises Inc., and

- a) To change every ten (10) issued and outstanding common share in the capital of the Company into one (1) common share of the Company (the “Stock Consolidation”) effective as of the close of business on February 1, 2016; and
- b) To provide that no fractional shares shall be issued as a result of the Stock Consolidation and if any fractional share would otherwise result from the Stock Split, such fractional share shall be rounded up to the nearest whole share and distributed to the holder of the fractional interest as his or her interest appears.

Articles of Amendment dated effective February 29, 2016

By Articles of Amendment dated effective February 29, 2016, our articles were amended to revise the attributes of the preferred shares.

The Company is authorized to issue an unlimited number of shares of our common stock and an unlimited number of preference shares, issuable in series with the following attributes:

Share Provisions

- (a) The shares of our common stock shall have attached thereto the following rights, privileges, restrictions and conditions:

1. DIVIDENDS

Subject to the prior rights of the holders of the Preference Shares and to any other shares ranking senior to the shares of our common stock with respect to priority in the payment of dividends, the holders of shares of our common stock shall be entitled to receive dividends and the Company shall pay dividends thereon, as and when declared by the Board of Directors of the Company, out of moneys properly applicable to the payment of dividends, in such amount and in such form as the Board of Directors may from time to time determine and all dividends which the directors may declare on the shares of our common stock shall be declared and paid in equal amounts per share on all shares of our common stock at the time outstanding.

2. DISSOLUTION

In the event of the dissolution, liquidation or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, subject to the prior rights of the holders of the Preference Shares and to any other shares ranking senior to the shares of our common stock with respect to priority in the distribution of assets upon dissolution, liquidation or winding-up, the holders of the shares of our common stock shall be entitled to receive the remaining property and assets of the Company.

3. VOTING RIGHTS

The holders of the shares of our common stock shall be entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one (1) vote for each Common Share held at all meetings of the shareholders of the Company, except for meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series.

(b) The rights, privileges, restrictions and conditions attaching to the Preference Shares, as a class, are as follows:

1. DIRECTORS' AUTHORITY TO ISSUE ONE OR MORE SERIES

The Board of Directors of the Company may issue the Preference Shares at any time and from time to time in one or more series. Before the first shares of a particular series are issued, the Board of Directors of the Company shall fix the number of shares in such series and shall determine, subject to the limitations set out in the Articles, the designation, rights, privileges, restrictions and conditions to attach to the shares of such series which may include, without limiting the generality of the foregoing, the rate or rates, amount or method or methods of calculation of preferential dividends, whether cumulative or non-cumulative or partially cumulative, and whether such rate(s), amount or method(s) of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment, the date or dates and place or places of payment thereof and the date or dates from which such preferential dividends shall accrue, the redemption price and terms and conditions of redemption (if any), the rights of retraction (if any), and the prices and other terms and conditions of any rights of retraction and whether any additional rights of retraction may be vested in such holders in the future, voting rights and conversion or exchange rights (if any), and any sinking fund, purchase fund or other provisions attaching thereto. Before the issue of the first shares of a series, the Board of Directors of the Company shall send to the Director (as defined in the Business Corporations Act) articles of amendment in the prescribed form containing a description of such series including the designation, rights, privileges, restrictions and conditions determined by the directors.

2. RANKING OF PREFERENCE SHARES

2.1 No rights, privileges, restrictions or conditions attaching to a series of Preference Shares shall confer upon a series a priority in respect of dividends or return of capital in the event of liquidation, dissolution or winding-up of the Company over any other series of Preference Shares. The Preference Shares of each series rank on a parity with the Preference Shares of every other series with respect to priority in the payment of dividends and the return of capital and the distribution of assets of the Company in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs.

2.2 The Preference Shares shall be entitled to priority over the shares of our common stock and over any other shares of any other class of the Company ranking junior to the Preference Shares with respect to priority in the payment of dividends and the return of capital and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs.

2.3 If any amount of cumulative dividends, whether or not declared, or declared non-cumulative dividends or amount payable on a return of capital in the event of the liquidation, dissolution or winding-up of the Company in respect of a series of Preference Shares is not paid in full, the Preference Shares of all series shall participate ratably in respect of all accumulated dividends, whether or not declared, and all declared non-cumulative dividends in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of amounts payable on return of capital in the event of the liquidation, dissolution or winding-up of the Company in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Preference Shares with respect to amounts payable on return of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends.

2.4 The Preference Shares of any series may also be given such other preferences not inconsistent with the provisions hereof over the shares of our common stock and over any other shares ranking junior to the Preference Shares as may be determined in the case of such series of Preference Shares.

3. RESTRICTIONS ON DIVIDENDS AND REDEMPTIONS, ETC.

Except with the approval of all the holders of the Preference Shares, no dividends shall at any time be declared or paid or set apart for payment on the Company or any other shares of the Company ranking junior to the Preference Shares unless all dividends which have been declared by the Board of Directors up to and including the dividend payable for the last completed period for which such dividends have been declared by the Board of Directors on each series of Preference Shares then issued and outstanding shall have been paid or set apart for payment at the date of such declaration or payment or setting apart for payment on the Company or such other shares of the Company ranking junior to the Preference Shares; nor shall the Company call for redemption, redeem, purchase for cancellation, acquire for value or reduce or otherwise pay off any of the Preference Shares (less than the total amount then outstanding) or any Company or any other shares of the Company ranking junior to the Preference Shares unless and until all dividends up to and including the dividends payable for the last completed period for which such dividends have been declared by the Board of Directors on each series of Preference Shares then issued and outstanding shall have been paid or set apart for payment at the date of such call for redemption, purchase, acquisition, reduction or other payment.

4. VOTING RIGHTS

Except as hereinafter referred to or as otherwise provided by law or in accordance with any voting rights which may from time to time be attached to any series of Preference Shares, the holders of the Preference Shares as a class shall not be entitled as such to receive notice of, to attend to vote at any meeting of the shareholders of the Company.

5. SPECIFIC MATTERS REQUIRING APPROVAL

5.1 The approval of the holders of the Preference Shares, given in the manner described in Section 6.1 below, shall be required for the creation of any new shares ranking prior to or on a parity with the Preference Shares, and if, but only so long as, any cumulative dividends are in arrears or any declared non-cumulative dividends are unpaid on any outstanding series of Preference Shares, for the issuance of any additional series of Preference Shares or of any shares ranking prior to or on a parity with the Preference Shares.

5.2 The provisions of Clauses 1 to 6 inclusive may be deleted, amended, modified or varied in whole or in part by a certificate of amendment issued by the Director appointed under the Business Corporations Act, but only with the prior approval of the holders of the Preference Shares given as hereinafter specified in addition to any other approval required by the Business Corporations Act or any other statutory provisions of like or similar effect, from time to time in force.

6. APPROVAL OF THE HOLDERS OF THE PREFERENCE SHARES

The approval of the holders of the Preference Shares with respect to any and all matters hereinbefore referred to may be given by at least two thirds of the votes cast at a meeting of the holders of the Preference Shares duly called for that purpose and held upon at least 21 days' notice at which the holders of a majority of the outstanding Preference Shares are present or represented by proxy. If at any such meeting the holders of a majority of the outstanding Preference Shares are not present or represented by proxy within one half-hour after the time appointed for such meeting, then the meeting shall be adjourned to such date being not less than 30 days later and to such time and place as may be appointed by the chairman and not less than 21 days' notice shall be given of such adjourned meeting. At such adjourned meeting the holders of the Preference Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds of the votes cast at such adjourned meeting shall constitute the approval of the holders of the Preference Shares referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the Business Corporations Act and the by-laws of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Preference Shares shall be entitled to one (1) vote in respect of each Preference Share held.

Articles of Amendment dated effective May 26, 2017

By Articles of Amendment dated effective May 26, 2017, our Articles were amended to change our name from Intelligent Content Enterprises Inc., to Novicius Corp., and

- a) To change every ten (10) issued and outstanding common share in the capital of the Company into one (1) common share of the Company (the "Stock Consolidation") effective as of the close of business on May 26, 2017; and
- b) To provide that no fractional shares shall be issued as a result of the Stock Consolidation and if any fractional share would otherwise result from the Stock Split, such fractional share shall be rounded up to the nearest whole share and distributed to the holder of the fractional interest as his or her interest appears.

Articles of Amendment dated effective November 1, 2018

By Articles of Amendment dated effective November 1, 2018, we changed our name to Grown Rogue International Inc.

Other Provisions

Neither our Articles nor our Bylaws discuss the retirement or non-retirement of directors under an age limit requirement or the number of shares required for director qualification.

Neither our Articles nor our Bylaws require that a director hold a share in the capital of the Company as qualification for his/her office.

Neither our Articles nor our Bylaws contain sinking fund provisions, provisions allowing us to make further capital calls with respect to any shareholder of ours, or provisions which discriminate against any holders of securities as a result of such shareholder owning a substantial number of shares.

C. MATERIAL CONTRACTS

During the two year period preceding the filing date of this Report, we entered into no material contracts other than contracts entered into in the ordinary course except for the following:

The Company leases approximately 42 acres of real property in Jackson County, Oregon, commonly known as 741 West Fork Trail Creek Road, Trail, Oregon 97541, through that certain Commercial Lease Agreement, dated March 1, 2017, between J. Obie (“Jesse”) Strickler and GRUP. This property is subleased by GRUP to GR Gardens pursuant to that certain Commercial Sublease Agreement, dated March 1, 2017, between GRUP and GR Gardens.

The Company leases approximately 64 acres of real property in Jackson County, Oregon, commonly known as 3100 N. Foothill Road, Medford, Oregon, 97504, through that certain Commercial Lease Agreement, dated March 17, 2021, between Naumes, Inc., and GR Gardens.

The Company leases property located at 655 Rossanley Drive, Medford, Oregon, pursuant to that certain Commercial Lease Agreement, dated January 31, 2017, between VWPP, LLC, and GRUP. This property is subleased by GRUP to GR Gardens pursuant to that certain Commercial Sublease Agreement, dated January 31, 2017, between GRUP and GR Gardens.

The Company leases property located at 550 Airport Road, Medford, Oregon, pursuant to that certain Commercial Lease Agreement, assumed on April 14, 2022, between Airport Road LLC and GRUP.

In February 2020, the Company acquired a 60% controlling interest in Golden Harvests (see *Item 4(A) History and Development of the Company*). Golden Harvests is a Michigan-based, fully licensed, and operating cultivation company located in Bay City, Michigan. During the year ended October 31, 2021, the Company’s majority-controlled subsidiary, GR Michigan, LLC, terminated the Option Agreement. Simultaneously with the termination of the Option Agreement, a new entity, Canopy, majority-owned by the CEO, signed the New Option, with terms similar to the Option Agreement. Canopy had already been approved by the State of Michigan for licensing and this facilitated the Company’s ability to accelerate the New Option. The Company has an option to acquire 87% of the CEO’s membership interest in Canopy, which, when exercised, pending approval by the State of Michigan of the Company’s application, will provide identical economic rights as the Company originally had in the Option Agreement. Canopy is majority owned by GRIN’s CEO, who has a fiduciary responsibility to the Company and is prohibited from omitting or taking certain actions relating to Canopy where to do so would be contrary to the economic benefits which the Company expects to derive from the acquisition of Golden Harvests. Canopy acquired a 60% controlling interest in Golden Harvests in May 2021, and until we exercise the option to acquire 87% of Canopy, it will be consolidated with a 100% non-controlling interest. The Company acquired a controlling 60% interest in Golden Harvests for aggregate consideration of US\$1,007,719 comprised of 1,025,000 common shares of the Company with a fair value of US\$158,182, and cash payments and cash payable of US\$849,537.

On February 5, 2021, the Company agreed to acquire substantially all of the assets of the growing and retail operations of HSCP for \$3,000,000 of total agreed-upon consideration. The Company also executed the MSA with HSCP. The Company operated the growing facility under the MSA until the acquisition of the growing assets obtained regulatory approval. On April 14, 2022, the transaction closed with modifications to the original terms: the retail dispensary purchase was mutually terminated, and total consideration for the acquisition was reduced to \$2,000,000. Upon closing, the Company had paid \$750,000 towards the acquisition, and owed payments of \$500,000 due on August 1, 2022, and US\$750,000 due on May 1, 2023.

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Agreements pertaining to various equity financing arrangements are described in *Item 4(A) History and Development of the Company*, and the details of equity and debt and debenture financing agreements through October 31, 2020, are described in the notes to the financial statements in *Item 18 Financial Statements*.

On March 20, 2020, debt proceeds of \$600,000 were received under a secured debt investment of \$600,000 (the “Michigan Debt”). The Michigan Debt carries a two-year term, with monthly payments of principal commencing June 15, 2020, and with payments calculated at 1% of cash sales receipts of Golden Harvests. Once the principal is repaid, each investor will receive a monthly royalty of 1% per \$100,000 invested of cash receipts for sales by Golden Harvests (the “Royalty”). The Royalty commences on the date that repayments equal to principal have been made for a period of two years. The Royalty maximum is two times the amount of principal invested and the Royalty minimum is equal to the principal loaned; the Company expects to pay the Royalty maximum by July 2023. The Company has the right but not the obligation, to purchase the Royalty from any lender by paying an amount equal to the original principal invested by such lender. The debt is reported at the carrying value of the probability-weighted estimated future cash flows of all payments under the Michigan Debt agreement at amortized cost using the effective interest method, using an effective interest rate of 73%. Principal amounts of the Michigan Debt of \$50,000 and \$100,000 (a total of \$150,000), were loaned by officers of the Company. Principal of \$150,000, was loaned by a director of the Company.

On November 23, 2020, debt was issued by Grown Rogue Distribution, LLC with a principal amount of \$125,000, interest paid monthly at 10% per annum, and a maturity date of November 23, 2023. After the maturity date, additional interest payments are due quarterly, at amounts that cause total interest paid over the life of the debt to equal \$125,000.

On December 2, 2020, debt was issued by Grown Rogue Gardens, LLC with a principal amount of \$150,000, interest accrued at 10% per annum, and a maturity date of December 31, 2021. Interest and principal are payable upon maturity. The maturity date can be extended by up to six-months for a \$1,000 fee per \$10,000 of principal extended.

On January 27, 2021, debt was issued by Grown Rogue Distribution, LLC with a principal amount of \$250,000, interest paid monthly at 10% per annum, and a maturity date of January 27, 2024. After the maturity date, additional interest payments are due quarterly, at amounts that cause total interest paid over the life of the debt to equal \$250,000.

On February 4, 2021, a note payable for \$100,000 was issued to satisfy a milestone payment due to the seller of Golden Harvests. The note is payable 12 months from the issue date and accrues interest at \$2,000 per month. This note payable was reclassified to acquisition consideration concurrent with the acquisition of Golden Harvests by Canopy.

On May 1, 2021, the Company assumed a note payable owed by Golden Harvests concurrent with the acquisition of Golden Harvests by Canopy. The note is for a principal amount of \$250,000, interest paid monthly at 10% per annum, and a maturity date of January 14, 2024. After the maturity date, additional interest payments are due quarterly, at amounts that cause total interest paid over the life of the debt to equal \$250,000.

On September 9, 2021, the Company entered into an unsecured promissory note agreement with PBIC in the amount of \$800,000 which was to be fully advanced by September 30, 2021. Proceeds received are \$600,000 through the date of this Report. This note matures on December 15, 2022, with payments commencing January 15, 2022, and continuing through and including December 15, 2022. The terms of the note require the Company to make certain participation payments to the lender based on a percentage monthly sales of cannabis flower sold from the Company’s sun-grown A-flower 2021 harvest (the “Harvest”), less 15% of such amount to account for costs of sales. The percentage will be determined by dividing 2,000 by the total volume of pounds of the Harvest, proportionate to principal proceeds. A portion of these payments will be used to pay down the outstanding principal on a monthly basis. The note will automatically terminate when the full amount of any outstanding principal plus the applicable participation payments are paid prior to the maturity date. Should the participation payments fully repay the principal amount prior to the maturity date then the note will automatically terminate. The note bears no stated rate of interest, and in the event of default, the note will bear interest at 15% per annum. The note is reported at amortized cost using an effective interest rate of approximately 1.9%.

D. EXCHANGE CONTROLS

There are no governmental laws, decrees or regulations in Canada that restrict the export or import of capital, or affect the remittance of dividends, interest or other payments to a non-resident holder of shares of our common stock, other than withholding tax requirements (See “Taxation” below).

Except as provided in the Investment Canada Act, there are no limitations imposed under the laws of Canada, the Province of Ontario, or by our constituent documents on the right of a non-resident to hold or vote shares of our common stock.

The Investment Canada Act (the “ICA”), which became effective on June 30, 1985, regulates the acquisition by non-Canadians of control of a Canadian business enterprise. In effect, the ICA requires review by Investment Canada, the agency which administers the ICA, and approval by the Canadian government, in the case of an acquisition of control of a Canadian business by a non-Canadian where: (i) in the case of a direct acquisition (for example, through a share purchase or asset purchase), the assets of the business are CDN \$5 million or more in value; or (ii) in the case of an indirect acquisition (for example, the acquisition of the foreign parent of the Canadian business) where the Canadian business has assets of CDN \$5 million or more in value or if the Canadian business represents more than 50% of the assets of the original group and the Canadian business has assets of CDN \$5 million or more in value. Review and approval are also required for the acquisition or establishment of a new business in areas concerning “Canada’s cultural heritage or national identity” such as book publishing, film production and distribution, television and radio production and distribution of music, and the oil and natural gas industry, regardless of the size of the investment.

As applied to an investment in us, three methods of acquiring control of a Canadian business would be regulated by the ICA: (i) the acquisition of all or substantially all of the assets used in carrying on the Canadian business; (ii) the acquisition, directly or indirectly, of voting shares of a Canadian corporation carrying on the Canadian business; or (iii) the acquisition of voting shares of an entity which controls, directly or indirectly, another entity carrying on a Canadian business. An acquisition of a majority of the voting interests of an entity, including a corporation, is deemed to be an acquisition of control under the ICA. An acquisition of less than one-third of the voting shares of a corporation is deemed not to be an acquisition of control. An acquisition of less than a majority, but one-third or more, of the voting shares of a corporation is presumed to be an acquisition of control unless it can be established that on the acquisition the corporation is not, in fact, controlled by the acquirer through the ownership of voting shares. For partnerships, trusts, joint ventures or other unincorporated entities, an acquisition of less than a majority of the voting interests is deemed not to be an acquisition of control.

In 1988, the ICA was amended, pursuant to the Free Trade Agreement dated January 2, 1988 between Canada and the United States, to relax the restrictions of the ICA. As a result of these amendments, except where the Canadian business is in the cultural, oil and gas, uranium, financial services or transportation sectors, the threshold for direct acquisition of control by US investors and other foreign investors acquiring control of a Canadian business from US investors has been raised from CDN \$5 million to CDN \$150 million of gross assets, and indirect acquisitions are not reviewable.

In addition to the foregoing, the ICA requires that all other acquisitions of control of Canadian businesses by non-Canadians are subject to formal notification to the Canadian government. These provisions require a foreign investor to give notice in the required form, which notices are for information, as opposed to review, purposes.

E. TAXATION

Certain Canadian Federal Income Tax Consequences

The following discussion describes the principal Canadian federal income tax consequences applicable to a holder of shares of our common stock which are quoted for trading on the OTC Markets, who, at all material times, is a resident of the United States for purposes of the Canada-United States Income Tax Convention (the “Treaty”) entitled to the full benefit of the Treaty and is not a resident, or deemed to be a resident, of Canada, deals at arm’s length and is not affiliated with the Company, did not acquire shares of our common stock by virtue of employment, is not a financial institution, specified financial institution, registered non-resident insurer, authorized foreign bank, partnership or a trust as defined in the Income Tax Act (Canada) (the “ITA”), holds shares of our common stock as capital property and as beneficial owner, and does not use or hold, is not deemed to use or hold, his or her Company in connection with carrying on a business in Canada and, did not, does not and will not have a fixed base or permanent establishment in Canada within the meaning of the Treaty (a “non-resident holder”).

This description is based upon the current provisions of the ITA, the regulations thereunder (the “Regulations”), management’s understanding of the current publicly announced administration and assessing policies of Canada Revenue Agency, and all specific proposals (the “Tax Proposals”) to amend the ITA and Regulations announced by the Minister of Finance (Canada) prior to the date hereof. This description is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account any income tax laws or considerations of any province or territory of Canada or foreign tax considerations which may differ significantly from those discussed below.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder of Company of the Company, and no opinion or representation with respect to the Canadian Federal Income Tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of Company are urged to consult with their own tax advisors about the federal, provincial and foreign tax consequences of purchasing, owning and disposing of Company.

Dividends

Dividends paid on shares of our common stock to a non-resident holder will be subject to a 25% withholding tax pursuant to the provision of the ITA. The Treaty provides that the normal 25% withholding tax rate is generally reduced to 15% on dividends paid on shares of a corporation resident in Canada (such as the Company) to beneficial owners who are residents of the United States. However, if the beneficial owner is a resident of the United States and is a corporation which owns at least 10% of the voting stock of the Company, the withholding tax rate on dividends is reduced to 5%.

