

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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 _____

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: **November 15, 2018**

For the transition period from _____ to _____

Commission file number 000-53646

GROWN ROGUE INTERNATIONAL INC.

(formerly NOVICIUS CORP.)

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Ontario, Canada

(Jurisdiction of incorporation or organization)

**340 Richmond Street West, Toronto, Ontario, Canada,
M5V 1X2**

(Address of principal executive offices)

Obie Strickler, Telephone (416) 364-4039, Fax (416) 364-8244

340 Richmond Street West, Toronto, Ontario, Canada, M5V 1X2

(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.

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	GRIN	Canadian Securities Exchange

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. **71,655,734 shares of Common Stock were issued and outstanding as of November 30, 2018.**

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 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 every Interactive Data File required to be submitted 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 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.

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

U.S. GAAP International Financial Reporting Standards as issued 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

References in this report to “we”, “us”, “our”, the “Company”, and “Grown Rogue” means Grown Rogue International Inc. and its predecessor, as applicable, individually and collectively with its subsidiaries as the context requires.

We use the Canadian 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 Canadian dollars, unless otherwise indicated. All references in this document to “dollars” or “\$” or “CDN\$” mean Canadian dollars, unless otherwise indicated, and references to “US\$” mean United States dollars.

EXPLANATORY NOTE

On October 31, 2018, the Company executed a Definitive Transaction Agreement (the “Definitive Agreement”) with Grown Rogue Canada, Inc. (“Grown Rogue Canada”), Novicius Acquisition Corp., 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 4.1. The Transaction was consummated on November 15, 2018, and the Company changed its name from Novicius Corp. to Grown Rogue International Inc. and began conducting the principal business of GRUS. Also as a result of the Transaction, the Company changed its fiscal year end from August 31 to October 31.

Immediately prior to the Transaction, the Company did not operate a business and was a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Prior to becoming a shell company, the Company conducted 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.

As a result of the Transaction, the Company consummated a “fundamental change” transaction and ceased to be a shell company. The Company is required pursuant to Rule 13a-19 under the Exchange Act to disclose the information in this Form 20-F that would be required to be disclosed if it were registering securities under the Exchange Act within four days following the consummation of the Transaction.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Much of the information included in this 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 Securities Exchange Act of 1934, as amended.

Part I**Item 1. Identity of Directors, Senior Management and Advisers****A. Directors and Senior Management**

The Company's board of directors was reconstituted in conjunction with the closing of the Transaction. Immediately prior to the Transaction, the Company's directors and senior management included the following individuals:

Name	Position	Business Address
James Cassina	Chief Financial Officer and Director	1 King Street West, Suite 1505, Toronto, Ontario, Canada, M5H 1A1
Ritwik Uban	Chief Executive Officer, President, Director	1 King Street West, Suite 1505, Toronto, Ontario, Canada, M5H 1A1
Dikshant Batra	Director	1 King Street West, Suite 1505, Toronto, Ontario, Canada, M5H 1A1

Upon closing the Transaction, the directors and officers of the Company who were either not continuing with the Company or who were continuing with the Company in a different capacity delivered their resignations, and the new directors and senior management were appointed and remain in office as set forth below:

Name	Position	Business Address
J. Obie Strickler	President, Chief Executive Officer and Director	340 Richmond Street West, Toronto, Ontario, Canada, M5V 1X2
Jacques Habra	Chief Strategy Officer	340 Richmond Street West, Toronto, Ontario, Canada, M5V 1X2
Michael Johnston	Chief Financial Officer and Corporate Secretary	340 Richmond Street West, Toronto, Ontario, Canada, M5V 1X2
Abhilash Patel	Director	340 Richmond Street West, Toronto, Ontario, Canada, M5V 1X2
Stephen Gledhill	Director	340 Richmond Street West, Toronto, Ontario, Canada, M5V 1X2

B. Advisers

The Company's legal counsel in the United States is Winstead PC, located at 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