Capital Gains

A non-resident of Canada is subject to tax under the ITA in respect of a capital gain realized upon the disposition of a share of a corporation if the shares are considered to be “taxable Canadian property” of the holder within the meaning of the ITA and no relief is afforded under an applicable tax treaty. For purposes of the ITA, a common share of the Company will be taxable Canadian property to a non-resident holder if more than 50% of the fair market value of the common share during the 60 month period immediately preceding the disposition of the common share, was derived directly or indirectly from real or immovable property situated in Canada, Canadian resource properties or any options or interests in such properties.

In the case of a non-resident holder to whom shares of our common stock represent taxable Canadian property and who is a resident in the United States and not a former resident of Canada, no Canadian taxes will be payable on a capital gain realized on such shares by reason of the Treaty unless the value of such shares is derived principally from real property situated in Canada within the meaning of the Treaty at the time of the disposition.

Certain United States Federal Income Tax Consequences

The following is a general discussion of certain possible United States Federal income tax consequences, under current law, generally applicable to a US Holder (as defined below) of shares our common stock. This discussion does not address all potentially relevant Federal income tax matters and does not address consequences peculiar to persons subject to special provisions of Federal income tax law, such as those described below as excluded from the definition of a US Holder. In addition, this discussion does not cover any state, local or foreign tax consequences (See “Certain Canadian Federal Income Tax Consequences” above).

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations, published Internal Revenue Service (“IRS”) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, this discussion does not consider the potential effects, both adverse and beneficial, of recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. The following discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of shares of our common stock, and no opinion or representation with respect to the United States Federal income tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of shares of our common stock are urged to consult their own tax advisors about the Federal, state, local, and foreign tax consequences of purchasing, owning and disposing of shares of our common stock.

U.S. Holders

As used herein, a “U.S. Holder” means a holder of shares of our common stock who is a citizen or individual resident (as defined under United States tax laws) of the United States; a corporation created or organized in or under the laws of the United States or of any political subdivision thereof; an estate the income of which is taxable in the United States irrespective of source; or a trust if (a) a court within the United States is able to exercise primary supervision over the trust’s administration and one or more United States persons have the authority to control all of its substantial decisions or (b) the trust was in existence on August 20, 1996 and has properly elected to continue to be treated as a United States person. This summary does not address the United States tax consequences to, and U.S. Holder does not include, persons subject to specific provisions of federal income tax law, including but not limited to tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a “functional currency” other than the U.S. dollar, persons who hold shares of our common stock as part of a straddle, hedging or a conversion transaction, and persons who acquire their shares of our common stock as compensation for services. This discussion is limited to U.S. Holders who own shares of our common stock as capital assets and who hold the shares of our common stock directly (e.g., not through an intermediary entity such as a corporation, partnership, limited liability company, or trust). This discussion does not address the consequences to a person or entity of the ownership, exercise or disposition of any options, warrants or other rights to acquire shares of our common stock.

Distributions on shares of our Common Stock

Subject to the discussion below regarding passive foreign investment companies (“PFICs”), the gross amount of any distribution (including non-cash property) by us (including any Canadian taxes withheld therefrom) with respect to shares of our common stock generally should be included in the gross income of a U.S. Holder as foreign source dividend income to the extent such distribution is paid out of current or accumulated earnings and profits of ours, as determined under United States Federal income tax principles. Distributions received by non-corporate U.S. Holders may be subject to United States Federal income tax at lower rates than other types of ordinary income (generally 15%) in taxable years beginning on or before December 31, 2010 if certain conditions are met. These conditions include the Company not being classified as a PFIC, it being a “qualified foreign corporation,” the U.S. Holder’s satisfaction of a holding period requirement, and the U.S. Holder not treating the distribution as “investment income” for purposes of the investment interest deduction rules. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution first will be treated as a tax-free return of capital to the extent of the U.S. Holder’s adjusted tax basis in shares of our common stock and to the extent that such distribution exceeds the Holder’s adjusted tax basis in shares of our common stock, will be taxed as capital gain. In the case of U.S. Holders that are corporations, such dividends generally will not be eligible for the dividends received deduction.

If a U.S. Holder receives a dividend in Canadian dollars, the amount of the dividend for United States federal income tax purposes will be the U.S. dollar value of the dividend (determined at the spot rate on the date of such payment) regardless of whether the payment is later converted into U.S. dollars. In such case, the U.S. Holder may recognize additional ordinary income or loss as a result of currency fluctuations between the date on which the dividend is paid and the date the dividend amount is converted into U.S. dollars.

Disposition of Shares of our Common Stock

Subject to the discussion below regarding PFIC’s, gain or loss, if any, realized by a U.S. Holder on the sale or other disposition of shares of our common stock (including, without limitation, a complete redemption of shares of our common stock) generally will be subject to United States Federal income taxation as capital gain or loss in an amount equal to the difference between the U.S. Holder’s adjusted tax basis in shares of our common stock and the amount realized on the disposition. Net capital gain (i.e., capital gain in excess of capital loss) recognized by a non-corporate U.S. Holder (including an individual) upon a sale or other disposition of shares of our common stock that have been held for more than one year will generally be subject to a maximum United States federal income tax rate of 15% subject to the PFIC rules below. Deductions for capital losses are subject to certain limitations. If the U.S. Holder receives Canadian dollars on the sale or disposition, it will have a tax basis in such dollars equal to the U.S. dollar value. Generally, any gain or loss realized on a subsequent disposition of the Canadian dollars will be U.S. source ordinary income or loss.

U.S. “Anti-Deferral” Rules

Passive Foreign Investment Company (“PFIC”) Regime. If we, or a non-U.S. entity directly or indirectly owned by us (“Related Entity”), has 75% or more of its gross income as “passive” income, or if the average value during a taxable year of ours or the Related Entity’s “passive assets” (generally, assets that generate passive income) is 50% or more of the average value of all assets held by us or the Related Entity, then the United States PFIC rules may apply to U.S. Holders. If we or a Related Entity is classified as a PFIC, a U.S. Holder will be subject to increased tax liability in respect of gain recognized on the sale of his, her or its shares of our common stock or upon the receipt of certain distributions, unless such person makes a “qualified electing fund” election to be taxed currently on its pro rata portion of our income and gain, whether or not such income or gain is distributed in the form of dividends or otherwise, and we provide certain annual statements which include the information necessary to determine inclusions and assure compliance with the PFIC rules. As another alternative to the foregoing rules, a U.S. Holder may make a mark-to-market election to include in income each year as ordinary income an amount equal to the increase in value of its shares of our common stock for that year or to claim a deduction for any decrease in value (but only to the extent of previous mark-to-market gains). We or a related entity can give no assurance as to its status as a PFIC for the current or any future year. U.S. Holders should consult their own tax advisors with respect to the PFIC issue and its applicability to their particular tax situation.

Controlled Foreign Corporation Regime (“CFC”). If a U.S. Holder (or person defined as a U.S. person under Section 7701(a)(301) of the Code) owns 10% or more of the total combined voting power of all classes of our stock (a “U. S. Shareholder”) and U.S. Shareholders own more than 50% of the vote or value of our Company, we would be a “controlled foreign corporation”. This classification would result in many complex consequences, including the required inclusion into income by such U. S. Shareholders of their pro rata shares of “Subpart F income” of our Company (as defined by the Code) and our earnings invested in “US property” (as defined by the Code). In addition, under Section 1248 of the Code, gain from the sale or exchange of shares of our common stock by a US person who is or was a U. S. Shareholder at any time during the five year period before the sale or exchange may be treated as ordinary income to the extent of earnings and profits of ours attributable to the stock sold or exchanged. It is not clear the CFC regime would apply to the U.S. Holders of shares of our common stock, and is outside the scope of this discussion.

Foreign Tax Credit

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to us may be entitled to either a deduction or a tax credit for such foreign tax paid or withheld, at the option of the U.S. Holder. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income tax on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer’s income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year.

There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder’s United States income tax liability that the U.S. Holder’s foreign source income bears to its worldwide taxable income. This limitation is designed to prevent foreign tax credits from offsetting United States source income. In determining this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process.

In addition, this limitation is calculated separately with respect to specific “baskets” of income such as passive income, high withholding tax interest, financial services income, shipping income, and certain other classifications of income. Foreign taxes assigned to a particular class of income generally cannot offset United States tax on income assigned to another class. Under the American Jobs Creation Act of 2004 (the “Act”), this basket limitation will be modified significantly after 2006.

Unused foreign tax credits can generally be carried back one year and carried forward ten years. U.S. Holders should consult their own tax advisors concerning the ability to utilize foreign tax credits, especially in light of the changes made by the Act.

Backup Withholding

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting requirement and to backup withholding unless the US Holder (i) is a corporation or other exempt recipient or (ii) in the case of backup withholding, provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding from a payment to a US Holder will be allowed as a credit against the US Federal income tax liability of the US Holder and may entitle the US Holder to a refund, provided that the required information is furnished to the IRS.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

The documents and exhibits referred to in this Report are available for inspection at the registered and management office at 340 Richmond Street West, Toronto, Ontario, M5V 1X2 during normal business hours.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed in varying degrees to risks arising from its financial instruments. The Company has entered into certain financial derivative contracts. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting. As a result, all financial derivative contracts are classified as fair value through “fair value through profit or loss” and are recorded on the statement of financial position at fair value.

The Board approves and monitors the risk management processes. The Board’s main objectives for managing risks are to ensure liquidity, the fulfillment of obligations and limited exposure to credit and market risks while ensuring greater returns on any surplus funds.

The Company’s financial instruments included on the consolidated statements of financial position are comprised of cash, secured note receivable and trade and other payables. The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Financial Instrument Classification	Level	October 31, 2020		October 31, 2019	
		Carrying Value (\$)	Fair Value (\$)	Carrying Value (\$)	Fair Value (\$)
Fair value through profit or loss:					
Derivative liabilities	2	1,739,678	1,739,678	249,320	249,320
Marketable securities	1	585,035	585,035	-	-
Loans and receivables:					
Cash and cash equivalents	1	217,788	217,788	74,926	74,926
Accounts receivable, net and other receivables	2	172,121	172,121	134,423	134,423
Other liabilities at amortized cost:					
Accounts payable and accrued liabilities	2	1,059,971	1,059,971	1,526,855	1,526,855
Non-current accrued liabilities	2	389,816	389,816	180,799	180,799
Current portion of convertible debentures	2	46,099	46,099	-	-
Convertible debentures	2	1,739,678	1,739,678	1,995,609	1,995,609
Long-term debt	2	753,715	753,715	150,000	150,000
Interest payable	2	9,367	9,367	55,829	55,829

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The types of risk exposure and the ways in which such exposures are managed are as follows:

Credit Risk

Credit risk is derived from cash and trade accounts receivable. The Company places its cash in deposit with major United States financial institutions. The Company has established a policy to mitigate the risk of loss related to granting customer credit.

The carrying amount of cash and trade accounts receivable represents the Company's maximum exposure to credit risk, which amounted to \$389,909 as at October 31, 2020 (October 31, 2019 - \$209,349). The allowance for doubtful accounts at October 31, 2020 is \$7,425 (October 31, 2019 - \$129,131).

As at October 31, 2020 and October 31, 2019, the Company's trade accounts receivable were aged as follows:

	October 31, 2020	October 31, 2019
Current	\$ 66,660	\$ 51,672
1-30 days	49,204	500
31 days-older	63,682	211,382
Allowance for doubtful accounts	(7,425)	(129,131)
Total trade accounts receivable	\$ 172,121	\$ 134,423

The change in the provision for expected credit losses is as follows:

	Years ended	
	October 31, 2020	October 31, 2019
Balance, beginning of period	\$ 129,131	\$ 106,443
Additional allowance	10,349	121,793
Amounts collected	(6,757)	(66,902)
Amounts used	(125,298)	(32,203)
Balance, end of period	\$ 7,425	\$ 129,131

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they become due. The majority of the Company's accounts payable and accrued liabilities are payable in less than 90 days. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. At October 31, 2020, the Company's working capital accounts were as follows:

	October 31, 2020	October 31, 2019
Cash	\$ 217,788	\$ 74,926
Current assets excluding cash	1,616,987	1,358,036
Total current assets	1,834,775	1,432,962
Current liabilities	1,799,104	4,142,489
Working capital (deficit)	\$ 35,671	\$ (2,709,527)

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The contractual maturities of the Company's accounts payable and accrued liabilities, convertible promissory notes, long-term debt, and finance lease payable occurs over the next three years as follows:

	<u>Year 1</u>	<u>Years 2-3</u>
Accounts payable and accrued liabilities	\$ 1,059,971	\$ 389,816
Debt and convertible debentures	46,099	2,493,393
Lease liabilities	100,277	16,630
Interest payable	9,367	-
Derivative liabilities	583,390	-
Deferred rent	-	10,494
Total	<u>\$ 1,799,104</u>	<u>\$ 2,910,333</u>

Market Risk

Market risk represents the risk of loss that may impact the Company's financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, and other relevant market or price risks. The Company does not use derivative instruments to mitigate this risk.

(i) Currency Risk

As at October 31, 2020, the Company had accounts payable and accrued liabilities of CAD\$504,314 and convertible debentures of CAD\$2,850,000. The Company is exposed to the risk of fluctuation in the rate of exchange between the Canadian Dollar and the United States Dollar.

(ii) Interest Rate Risk

At October 31, 2020 and October 31, 2019, the Company's exposure to interest rate risk relates to long-term debt, convertible promissory notes, and finance lease obligations, but its interest rate risk is limited as the aforementioned financial instruments are fixed interest rate instruments.

ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. DEBT SECURITIES

Not applicable.

B. WARRANTS AND RIGHTS

Not applicable.

C. OTHER SECURITIES

Not applicable.

D. AMERICAN DEPOSITORY SHARES

Not applicable.

PART II

ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including our chief executive officer, J. Obie Strickler and Chief Financial Officer, Ryan Kee, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this Report (the “Evaluation Date”). Based on this evaluation, our chief executive officer and chief financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to us, required to be disclosed in our reports filed with the U.S. Securities and Exchange Commission (“SEC”) reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (ii) provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management assessed the effectiveness of our internal control over financial reporting as of October 31, 2020, based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, management concluded that, as of October 31, 2020, we had two significant deficiencies, the combination of which result in a more than remote likelihood that a material misstatement of the annual or interim financial statements, thereby comprising a material weakness: 1) the lack of adequate accounting and finance personnel with the experience and expertise required to complete period-end close and financial reporting in accordance with IFRS; and 2) lack of a control to ensure the review, approval, and execution of contracts by appropriate personnel, and lack of a formal repository of such contracts available to accounting staff. In order to address these significant deficiencies, management has: employed a Chief Accounting Officer (now the Chief Financial Officer) to oversee the close & financial reporting process and ensure application of IFRS to routine and non-routine transactions and consolidated financial statements; and implemented a contract repository maintained by the accounting staff.

Our independent auditor was not engaged to express an opinion on the effectiveness of our internal control over financial reporting. Had an independent auditor been engaged to do so, additional control deficiencies may have been identified.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our control systems are designed to provide such reasonable assurance of achieving their objectives. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

Other than as described above, there have been no changes in our internal control over financial reporting that occurred during the year ended October 31, 2020 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 16 [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Stephen Gledhill is an “audit committee financial expert”, as defined in Item 16A of Form 20-F. Stephen Gledhill is the Chairman of the Audit Committee. Please see Item 6.A – Directors and Senior Management for Mr. Gledhill’s biographical information.

ITEM 16B. CODE OF ETHICS

We have adopted a written code of business conduct and ethics (the “Code”) for our directors, officers and employees. The board encourages following the Code by making it widely available. It is distributed to directors in the Director’s Manual and to officers, employees and consultants at the commencement of their employment or consultancy. The Code reminds those engaged in service to us that they are required to report perceived or actual violations of the law, violations of our policies, dangers to health, safety and the environment, risks to our property, and accounting or auditing irregularities to the chair of the Audit Committee. In addition, to requiring directors, officers and employees to abide by the Code, we encourage consultants, service providers and all parties who engage in business with us to contact the chair of the Audit Committee regarding any perceived and all actual breaches by our directors, officers and employees of the Code. The chair of our Audit Committee is responsible for investigating complaints, presenting complaints to the applicable board committee or the board as a whole, and developing a plan for promptly and fairly resolving complaints. Upon conclusion of the investigation and resolution of a complaint, the chair of our Audit Committee will advise the complainant of the corrective action measures that have been taken or advise the complainant that the complaint has not been substantiated. The Code prohibits retaliation by us, our directors and management, against complainants who raise concerns in good faith and requires us to maintain the confidentiality of complainants to the greatest extent practical. Complainants may also submit their concerns anonymously in writing. In addition to the Code, we have an Audit Committee Charter and a Policy of Procedures for Disclosure Concerning Financial/Accounting Irregularities.

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Since the beginning of our most recently completed financial year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code. The board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Code and expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere. The board is required by the Board Mandate to satisfy our CEO and other executive officers are acting with integrity and fostering a culture of integrity throughout the Company. The board is responsible for reviewing departures from the Code, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. In addition, the board is responsible for responding to potential conflict of interest situations, particularly with respect to considering existing or proposed transactions and agreements in respect of which directors or executive officers advise they have a material interest. The Board Mandate requires that directors and executive officers disclose any interest and the extent, no matter how small, of their interest in any transaction or agreement with us, and that directors excuse themselves from both board deliberations and voting in respect of transactions in which they have an interest. By taking these steps the board strives to ensure that directors exercise independent judgment, unclouded by the relationships of the directors and executive officers to each other and us, in considering transactions and agreements in respect of which directors and executive officers have an interest. Our Code applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions of the Company. There have been no waivers of our Code granted to our principal executive officer, principal financial officer, principal accounting officer or controller, or similar persons during the period covered by this Report.

Upon written request to us at our registered and management office, attention: President, we will provide by mail, to any person without charge a copy of our Code of Ethics.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

It is the policy of the Audit Committee that all audit and non-audit services are pre-approved prior to engagement. Before the initiation of each audit, the principal accountant submits a budget of the expected range of expenditures to complete their audit engagement (including Audit Fees, Audit-Related Fees and Tax Fees) to the Audit Committee for approval. In the event that the principal accountant exceeds these parameters, the individual auditor is expected to communicate to management the reasons for the variances, so that such variances can be ratified by the Audit Committee. As a result, 100% of expenditures within the scope of the noted budget are approved by the Audit Committee.

During fiscal 2020 and 2019 there were no hours performed by any person other than the primary accountant's fulltime permanent employees.

Since the commencement of the Company's most recently completed financial year, no recommendations were made by the Audit Committee to nominate or compensate an external auditor.

External Auditor Service Fees (By Category)

The aggregate fees billed or accrued for professional fees rendered by Dale Matheson Carr-Hilton Labonte LLP, Chartered Accountants ("DMCL") for the years ended October 31, 2020 and 2019 are as follows:

Nature of Services	Fees Paid to Auditor for Year-ended October 31, 2020	Fees Paid to Auditor for Year-ended October 31, 2019
Audit Fees ⁽¹⁾	\$ 97,340	\$ 35,806
Audit-Related Fees ⁽²⁾	NIL	NIL
Tax Fees ⁽³⁾	NIL	NIL
All Other Fees ⁽⁴⁾	NIL	NIL
TOTALS	\$ 97,340	\$ 35,806

Notes:

1. **“Audit Fees”** include fees necessary to perform the annual audit and any quarterly reviews of the Company’s financial statements management discussion and analysis. This includes fees for the review of tax provisions and for accounting consultations on matters reflected in the financial statements. This also includes audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
2. **“Audit-Related Fees”** include fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements and that are not included in “Audit Fees”.
3. **“Tax Fees”** include fees for all professional services rendered by the Company’s auditors for tax compliance, tax advice and tax planning.
4. **“All Other Fees”** include all fees for products and services provided by the Company’s auditors not included in “Audit Fees”, “Audit-Related Fees” and “Tax Fees”.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Resignation of MNP LLP

MNP LLP, Chartered Accountants (“MNP”) tendered their resignation, as auditors of the Company effective October 31, 2019.

The resignation of MNP was considered and approved by the Board of Directors of the Company.

MNP’s reports on the Company’s financial statements for fiscal years ended October 31, 2018 and 2017 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the two fiscal years ended October 31, 2018 and 2017, there were no (i) disagreements with MNP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their report to the subject matter of the disagreement, or (ii) reportable events.

Appointment of DMCL LLP

Effective November 14, 2019, directors of the Company approved the appointment of DMCL LLP (“DMCL”), as successor auditors for the year ended October 31, 2019.

During the two fiscal years ended October 31, 2018 and 2017, neither we nor anyone on our behalf consulted DMCL regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided us that DMCL concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a “disagreement” (as defined in Item 16F(a)(1)(iv) of Form 20-F and related instructions to Item 16-F of Form 20-F) with DMCL or a “reportable event” (as described in Item 16F(a)(1)(v) of Form 20-F).

Our First Notice of Change of Auditor dated November 4, 2019; the resignation of MNP effective October 31, 2019; and the acceptance of appointment of auditors from DMCL dated November 14, 2019 were previously filed by Registrant on Form 6-K on November 14, 2019 (Exhibit 4.48).

Resignation of DMCL LLP

DMCL tendered their resignation as auditors of the Company effective November 16, 2021.

The resignation of DMCL was considered and approved by the Board of Directors of the Company.

DMCL's reports on the Company's financial statements for the fiscal years ended October 31, 2020 and 2019 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles

During the two fiscal years ended October 31, 2020 and 2019, there were no (i) disagreements with DMCL on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their report to the subject matter of the disagreement, or (ii) reportable events.

Appointment of Turner, Stone and Company, LLP

Effective December 6, 2021, directors of the Company approved the appointment of Turner, Stone and Company, LLP ("Turner") as successor auditors for the year ended October 31, 2021. Turner also audited the financial statements of GRUS for the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017.

During the two fiscal years ended October 31, 2020 and 2019, neither we nor anyone on our behalf consulted Turner regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided us that Turner concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a "disagreement" (as defined in Item 16F(a)(1)(iv) of Form 20-F and related instructions to Item 16-F of Form 20-F) with Turner or a "reportable event" (as described in Item 16F(a)(1)(v) of Form 20-F).

Our First Notice of Change of Auditor dated December 7, 2021; the resignation of DMCL effective November 16, 2021; and the acceptance of appointment of auditors from Turner dated December 6, 2020 were previously filed by Registrant on Form 6-K on January 10, 2022 (Exhibit 15.3).

ITEM 16G. CORPORATE GOVERNANCE

Not applicable.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION

Not applicable.

PART III

ITEM 17 FINANCIAL STATEMENTS

Not applicable.

ITEM 18 FINANCIAL STATEMENTS

The following attached Consolidated Financial Statements are included in this Report on Form 20-F beginning with page F-1:

1. Audited Consolidated Financial Statements of Grown Rogue International Inc., for the years ended October 31, 2020, 2019 and 2018, comprised of the following:
 - (a) Report of Independent Registered Public Accounting Firm, Dale Matheson Carr-Hilton Labonte LLP, Chartered Accountants for the years ended October 31, 2020 and 2019;
 - (b) Report of Independent Registered Public Accounting Firm, Turner, Stone and Company, LLP, Certified Public Accountants for the year ended October 31, 2018;
 - (b) Consolidated Statements of Financial Position as at October 31, 2020 and 2019;
 - (c) Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended October 31, 2020, 2019 and 2018;
 - (d) Consolidated Statements of Changes in Shareholders' Deficiency for the years ended October 31, 2020, 2019 and 2018;
 - (e) Consolidated Statements of Cash Flows for the years ended October 31, 2020, 2019 and 2018;
 - (f) Notes to the Consolidated Financial Statements.

ITEM 19 EXHIBITS

The following exhibits are included in the Annual Report on Form 20-F:

Exhibit #	Description
1.1	Certificate of Incorporation dated September 22, 1978 (1)
1.2	Articles of Amendment dated January 14, 1985 (1)
1.3	Articles of Amendment dated August 16, 2000 (1)
1.4	Bylaw No 1 (1)
1.5	Special By-Law No 1 (1)
1.6	Articles of Amalgamation dated November 30, 2009 (2)
1.7	Code of Business Conduct and Ethics (1)
1.8	Compensation Committee Charter (1)
1.9	Amended Audit Committee Charter (1)
1.10	By-Law No. 1, February 24, 2012 (4)
1.11	Articles of Amendment, effective March 16, 2012 (5)
1.12	Articles of Amendment, effective August 25, 2014 (6)
1.13	Articles of Amendment, effective February 1, 2016 (7)
1.14	Articles of Amendment, effective February 29, 2016 (8)
1.15	Articles of Amendment, effective May 26, 2017 (9)
1.16	Articles of Amendment, effective November 1, 2018 (13)
4.1	Definitive Transaction Agreement, dated October 31, 2018, with Grown Rogue Canada, Inc., Novicius Acquisition Corp., and Grown Rogue Unlimited, LLC, an Oregon limited liability company (14)
4.2	Settlement Agreement dated December 22, 2016 by and among Digital Widget Factory Inc. (Belize), Intelligent Content Enterprises Inc. and Digital Widget Factory Inc. (Ontario) (9)
8.1	Subsidiaries of Grown Rogue International Inc. (12)
12.1	Section 302 Certification of Chief Executive Officer (12)
12.2	Section 302 Certification of Chief Financial Officer (12)
13.1	Section 906 Certification of Chief Executive Officer (12)
13.2	Section 906 Certification of Chief Financial Officer (12)
15.1	Novicius Corp., First Notice of Change of Auditor dated November 6, 2017; the resignation of SLF effective November 1, 2017; Novicius Corp Second Notice of Change of Auditor dated November 14, 2017; and the acceptance of appointment of auditors from MNP dated November 17, 2017 (11)
15.2	First Notice of Change of Auditor dated November 4, 2019; the resignation of MNP effective October 31, 2019; and the acceptance of appointment of auditors from DMCL dated November 14, 2019 (15)
15.3	First Notice of Change of Auditor dated December 7, 2021; the resignation of DMCL effective November 16, 2021; and the acceptance of appointment of auditors from Turner dated December 6, 2020 (16)

Reference #	Incorporated by Reference
(1)	Previously filed on April 29, 2009 by Registrant as part of Registration Statement on Form 20-F (SEC File No. 0-53646)
(2)	Previously Filed by Registrant on Form 6-K on December 1, 2009
(3)	Previously filed by Registrant on Form 6-K on January 27, 2011
(4)	Previously filed by Registrant on Form 6-K on February 1, 2012
(5)	Previously filed by Registrant on Form 6-K on March 9, 2012
(6)	Previously filed by Registrant on Form 6-K on August 20, 2014
(7)	Previously filed by Registrant on Form 6-K on February 4, 2016
(8)	Previously filed by Registrant on Form 6-K on March 9, 2016
(9)	Previously filed by Registrant on Form 6-K on December 29, 2016
(10)	Previously filed by Registrant on Form 6-K on April 28, 2017
(11)	Previously filed by Registrant on Form 6-K on November 22, 2017
(12)	Filed as an Exhibit hereto
(13)	Previously filed by Registrant on Form 6-K on November 6, 2018
(14)	Previously filed by Registrant on Form 6-K on November 15, 2018
(15)	Previously filed by Registrant on Form 6-K on November 14, 2019
(16)	Previously filed by Registrant on Form 6-K on December 7, 2021

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The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Report on its behalf.

Grown Rogue International Inc.

By: /s/ J. Obie Strickler

Name: J. Obie Strickler

Title: President & Chief Executive Officer

Date: November 4, 2022

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements of Grown Rogue International Inc. for the years ended October 31, 2020, 2019 and 2018, comprised of the following:

(a)	Report of Independent Registered Public Accounting Firm, Dale Matheson Carr-Hilton Labonte LLP, Chartered Accountants for the years ended October 31, 2020 and 2019;	F-1
(b)	Report of Independent Registered Public Accounting Firm, Turner, Stone and Company, LLP, Certified Public Accountants for the year ended October 31, 2018;	F-2
(c)	Consolidated Statements of Financial Position at October 31, 2020 and 2019;	F-3
(d)	Consolidated Statements of Operations and Comprehensive Loss for the years ended October 31, 2020, 2019 and 2018;	F-4
(e)	Consolidated Statements of Equity Holders' Deficit for the years ended October 31, 2020, 2019 and 2018;	F-5
(f)	Consolidated Statements of Cash Flows for the years ended October 31, 2020, 2019 and 2018;	F-7
(g)	Notes to the Consolidated Financial Statements.	F-8



GROWN ROGUE INTERNATIONAL INC.

**Consolidated Financial Statements
For the Years ended October 31, 2020, 2019 and 2018
Expressed in United States Dollars**



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Grown Rogue International Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Grown Rogue International Inc. (the “Company”) as of October 31, 2020 and 2019, the related statements of comprehensive loss, changes in equity holders’ deficit, and cash flows for the years ended October 31, 2020 and 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2020 and 2019, and its financial performance and its cash flows for the years ended October 31, 2020 and 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred losses and negative operating cash flows since its inception. The Company will require further financing to meet its financial obligations and sustain its operations in the normal course of the business. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in this regard are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion in accordance with the standards of the PCAOB.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DMCL LLP

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

We have served as the Company’s auditor since 2019. In 2021 we became the predecessor auditor.
Vancouver, Canada
November 4, 2022



Your Vision Our Focus



Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
Grown Rogue Unlimited, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Grown Rogue Unlimited, LLC (the “Company”) as of October 31, 2018, and 2017 and the related consolidated statements of operations, changes in members’ deficit and cash flows for the year ended October 31, 2018 and the period from October 31, 2016 through October 31, 2017 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2018 and 2017, and the results of its operations and its cash flows for the year ended October 31, 2018 and the period from October 31, 2016 through October 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 4 to the consolidated financial statements, the Company has suffered recurring losses from operations since inception, has an accumulated deficit, and has insufficient working capital to fund future operations each of which raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 4 The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Turner, Stone & Company, LLP

We have served as the Company’s auditor since 2021.
Dallas, Texas
June 8, 2022

Grown Rogue International Inc.
Consolidated Statements of Financial Position
Expressed in United States Dollars

	October 31, 2020	October 31, 2019
	\$	\$
ASSETS		
Current assets		
Cash	217,788	74,926
Accounts receivable (Note 24)	172,121	134,423
Biological assets (Note 5)	250,690	156,589
Inventory (Note 6)	1,124,360	940,715
Prepaid expenses and other assets	69,816	126,309
Total current assets	1,834,775	1,432,962
Property and equipment (Note 11)	1,101,331	1,464,917
Intangible assets	4,997	34,597
Right-of-use assets (Note 10)	50,468	-
Marketable securities (Note 7)	585,035	-
Other investment (Note 8)	187,812	-
TOTAL ASSETS	3,764,418	2,932,476
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,059,971	1,526,855
Convertible debentures (Note 14)	-	1,995,609
Current portion of long-term debt (Note 12)	46,099	150,000
Unearned revenue	-	35,000
Current portion of lease liabilities (Note 10)	100,277	129,876
Interest payable (Notes 12, 13, 14)	9,367	55,829
Derivative liabilities (Note 14.1)	583,390	249,320
Total current liabilities	1,799,104	4,142,489
Accrued liabilities (Note 9)	389,816	180,799
Lease liabilities (Note 10)	16,630	12,329
Long-term debt (Note 12)	753,715	-
Convertible debentures (Note 14)	1,739,678	-
Deferred rent	10,494	24,505
TOTAL LIABILITIES	4,709,437	4,360,122
EQUITY		
Share capital (Note 16)	14,424,341	12,647,930
Shares to be issued	-	5,136
Contributed surplus (Note 17, 19, 20)	4,070,264	2,890,435
Accumulated other comprehensive income (loss)	(12,197)	121,920
Accumulated deficit	(19,394,044)	(17,112,605)
Equity attributable to shareholders	(911,636)	(1,447,184)
Non-controlling interest (Note 30)	(33,383)	19,538
TOTAL EQUITY	(945,019)	(1,427,646)
TOTAL LIABILITIES AND EQUITY	3,764,418	2,932,476

Going Concern (Note 1)

Subsequent Events (Note 31)

Approved on behalf of the Board of Directors

Signed "J. Obie Strickler", Director

Signed "Stephen Gledhill", Director

The accompanying notes form an integral part of these consolidated financial statements.

Grown Rogue International Inc.
Consolidated Statements of Operations and Comprehensive Loss
Expressed in United States Dollars

	2020	Years ended 2019	October 31, 2018
	\$	\$	\$
Revenue			
Product sales	3,846,223	3,924,983	1,932,128
Service revenue	393,381	-	-
Total revenue	4,239,604	3,924,983	1,932,128
Cost of goods sold			
Cost of finished cannabis inventory sold (Note 6)	(2,155,507)	(2,935,934)	(1,889,229)
Costs of service revenues earned	(271,167)	-	-
Gross profit, excluding fair value items	1,812,930	989,049	42,899
Realized fair value amounts in inventory sold	(1,482,725)	(622,804)	(997,744)
Unrealized fair value gain on growth of biological assets (Note 5)	1,515,492	486,354	541,352
Gross profit	1,845,697	852,599	(413,493)
Expenses			
Accretion expense	609,357	153,195	317,827
Amortization of intangible assets	26,600	31,373	18,762
Amortization of property and equipment (Note 11)	153,991	63,295	460,046
Amortization of right-of-use assets (Note 10)	96,845	-	-
General and administrative (Note 25)	2,196,421	4,660,675	2,707,886
Share-based compensation	337,162	113,227	1,049,595
Transaction costs	-	3,453,790	-
Total expenses	3,420,376	8,475,555	4,554,116
Loss from operations	(1,574,679)	(7,622,956)	(4,967,609)
Other income and (expense)			
Interest expense	(249,296)	(245,549)	(965,285)
Other income	14,750	16,733	-
Finance charge expense	-	-	(1,510,489)
Gain on disposal of subsidiary	1,574	-	-
Loss on debt restructure (Note 14.1)	(765,707)	-	-
Gain (loss) on debt settlement	23,939	(4,942)	-
Gain (loss) on derecognition of derivative liability (Note 14.1)	244,572	39,500	(57,500)
Unrealized loss on marketable securities	(263,483)	-	-
Unrealized gain on derivative liability (Note 14.1)	221,820	121,811	-
Gain (loss) on disposal of property and equipment	(9,978)	(70,403)	(9,103)
Acquisition costs	-	(126,202)	-
Impairment of technology license (Note 15.2)	-	(1,574,761)	-
Debt issuance cost	-	(10,165)	-
Net loss	(2,356,488)	(9,476,934)	(7,509,986)
Other comprehensive income (items that may be subsequently reclassified to profit & loss)			
Currency translation	(134,117)	121,920	-
Total comprehensive loss	(2,490,605)	(9,355,014)	(7,509,986)
Loss per share attributable to owners of the parent - basic & diluted	(0.03)	(0.13)	(0.22)
Weighted average shares outstanding - basic & diluted	90,596,827	70,928,833	33,437,503
Net loss for the period attributable to:			
Non-controlling interest	(75,049)	(176,712)	-
Shareholders	(2,281,439)	(9,300,222)	(7,509,986)
Net loss	(2,356,488)	(9,476,934)	(7,509,986)
Comprehensive loss for the period attributable to:			
Non-controlling interest	(75,049)	(176,712)	-
Shareholders	(2,415,556)	(9,178,302)	(7,509,986)
Total comprehensive loss	(2,490,605)	(9,355,014)	(7,509,986)

The accompanying notes form an integral part of these consolidated financial statements.

Grown Rogue International Inc.
Consolidated Statements of Changes in Equity Holders' Deficit
Expressed in United States Dollars

	Number of common shares	Share capital	Subscriptions payable	Contributed surplus	Currency translation reserve	Accumulated deficit	Non- controlling interests	Total equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance at October 31, 2019	73,219,916	\$ 12,647,930	\$ 5,136	\$ 2,890,435	\$ 121,920	\$ (17,112,605)	\$ 19,538	\$ (1,427,646)
Issuance pursuant to private placement (Notes 16.1)	15,000,000	564,147	-	520,188	-	-	-	1,084,335
Common shares issued pursuant to share swap (Note 16.1)	15,000,000	848,011	-	-	-	-	-	848,011
Share issuance costs (Note 16.1)	-	(11,508)	-	(5,083)	-	-	-	(16,591)
Common shares issued for compensation (Note 16.5)	909,386	76,797	-	-	-	-	-	76,797
Common shares issued for services (Note 16.4)	2,300,000	163,543	-	-	-	-	-	163,543
Common shares issued for investment (Notes 16.2, 8.1)	200,000	12,812	-	-	-	-	-	12,812
Conversion of debt into common shares (Note 14.1, 16.3)	1,038,095	112,863	-	-	-	-	-	112,863
Issuances pursuant to convertible agreements (Note 16.3, 17.3)	115,000	9,746	-	424,645	-	-	-	434,391
Stock option grants (Note 20.3)	-	-	-	240,079	-	-	-	240,079
Elimination of non-controlling interest of sold subsidiary (Notes 1, 31)	-	-	-	-	-	-	22,128	22,128
Subscription payable to be settled as trade payable	-	-	(5,136)	-	-	-	-	(5,136)
Currency translation adjustment	-	-	-	-	(134,117)	-	-	(134,117)
Net loss	-	-	-	-	-	(2,281,439)	(75,049)	(2,356,488)
Balance at October 31, 2020	<u>107,782,397</u>	<u>\$ 14,424,341</u>	<u>\$ -</u>	<u>\$ 4,070,264</u>	<u>\$ (12,197)</u>	<u>\$ (19,394,044)</u>	<u>\$ (33,383)</u>	<u>\$ (945,019)</u>

The accompanying notes form an integral part of these consolidated financial statements.

Grown Rogue International Inc.
Consolidated Statements of Changes in Equity Holders' Deficit
Expressed in United States Dollars

	Number of Common Shares	Share Capital	Common Units	Round Preferred Units	Total Member's Capital	Subscriptions Payable	Equity Component of Convertible Debentures	Contributed Surplus	Currency Translation Reserve	Accumulated Deficit	Non- Controlling Interest	Total Equity Holders' Deficit
	#	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance - October 31, 2018	40,706,873	-	3,426,829	1,274,944	4,701,773	720,516	132,000	2,010,489	-	(7,812,383)	-	(247,605)
Common units issued pursuant to conversion of notes payable (Note 15)	5,465,877	-	1,451,400	-	1,451,400	-	-	-	-	-	-	1,451,400
Common units issued pursuant to technology license agreement (Note 15)	6,600,000	-	1,574,761	-	1,574,761	-	-	-	-	-	-	1,574,761
Common units issued pursuant to exercise of purchase option (Note 15)	4,202,429	-	1,218,784	-	1,218,784	-	-	(1,218,784)	-	-	-	-
Subscription receipts (Note 18)	-	-	-	-	-	554,000	-	-	-	-	-	554,000
Common units issued pursuant to subscription receipts (Note 15)	3,771,023	-	913,698	-	913,698	(1,274,516)	-	360,818	-	-	-	-
Exchange of Units for common shares pursuant to the Transaction	-	9,860,416	(8,585,472)	(1,274,944)	(9,860,416)	-	-	-	-	-	-	-
Common units issued to existing shareholders of the Company pursuant to the Transaction (Note 16)	3,773,689	900,403	-	-	-	-	-	-	-	-	-	900,403
Common shares issued to former debt holders of the Company (Note 16.8)	839,790	200,651	-	-	-	-	-	79,237	-	-	-	279,888
Common shares pursuant to acquisition of Grown Rogue Canada (Note 16.10)	100,000	23,860	-	-	-	-	-	-	-	-	-	23,860
Common shares issued pursuant to subscription receipts (Note 16.9)	6,193,917	1,479,947	-	-	-	-	-	584,430	-	-	-	2,064,377
Fair value of broker warrants	-	(50,508)	-	-	-	-	-	50,508	-	-	-	-
Issuance costs	-	(143,786)	-	-	-	-	-	(56,781)	-	-	-	(200,567)
Fair value of Grown Rogue Canada replacement warrants (Note 19)	-	-	-	-	-	-	-	893,646	-	-	-	893,646
Debt settlements	-	-	-	-	-	5,136	-	-	-	-	-	5,136
Common shares issued for services (Note 16.11)	1,035,500	255,360	-	-	-	-	-	-	-	-	-	255,360
Common shares issued for debt (Note 16.12)	530,818	121,587	-	-	-	-	-	-	-	-	-	121,587
Stock based compensation expenses	-	-	-	-	-	-	-	112,080	-	-	-	112,080
Issuance of common share purchase warrants	-	-	-	-	-	-	-	74,792	-	-	-	74,792
Derivative Liability	-	-	-	-	-	-	(132,000)	-	-	-	-	(132,000)
Currency Translation Adjustment	-	-	-	-	-	-	-	-	121,920	-	-	121,920
Non-controlling interest (Note 30)	-	-	-	-	-	-	-	-	-	-	196,250	196,250
Net loss	-	-	-	-	-	-	-	-	-	(9,300,222)	(176,712)	(9,476,934)
Balance - October 31, 2019	73,219,916	12,647,930	-	-	-	5,136	-	2,890,435	121,920	(17,112,605)	19,538	(1,427,646)

	Number of Common Shares	Share Capital	Common Units	Round Preferred Units	Total Member's Capital	Subscription Payable	Equity Component of Convertible Debentures	Contributed Surplus	Accumulated Deficit	Total Equity Holders' Deficit
	#	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance - October 31, 2017	22,432,446	-	100	-	100	-	-	-	(302,397)	(302,297)
Common units issued pursuant to conversion of notes payable	-	-	-	-	2,152,134	-	-	-	-	2,152,134
Seed Round Preferred Units issued for cash	4,007,236	-	-	1,300,345	1,300,345	-	-	-	-	1,300,345
Common units issued for cash	925,000	-	225,000	-	225,000	-	-	-	-	225,000
Common units issued to service providers	4,182,320	-	1,049,595	-	1,049,595	-	-	-	-	1,049,595
Unit purchase options granted	-	-	-	-	-	-	-	1,510,489	-	1,510,489
Unit purchase option purchased	-	-	-	-	-	-	-	500,000	-	500,000
Issuance of convertible debentures	-	-	-	-	-	-	132,000	-	-	132,000
Subscription proceeds	-	-	-	-	-	720,516	-	-	-	720,516
Issuance costs	-	-	-	(25,401)	(25,401)	-	-	-	-	(25,401)
Net loss	-	-	-	-	-	-	-	-	(7,509,986)	(7,509,986)
Balance - October 31, 2018	40,706,873	-	3,426,829	1,274,944	4,701,773	720,516	132,000	2,010,489	(7,812,383)	(247,605)

The accompanying notes form an integral part of these consolidated financial statements.