C. Auditors.

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

The auditor of the Company is MNP LLP, located at 111 Richmond Street West, Suite 300, Toronto, Ontario M5H 2G4, Canada, which audited the financial statements of the Company for the years ended August 31, 2018 and August 31, 2017. The previous auditor of the Company was Schwartz Levitsky Feldman LLP, located at 2300 Yonge Street, Suite 1500, Box 2434, Toronto, Ontario, Canada, M4P 1E4, which audited the financial statements of the Company for the year ended August 31, 2016.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information**A. [Reserved]**

Not applicable.

B. Capitalization and Indebtedness

The Company's audited financial statements for the fiscal year ended August 31, 2018 as required under Item 18 are attached hereto starting on page F-1 of this Form 20-F. All of the financial information is presented herein in accordance with IFRS, as issued by the International Accounting Standards Board.

Below is a statement of the capitalization and indebtedness (including indirect and contingent indebtedness) of the Company as at August 31, 2018, showing the Company's capitalization on a pro forma basis as if the Transaction had been completed as of that date. It is important that you read this table together with, and it is qualified by reference to, our audited consolidated financial statements and the GRUS audited financial statements attached hereto starting on page F-1 of this Form 20-F.

The Company adopted the reporting currency of U.S. Dollars (\$US) upon completion of the Definitive Transaction, and the actual capitalization is presented at the August 31, 2018, rate of exchange for the comparability to the Pro Forma capitalization and indebtedness at that date.

	August 31, 2018		
	Actual	Actual (\$US)	Pro Forma (\$US)
Trade and other payables	703,306	539,444	3,221,256
Advances from related party	49,415	37,902	49,415
Shareholder loans	79,910	61,292	79,910
Interest payable	-	-	470,134
Leases payable	-	-	196,814
Notes payable	-	-	50,000
Convertible promissory notes	-	-	1,299,376
Convertible debentures payable	-	-	1,765,237
Derivative liabilities	-	-	148,500
Share capital	23,651,529	18,141,014	12,270,983
Contributed surplus	7,750,190	5,944,491	2,708,699
Accumulated other comprehensive income	-	-	121,920
Accumulated deficit	(32,201,307)	(24,698,800)	(10,506,078)
Total capitalization and indebtedness	33,043	25,344	11,876,166

¹ Convertible debentures were secured by substantially all of the assets of the Company.

Other than as indicated, no items of indebtedness were guaranteed or secured.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our securities are highly speculative and subject to a number of risks. You should not consider an investment in our securities unless you are capable of sustaining an economic loss of the entire investment. Furthermore, if other risks not presently known to us, or that we do not currently believe to be significant, occur or become significant, our financial condition and results of operations could suffer and the trading price of our common stock could decline. **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.**

INVESTING IN OUR SECURITIES INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW, TOGETHER WITH ALL OF THE OTHER INFORMATION INCLUDED IN OR REFERRED TO IN THIS REPORT, BEFORE PURCHASING SHARES OF 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 FOREGOING 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

GRUS's 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 and unless Congress amends the Federal CSA with respect to marijuana 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.

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. He is a former Multnomah County (Oregon) Deputy District Attorney, who handled major violent crimes and later served as a Chief of the Violent Crimes Unit and as the Indian Country AUSA/Tribal Liaison for the Department of Justice prior to being appointed the federal prosecutor for Oregon.

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 GRUS. The risk of strict enforcement of the Federal CSA remains uncertain.

Other Laws and Regulations. The industry in which GRUS operates could subject 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 U.S. 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 operation, costs, monetary losses, 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 is recently formed and has a limited operating history and has no record of prior performance as a separate enterprise. 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 anticipates significant growth and 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 would 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 will 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 Oregon Liquor Control Commission (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 would have a material adverse effect on it.