Grown Rogue International Inc.
Consolidated Statements of Cash Flow
Expressed in United States Dollars

	Years ended October 31,		
	2020	2019	2018
	\$	\$	\$
Cash provided by (used in)			
Operating activities			
Net loss	(2,356,488)	(9,476,934)	(7,509,986)
Adjustments for non-cash items in net loss			
Amortization of property and equipment	250,836	63,295	460,046
Amortization of property and equipment included in costs of inventory sold	518,999	191,094	-
Amortization of intangible assets	26,600	31,373	18,762
Unrealized gain on changes in fair value of biological assets	(1,515,492)	(486,354)	(541,352)
Realized changes in fair value of biological assets in inventory sold	1,482,725	622,804	997,744
Share-based compensation	239,067	113,227	1,049,595
Stock option expense	174,892	-	-
Services paid in shares or membership units	-	322,985	-
Amortization of debt issuance costs	-	64,914	-
Accretion expense	568,969	153,195	317,827
Finance charge expense	-	-	1,510,489
Gain on liability settlement	(23,939)	-	-
Loss on disposal of property and equipment	9,978	70,403	9,103
Services settled by issuance of long-term debt	-	-	26,487
Gain on sale of subsidiary	(1,574)	-	-
Transaction costs	-	3,453,790	-
Loss on sale of subsidiary	-	-	-
Loss from debt restructuring	765,707	-	-
Unrealized loss on marketable securities	263,483	-	-
Change in fair value of derivative liability	(221,820)	(121,811)	-
Gain (loss) on derecognition of derivative liability	(244,572)	(39,500)	57,500
Acquisition costs	-	126,202	-
Impairment of technology license	-	1,574,761	-
Bad debt expense	-	54,892	-
Loss on debt settlement	-	4,509	-
Effects of foreign exchange	(134,117)	153,003	-
	(196,746)	(3,124,152)	(3,063,785)
Changes in non-cash working capital (Note 21)	(96,064)	(302,684)	1,253,428
Net cash used in operating activities	(292,810)	(3,426,836)	(2,350,357)
Investing activities			
Purchase of intangible assets	-	(996)	(44,363)
Purchase of property and equipment	(557,758)	(216,088)	(1,055,874)
Other investment	(175,000)	-	-
Receipt from sale of subsidiary	83,966	-	-
Payment upon execution of Letter of Intent	-	(50,000)	-
Cash acquired upon close of Transaction	-	5,875	-
Net cash used in investing activities	(648,792)	(261,209)	(1,100,237)
Financing activities			
Member's contributions	-	-	1,525,345
Subscription receivable	-	-	720,516
Option proceeds	-	-	500,000
Proceeds from convertible debentures	-	1,105,126	-
Proceeds from long-term debt	615,000	100,000	2,649,253
Repayment of long-term debt	(226,126)	(250,145)	(578,250)
Proceeds of subscription receipts	-	2,514,377	-
Payments of lease principal	(372,154)	(117,125)	-
Payment of equity and debenture issuance costs	-	(200,567)	(25,401)
Proceeds from private placement	1,067,744	-	-
Payment of debt issuance costs	-	(47,975)	(111,746)
Transaction costs	-	(167,363)	(855,679)
Net cash provided by financing activities	1,084,464	2,936,328	3,824,038
Change in cash	142,862	(751,717)	373,444
Cash balance, beginning	74,926	826,643	453,199

Cash balance, ending	217,788	74,926	826,643
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The accompanying notes form an integral part of these consolidated financial statements.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

Expressed in United States Dollars, unless otherwise indicated

1. CORPORATE INFORMATION AND GOING CONCERN

These consolidated financial statements (the “Financial Statements”) for the years ended October 31, 2020, 2019 and 2018, include the accounts of Grown Rogue International, Inc (together with its subsidiaries, “GRIN” or the “Company”) and its subsidiaries. The registered office of GRIN is located at 340 Richmond Street West, Toronto, Ontario, M5V 1X2.

GRIN’s subsidiaries and ownership thereof are summarized in the table below.

Company	Ownership
Grown Rogue Unlimited, LLC	100% by GRIN
Grown Rogue Gardens, LLC	100% by Grown Rogue Unlimited, LLC
Grown Rogue Distribution, LLC	100% by Grown Rogue Unlimited, LLC
GRU Properties, LLC	100% by Grown Rogue Unlimited, LLC
GRIP, LLC	100% by Grown Rogue Unlimited, LLC
GR Michigan, LLC	87% by Grown Rogue Unlimited, LLC
Idalia, LLC	60% by Grown Rogue Unlimited, LLC

GRIN is primarily engaged in the business of growing and selling cannabis products. The primary cannabis product produced and sold is cannabis flower.

These Financial Statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of the business.

The Company’s ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to discharge its liabilities as they become due and generate positive cash flows from operations. As at the end of the year ended October 31, 2020, the Company incurred a net loss of \$2,356,488 (2019 - \$9,476,934; 2018 - \$7,509,986) and as of that date, the Company’s accumulated deficit was \$19,394,044 (2019 - \$17,112,605). As at October 31, 2020, the Company had limited working capital of \$35,671 (negative working capital 2019 \$2,709,527). These aforementioned conditions have resulted in material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern and to meet its obligations will be dependent upon successful sales of product and generating positive cash flows from operations as well as obtaining suitable financing. The accompanying consolidated financial statements do not reflect any adjustment that might result from the outcome of this uncertainty. If the going concern assumption is not used, then the adjustments required to report the Company’s assets and liabilities at liquidation values could be material to these consolidated financial statements.

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the years ended October 31, 2020 and 2019**

Expressed in United States Dollars, unless otherwise indicated

2. REVERSE TAKEOVER

The Company entered into a definitive transaction agreement (the “Definitive Agreement”) dated October 31, 2018 with Grown Rogue Unlimited LLC (“GR Unlimited”) and Grown Rogue Canada Inc. (“Grown Rogue Canada”) and Novicius Acquisition Corp. (“Novicius Subco”) which resulted, through a series of transactions, in the acquisition of all of the equity interests of GR Unlimited and Grown Rogue Canada by the Company (the “Transaction”), such that, immediately following completion of the Transaction, approximately 86% of the issued and outstanding shares of the Company were owned by the former unitholders of GR Unlimited. Prior to close of the Transaction the Company completed a consolidation of its common shares on the basis of 1.4 pre-consolidated common shares for 1 post-consolidated common share. Upon close of the Transaction, the Company issued, in aggregate, 60,746,202 common shares to the GR Unlimited unitholders for all of the outstanding units of GR Unlimited, 100,000 common shares to a director of Grown Rogue Canada and 839,790 common shares to former debtholders of the Company. Holders of warrants and convertible debentures of GR Unlimited and Grown Rogue Canada exchanged such securities for warrants and convertible debentures, with substantially the same terms, of the Company on a one for one basis.

The Transaction constituted a reverse takeover of the Company by the shareholders of GR Unlimited but did not meet the definition of a business combination under IFRS 3. As such, the Transaction is accounted for under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a transaction expense. Since GR Unlimited is deemed to be the accounting acquirer for accounting purposes, these financial statements present the historical financial information of GR Unlimited up to the date of the Transaction.

The allocation of the consideration transferred is as follows:

3,773,689 shares at a price of CAD\$0.315 per share	\$ 900,403
Net assets (liabilities) of the Company acquired	(604,107)
Transaction costs	<u>\$ 1,504,510</u>

The acquisition-date fair value of the consideration transferred by the existing equity holders of GR Unlimited is based on the number of equity interests GR Unlimited would have had to issue to give the owners of the Company the same percentage equity interest in the combined entity that results from the transaction described above. The fair value of the number of equity interests calculated was based on the private placement transactions entered into by GR Unlimited.

Upon completion of the Transaction, the former shareholder of Grown Rogue Canada controlled less than 1% of the issued and outstanding common shares of the Company (not including holders of subscription receipts of Grown Rogue Canada). For accounting purposes, the Company has been identified as the acquirer and Grown Rogue Canada the acquired company. Since Grown Rogue Canada’s operations do not constitute a business, this transaction has been accounted for as a share-based payment. As such, Grown Rogue Canada’s balances are accounted for at fair value, with the balance of the purchase price in excess of the fair value of the acquired assets and liabilities of Grown Rogue Canada accounted for as transaction costs. Grown Rogue Canada’s historical share capital, deficit and contributed surplus have been eliminated.

The allocation of the consideration transferred is as follows:

100,000 common shares at a price of CAD\$0.315 per share	\$ 23,860
Fair value of warrants of the Company issued (Note 17.10)	893,646
Total consideration transferred	<u>917,506</u>
Net assets of Grown Rogue Canada acquired	61,447
Transaction costs	<u>\$ 856,059</u>

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

Expressed in United States Dollars, unless otherwise indicated

In addition to the costs mentioned above, the Company incurred cash transaction costs of \$1,093,221 during the year ended October 31, 2019. The aforementioned costs are summarized as set out below:

Consideration transferred by shareholders of GR Unlimited	\$ 1,504,510
Balance of purchase price in excess of the fair value of acquired assets and liabilities of Grown Rogue Canada	856,059
Cash Transaction costs	1,093,221
Total Transaction costs during the year ended October 31, 2019, as reported on the statement of comprehensive loss	<u>\$ 3,453,790</u>

3. BASIS OF PRESENTATION

Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on March 1, 2021.

We have reclassified certain amounts in prior periods to conform to the current period's presentation. On the consolidated statements of cash flows, amortization of property and equipment included in cost of finished cannabis inventory sold and changes in fair value of inventory were reclassified from changes in non-cash working capital to items presented as non-cash adjustments to net income (loss), such that net cash used in operating activities is unchanged.

Basis of Measurement

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments and biological assets, which are measured at fair value as described herein.

Functional and Presentation Currency

The Company's functional currency is the Canadian dollar and the functional currency of its Subsidiaries is the United States ("U.S.") dollar. These audited consolidated financial statements are presented in U.S. dollars.

Transactions denominated in foreign currencies are initially recorded in the functional currency using exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using exchange rates prevailing at the end of the reporting period. All exchange gains and losses are included in the statement of loss and comprehensive loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company are expressed in U.S. Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive loss and reported as currency translation reserve in shareholders' equity.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which, in substance, is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive loss.

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Basis of Consolidation

The Subsidiaries are controlled by the Company, as the Company is exposed, or has rights, to variable returns from its involvement with the Subsidiaries and has the ability to affect those returns through its power over the Subsidiaries by way of its ownership of all of the issued and outstanding common shares. The financial statements of subsidiaries are included in these audited consolidated financial statements from the date that control commences until the date control ceases. All intercompany balances and transactions have been eliminated upon consolidation.

Estimation Uncertainty due to COVID-19

On March 11, 2020, the World Health Organization declared a global outbreak of COVID-19 (coronavirus) to be a pandemic, which has had a significant impact on businesses through the restrictions put in place by the federal, state, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders in Canada and the United States. Government measures imposed to limit the spread of COVID-19 did not have a material impact on the Company's operations during the period ended October 31, 2020, and the Company has not observed any material impairments, or significant changes in the fair value of its assets as a result of COVID-19.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, the United States and other countries to fight the virus. While the extent of the impact is unknown, it remains possible that this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business, results of operations and financial condition. The Company will continue to evaluate the situation with respect to the COVID-19 pandemic as it develops and will implement any such changes to its business as may be deemed appropriate to mitigate any potential impacts to its business.

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4. SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS

4.1 Revenue

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied, which is upon the transfer of control of the contracted goods or provision of contracted services. Control of goods is transferred when title and physical possession of the contracted goods have been transferred to the customer, which is determined by the shipping terms and certain additional considerations. The Company does not have performance obligations subsequent to the transfer of title and physical possession of the contracted goods. Revenues from sales of goods are recognized when the transfer of ownership to the customer has occurred and the customer has accepted the product. Revenues from services are recognized when services have been provided, the income is determinable, and collectability is reasonably assured. The Company's contract terms do not include a provision for significant post-service delivery obligations.

4.2 Inventory

Inventory is valued at the lower of cost and net realizable value. The capitalized cost for produced inventory includes the direct and indirect costs initially capitalized to biological assets before the transfer to inventory. The capitalized cost also includes subsequent costs such as materials, labor, depreciation & amortization expense on equipment involved in packaging, labelling and inspection. The total cost of inventory also includes the fair value adjustment which represents the fair value of the biological asset at the time of harvest and which is transferred from biological asset costs to inventory upon harvest. All direct and indirect costs related to inventory are capitalized as they are incurred; these costs are recorded 'Cost of finished cannabis inventory sold' on the statements of loss and comprehensive loss at the time cannabis is sold. The realized fair value amounts included in inventory sold are recorded as a separate line on the statements of loss and comprehensive loss.

4.3 Cost of finished cannabis inventory sold

Cost of finished cannabis inventory sold includes the value of inventory sold (policy described in Note 4.2), excluding the fair value adjustment carried from biological assets into inventory. Cost of finished cannabis inventory sold also includes the value of inventory write downs.

4.4 Biological assets

Biological assets are measured at fair value. The Company's biological assets consist of cannabis plants. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest, including direct costs, indirect costs, allocated fixed and variable overheads, and depreciation & amortization of equipment used to grow plants through the harvest of the plants. Before planting, the capitalized costs approximate fair value. After planting, fair value is estimated at the fair value of the market sales price of the finished product less costs to complete. Subsequent to harvest, the recognized biological asset amount becomes the cost basis of finished goods inventory. Unrealized gains or losses arising from changes in fair value less costs to sell during the period are included in the consolidated statement of loss and comprehensive loss as 'Unrealized fair value gain on growth of biological assets'. After sale, the amount of 'Unrealized fair value gain on growth of biological assets' sold is recognized as 'Realized fair value amounts in inventory sold'.

4.5 Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

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4.6 Accounts Payable and Accrued Liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle this obligation are both probable and able to be reliably measured.

4.7 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are members of key management, subject to common control, or can exert significant influence over the company. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4.8 Property and Equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses, if any. Costs include borrowing costs for assets that require a substantial period of time to become ready for use.

Amortization is recognized so as to recognize the cost of assets less their residual values over their useful lives, using the straight-line method. Amortization begins when an asset is available for use, meaning that it is in the location and condition necessary for it to be used in the manner intended by management. The estimated useful lives, residual values and method of amortization are reviewed at each period end, with the effect of any changes in estimated useful lives and residual values accounted for on a prospective basis.

As at October 31, 2020, the Company was in the process of completing construction of its warehouse facility in order to expand its cultivation and wholesale activities. The Company has capitalized the costs incurred to date on the construction in process asset, as the assets were not available for use as intended by management as at October 31, 2020, amortization expense was not recorded.

Amortization is calculated applying the following useful lives:

Furniture and fixtures	7-10	years on a straight-line basis
Computer and office equipment	3-5	years on a straight-line basis
Production equipment and other	5-10	years on a straight-line basis
Leasehold improvements	15-40	months on a straight-line basis

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs of disposal and their value in use. Fair value is the price at which the asset could be bought or sold in an orderly transaction between market participants. In assessing value in use, the estimated cash flows are discounted to their present value using a pre tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

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4.9 Intangible Assets

Intangible assets are initially measured at cost. The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. If impairment indicators are present, these assets are subject to an impairment review. Amortization is calculated using the straight-line method over the estimated useful lives of the intangible assets of two to three years.

4.10 Impairment of Long-lived Assets

For all long-lived assets, except for intangible assets with indefinite useful lives and intangible assets not yet available for use, the Company reviews its carrying amount at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Where such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in profit or loss.

4.11 Deferred transaction costs

Deferred transaction costs represent professional fees incurred with respect to a contemplated transaction that is to be completed in a future period. The transaction costs will be recognized in profit and loss in the period in which the transaction is completed.

4.12 Unit/Share Based Compensation

Unit/Share Based Payment Transactions

Transactions with non-employees that are settled in equity instruments of the Company are measured at the fair value of the goods or services rendered. In situations where the fair value of the goods or services received by the entity as consideration cannot be reliably measured, transactions are measured at fair value of the equity instruments granted. The fair value of the share-based payments is recognized together with a corresponding increase in equity over a period that services are provided, or goods are received.

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Equity Settled Transactions

The costs of equity settled transactions with employees are measured by reference to the fair value of the equity instruments at the date on which they are granted, using the Black Scholes option pricing model.

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative cost is recognized for equity settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus. No expense is recognized for awards that do not ultimately vest.

Unit/ Share Issuance Costs

Costs incurred in connection with the issuance of equity are netted against the proceeds received net of tax. Costs related to the issuance of equity and incurred prior to issuance are recorded as deferred equity issuance costs and subsequently netted against proceeds when they are received.

4.13 Member’s Capital

Member’s capital consists of common units, which are classified as equity on the statements of financial position. Incremental costs attributable directly to the issuance of member’s capital are recognized as deduction from equity, net of any tax effects.

4.14 Income Taxes

Tax expense includes current and deferred tax. This expense is recognized in profit or loss, except for income tax related to the components of other comprehensive income or equity, in which case the tax expense is recognized in other comprehensive income or equity respectively.

Current tax assets and liabilities are obligations or claims for the current and prior periods to be recovered from (or paid to) taxation authorities that are still outstanding at the end of the reporting period. Current tax is computed on the basis of tax profit which differs from net profit. Income taxes are calculated using tax rates and laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized based on temporary differences between the carrying amount and the tax basis of the assets and liabilities. Any change in the net amount of deferred tax assets and liabilities is included in profit or loss. Deferred tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws that are expected to apply to taxable profit for the periods in which the assets and liabilities will be recovered or settled. Deferred tax assets are recognized when it is likely they will be realized. Deferred tax assets and liabilities are not discounted.

The Company recognizes a deferred tax asset or liability for all deductible temporary differences arising from equity securities of subsidiaries, unless it is probable that the temporary difference will not reverse in the foreseeable future and the Company is able to control the timing of the reversal.

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4.15 Financial Instruments

4.15.1 Financial assets

Initial Recognition

The Company initially recognizes financial assets at fair value on the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Classification and measurement

Under IFRS 9, financial assets are initially measured at fair value. In the case of a financial asset not categorized as fair value through profit or loss (“FVTPL”), transaction costs are included. Transaction costs of financial assets carried at FVTPL are expensed in net income (loss).

Subsequent classification and measurement of financial assets depends on the Company’s business objective for managing the asset and the cash flow characteristics of the asset:

- Amortized cost – Financial assets held for collection of contractual cash flows that meet the SPPI test are measured at amortized cost. Interest income is recognized as Other income (expense) in the consolidated financial statements, and gains/losses are recognized in net income (loss) when the asset is derecognized or impaired.
- Fair value through other comprehensive income (“FVOCI”) – Financial assets held to achieve a particular business objective other than short term trading are designated at FVOCI. IFRS 9 also provides the ability to make an irrevocable election at initial recognition of a financial asset, on an instrument by instrument basis, to designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor contingent consideration arising from a business combination to be classified as FVOCI. There is no recycling of gains or losses through net income (loss). Upon derecognition of the asset, accumulated gains or losses are transferred from Other comprehensive income (“OCI”) directly to Deficit.
- FVTPL – Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL.

4.15.2 Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The subsequent measurement of financial liabilities is determined based on their classification as follows:

- FVTPL – Derivative financial instruments entered into by the Company that do not meet hedge accounting criteria are classified as FVTPL. Gains or losses on these types of financial liabilities are recognized in net income (loss).
- Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method. Gains and losses are recognized in net income (loss) when the liabilities are derecognized as well as through the amortization process.

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The following table summarizes the original measurement categories for each class of the Company's financial assets and financial liabilities:

Asset/Liability	Classification
Accounts receivable	Amortized cost
Cash	Amortized cost
Marketable securities	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Interest payable	Amortized cost
Convertible debentures	Amortized cost
Derivative liabilities	FVTPL

Impairment

IFRS 9 introduces a three-stage expected credit loss ("ECL") model for determining impairment of financial assets. The expected credit loss model does not require the occurrence of a triggering event before an entity recognizes credit losses. IFRS 9 requires an entity to recognize expected credit losses upon initial recognition of a financial asset and to update the quantum of expected credit losses at the end of each reporting period to reflect changes to credit risk of the financial asset. The adoption of the ECL model did not have a material impact on the Company's consolidated financial statements.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

4.16 IFRS 16 - Leases ("IFRS 16")

On November 1, 2019, the Company adopted IFRS 16, which replaced IAS 17 – Leases and related interpretations, using the modified retrospective method which does not require restatement of prior period financial information. Accordingly, comparative information in the Company's financial statements is not restated. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments.

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On transition to IFRS 16, the Company elected to use the following practical expedient, as permitted under this standard:

- Grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases under IAS 17; and
- Apply a single discount rate to a portfolio of leases with similar characteristics.

On adoption of IFRS 16, the Company has elected to record right-of-use assets based on the corresponding lease liability. Lease liabilities were measured at the present value of the remaining lease payments outstanding from commitments disclosed as at October 31, 2019, excluding short-term leases, leases of low-value assets, and variable lease payments, and discounted using the Company's incremental borrowing rate as of November 1, 2019. A reconciliation of the Company's operating lease commitments at October 31, 2019, to the Company's lease obligations as at the date of transition of November 2, 2019 is set out below:

Operating lease commitments at October 31, 2019	\$ 322,100
Discounted using incremental borrowing rate	(45,669)
Lease liabilities for purchased assets	142,205
Lease obligations - November 1, 2019	<u>\$ 418,636</u>

The following table summarizes the impacts of adopting IFRS 16 on the consolidated financial statements:

	October 31, 2019	Adoption of IFRS 16	Restated Balance, November 1, 2020
Rights-of-use assets	-	276,431	276,431
Property & equipment	232,059	-	232,059
Current portion of lease liability	129,876	225,862	355,738
Lease liability	<u>12,329</u>	<u>50,569</u>	<u>62,898</u>

Update to significant accounting policies

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, less any lease incentive received. The right-of-use asset is subsequently depreciated to the earlier of the end of the useful life of the right-of-use asset or the least term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The right-of-use asset may be adjusted for certain remeasurements of the lease liability and impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses a single discount rate for a portfolio of leases with similar characteristics. The lease liability is measured at the amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the Company's assessment of whether it will exercise a purchase, extension, or termination option.

Leases that have term of less than twelve months or leases with an underlying asset of low value are recognized as expenses in profit or loss.

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Significant judgments and estimates

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event of a significant change in circumstance occurs which affects this assessment.

To determine the carrying amount of right-of-use assets and lease liabilities, the Company must estimate the incremental borrowing rate for each leased asset if the interest rate implicit in the lease cannot be readily determined. Management determines the incremental borrowing rate for each leased asset by taking into account the Company's credit standing, the guarantee, the term and the value of the underlying leased asset, as well as the economic environment in which the leased asset is operated. Incremental borrowing rates can be changed due to macroeconomic changes in the environment.

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5. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants. The reconciliation of changes in the carrying amounts of biological assets as at October 31, 2020 and October 31, 2019 are as follows:

Balance - October 31, 2018	\$ 149,617
Add: purchased cannabis plants	308,324
Change in fair value less costs to sell due to biological transformation	486,354
Allocation of operational overhead	438,859
Transferred to inventory upon harvest	(1,226,565)
Balance - October 31, 2019	\$ 156,589
Add: purchased cannabis plants	724,878
Change in fair value less costs to sell due to biological transformation	1,515,492
Allocation of operational overhead	1,130,712
Transferred to inventory upon harvest	(3,276,981)
Balance - October 31, 2020	\$ 250,690

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram and also for any additional costs to be incurred, such as post-harvest costs.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Expected costs required to grow the cannabis up to the point of harvest
- Estimated selling price per pound
- Expected yield from the cannabis plants
- Estimated stage of growth – The Company applied a weighted average number of days out of the 60-day growing cycle that biological assets have reached as of the measurement date based on historical evidence. The Company assigns fair value basis according to the stage of growth and estimated costs to complete cultivation.

	October 31, 2020	October 31, 2019	Impact of 20% change	
			October 31, 2020	October 31, 2019
Estimated selling price per (pound)	\$ 1,123	\$ 840	\$ 57,879	\$ 37,747
Estimated stage of growth	71%	60%	\$ 46,209	\$ 30,970
Estimated flower yield per harvest (pound)	216	263	\$ 46,209	\$ 30,970

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6. INVENTORY

The Company's inventory composition is as follows:

	October 31, 2020	October 31, 2019
Raw materials	\$ 8,588	\$ 27,860
Work in process	919,464	819,675
Finished goods	196,308	93,180
Balance	<u>\$ 1,124,360</u>	<u>\$ 940,715</u>

The cost of inventories included as an expense and included in cost of goods sold for the year ended October 31, 2020, was \$2,155,507 (2019 - \$2,935,934; 2018 - \$1,889,229).

7. MARKETABLE SECURITIES

During the period ended October 31, 2020, the Company received 2,362,204 common shares of Plant-Based Investment Corp ("PBIC") by issuing to PBIC 15,000,000 common shares of the Company pursuant to a subscription agreement. On the date of the transaction, February 10, 2020, the fair value of PBIC shares per share was CAD\$0.635 per share, for a fair value of \$848,011 (Note 16.1). The Company does not have control or significant influence over PBIC and has accounted for the investment at fair value through profit or loss.

As at October 31, 2020, the fair value of the shares was \$585,035, based upon the publicly quote price of PBIC shares. The Company recorded an unrealized loss on the shares in the amount of \$263,483 and foreign currency translation gain of \$507 during year ended October 31, 2020.

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8. OTHER INVESTMENT

On February 6, 2020, the Company entered into a purchase agreement to acquire an option to acquire a 60% controlling interest (the "Option") of a fully-licensed Michigan based operator pending Municipal and State regulatory approval. The optionee is called Golden Harvests, LLC ("GH"). In order to exercise the Option, the Company will pay \$810,000 in cash and issue 800,000 common shares of the Company in four tranches:

- 8.1** Payment of \$150,000 within five days of signing the Option and the issuance of 200,000 common shares of the Company within 60 days after signing the Option (during the year ended October 31, 2020, the cash amount of \$150,00 was paid and 200,000 common shares were issued with a fair value of \$12,812).
- 8.2** Payment of \$200,000 and the issuance of 200,000 common shares of the Company on the sixth-month anniversary of signing the Option. The Company paid \$25,000 and issued 25,000 shares subsequent to October 31, 2020 to extend this payment for six-months. Subsequent to October 31, 2020, cash payment of \$100,000 was made and a note payable for \$100,000 was issued to fulfilled the \$200,000 payment. The note payable bears interest at \$2,000 per month.
- 8.3** Payment of \$260,000 and the issuance of 200,000 common shares of the Company on the twelve-month anniversary of signing the Option. The Company can elect to extend the due date of this tranche of the purchase consideration for an additional six months by paying \$25,000 and issuing 25,000 common shares of the Company. Subsequent to October 31, 2020, the extension term was modified to require issuance of 200,000 shares instead of the aforementioned cash and share payments.
- 8.4** Payment of \$200,000 and the issuance of 200,000 common shares of the Company due upon exercise of the Option, pending Municipal and State regulatory approval.

The aggregate invested into GH as at October 31, 2020, included the following:

Investment	Amount
Cash payments against Option	\$ 175,000
Share payments against Option	12,812
Total	\$ 187,812

The Option agreement was modified subsequent to October 31, 2020 (Note 31)

The Company has a contract to provide operations management services to GH. Under this agreement, during the year ended October 31, 2020, the Company earned revenues of \$393,381 and costs for those revenues were \$271,167.

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9. ACCRUED LIABILITIES

The following table summarizes the liability payable to creditors who agreed to defer settlement for longer than one year from October 31, 2020 and 2019:

	<u>CEO</u>	<u>Trade vendors</u>	<u>Total</u>
Balance at November 1, 2018	\$ -	\$ -	\$ -
Amount deferred	180,799	-	180,799
Balance at October 31, 2019	\$ 180,799	\$ -	\$ 180,799
Amounts deferred	105,514	180,741	286,255
Amounts settled	-	(77,238)	(77,238)
Balance at October 31, 2020	<u>\$ 286,313</u>	<u>\$ 103,503</u>	<u>\$ 389,816</u>

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10. LEASES

The Company has two leases of property for growing operations that expire December 31, 2020 and one lease for warehouse and office space that expires March 31, 2021. The warehouse lease can be extended for four years after March 31, 2021.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year ended October 31, 2020:

	Land and Buildings	Leased equipment	Total
Balance - October 31, 2019	\$ -	\$ 232,059	\$ 232,059
Adoption of IFRS 16	276,431	-	276,431
Additions	-	68,035	68,035
Amortization	(225,963)	(79,401)	(305,364)
Balance - October 31, 2020	<u>\$ 50,468</u>	<u>\$ 220,693</u>	<u>\$ 271,161</u>

All of the depreciation for land and buildings was capitalized during the year ended October 31, 2020.

Set out below are the carrying amounts and movements of lease liabilities:

Lease Liabilities	October 31, 2020	October 31, 2019
Balance - beginning	\$ 142,205	\$ 196,814
Adoption of IFRS 16	276,431	
Additions	68,035	62,516
Accretion of interest	63,043	30,299
Payments	(435,197)	(147,424)
Balance - ending	<u>\$ 114,517</u>	<u>\$ 142,205</u>
Current	100,277	129,876
Non-current	16,630	12,329

Payments during the year ended October 31, 2020 of \$435,197 included principal payments of \$372,154 and interest of \$63,043. Payments during the year ended October 31, 2019 of \$147,424 included principal payments of \$117,125 and interest of \$30,299.

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Set out below are the minimum future lease payments from October 31, 2020:

	Total future minimum lease payments
Less than one year	\$ 114,010
Between one and five years	17,525
Total	\$ 131,535

Set out below are the minimum future lease payments from October 31, 2019:

	Total future minimum lease payments
Less than one year	\$ 144,411
Between one and five years	12,880
Total	\$ 157,291

The Company has lease contracts that include extension options, which are negotiated by management to provide flexibility in managing business needs. Set out below are the undiscounted potential rental payments related to periods following the date of exercise options that are not included in the lease term:

	Within five years	More than Five years
Extension options available to be exercised	\$ 580,250	\$ 199,000
New lease terms executed subsequent to October 31, 2020	405,600	
Total	\$ 985,850	\$ 199,000

Grown Rogue International Inc.

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11. PROPERTY AND EQUIPMENT

	Computer and Office Equipment	Production Equipment and Other	Construction in Progress	Leasehold Improvements	Total
COST					
Balance - October 31, 2018	\$ 75,883	\$ 357,115	\$ 578,158	\$ 1,067,725	\$ 2,078,881
Additions	50,480	86,483	17,308	242,746	397,017
Disposals	(70,403)	-	(118,683)	-	(189,086)
Balance - October 31, 2019	\$ 55,960	\$ 443,598	\$ 476,783	\$ 1,310,471	\$ 2,286,812
Additions	1,031	283,065	90,342	251,355	625,793
Transfers	(2,061)	2,061	(512,719)	512,719	-
Disposals	(39,764)	(17,350)	(9,331)	(947)	(67,392)
Balance - October 31, 2020	\$ 15,166	\$ 711,374	\$ 45,075	\$ 2,073,598	\$ 2,845,213
ACCUMULATED AMORTIZATION					
Balance - October 31, 2018	\$ 1,907	\$ 71,157	\$ -	\$ 429,896	\$ 502,960
Amortization for the period	17,794	61,322	-	239,819	318,935
Balance - October 31, 2019	\$ 19,701	\$ 132,479	\$ -	\$ 669,715	\$ 821,895
Amortization for the period	6,360	106,441	-	824,977	937,778
Transfers	(2,405)	2,405	-	-	-
Disposals	(8,490)	(7,301)	-	-	(15,791)
Balance - October 31, 2020	\$ 15,166	\$ 234,024	\$ -	\$ 1,494,692	\$ 1,743,882
NET BOOK VALUE					
As at October 31, 2019	\$ 36,259	\$ 311,119	\$ 476,783	\$ 640,756	\$ 1,464,917
As at October 31, 2020	\$ -	\$ 477,350	\$ 45,075	\$ 578,906	\$ 1,101,331

Production equipment includes \$220,693 in leased assets (2019 - \$232,059). For the year ended October 31, 2020, \$518,999 in amortization costs were included in cost of sales (2019 – \$129,202). As at October 31, 2020, \$72,165 (2019 – \$18,365) in amortization costs were included in biological assets, and \$208,177 (2019 – \$108,073) in amortization costs were included in inventory. Depreciation expense not capitalized left net depreciation expense of \$153,991 on the statement of comprehensive loss for the year ended October 31, 2020 (2019 – \$63,295).

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12. LONG-TERM DEBT

Transactions related to the Company's unsecured promissory notes during the years ended October 31, 2020 and October 31, 2019, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2018	\$ 50,000	\$ 50,000	\$ 10,444
60% - October 2, 2019 (12.1)	50,000	50,000	-
60% - October 17, 2019 (12.2)	50,000	50,000	-
Interest expense on long-term debt	-	-	9,535
Debt repayments	-	-	(12,000)
Balance - October 31, 2019	\$ 150,000	\$ 150,000	\$ 7,979
60% - December 5, 2019 (12.3)	15,000	15,000	-
Interest expense on long-term debt	-	-	24,854
Debt repayments	(151,000)	(151,000)	(23,466)
Proceeds (12.4)	600,000	600,000	-
Debt repayments (12.4)	(75,126)	(75,126)	-
Interest accretion	-	260,940	-
Balance - October 31, 2020	\$ 538,874	\$ 799,814	\$ 9,367
Less: current portion	46,099	46,099	9,367
Balance - October 31, 2020 non-current portion	<u>\$ 492,775</u>	<u>\$ 753,715</u>	<u>\$ -</u>

- 12.1** On October 2, 2019: Principal of \$50,000 with simple interest accrued at a rate of 60% per annum and a maturity of 90 days. On December 5, 2019 an additional \$15,000 was advanced under the same terms and conditions. On February 18, 2020 all outstanding principal and accrued interest of \$13,274 (October 31, 2019 - \$2,384) was repaid in full. This amount was owed to a director and officer of the Company.
- 12.2** On October 17, 2019: Principal of \$50,000 with simple interest accrued at a rate of 60% per annum and a maturity of 90 days. On February 18, 2020 all outstanding principal and accrued interest of \$9,041 (October 31, 2019 - \$1,151) was repaid in full. This amount was owed to a key member of management.
- 12.3** On December 5, 2019: Principal of \$15,000 with simple interest accrued at a rate of 60% per annum and a maturity of 60 days. On February 18, 2020, all principal and interest were repaid. This amount was owed to a key member of management.

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12.4 Debt issuance by GR Michigan, LLC

On March 20, 2020: Principal of \$600,000 was received under a secured debt investment of \$600,000 (the “Michigan Debt”). The Michigan Debt carries a two-year term, with monthly payments of principal commencing June 15, 2020, and with payments calculated at 1% of cash sales receipts of GH (Note 8). Once the principal is repaid, each investor will receive a monthly royalty of 1% per \$100,000 invested of cash receipts for sales by GH (see Note 8) (the “Royalty”). The Royalty commences on the date that repayments equal to principal have been made for a period of two years. The Royalty maximum is two times the amount of principal invested and the Royalty minimum is equal to the principal loaned; the Company expects to pay the Royalty maximum by July 2023. The Company has the right but not the obligation, to purchase the Royalty from any lender by paying an amount equal to the original principal invested by such lender. The debt is reported at the carrying value of the probability-weighted estimated future cash flows of all payments under the Michigan Debt agreement at amortized cost using the effective interest method. Interest accreted during the year ended October 31, 2020 was \$260,940 calculated using an effective interest rate of 73%. During the year ended October 31, 2020, \$75,126 was repaid against this debt.

Principal amounts of the Michigan Debt of \$50,000 and \$100,000 (a total of \$150,000), were loaned by officers of the Company. Principal of \$150,000, was loaned by a director of the Company.

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13. CONVERTIBLE PROMISSORY NOTES

Transactions related to GR Unlimited's convertible promissory notes during the years ended October 31, 2020 and 2019, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2018	\$ 1,343,171	\$ 1,299,376	\$ 454,775
Amortization of deferred financing costs	22,106	23,759	-
Interest expense on long-term debt	-	-	2,154
Interest accretion	-	5,502	-
Repaid	(265,277)	(265,277)	(137,889)
Converted to common units	(1,100,000)	(1,063,360)	(279,040)
Balance - October 31, 2019	\$ -	\$ -	\$ 40,000
Interest paid	-	-	(30,000)
Interest forgiven upon settlement	-	-	(10,000)
Balance - October 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

During the period ended October 31, 2018, GR Unlimited issued the following unsecured convertible promissory notes:

- 13.1** Effective November 14, 2017, GR Unlimited entered into an agreement with certain purchasers (collectively the "Purchasers" and individually the "Purchaser"), to issue a series of notes with substantially similar terms, including maturity, interest rates, and conversion terms. Under the agreements, the Purchasers purchased convertible promissory notes with aggregate principal of \$550,000. The notes accrued simple interest at an annual rate of 50% calculated on the basis of a year of 365 days.

During the year ended October 31, 2018, GR Unlimited made aggregate principal repayments of \$442,223. During the year ended October 31, 2019, GR Unlimited repaid the remaining aggregate principal of \$107,777. As at October 31, 2018, accrued interest of \$127,915 remained unpaid, which was subsequently paid during the year ended October 31, 2019.

- 13.2** Effective December 15, 2017, GR Unlimited entered into an agreement whereby the holder purchased a convertible promissory note for the total principal of \$1,000,000 with simple interest accrued at a rate of 25%.

During the year ended October 31, 2019, the principal of \$1,000,000 and unpaid interest of \$272,991 were converted into 1,144.15 common units of GR Unlimited (4,782,284 common shares of the Company) as described in Note 15.4.

During the period ended October 31, 2017, GR Unlimited issued the following unsecured convertible promissory notes:

- 13.3** Effective February 1, 2017: Principal of \$100,000 with simple interest accrued at a rate of 15%. Principal and interest due and payable on the three-year anniversary of the promissory note, February 1, 2020. In the event GR Unlimited completes a qualified equity financing transaction on or before the maturity date of the promissory note, the holder has the right to convert in whole or in part the unpaid principal and interest balance into fully paid nonassessable shares of common stock of GR Unlimited. The conversion price per unit will equal 80% of the price per unit paid in cash by purchasers of new units in a qualified equity transaction. As at October 31, 2018, accrued interest of \$26,219 was incurred. The fair value of the conversion option was estimated as \$Nil. During the year ended October 31, 2019, the principal of \$100,000 and unpaid interest of \$22,438 were converted into 126.13 common units of GR Unlimited (485,379 common shares of the Company) as described in Note 15.3.

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- 13.4** Effective July 26, 2017, GR Unlimited through its wholly owned subsidiary GRU Properties, LLC entered into an agreement whereby the holder purchased a convertible promissory note for the total principal of \$100,000 with simple interest calculated at a rate of 50% per annum for the first 6 months. The note became due on February 1, 2018 and was extendable for another 6 months at the holder's option. On January 31, 2018, \$50,000 of principal was repaid.

On January 31, 2018, \$50,000 of the outstanding principal was repaid and the remaining principal of \$50,000 was extended to August 1, 2018. On August 1, 2018, the holder of the convertible promissory note accepted a new convertible promissory note in the amount of \$57,500 in exchange for the current note and \$7,500 of accrued interest. The new convertible promissory note had a maturity date to August 1, 2019, with interest at 12.5% per annum, payable monthly. During the year ended October 31, 2019, the principal and accrued interest was paid in full and the Company derecognized the corresponding derivative liability resulting in a gain on derecognition of \$39,500 included in the statement of loss and comprehensive loss.

- 13.5** Effective October 20, 2017, principal of \$100,000 with simple interest accrued at a rate of 50% per annum. During the year ended October 31, 2019, GR Unlimited repaid the principal of \$100,000, leaving accrued interest of \$40,000 payable. During the year ended October 31, 2020, \$30,000 was repaid and \$10,000 was forgiven.

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14. CONVERTIBLE DEBENTURES

Transactions related to the Company's convertible debentures during the years ended October 31, 2020 and 2019, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2018	\$ 1,029,314	\$ 931,099	\$ 7,758
Issued during the year	1,105,127	1,105,127	-
Fair value of derivative liability	-	(232,925)	-
Issuance costs	(38,064)	(38,064)	-
Amortization of issuance costs	54,748	54,748	-
Interest accretion	-	147,693	-
Interest expense	-	-	126,901
Interest payments	-	-	(126,809)
Effects of foreign exchange	27,931	27,931	-
Balance - October 31, 2019	\$ 2,179,056	\$ 1,995,609	\$ 7,850
Interest accretion through July 10, 2020	-	246,015	-
Conversion to common shares (14.1)	(37,733)	(37,733)	-
Effects of foreign exchange	(56,341)	(56,341)	-
Deemed extinguishment (14.1)	(2,084,982)	(2,147,550)	-
Balance after deemed extinguishment	\$ -	\$ -	\$ 7,850
Deemed re-issuance (14.1)	2,169,135	2,464,241	-
Fair value of derivative liability	-	(787,264)	-
Conversion to common shares (14.1)	(75,130)	(75,130)	-
Interest accretion	-	146,964	-
Interest expense	-	-	-
Interest payments	-	(44,138)	(7,850)
Effects of foreign exchange	-	35,005	-
Balance -October 31, 2020	<u>\$ 2,094,005</u>	<u>\$ 1,739,678</u>	<u>\$ -</u>

14.1 Modification of terms during the year ended October 31, 2020 and conversion

During the year ended October 31, 2020, two conversions of principal were recorded, totaling \$112,863 (CAD\$150,000), into a total of 1,038,095 common shares.