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 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 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 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 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 would make 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 after the completion of the Transaction, 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 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 marijuana or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable 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 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"). If the Company fails to qualify for Foreign Private Issuer status, it will remain unqualified unless it meets the test as of the last business day of its second fiscal quarter. 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, which is and will continue to be a Canadian corporation as of the date of this Report, generally would be classified as a foreign (non-United States) corporation under general rules of U.S. federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a foreign corporation to be taxed as a U.S. domestic corporation for U.S. federal income tax and other purposes. Under section 7874 of the U.S. Tax Code, a corporation created or organized outside the United States will nevertheless be treated as a U.S. domestic corporation for purposes of Title 26 of the United States Code, which includes treatment as a U.S. domestic corporation for all U.S. federal income tax purposes (such treatment is referred to as an "Inversion"). Inversion treatment will apply if each of the following three conditions are met (a) the foreign corporation acquires, directly or indirectly, or is treated as acquiring under applicable U.S. Treasury Regulations, substantially all of the assets held, directly or indirectly, by a U.S. domestic corporation or entity treated as a partnership, (b) after the acquisition, the former stockholders of the acquired U.S. corporation or partners of the entity treated as a partnership hold at least 80% (by vote or value) of the shares of the foreign corporation by reason of holding ownership interests in the acquired U.S. entity, and (c) after the acquisition, the foreign corporation's expanded affiliated group ("EAG") does not have substantial business activities in the foreign corporation's country of organization or incorporation when compared to the EAG's total business activities (clauses (a) – (c), collectively, the "Inversion Conditions").

For this purpose, an EAG is a group of corporations where (a) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the EAG, and (b) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an EAG includes partnerships where one or more members of the EAG own more than 50% (by vote and value) of the interests of the partnership.

Pursuant to Section 7874 of the U.S. Tax Code, the Transaction resulted in the Company being treated as a U.S. domestic corporation for all U.S. federal income tax purposes. The Company is therefore subject to U.S. federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of Section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada)) (the "ITA") for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the United States which could have a material adverse effect on its economic performance.

General Risk Factors

Market Reaction. The market reaction to the Transaction and the future trading prices of our shares cannot be predicted. Following the Transaction, the price of our shares fluctuated and it may continue to fluctuate significantly due to the market's reaction to the Transaction and general market and economic conditions. An active trading market for the shares of our common stock may never develop or, if developed, it may not be sustained.

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 and ability to complete current or desirable future enhancement opportunities 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.

Limited Market for Securities. There can be no assurance that an active and liquid market for shares of our securities will be maintained and an investor may find it difficult to resell any of our securities.

Asset Location and Legal Proceedings. As a result of the Transaction, substantially all of the Company's assets are located outside of Canada and many of its officers and directors, and their assets, will be resident outside of Canada. Serving process on the directors and officers may prove to be difficult or excessively time consuming. Additionally, it may be difficult to enforce a judgment obtained in Canada against the Company, its subsidiaries, and any directors and officers residing outside of Canada.

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 August 31, 2018, we had a working capital deficit of \$799,588 and an accumulated deficit of \$32,201,307. We may not have sufficient funds to meet our liabilities for the ensuing twelve months as they become due. In assessing whether the going concern assumption is appropriate, we take into account all available information about the future, which is at least, but not limited to, twelve months from August 31, 2018. 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 August 31, 2018, we had trade and other payables in the amount of \$703,306. 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.

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 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.

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.

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.

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 of America 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.

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. Due to the large and expanding scale of our international business activities, 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, as amended (the “Securities Act of 1933”). 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. If we fail to comply with the requirements of Section 404 of the Sarbanes-Oxley Act regarding internal control over financial reporting or to remedy any material weaknesses in our internal controls that we may identify, such failure could result in material misstatements in our financial statements, cause investors to lose confidence in our reported financial information, and have a negative effect on the trading price of our securities.

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. In the event that a material weakness is identified, we will employ qualified personnel and adopt and implement policies and procedures to address any material weaknesses that we identify. However, 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.