During the year ended October 31, 2020, the Company extended the maturity of all convertible notes outstanding, such that the following terms apply to all convertible notes outstanding as at October 31, 2020.

- Original principal loan amount of \$2,169,135 (CAD\$2,950,000) due on November 1, 2021 (October 31, 2020 balance was \$2,138,925 (CAD\$2,850,000));
- Interest payable at 8% per annum;
- Convertible at CAD\$0.125 into shares of the Company;
- If at any time while the debentures are outstanding the Company issues securities for cash in a private placement at a price per share lower than CAD\$0.125, the conversion price for any unconverted portion of the convertible debentures would be reduced to such lower price per security; and
- Convertible at CAD\$0.05 if the Company defaults on debt service.

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Pursuant to the modification of the debentures, the following warrant transactions occurred:

- Cancellation of 6,818,182 warrants issued pursuant to the convertible debenture agreements outstanding prior to the modification on July 10, 2020;
- Issuance of 6,818,182 new warrants with an exercise price of CAD\$0.16 and an expiration date of November 1, 2021 (Note 17.3);
- The fair value of the newly issued warrants was recognized as an expense of debt restructuring on the statement of loss and comprehensive loss for the year ended October 31, 2020;
- Issuance of 1,590,909 warrants as part of the consideration to the creditors for extending the maturity of the debt (Note 17.3). The fair value of these warrants was recognized as an expense of debt restructuring on the statement of loss and comprehensive loss for the year ended October 31, 2020.

As described above, the conversion price of the debenture is subject to change based upon whether a lower-than-CAD\$0.125 private placement of equity is completed. This conversion feature was determined to be a derivative liability in accordance with IFRS 9. The value of the derivative liability as at October 31, 2020 was estimated to be \$787,264, using the Black-Scholes pricing model with the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 0.24%
- Expected life 1.0 years
- Expected volatility 90%

The derivative liability will be remeasured at fair value through profit and loss at each reporting period using the Black-Scholes pricing model. The fair value as at October 31, 2020, was \$583,390 (2019 - \$249,320), and the unrealized gain for the year ended October 31, 2020 as a result of remeasurement was \$221,820 (2019 – see Note 14.2).

The fair value of the deemed reissuance was allocated as follows:

	CAD	USD
Convertible debentures, principal	\$ 2,280,671	\$ 1,676,977
Conversion option	1,070,670	787,264
	<u>\$ 3,351,341</u>	<u>\$ 2,464,241</u>

The discounted value of the loan after the modifications of terms was more than 10% lower than the carrying value of the loan and was therefore deemed an extinguishment and reissuance under IFRS 9. The costs of completing the modification were expensed.

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The loss of restructuring this debt, as recognized on the statement of loss and comprehensive loss for the year ended October 31, 2020, was comprised of the following:

Composition of loss from debt restructuring

Difference: carrying value of deemed prior debt and deemed reissued debt	\$ 337,997
Replacement warrants - quantity 6,818,182 (Note 17.3)	346,792
Consideration warrants - quantity 1,590,909 (Note 17.3)	80,918
Total loss from deemed restructuring	<u>\$ 765,707</u>

The Company recorded a gain of \$244,572 on the derecognition of the Company's previously recorded derivative liability on the modification of the debt.

14.2 Convertible debentures issued during the year ended October 31, 2019

During the year ended October 31, 2019, the Company issued secured convertible debentures with aggregate principal of CAD\$1,500,000 (\$1,105,126). The convertible debentures bear interest at 2% quarterly payable on the last day of March, June, September, and December. The convertible debentures were scheduled to mature on August 10, 2020; the maturity date was extended to November 1, 2021 by an agreement dated July 10, 2020 (Note 14.1). The debentures were secured by a general security agreement granting a security interest in the Company's property and assets. The debentures could be converted by the holder into common shares of the Company at a conversion price of CAD\$0.44 per share. If at any time while the debentures were outstanding, the Company issued securities at a price per security lower than CAD\$0.44 per share, the conversion price for any unconverted portion of the convertible debentures would be reduced to such lower price per security. The adjustment to the conversion price was considered a derivative, as it changes in relation to the share price of the Company and does not meet the fixed for fixed criteria. In connection with the issuance of the convertible debentures, the Company paid issuance costs of \$47,975. The Company also issued 3,409,091 warrants to the convertible debenture holders, as described in Note 17.9. Of the total debt issuance costs of \$47,975, \$10,165 was allocated to the derivative liability and included as expenses in the statement of loss and comprehensive loss.

GR Unlimited allocated the proceeds from the issuance of the convertible debentures as follows:

Convertible debentures, principal	\$ 872,202
Conversion option	232,925
	<u>\$ 1,105,127</u>

The fair value of the derivative liability was calculated by way of a Monte Carlo simulation which utilized Geometric Brownian Motion to simulate share prices over the term of the convertible debenture. Estimates included in the Monte Carlo simulation included a market interest rate of 20% and share price volatility of 126.9%. The estimated fair value of the derivative liability upon initial recognition was estimated to be CAD\$316,151 (\$232,925).

As at October 31, 2019, the Company estimated the fair value of the derivative liability using the same methodologies as described above and an estimated market interest rate of 20% and a share price volatility of 105.4%. As at October 31, 2019, the estimated fair value of the derivative liability was CAD\$164,053 (\$124,660), and the change in the fair value since initial recognition of \$121,811 has been included as income in the Company's statement of loss and comprehensive loss. As at October 31, 2019, if the volatility, or discount rate used was increased by 10%, the impact would be an increase to the derivative of \$5,000, with a corresponding increase to loss.

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14.3 Convertible debentures issued during the year ended October 31, 2018

During the year ended October 31, 2018, GR Unlimited issued a series of secured convertible debentures with aggregate principal of CAD\$1,500,000 (\$1,141,060). This series of convertible debentures bear interest at 2% quarterly payable on the last day of March, June, September, and December. The convertible debentures mature twenty-four months from the effective date of the agreement or December 1, 2018 if a change in ownership has not occurred. The debentures are secured by a general security agreement granting a security interest in all of GR Unlimited's property and assets. The debentures can be converted by the holder into common units of GR Unlimited at a conversion price of CAD\$0.44 per Unit. In the event of a default, the Conversion Price shall be reduced to CAD\$0.05 per Unit. In connection with the issuance of the convertible debentures, GR Unlimited incurred issuance costs of \$111,746.

GR Unlimited allocated the proceeds from the issuance of the convertible debentures as follows:

Convertible debentures, principal	\$ 1,009,060
Conversion option	132,000
	<u>\$ 1,141,060</u>

The value of the conversion option was calculated by subtracting the net present value of the debenture from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 15% over a period of 24 months.

Upon close of the Transaction, these debentures were replaced by convertible debentures of the Company with similar terms.

As at October 31, 2019, the Company estimated the fair value of the derivative liability by way of a Monte Carlo simulation which utilized Geometric Brownian Motion to simulate share prices over the term of the convertible debenture. Estimates included in the Monte Carlo simulation included a market interest rate of 20% and share price volatility of 105.4%. As at October 31, 2019, the estimated fair value of the derivative liability was CAD\$164,053 (\$124,660). As at October 31, 2019, if the volatility, or discount rate used was increased by 10%, the impact would be an increase to the derivative of \$5,000, with a corresponding increase to loss.

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15. MEMBERS' CAPITAL

GR Unlimited is authorized to issue up to 20,000 common units, up to 750 Seed Round Preferred Units and up to 3,000 Incentive Units.

The following table summarizes the common unit activities of GR Unlimited during the year ended October 31, 2019, all of which occurred prior to completion of the Transaction:

	Number of Common Shares*	Member's Capital
Balance, October 31, 2018	40,706,873	\$ 4,701,773
Issued pursuant to conversion of promissory notes	5,465,877	1,451,400
Issued in connection with Technology License Agreement (15.2)	6,600,000	1,574,761
Issued upon exercise of unit purchase options	4,202,429	1,218,784
Issued pursuant to Subscription Receipts	3,771,023	913,968
Balance at date of Transaction (Note 2)	<u>60,746,202</u>	<u>\$ 9,860,686</u>

* The number of common shares per the table above represents the number of common shares exchanged for the common units, Seed Round Preferred Units and Incentive Units in connection with completion of the Transaction.

15.1 Effective January 31, 2018, the holder of two convertible promissory notes in the original principal amount of \$100,000 took the following actions:

15.1.1 Received a return of principal of \$50,000 from one of the convertible promissory notes.

15.1.2 Extended the maturity date of the continuing convertible promissory note for the principal amount of \$50,000 to August 1, 2018 with a coupon interest rate of 30% per annum. All principal and accrued and unpaid interest, shall become due on the earlier of a) August 1, 2018 or b) the occurrence of a change of control of the Company; and

15.1.3 Converted the original principal of the second convertible promissory note and accrued and unpaid interest of \$50,000 into 89.8 uncertified common units of the GR Unlimited (462,500 common shares of the Company).

15.2 During the year ended October 31, 2018, GR Unlimited entered into a technology license agreement pursuant to which, GR Unlimited was granted the exclusive license to certain intellectual property in the field of development, breeding, cultivation, growing, harvesting, processing and commercializing cannabis, hemp and related plants and products (the "Technology") in exchange for 6,600,000 common units of GR Unlimited (6,600,000 common shares of the Company). Immediately prior to the Transaction disclosed in Note 2, GR Unlimited issued the common units. As at October 31, 2019, the Company determined that the license was impaired as the development of underlying technology had been halted. As such, the Company reduced the carrying amount to the estimated recoverable amount of \$Nil, resulting in a loss on impairment of \$1,574,761.

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- 15.3** Immediately prior to the Transaction disclosed in Note 2, the holder of a convertible promissory note converted the original principal amount of \$100,000 and all accrued and unpaid interest of \$22,438 into 126.13 uncertified common units of GR Unlimited (485,379 common shares of the Company).
- 15.4** Immediately prior to the Transaction disclosed in Note 2, the holder of a convertible promissory note converted the original principal amount of \$1,000,000 and accrued and unpaid interest of \$248,958 into 1,144.15 uncertified common units of GR Unlimited (4,782,284 common shares of the Company).
- 15.5** Immediately prior to the Transaction disclosed in Note 2, the holder of a convertible promissory note converted the original principal amount of \$50,000 and accrued and unpaid interest of \$7,644 into 52.06 uncertified common units of GR Unlimited (198,214 common shares of the Company).
- 15.6** Immediately prior to the Transaction disclosed in Note 2, GR Unlimited issued 1,475,979 common units (1,475,979 common shares of the Company) pursuant to the exercise of the unit purchase option disclosed in Note 19.2.
- 15.7** Immediately prior to the Transaction disclosed in Note 2, GR Unlimited issued 2,000,000 common units (2,000,000 common shares of the Company) pursuant to the exercise of the unit purchase option disclosed in Note 19.3.
- 15.8** Immediately prior to the Transaction disclosed in Note 2, GR Unlimited issued 727,250 common units (727,250 common shares of the Company), pursuant to a partial exercise of the unit purchase option disclosed in Note 19.1.
- 15.9** In connection with the Transaction, GR Unlimited issued, 3,771,023 units (the “GR Units”) containing one Common Unit and one GR Unlimited purchase warrant (the “GR Warrant”) for gross proceeds of CAD\$1,646,050 (\$1,274,516), of which \$360,818 was allocated to the GR Warrants. Upon close of the Transaction, the GR Units were automatically converted into 3,771,023 common units of GR Unlimited (3,771,023 common shares of the Company) and 3,771,023 warrants of GR Unlimited (3,771,023 warrants of the Company).

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16. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares at no par value and an unlimited number of preferred shares issuable in series.

During the year ended October 31, 2020, the following share transactions occurred:

16.1 The Company issued 15,000,000 equity units (each unit comprised of one common share and one warrant to purchase one common share) to PBIC, of which \$564,147 was recorded in share capital and \$520,188 was allocated to warrants (Notes 17.1 and 17.2). Issuance costs of \$11,508 were recognized in share capital and \$5,083 in contributed surplus. The net proceeds from this issuance were \$1,067,744.

In addition, PBIC and the Company entered into subscriptions agreements to exchange each other's shares (the "Share Swap"). In connection with the Share-Swap agreement, the Company issued 15,000,000 common shares resulting in an aggregate fair value of \$848,011.

As part of the Share Swap, each of PBIC and Grown Rogue have signed a voting and resale agreement providing that each party will be required to vote the shares acquired under the Share Swap as recommended by the other party and will be restricted from trading the shares for a period of 18 months.

The private placement agreement with PBIC gives PBIC the pre-emptive right to participate in future offerings of the Company to maintain its ownership share of the Company. In addition, the Company has agreed to nominate one board member of the Company as recommended by PBIC at future shareholder meetings and the ability, if PBIC does not have its nominee on Grown Rogue's board of directors, to appoint a board observer.

16.2 Issuance of 200,000 common shares, with a fair value of \$12,812, issued to the owner of GH (Note 8.1).

16.3 Issued 1,153,095 common shares, of which 1,038,095 represented convertible debt conversions with a value of \$112,863 (see Note 14.1) and 115,000 shares, with a value of \$9,746, which represented consideration for long-term debt.

16.4 As consideration for services provided, the Company issued 2,300,000 common shares with a fair value of \$163,543.

16.5 The Company issued 909,386 shares to employees for compensation with a fair value of \$76,797.

During the year ended October 31, 2019, the following share transactions occurred:

16.6 In connection with the Transaction disclosed in Note 2, the Company completed a consolidation of its common shares on the basis of 1.4 pre-consolidated common shares for 1 post-consolidated common shares. Following this consolidation, the Company had 3,773,689 common shares outstanding.

16.7 In connection with the Transaction disclosed in Note 2, the Company issued 60,746,202 common shares in exchange for the issued and outstanding common units and seed round preferred units of GR Unlimited.

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- 16.8** In connection with the Transaction disclosed in Note 2, the Company assigned CAD\$369,508 (\$279,888) of indebtedness to Novicius Subco which was subsequently converted (the “Debt Conversion”) into 839,790 units of Novicius Subco at CAD\$0.44 per unit (the “Debt Conversion Units”). Each Debt Conversion Unit was comprised of one common share of Novicius Subco (a “Debt Conversion Share”) and one Novicius Subco purchase warrant (“Novicius Subco Warrants”). In accordance with the Definitive Agreement, upon close of the Transaction, the Debt Conversion Shares were exchanged for 839,790 common shares of the Company and the 839,790 Novicius Subco Warrants were exchanged, without additional consideration or action, for the same number of warrants of the Company. Of the deemed proceeds of the Debt Conversion Units of \$279,888 related to the assigned indebtedness, \$200,651 were assigned to the common shares of Novicius Subco and \$79,237 were allocated to the Novicius Subco Warrants.
- 16.9** In connection with the Transaction disclosed in Note 2, Grown Rogue Canada, completed a brokered private placement of 6,193,917 subscription receipts (the “Brokered Subscription Receipts”) for gross proceeds of CAD\$2,725,323 (\$2,064,377). The Grown Rogue Canada Shares and Grown Rogue Canada Warrants issued upon conversion of the Brokered Subscription Receipts were immediately exchanged, without additional consideration or action, for common shares and warrants of the Company upon close of the Transaction. Of the gross proceeds of \$2,064,377, \$584,430 was allocated to the Grown Rogue Canada Warrants.

The fair value of the Grown Rogue Canada Warrants of \$584,430 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 1.690%
- Expected life 2.0 months
- Expected volatility 100%*

* Based on the volatility of comparable publicly traded companies

In connection with the issuance of the Grown Rogue Canada Units, Grown Rogue Canada paid cash commissions and expenses of \$200,567, of which \$143,786 was allocated to the Grown Rogue Canada shares and \$56,781 was allocated to the Grown Rogue Canada Warrants. Grown Rogue also issued 757,125 Grown Rogue Canada Broker Warrants with each Grown Rogue Canada Broker Warrant entitling the holder to acquire one Grown Rogue Canada Unit at an exercise price of CAD\$0.44 per Grown Rogue Canada Unit for a period of 24 months. Of the fair value of the Grown Rogue Canada Broker Warrants of \$133,690, \$50,508 was allocated to the Grown Rogue Canada shares and \$19,871 was allocated to the Grown Rogue Canada Warrants. The remaining \$63,311 was expensed as a transaction cost in relation to the Transaction.

- 16.10** In connection with the Transaction disclosed in Note 2, the Company issued 100,000 common shares to a director of Grown Rogue Canada a payment for services rendered. The fair value of the common shares was estimated to be \$33,328.
- 16.11** In connection with various service agreements, the Company issued 1,035,500 common shares to officers and directors resulting in an aggregate fair value of \$255,360.
- 16.12** In connection with various debt settlement agreements, the Company issued 530,818 common shares to service providers with an aggregate fair value of \$121,587. In connection with the debt settlements, the Company incurred a loss on debt settlement of \$4,942.

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17. WARRANTS

The following table summarizes the warrant activities for the years ended October 31, 2020 and October 31, 2019:

	Number	Weighted Average Exercise Price
Balance - November 1, 2018	148,722	\$ 7.39
Issued in connection with the Transaction (Notes 17.4, 17.5, 17.9, 17.10)	11,288,149	0.55
Issued pursuant to subscription receipts (Notes 17.6, 17.7)	9,964,940	0.55
Issued in connection with convertible debentures (Notes 17.11)	3,409,091	0.55
Issued to brokers (Note 17.8)	757,125	0.44
Issued to terminate purchase agreement (Notes 17.12, 28)	2,148,117	0.44
Expired	(131,539)	(6.52)
Balance - October 31, 2019	27,584,605	\$ 0.53
Issued pursuant to private placement (Notes 16.1, 17.1)	5,000,000	0.13
Issued pursuant to private placement (Note 16.1, 17.1)	10,000,000	0.13
Expired	(17,183)	(14.05)
Cancellation of prior warrants associated with convertible debt (Note 14.1)	(6,818,182)	0.55
Issuance of new warrants associated with convertible debt (Notes 14.1, 17.3)	6,818,182	0.16
Consideration warrants for convertible debt maturity extension (Notes 14, 17.3)	1,590,909	0.16
Balance - October 31, 2020	<u>44,158,331</u>	<u>\$ 0.33</u>

During the year ended October 31, 2020, the Company:

- 17.1** Issued 5,000,000 warrants in February 2020 to subscribers of the offering disclosed in Note 16.1. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CAD\$0.125 per unit for a period of 24 months.

The fair value of the warrants was \$138,119 which was the residual value of the offering after the fair value of the shares on the transaction date.

- 17.2** Issued 10,000,000 warrants in May 2020 to subscribers of the offering disclosed in Note 16.1. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CAD\$0.13 per unit for a period of 24 months.

The fair value of the warrants was \$382,069, which was the residual value of the offering after the fair value of the shares on the transaction date.

- 17.3** Issued 6,818,182 replacement warrants and 1,590,909 warrants (totaling 8,409,091) to the creditors of the July 10, 2020 debt agreement described at Note 14.1. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CAD\$0.16 with an expiration date of November 1, 2021.

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The fair value of the warrants of \$424,645 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 0.30%
- Expected life 1.3 years
- Expected volatility 131%

During the year ended October 31, 2019, the Company:

- 17.4** Issued 839,790 warrants in exchange for the same amount of Novicius Subco Warrants as disclosed in Note 16.8. Each Novicius Subco Warrant was exercisable into one common share at an exercise price of CAD\$0.55 per share for 24 months.

The fair value of the Novicius Subco Warrants of \$79,237 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 1.690%
- Expected life 2.0 months
- Expected volatility 100%*

* Based on the volatility of comparable publicly traded companies

- 17.5** Issued 1,675,979 warrants in exchange for the same amount of GR Unlimited warrants disclosed in Note 19.2. Each warrant is exercisable into one common share at an exercise price of CAD\$0.55 per share for twenty four months.

The fair value of the warrants of \$152,798 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 1.690%
- Expected life 2.0 years
- Expected volatility 100%*

* Based on the volatility of comparable publicly traded companies

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- 17.6** Issued 3,771,023 warrants in exchange for the same amount of GR Unlimited warrants disclosed in Note 15.9. Each warrant allows the holder to purchase one common share of the Company at an exercise price of CAD\$0.55 per unit for a period of 24 months.

The fair value of the warrants of \$360,818 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 1.690%
- Expected life 2.0 years
- Expected volatility 100%*

* Based on the volatility of comparable publicly traded companies

- 17.7** Issued 6,193,917 warrants in exchange for the same amount of Grown Rogue Canada warrants disclosed in Note 16.9. Each warrant allows the holder to purchase one common share of the Company at an exercise price of CAD\$0.55 per unit for a period of 24 months.

The fair value of the warrants of \$584,430 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 1.690%
- Expected life 2.0 years
- Expected volatility 100%*

* Based on the volatility of comparable publicly traded companies

- 17.8** Issued 757,125 broker warrants in exchange for the same amount of Grown Rogue Canada broker warrants disclosed in Note 16.9. Each warrant allows the holder to purchase one unit of the Company at an exercise price of CAD\$0.44 per unit for a period of 24 months. Each unit contains one common share of the Company and one warrant entitling the holder to acquire one common share of the Company at an exercise price of CAD\$0.55 per unit for a period of 24 months.

The fair value of the GR Broker Warrants of \$119,864 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 1.690%
- Expected life 2.0 years
- Expected volatility 100%*

* Based on the volatility of comparable publicly traded companies

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- 17.9** Issued 3,409,091 warrants in exchange for the same amount of Grown Rogue Canada warrants that were issued to subscribers of the GR Unlimited convertible debenture offering disclosed in Note 14.3. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CAD\$0.55 per unit for a period of 24 months.

The fair value of the warrants of \$321,654 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 1.690%
- Expected life 2.0 years
- Expected volatility 100%*

* Based on the volatility of comparable publicly traded companies

- 17.10** Issued 5,364,089 warrants in exchange for the same amount of Grown Rogue Canada warrants that were issued to certain investors prior to the acquisition of Grown Rogue Canada. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CAD\$0.55 per unit for a period of 24 months.

The fair value of the warrants of \$893,646 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 1.690%
- Expected life 2.0 years
- Expected volatility 100%*

* Based on the volatility of comparable publicly traded companies

- 17.11** Issued 3,409,091 warrants to subscribers of the convertible debenture offering disclosed in Note 14.2. Each warrant entitled the holder to acquire one common share of the Company at an exercise price of CAD\$0.55 per unit for a period of 24 months.

The fair value of the warrants of \$376,594 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 1.710%
- Expected life 2.0 years
- Expected volatility 101%*

* Based on the volatility of comparable publicly traded companies

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17.12 Issued 2,148,117 warrants to finalize a termination agreement (Note 28). Each warrant entitles the holder to acquire one common share of the Company at an exercise price of CAD\$0.44 per unit for a period of 48 months. Of these warrants, 859,247 vest immediately, and the remaining 1,288,870 vest upon future activities.

The fair value of the warrants of \$193,438 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil
- Risk-free interest rate 1.640%
- Expected life 4.0 years
- Expected volatility 101%*

* Based on the volatility of comparable publicly traded companies

The fair value of the warrants that vested of \$77,014 have been expensed as an acquisition cost on the statement of loss and comprehensive loss.

As at October 31, 2020, the following warrants were issued and outstanding:

Exercise price	Warrants outstanding	Remaining contractual Life (years)	Expiry date
\$ 0.55	18,601,123	0.1	30-Nov-2020
0.44	757,125	0.1	30-Nov-2020
0.16	8,409,091	1	01-Nov-2021
0.13	5,000,000	1.3	10-Feb-2022
0.13	10,000,000	1.5	15-May-2022
0.44	2,148,117	2.7	28-Jun-2023
\$ 0.33	44,158,331	0.8	

As at October 31, 2019, the following warrants were issued and outstanding:

Exercise Price	Warrants Outstanding	Remaining Contractual Life (Years)	Expiry Date
\$ 14.00	17,183	0.08	30-Nov-2019
\$ 0.44	757,125	1.04	15-Nov-2020
\$ 0.55	21,253,089	1.04	15-Nov-2020
\$ 0.55	3,409,091	1.5	01-May-2021
\$ 0.44	2,148,177	3.66	28-Jun-23
\$ 0.53	27,584,665	1.13	

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18. SUBSCRIPTIONS PAYABLE

During the year ended October 31, 2018, GR Unlimited received aggregate proceeds of CAD\$923,630 (\$720,516) for 2,099,159 Subscription Receipts. Each Subscription Receipt includes one common unit of GR Unlimited, and one purchase warrant of GR Unlimited. Each purchase warrant is exercisable at the option of the holder to purchase one common unit of GR Unlimited at a price of CAD\$0.55 per common unit for a period of two years from the time GR Unlimited completes a transaction whereby all of the equity instruments of the issuer are acquired by a Reporting Issuer in exchange for common shares of the Reporting Issuer. During the year ended October 31, 2019, GR Unlimited received additional proceeds of CAD\$735,620 (\$554,000) in connection with the financing. During the year ended October 31, 2019, GR Unlimited issued the Subscription Receipts.

During the year ended October 31, 2019, the Company and one of its vendors agreed to settle outstanding accounts payable of \$5,136 through the issuance of common shares of the Company.

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19. UNIT PURCHASE OPTIONS

19.1 During the year ended October 31, 2018, GR Unlimited granted an option to purchase 2,727,250 common units of the Company for an aggregate amount of CAD\$54,545 at any point prior to December 31, 2018. During the year ended October 31, 2019, GR Unlimited issued 727,250 common units in connection with the partial exercise of the option. The remaining portion of the option expired.

The fair value of the option of \$871,230 was expensed as a finance charge expense during the year ended October 31, 2018 and was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil%
- Risk-free interest rate 1.170%
- Expected life 5.5 months
- Expected volatility 99%*

* Based on the volatility of comparable publicly traded companies

19.2 During the year ended October 31, 2018, GR Unlimited received proceeds of CAD\$649,351 (\$500,000) in exchange for an option to acquire 1,475,979 common units and warrants to purchase a further 1,675,979 common units. Each warrant shall be exercisable period of two years following the date of option exercise. During the year ended October 31, 2019, GR Unlimited issued the common and units and warrants pursuant to the exercise of the option.

19.3 During the year ended October 31, 2018, GR Unlimited granted an option to purchase 2,000,000 common units of GR Unlimited for an aggregate amount of CAD\$40,000 at any point prior to December 31, 2018. During the year ended October 31, 2019, GR Unlimited issued 2,000,000 common units pursuant to the exercise of the option.

The fair value of the option of \$639,259 was expensed as a finance charge expense during the year ended October 31, 2018 and was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil%
- Risk-free interest rate 1.710%
- Expected life 2.0 months
- Expected volatility 100%*

* Based on the volatility of comparable publicly traded companies

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20. STOCK OPTIONS

The following table summarizes the stock option movements for the years ended October 31, 2020 and October 31, 2019:

	<u>Number</u>	<u>Exercise price (CAD\$)</u>
Balance - November 1, 2018	-	-
Granted to service provider	150,000	0.44
Granted to service provider	<u>500,000</u>	<u>0.44</u>
Balance - October 31, 2019	650,000	0.44
Granted to employees	3,575,000	0.15
Forfeitures by service provider	(150,000)	0.44
Forfeitures by employees	<u>(355,000)</u>	<u>0.15</u>
Balance - October 31, 2020	<u><u>3,720,000</u></u>	<u><u>\$ 0.19</u></u>

20.1 During the year ended October 31, 2019, the Company granted options to purchase 150,000 common shares of the Company to two consultants. Each option allows the holder to purchase one common share of the Company at a price of CAD\$0.44 at any point prior to November 30, 2021.

The fair value of the options of \$25,587 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil%
- Risk-free interest rate 1.710%
- Expected life 3.0 years
- Expected volatility 100%*

* Based on the volatility of comparable publicly traded companies

20.2 During the year ended October 31, 2019, the Company granted options to purchase 500,000 common shares of the Company to two consultants. Each option allows the holder to purchase one common share of the Company at a price of CAD\$0.44 at any point prior to January 1, 2022.

The fair value of the options of \$86,493 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil%
- Risk-free interest rate 1.710%
- Expected life 3.0 years
- Expected volatility 100%*

* Based on the volatility of comparable publicly traded companies

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20.3 During the year ended October 31, 2020, the Company granted options to purchase 3,575,000 common shares of the Company to employees. Each option allows the holder to purchase one common share of the Company at a price of CAD\$0.15 at any time until July 9, 2024.

The fair value of the options granted was CAD\$432,922. The value of the options of vested during the year ended October 31, 2020 was \$240,079, which was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

- Expected dividend yield Nil%
- Risk-free interest rate 0.25%
- Expected life 4.0 years
- Expected volatility 131%

The vesting terms of the granted options are set out in the table below:

Number granted	Vesting terms
1,270,000	Fully vested on grant date
1,500,000	1/3 on grant date, 1/3 three months from grant date, 1/3 ten months from grant date
220,000	1/2 on grant date, 1/4 on first anniversary of grant date, 1/4 on second anniversary of grant date
235,000	1/4 on grant date, 1/4 on first anniversary of grant date, 1/4 on second anniversary of grant date, 1/4 on third anniversary of grant date
250,000	1/4 on first anniversary of grant date, 1/4 on second anniversary of grant date, 1/4 on third anniversary of grant date, 1/4 on fourth anniversary of grant date
100,000	One year from start date of employment
3,575,000	

As at October 31, 2020 the following Stock Options were issued and outstanding (all prices are in Canadian Dollars unless otherwise noted):

Exercise price	Options outstanding	Number exercisable	Remaining Contractual Life (years)	Expiry date
\$ 0.44	500,000	500,000	1.2	01-Jan-22
0.15	3,120,000	2,112,500	3.7	09-Jul-24
0.15	100,000	-	3.7	20-Jul-24
\$ 0.19	3,720,000	2,612,500	3.4	

As at October 31, 2019, the following Stock Options were issued and outstanding:

Exercise Price	Stock Options Outstanding	Remaining Contractual Life (Years)	Expiry Date
\$ 0.44	150,000	2.08	November 30, 2021
\$ 0.44	500,000	2.17	January 1, 2022
	650,000	2.15	

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21. CHANGES IN NON-CASH WORKING CAPITAL

The changes to the Company's non-cash working capital for the year ended October 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Accounts receivable	\$ (37,698)	\$ 119,473	\$ (274,001)
Inventory and biological assts	142,454	360,780	(633,077)
Prepaid expenses and other assets	14,158	211,982	(136,129)
Accounts payable and accrued liabilities	(133,516)	(894,654)	1,676,027
Interest payable	(46,462)	(135,265)	614,264
Unearned revenue	(35,000)	35,000	-
Deferred rent	-	-	6,344
	<u>\$ (96,064)</u>	<u>\$ (302,684)</u>	<u>\$ 1,253,428</u>

22. SUPPLEMENTAL CASH FLOW DISCLOSURE

	2020	Years ended 2019	October 31, 2018
Interest paid	\$ 228,244	\$ 310,217	\$ 128,042
Fair value of common shares and units issued for services	240,340	255,360	720,516
Fair value of common shares issued as settlement of debt	-	121,587	500,000
Property and equipment acquired through leases (Note 10)	68,035	62,516	-
Conversion of notes payable to common units	112,863	1,342,400	1,909,134

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23. RELATED PARTY TRANSACTIONS

During the year ended October 31, 2020, the Company incurred the following related party transactions:

- 23.1** Through its wholly owned subsidiary, GRU Properties, LLC, the Company leased a property located in Trail, Oregon owned by the Company's President and CEO. The lease expires on December 31, 2020. Rent of \$77,000 was incurred for the years ended October 31, 2020 (2019 - \$71,000, 2018 - \$65,000). The Company had \$45,000 (October 31, 2019 - \$63,000, 2018 - \$5,500) owing in accounts payable and accrued liabilities at October 31, 2020.
- 23.2** The Company incurred expenses of \$59,500 (2019 - \$36,000, 2018 - \$48,000) for services provided by the spouse of the CEO. At October 31, 2020, accounts and accrued liabilities payable to this individual were \$1,946 (October 31, 2019 - \$Nil, 2018 - \$14,000). During the year ended October 31, 2020, this individual was granted 500,000 options which vested on the grant date.
- 23.3** The Company incurred fees related to marketing and promotion services of \$Nil (2019 - \$183,674, 2018 - \$239,568) from two companies owned by the Company's former Chief Strategy Officer ("CSO"). At October 31, 2020, accounts payable and accrued liabilities were \$Nil (October 31, 2019 - \$6,000, 2018 - \$25,054) payable to these companies.
- 23.4** Key management personnel consist of the President and CEO; the former CSO; the CFO of GR Unlimited; the Chief Market Officer; the Chief Accounting Officer; and the CFO of Grown Rogue International, Inc. The compensation paid or payable to key management for services for the years ended October 31, 2020, 2019 and 2018 was as follows:

	2020	2019	2018
Salaries and consulting fees	\$ 577,774	\$ 425,412	\$ 533,568
Share-based compensation	60,929	33,083	-
Stock option expense	144,639	-	-
Total	<u>\$ 783,342</u>	<u>\$ 458,495</u>	<u>\$ 533,568</u>

Stock options granted to key management personnel and close family members of key management personnel include: 750,000 options to the CFO of GR Unlimited; 750,000 options to the Chief Market Officer; and 250,000 option to the Chief Accounting Officer.

Accounts payable and accrued liabilities due to key management at October 31, 2020 totaled \$441,424 (October 31, 2019 - \$392,152, 2018 - \$94,000); these balances include the accrued liabilities described at Note 9.

During the year ended October, 31, 2020, the Company purchased vehicles and equipment from the CEO for an aggregate total purchase price of \$21,050.

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23.5 Debt balances and movements with related parties

The following table sets out portions of debt described at Notes 12.1, 12.2, and 12.3 pertaining to related parties:

	CEO	CFO of GR Unlimited LLC	Total
Balance - October 31, 2018	\$ -	\$ -	\$ -
Principal borrowed	50,000	50,000	100,000
Interest accrued	2,384	1,151	3,535
Balance - October 31, 2019	<u>52,384</u>	<u>51,151</u>	<u>103,535</u>
Principal borrowed	15,000	-	15,000
Principal repaid	(65,000)	(50,000)	(115,000)
Interest accrued	10,890	9,041	19,931
Interest paid	(13,274)	(10,192)	(23,466)
Balance - October 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets out portions of debt described at Note 12.4 pertaining to related parties:

	CEO	CFO of GR Unlimited LLC	Directors	Total
Balance - October 31, 2019, and 2018	\$ -	\$ -	\$ -	\$ -
Borrowed	50,000	100,000	150,000	300,000
Interest	21,745	43,491	65,236	130,472
Payments	(10,252)	(20,504)	(30,756)	(61,512)
Balance - October 31, 2020	<u>\$ 61,493</u>	<u>\$ 122,987</u>	<u>\$ 184,480</u>	<u>\$ 368,960</u>

Pursuant to the loan agreements transacted during the year ended October 31, 2020, the CEO, CFO of GR Unlimited LLC, and a director obtained 5.5%; 1%; and 2.5% of GR Michigan LLC, respectively. Third parties obtained 4% as part of the same financing (Note 12.4), such that GR Michigan has a 13% non-controlling interest (Note 30).

23.6 Transactions with PBIC

PBIC is a shareholder of 30,000,000 shares of the Company (approximately 28% of issued and outstanding common shares as at October 3, 2020). The Company is a shareholder of 2,362,204 (Note 7) PBIC shares. PBIC has appointed a director of GRIN, and the CFO of GRIN became the CFO of PBIC subsequent to October 31, 2020.

During the year ended October 31, 2020, the Company completed the following transactions with PBIC:

- PBIC issued 2,362,204 shares to GRIN and GRIN issued PBIC 15,000,000 shares (Note 7); and
- PBIC subscribed to equity of the Company for \$1,084,335; the equity included 15,000,000 common shares (Note 16.1) and 15,000,000 warrants to purchase one common share per warrant (Notes 17.1 and 17.2).

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24. FINANCIAL INSTRUMENTS

24.1 Market Risk (including interest rate risk and currency risk)

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

24.1.1 Interest Rate Risk

At October 31, 2020 and October 31, 2019, the Company's exposure to interest rate risk relates to long-term debt, convertible promissory notes, and finance lease obligations, but its interest rate risk is limited as the aforementioned financial instruments are fixed interest rate instruments.

24.1.2 Currency Risk

As at October 31, 2020, the Company had accounts payable and accrued liabilities of CAD\$504,314 (2019 - CAD\$564,663) and convertible debentures of CAD\$2,850,000 (2019 - CAD\$3,000,000). The Company is exposed to the risk of fluctuation in the rate of exchange between the Canadian Dollar and the United States Dollar.

24.2 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.

Credit risk to the Company is derived from cash and trade accounts receivable. The Company places its cash in deposit with United States financial institutions. The Company has established a policy to mitigate the risk of loss related to granting customer credit by primarily selling on a cash-on-delivery basis.

The carrying amount of cash, accounts receivable, and other receivables represents the Company's maximum exposure to credit risk; the balances of these accounts are summarized in the following table:

Balance at	October 31, 2020	October 31, 2019
Cash	\$ 217,788	\$ 74,926
Accounts receivable	172,121	134,423
Total	\$ 389,909	\$ 209,349

The allowance for doubtful accounts at October 31, 2020 is \$7,425 (October 31, 2019 - \$129,131).

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the years ended October 31, 2020 and 2019**

Expressed in United States Dollars, unless otherwise indicated

As at October 31, 2020 and October 31, 2019, the Company's trade accounts receivable and other receivable were aged as follows:

	October 31, 2020	October 31, 2019
Current	\$ 66,660	\$ 51,672
1-30 days	49,204	500
31 days-older	63,682	211,382
Allowance for doubtful accounts	(7,425)	(129,131)
Total trade accounts receivable	\$ 172,121	\$ 134,423

The change in the provision for expected credit losses is as follows:

	October 31, 2020	October 31, 2019
Balance, beginning of period	\$ 129,131	\$ 106,443
Additional allowance	10,349	121,793
Amounts collected	(6,757)	(66,902)
Amounts used	(125,298)	(32,203)
Balance, end of period	\$ 7,425	\$ 129,131

24.3 Liquidity Risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. At October 31, 2020, the Company's working capital accounts were as follows:

	October 31, 2020	October 31, 2019
Cash	\$ 217,788	\$ 74,926
Current assets excluding cash	1,616,987	1,358,036
Total current assets	1,834,775	1,432,962
Current liabilities	1,799,104	4,142,489
Working capital (deficit)	\$ 35,671	\$ (2,709,527)

The contractual maturities of the Company's accounts payable and accrued liabilities, convertible promissory notes, long-term debt, and finance lease payable occurs over the next three years as follows:

	Year 1	Years 2-3
Accounts payable and accrued liabilities	\$ 1,059,971	\$ 389,816
Debt and convertible debentures	46,099	2,493,393
Lease liabilities	100,277	16,630
Interest payable	9,367	-
Derivative liabilities	583,390	-
Deferred rent	-	10,494
Total	\$ 1,799,104	\$ 2,910,333

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the years ended October 31, 2020 and 2019**

Expressed in United States Dollars, unless otherwise indicated

24.4 Fair Values

The carrying amounts for the Company's cash, accounts receivable, accounts payable and accrued liabilities, amounts due to employee/director, promissory notes and convertible promissory notes approximate their fair values because of the short-term nature of these items.

24.5 Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair value for both financial and nonfinancial assets and liabilities. The Company has an established framework, which includes team members who have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. The Company regularly assesses significant unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; or

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of the financial instruments at October 31, 2020 are summarized in the following table:

	Level in fair value hierarchy	Amortized Cost	FVTPL	Total
Financial Assets				
Cash	Level 1	\$ 217,788	-	\$ 217,788
Accounts receivable	Level 2	172,121	-	172,121
Marketable securities	Level 1	-	585,035	585,035
Financial Liabilities				
Accounts payable and accrued liabilities	Level 2	\$ 1,449,787	\$ -	\$ 1,449,787
Current portion of convertible debentures	Level 2	46,099	-	46,099
Long-term debt	Level 2	753,715	-	753,715
Interest payable	Level 2	9,367	-	9,367
Derivative liabilities	Level 2	-	583,390	583,390
Convertible debentures	Level 2	1,739,678	-	1,739,678

During the year ended October 31, 2020 there were no transfers of amounts between levels.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

Expressed in United States Dollars, unless otherwise indicated

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended October 31, 2020, 2019 and 2018 are as follows:

	<u>2020</u>	<u>Years ended 2019</u>	<u>October 31, 2018</u>
Office, banking, travel, and overheads	253,669	835,619	1,017,769
Professional services	794,154	1,887,034	898,599
Salaries and benefits	1,148,598	1,938,022	791,518
Total	<u>\$ 2,196,421</u>	<u>\$ 4,660,675</u>	<u>\$ 2,707,886</u>

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the years ended October 31, 2020 and 2019**

Expressed in United States Dollars, unless otherwise indicated

26. INCOME TAXES**26.1** Income tax expense

The following table reconciles income taxes calculated at combined United States federal/state tax rates with the income tax recovery in the consolidated financial statements:

Year ended October 31,	2020	2019	2018
Income (loss) before income taxes	(2,356,488)	(9,476,934)	(7,509,986)
Effective income tax rate (%)	27.25	27.25	27.60
Expected income tax recovery	(642,143)	(2,582,166)	(2,072,756)
Loss (income) related to entities taxed as partnerships	-	-	1,648,189
Temporary differences related to inventory valuation	(124,590)	(142,025)	(24,262)
Temporary differences related to start-up costs	(196,978)	99,029	-
Temporary differences related to Transaction costs	(1,927,848)	320,709	-
Non-deductible expenses	(248,392)	1,059,283	29,378
Temporary differences related to cost of goods sold	-	172,517	245,410
Unrealized gain on biological assets	-	(134,720)	(149,413)
Share issuance costs	-	(13,457)	-
Losses and other deductions for which no benefit has been recognized	3,139,951	1,220,830	323,454
Income tax expense (recovery)	\$ -	\$ -	\$ -

26.2 Deferred taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

Deferred Tax Assets as at October 31,	2020	2019
Start up costs	\$ 196,978	\$ 299,259
Inventory	124,590	24,349
Net operating loss carry-forwards	1,369,512	2,307,529
Share issuance costs	-	10,226
IFRS Adjustments	28,254	-
Amortization/Accretion expenses	351,345	-
Transaction costs	919,825	331,164
Technology impairment	429,122	-
Debt restructure	125,953	-
Various derivative and unrealized gain/loss	73,350	-
	\$ 3,618,929	\$ 2,972,527
Deferred taxes not recognized	(3,618,929)	(2,972,527)
Net deferred tax assets	\$ -	\$ -

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

Expressed in United States Dollars, unless otherwise indicated

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax liabilities result primarily from amounts not deductible for accounting purposes until future periods. Deferred income tax assets result primarily from operating tax loss carry forwards and transaction costs related to general and administrative expenses and share compensation, and have been offset against deferred income tax liabilities.