A failure to remediate any material weaknesses that we may identify or to implement new controls, or difficulties encountered in their implementation, could harm our operating results, cause us to fail to meet our reporting obligations, or result in material misstatements in our financial statements. Any such failure could adversely affect the results of the management evaluations of our internal controls. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our securities.

Item 4. Information on the Company

A. History and Development of the Company

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 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 then from Eugenic Corp to Eagleford Energy Corp.

During fiscal 2014 and 2015, the Company’s principal activities consisted of exploration, development and production of petroleum and natural gas properties.

Through the Company’s former wholly owned Alberta subsidiary, 1354166 Alberta Ltd., the Company held a 5.1975% working interest in a producing property located in the Botha area in the Province of Alberta, Canada.

The Company’s exploration and evaluation assets were located in Zavala County, Texas, USA. The Company, through its former US wholly owned subsidiary Eagleford Energy Zavala Inc. (“Zavala Inc.”), held an interest in a mineral lease, the 2,629 acre Matthews Lease.

During fiscal 2014, the Company entered into a Joint Development Agreement (the “Stratex JDA”) with Stratex Oil and Gas Holdings, Inc. (“Stratex”) to further develop the Matthews Lease. Under the terms of the Stratex JDA, Stratex acted as operator and upon Stratex delivering (a) US\$150,000 to the lessors of the Matthews Lease on behalf of Zavala Inc.; (b) delivering US \$150,000 to the Company; and (c) commencing a hydraulic fracture of the Matthews #1H not later than March 31, 2014, Stratex earned a 66.67% working interest before payout (50% working interest after payout) in the Matthews #1H well and a 50% working interest in the 2,629 acre Matthews Lease.

During fiscal 2014, the Company entered into a further Joint Development Agreement (“JDA2”) with Stratex and Quadrant Resources LLC, (“Quadrant”) for the development of the San Miguel formation on the Matthews Lease. Pursuant to the terms of the JDA2, upon satisfaction of certain conditions including the Phase I Work Program (as defined below) and the cash consideration described below, Quadrant could earn an undivided 66.67% before payout and a 50% working interest after payout to the base of the San Miguel formation of the Matthews Lease by (a) drilling 3 new wells and reworking 5 wells at its sole cost and expense by June 30, 2015 (the “Phase I Work Program”); (b) delivering US\$100,000 to the Company upon execution of the JDA2 (paid); and (c) delivering US\$65,000 to the Company on each of July 8, 2014, October 6, 2014, January 5, 2015 and April 6, 2015. The Company recorded the cash payments and the payment of certain obligations under the Matthews Lease by Quadrant totaling US\$303,712 as a reduction in exploration and evaluation assets. Under the terms of the JDA2 Quadrant was required to complete the Phase I Work Program and pay the Company cash consideration totaling US\$360,000 by June 30, 2015, which it did not and accordingly the JDA2 expired without Quadrant earning any interest in the development area.

Effective March 31, 2015, the Company entered into a settlement with Stratex and Quadrant pursuant to which Stratex assigned all of its rights, title and interest in, to and under the Matthews Lease and the JDA to the Company and Quadrant, and issued to the Company 1,333,333 common shares of Stratex as repayment of the disputed minimum royalty of US\$152,293 and a further payment of US\$25,000 was to be paid to the Company under the settlement agreement.

On July 2, 2015, the 2,629 acre Matthews Lease transitioned into its production unit phase. A total of 340 acres were held as production units and the Company wrote down the lease to fair value of \$1,212,996 and recorded an impairment of exploration and evaluation assets at August 31, 2015 of \$4,490,045.

At August 31, 2014, the Company had issued a secured convertible promissory note to Benchmark Enterprises, LLC. (“Benchmark” or the “Note Holder”) with a face value of \$1,322,347 (US\$1,216,175) (the “Note”). The Note had an interest rate of 10%. The Note was due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US\$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Issuer of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default.

In accordance with the terms of the Note and the General Security Agreement (the “Loan Agreements”) the Company had granted and conveyed to the Note Holder a first priority security interest in the Company and Zavala Inc.

At August 31, 2015, the Company was unable to pay the Note principal of \$1,608,149 plus interest of \$154,179, totaling \$1,762,328 (US\$1,337,793), which constituted an event of default pursuant to the terms of the Loan Agreements. The Note Holder made demand for payment of all amounts owed to it under the Note and gave notice to the Company that it intended to exercise its security on the Company's assets. The Company and the Note Holder entered into a Settlement and Exercise of Security Agreement whereby effective August 31, 2015, the Company assigned and conveyed to Benchmark all of its rights, title and interest in and to Zavala Inc., and issued to Benchmark 10,000 shares of common stock the Company.

The Company negotiated an Asset Purchase Agreement to be effective February 29, 2016, with an expectation to acquire the net assets (the "Acquired Assets") of Digital Widget Factory Inc., a Belize company (the "Vendor"), in an all-stock transaction by issuing 1,250,000 shares of common stock and 5,750,000 Series A preferred shares (the "Proposed Purchase Price Shares"). The 1,250,000 common shares included in the Proposed Purchase Price Shares are reported at the post-conversion quantity following the May 26, 2017, 1-for-10 share conversion; these shares were returned on January 20, 2017, prior to the filing of the May 26, 2017 articles of amendment.

The essential components of the proposed Acquired Assets were an intelligent content platform technology developed by the Vendor and a series of related websites under the url digiwdgy.com (the "DWF Technology"). The fair value of the transaction with the Vendor was estimated at \$9,530,250 and agreed to be paid by the Company through the issuance of the Proposed Purchase Price Shares.

Subsequent to February 29, 2016, management of the Company came to the conclusion that certain representations and warranties made under the Asset Purchase Agreement were conceivably deficient and on November 24, 2016 the Company advanced a Notice of Claim. On December 22, 2016, it was agreed that all disputed matters contained in the Asset Purchase Agreement be resolved in a Settlement Agreement whereby the Company agreed to return the Acquired Assets to the Vendor and the Vendor agreed to return the Proposed Purchase Price Shares to the Company.

The Settlement Agreement closed effective January 20, 2017, when the Company returned the Acquired Assets to the Vendor and the Vendor returned the Proposed Purchase Price Shares previously issued to the Vendor and a full and final release in respect of all obligations under the purchase agreement with the Vendor was exchanged between the Vendor and the Company. The Proposed Purchase Price Shares have been cancelled in the capital stock of the Company and the Company no longer has any interest in the DWF Technology.

Effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta Ltd., an Alberta company.

On February 29, 2016, the Company entered into an asset purchase and debt settlement agreement and converted loans and interest in the aggregate amount of \$277,473 in exchange for the Company's 0.03% net smelter return royalty on eight mining claim blocks located in Red Lake, Ontario which were carried on the consolidated statement of financial position at \$Nil.

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 began 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. 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. Also as a result of the Transaction, the Company changed its fiscal year end from August 31 to October 31. DoubleTap operations ceased immediately prior to the effectuation of the Transaction.

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

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 and shareholders' loans.

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

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 are 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 and intends to expand into other markets. GRUS, an Oregon cannabis company, has five wholly-owned subsidiaries: Grown Rogue Gardens, LLC, an Oregon limited liability company ("GR Gardens"); Grown Rogue Distribution, LLC, an Oregon limited liability company ("GR Distribution"); GRU Properties, LLC, an Oregon limited liability company ("GRUP"); GRIP, LLC, an Oregon limited liability company ("GRIP"); and Grown Rogue Meds, LLC, an Oregon limited liability company ("GR Meds"). Through GRUS, the Company also has partial ownership of Idalia, LLC, an