As the Company operates in the cannabis industry, it is subject to the limits of United States Internal Revenue Code Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under United States Internal Revenue Code Section 280E.

Federal and Oregon tax laws impose restrictions on net operating loss carryforwards in the event of a change in ownership of the Company, as defined by the United States Internal Revenue Code Section 382. The Company does not believe that a change in ownership, as defined by United States Internal Revenue Code Section 382, has occurred but a formal study has not been completed.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

Expressed in United States Dollars, unless otherwise indicated

27. CAPITAL DISCLOSURES

The Company includes equity, comprised of share capital, contributed surplus (including the fair value of equity instruments to be issued), equity component of convertible promissory notes and deficit, in the definition of capital.

The Company's objectives when managing capital are as follows:

- to safeguard the Company's assets and ensure the Company's ability to continue as a going concern;
- to raise sufficient capital to finance the construction of its production facility and obtain license to produce recreational marijuana; and
- to raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives.

The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

The Company does not have any externally imposed capital requirements.

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the years ended October 31, 2020 and 2019**

Expressed in United States Dollars, unless otherwise indicated

28. ACQUISITION COSTS

During the year ended October 31, 2019, the Company entered into a binding letter of intent (the “LOI”) pursuant to which the Company was to acquire assets including real estate, intellectual property and other assets for aggregate consideration of \$3,000,000, subject to certain adjustments. The Company decided to terminate the LOI and, in doing so, incurred acquisition costs of \$49,188 which have been expensed in the statement of loss and comprehensive loss during the year ended October 31, 2019.

During the year ended October 31, 2019, the Company entered into a binding agreement for the option to acquire operational control of certain assets in Michigan. The Company decided not to move forward with this acquisition and, pursuant to a termination agreement, issued 2,148,177 warrants as disclosed in Note 17.12). The fair value of the vested warrants of \$77,014 was expensed as an acquisition cost in the statement of loss and comprehensive loss during the year ended October 31, 2019.

29. SEGMENT REPORTING

Geographical information relating to the Company’s activities is as follows:

Revenue	October 31, 2020	October 31, 2019	October 31, 2018
United States	\$ 4,239,604	\$ 3,924,983	\$ 1,932,128
Canada	-	-	-
Total	\$ 4,239,604	\$ 3,924,983	\$ 1,932,128

Non-current assets as at:	October 31, 2020	October 31, 2019
United States (1)	\$ 1,929,643	\$ 1,499,514
Canada	-	-
Total	\$ 1,929,643	\$ 1,499,514

(1) Includes: plant and equipment

Major customers are defined as customers that each individually account for greater than 10% of the Company’s annual revenues. During the year ended October 31, 2020, two major customers accounted for 37% of annual revenues (2019 – 1 customer accounted for 38% of annual revenues).

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the years ended October 31, 2020 and 2019**

Expressed in United States Dollars, unless otherwise indicated

30. NON-CONTROLLING INTERESTS

The changes to the non-controlling interest for the years ended October 31, 2020 and October 31, 2019 are as follows; there was no non-controlling interest for the year ended October 31, 2018.

	October 31, 2020	October 31, 2019
Balance, beginning of period	\$ 19,538	\$ -
Net assets contributed	-	196,250
Elimination of GRD Cali, LLC non-controlling interest	22,128	-
Non-controlling interest's 40% share of GRD Cali, LLC	(36,366)	(153,762)
Non-controlling interest's 40% share of Idalia, LLC	(129)	(22,950)
Non-controlling interest's 13% share of GR Michigan, LLC	(38,554)	-
Balance, end of period	<u>\$ (33,383)</u>	<u>\$ 19,538</u>

The following is summarized financial information for GRD Cali, LLC:

	October 31, 2020	October 31, 2019
Current assets	\$ -	\$ 93,460
Long term assets	-	41,642
Current liabilities	-	25,801
Advances from parent	-	73,705
Net loss for the period	90,914	384,404

GRD Cali, LLC was sold in exchange for \$85,000 during the year ended October 31, 2020.

The following is summarized financial information for Idalia, LLC:

	October 31, 2020	October 31, 2019
Long term assets	10,230	13,248
Net loss for the period	322	57,376

The following is summarized financial information for GR Michigan, LLC:

	October 31, 2020	October 31, 2019
Current assets	\$ 74,961	\$ -
Long term assets	603,895	-
Current liabilities	489,266	-
Advances from parent	68,994	-
Net loss for the period	296,570	-

Nine percent (9%) of GR Michigan LLC is owned by officers and directors of the Company; this ownership is pursuant to an agreement that included their loans made to GR Michigan LLC (Note 23.5). The total non-controlling ownership, including ownership by officers and directors, is 13%.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

Expressed in United States Dollars, unless otherwise indicated

31. SUBSEQUENT EVENTS

During the year ended October 31, 2021, the Company issued a total of 534,294 shares with an aggregate fair value of \$95,294 to service providers, directors, and employees of the Company. The Company also issued 3,085,000 options to acquire one common share at a weighted average exercise price of \$0.20 per share, exercisable for a period of four years from the grant dates. Officers of the Company received 500,000 options. No options were exercised, and 1,040,000 options were forfeited or expired.

During the nine months ended July 31, 2022, the Company issued a total of 529,335 shares with an aggregate fair value of \$59,796 to service providers, directors, and employees of the Company. The Company also issued 605,000 options to acquire one common share at an exercise price of CAD\$0.15, exercisable for a period of four years from the grant dates. No options were exercised, and 1,460,000 options were forfeited or expired.

In February 2020, the Company, through its subsidiary GR Michigan, LLC, signed an Option to Purchase Agreement (the "Option Agreement") to acquire a 60% controlling interest in Golden Harvests, LLC ("Golden Harvests"). Golden Harvests is a Michigan-based, fully licensed, and operating cultivation company located in Bay City, Michigan. During the nine months ended July 31, 2021, the Company's majority controlled subsidiary GR Michigan, LLC, terminated the Option Agreement. Simultaneously with the termination of the Option Agreement, a new entity, Canopy Management, LLC ("Canopy"), majority-owned by the CEO, signed an option agreement to purchase Golden Harvests under similar terms (the "New Option"). Canopy has already been approved by the State of Michigan for licensing and this facilitated the Company's ability to accelerate its option exercise to obtain a 60% interest in Golden Harvests. The Company has an option to acquire 87% of the CEO's membership interest in Canopy, which, when exercised, pending approval by the State of Michigan of the Company's application, will provide identical economic rights as the Company originally had in the Option Agreement. Canopy is majority owned by GRIN's CEO, who has a fiduciary responsibility to the Company and is prohibited from omitting or taking certain actions relating to Canopy where to do so would be contrary to the economic benefits which the Company expects to derive from the acquisition of Golden Harvests. Canopy acquired a 60% controlling interest in Golden Harvests in May 2021, and until we exercise the option to acquire 87% of Canopy, it will be consolidated with a 100% non-controlling interest.

The Company acquired a controlling 60% interest in Golden Harvests for aggregate consideration of \$1,007,719 comprised of 1,025,000 common shares of the Company with a fair value of \$158,182 and cash payments and cash payable of \$849,537. Of the total consideration, \$485,000 in cash and 825,000 common shares with an aggregate fair value of \$122,376 have been paid, and cash of \$360,000 and 200,000 common shares with an aggregate fair value of \$35,806 remain payable at the date of these financial statements.

During the year ended October 31, 2021, the Company sold an aggregate total of an approximately 10.6% interest in Grown Rogue Distribution, LLC ("GR Distribution") for \$475,000. The interest was comprised of 11.875 newly issued equity units ("GR Distribution Units") and each GR Distribution Unit was sold for \$40,000. After the issuances, 111.875 GR Distribution Units were issued and outstanding. Of the 11.875 GR Distribution units newly issued, 6.25 were issued to a director of the Company, for proceeds of \$250,000. On April 30, 2021, the Company purchased 11.875 GR Distribution Units in exchange for 3,711,938 common shares with an aggregate fair value of \$664,816. After the Company's purchase of 11.875 GR Distribution Units, Grown Rogue Distribution, LLC was again a 100% owned subsidiary.

On November 23, 2020, and January 27, 2021, GR Distribution issued two unsecured promissory notes totaling US\$375,000. Terms of the note include 10% interest, payable monthly and a with three-year maturities. In addition, the GR Distribution will make payments in months 39, 42, 45, and 48 that will cause total interest payments to equal the principal amount loaned.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

Expressed in United States Dollars, unless otherwise indicated

On January 19, 2021, the Company completed the first tranche of a private placement of 2,031,784 shares for proceeds of \$200,000. On February 5, 2021, the Company completed the second tranche of the private placement comprised of 8,200,000 units (the “Units”) at CAD\$0.16 per Unit for proceeds of CAD\$1,312,000 (\$1,025,000). Each Unit was comprised of one common share and one warrant to purchase one common share. Each warrant has an exercise price of CAD\$0.20 and a term of two years. The second tranche included subscriptions by the following related parties: the CEO subscribed to 1,600,000 Units; the CFO of GR Unlimited subscribed to 2,000,000 Units; a key Company operations manager subscribed to 1,000,000 Units; and PBIC subscribed to 2,000,000 Units.

On February 5, 2021, the Company agreed to acquire substantially all of the assets of the growing and retail operations of High Street Capital Partners, LLC (“HSCP”) for \$3,000,000 of total agreed-upon consideration. The Company also executed a Management Services Agreement (“MSA”) with HSCP. The Company operated the growing facility under the MSA until the acquisition of the growing assets obtained regulatory approval. On April 14, 2022, the transaction closed with modifications to the original terms: the retail dispensary purchase was mutually terminated, and total consideration for the acquisition was reduced to \$2,000,000. Upon closing, the Company had paid \$750,000 towards the acquisition, and owed a principal sum of \$1,250,000 under an amended secured promissory note payable, which will be settled by payments of \$500,000 and \$750,000, due on due on May 1, 2023.

On March 5, 2021, The Company announced the completion of a brokered private placement offering through the issuance of an aggregate of 21,056,890 special warrants (each a “Special Warrant”) at a price of CAD\$0.225 (the “Issue Price”) per Special Warrant for aggregate gross proceeds of approximately \$3.7 million (CAD\$4,737,800) (the “Offering”). Each Special Warrant entitled the holder thereof to receive, for no additional consideration, one unit of the Company (each, a “Unit”) on the exercise or deemed exercise of the Special Warrant. Each Unit was comprised of one common share of the Company and one warrant to purchase one common share of the Company. Each Special Warrant entitled the holder to receive upon the exercise or deemed exercise thereof, at no additional consideration, 1.10 Units (instead of one (1) Unit), if the Company had not received a receipt for a final short form prospectus qualifying distribution of the common shares and warrants (the “Qualifying Prospectus”) from the applicable securities regulatory authorities (the “Securities Commissions”) on or before April 5, 2021.

Each Special Warrant was to be deemed exercised on the date that was the earlier of: (i) the date that was three (3) days following the date on which the Company obtained receipt from the Securities Commissions for the Qualifying Prospectus underlying the Special Warrants and (ii) July 6, 2021. The Company obtained receipt for the Qualifying Prospectus on April 26, 2021. Accordingly, on April 30, 2021, the Company issued 23,162,579 Units, comprised of 23,162,579 common shares and 23,162,579 warrants to purchase one common share. The warrants entitle the holder to purchase one common share at an exercise price of CAD\$0.30 for a period of two years. Proceeds of \$3,738,564 and expenses of \$444,396 were allocated to share capital; also allocated to share capital were the expenses for fair value of Agent Warrants of \$210,278.

During the year ended October 31, 2021, holders of convertible debentures converted an aggregate total of convertible debenture principal of \$1,042,951 (CAD\$1,311,111) at CAD\$0.125 per share into 10,488,884 common shares with an aggregate fair value of \$916,290, and the Company settled the remaining balance due with cash payments of \$1,312,722.

On August 16, 2021, the Company, through its subsidiary Golden Harvests, executed an agreement to form a joint venture with Pure Extracts Technologies Corp. (“Pure Extracts”) to expand Grown Rogue’s product offering and bring Pure Extracts’ portfolio of products to Michigan. The joint venture was to be owned 50% by Golden Harvests and 50% by Pure Extracts. The Company announced the termination of the joint venture on June 15, 2022, by which time limited joint venture activity had occurred, and the termination was immaterial to the Company’s financial statements.

Pure Extracts was to obtain a 50% interest in the joint venture, following certain regulatory approvals, by contributing processing equipment with an approximate fair value of \$515,000, and an allowance for fixtures and equipment of approximately \$110,000, to Golden Harvests.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

Expressed in United States Dollars, unless otherwise indicated

Until such time as the necessary regulatory approvals were obtained, the processing equipment was leased to Golden Harvests. The lease term commenced August 16, 2021, and was to terminate on the earlier of (a) immediately upon the date of certain regulatory approval for change of ownership of the joint venture (the “Closing Date”); (b) if the Closing Date does not occur, in which case the equipment will be returned to Pure Extracts; or (c) default by Golden Harvests against the lease, including failure to make lease payments or fail to perform material terms of the lease agreement. The monthly payment under the lease was \$4,292, to commence in the month in which the equipment is delivered, and only payable if the business has profits from which to make payments. On the Closing Date, the leased equipment was to be contributed to the joint venture by Pure Extracts and the lease agreement would have terminated.

On September 9, 2021, the Company entered into an unsecured promissory note agreement with PBIC, a related party, in the amount of \$800,000 which was to be fully advanced by September 30, 2021. On June 20, 2022, the Company announced the settlement of the note, which had a principal balance of \$700,000 owing. The Company agreed to transfer its ownership in PBIC, comprised of 2,362,204 common shares in PBIC (the “PBIC Shares”) to 2766923 Ontario Inc. (the “Creditor”), to which PBIC sold and assigned the note. In exchange, the Creditor provided forgiveness and settlement of all amounts owing in connection the note. The Company reported a gain on debt settlement of \$449,684 as a result of the settlement. The note was to mature on December 15, 2022, with payments commencing January 15, 2022, and continuing through and including December 15, 2022. The terms of the note required the Company to make certain participation payments to the lender based on a percentage monthly sales of cannabis flower sold from the Company’s sun-grown A-flower 2021 harvest (the “Harvest”), less 15% of such amount to account for costs of sales. The percentage was determined by dividing 2,000 by the total volume of pounds of the Harvest. A portion of these payments were to be used to pay down the outstanding principal on a monthly basis. The note was to automatically terminate when the full amount of any outstanding principal plus the applicable participation payments were paid prior to the maturity date. Should the participation payments have fully repaid the principal amount prior to the maturity date then the note would have automatically terminated. The note had no stated rate of interest, and in the event of default, would have accrued interest at 15% per annum.

On December 9, 2021, the Company announced that it had closed a non-brokered private placement of common shares (“Private Placement”) for total gross proceeds of USD\$1,300,000 (CDN\$1,645,800). The Private Placement resulted in the issuance of 13,166,400 common shares of Grown Rogue at a purchase price of CAD\$0.125 per share. All common shares issued pursuant to the Private Placement were subject to a hold period of four months and one day. The CEO of Grown Rogue invested USD\$300,000 in the Private Placement and received 3,038,400 common shares of the Company.

INDEX TO EXHIBITS

Exhibit #	Description
1.1	Certificate of Incorporation dated September 22, 1978 (1)
1.2	Articles of Amendment dated January 14, 1985 (1)
1.3	Articles of Amendment dated August 16, 2000 (1)
1.4	Bylaw No 1 (1)
1.5	Special By-Law No 1 (1)
1.6	Articles of Amalgamation dated November 30, 2009 (2)
1.7	Code of Business Conduct and Ethics (1)
1.8	Compensation Committee Charter (1)
1.9	Amended Audit Committee Charter (1)
1.10	By-Law No. 1, February 24, 2012 (4)
1.11	Articles of Amendment, effective March 16, 2012 (5)
1.12	Articles of Amendment, effective August 25, 2014 (6)
1.13	Articles of Amendment, effective February 1, 2016 (7)
1.14	Articles of Amendment, effective February 29, 2016 (8)
1.15	Articles of Amendment, effective May 26, 2017 (9)
1.16	Articles of Amendment, effective November 1, 2018 (13)
4.1	Definitive Transaction Agreement, dated October 31, 2018, with Grown Rogue Canada, Inc., Novicius Acquisition Corp., and Grown Rogue Unlimited, LLC, an Oregon limited liability company (14)
4.2	Settlement Agreement dated December 22, 2016 by and among Digital Widget Factory Inc. (Belize), Intelligent Content Enterprises Inc. and Digital Widget Factory Inc. (Ontario) (9)
8.1	Subsidiaries of Grown Rogue International Inc. (12)
12.1	Section 302 Certification of Chief Executive Officer (12)
12.2	Section 302 Certification of Chief Financial Officer (12)
13.1	Section 906 Certification of Chief Executive Officer (12)
13.2	Section 906 Certification of Chief Financial Officer (12)
15.1	Novicius Corp., First Notice of Change of Auditor dated November 6, 2017; the resignation of SLF effective November 1, 2017; Novicius Corp Second Notice of Change of Auditor dated November 14, 2017; and the acceptance of appointment of auditors from MNP dated November 17, 2017 (11)
15.2	First Notice of Change of Auditor dated November 4, 2019; the resignation of MNP effective October 31, 2019; and the acceptance of appointment of auditors from DMCL dated November 14, 2019 (15)
15.3	First Notice of Change of Auditor dated December 7, 2021; the resignation of DMCL effective November 16, 2021; and the acceptance of appointment of auditors from Turner dated December 6, 2020 (16)
Reference #	Incorporated by Reference
(1)	Previously filed on April 29, 2009 by Registrant as part of Registration Statement on Form 20-F (SEC File No. 0-53646)
(2)	Previously Filed by Registrant on Form 6-K on December 1, 2009
(3)	Previously filed by Registrant on Form 6-K on January 27, 2011
(4)	Previously filed by Registrant on Form 6-K on February 1, 2012
(5)	Previously filed by Registrant on Form 6-K on March 9, 2012
(6)	Previously filed by Registrant on Form 6-K on August 20, 2014
(7)	Previously filed by Registrant on Form 6-K on February 4, 2016
(8)	Previously filed by Registrant on Form 6-K on March 9, 2016
(9)	Previously filed by Registrant on Form 6-K on December 29, 2016
(10)	Previously filed by Registrant on Form 6-K on April 28, 2017
(11)	Previously filed by Registrant on Form 6-K on November 22, 2017
(12)	Filed as an Exhibit hereto
(13)	Previously filed by Registrant on Form 6-K on November 6, 2018
(14)	Previously filed by Registrant on Form 6-K on November 15, 2018
(15)	Previously filed by Registrant on Form 6-K on November 14, 2019
(16)	Previously filed by Registrant on Form 6-K on December 7, 2021

SUBSIDIARIES OF GROWN ROGUE INTERNATIONAL INC. AS AT OCTOBER 31, 2020

Company	Ownership
Grown Rogue Unlimited, LLC	100% by GRIN
Grown Rogue Gardens, LLC	100% by Grown Rogue Unlimited, LLC
GRU Properties, LLC	100% by Grown Rogue Unlimited, LLC
GRIP, LLC	100% by Grown Rogue Unlimited, LLC
Grown Rogue Distribution, LLC	100% by Grown Rogue Unlimited, LLC
GR Michigan, LLC	87% by Grown Rogue Unlimited, LLC
Idalia, LLC	60% by Grown Rogue Unlimited, LLC

CERTIFICATIONS

I, J. Obie Strickler, certify that:

1. I have reviewed this annual report on Form 20-F of Grown Rogue International Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 4, 2022

By: /s/ J. Obie Strickler
J. Obie Strickler
President & Chief Executive Officer

CERTIFICATIONS

I, Ryan Kee, certify that:

1. I have reviewed this annual report on Form 20-F of Grown Rogue International Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 4, 2022

By: /s/ Ryan Kee
Ryan Kee
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Grown Rogue International Inc. (the "Company") on Form 20-F for the year ended October 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Obie Strickler, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ J. Obie Strickler

Name: J. Obie Strickler

Title: President & Chief Executive Officer

Date: November 4, 2022

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Grown Rogue International Inc. (the "Company") on Form 20-F for the year ended October 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ryan Kee, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Ryan Kee

Name: Ryan Kee

Title: Chief Financial Officer

Date: November 4, 2022
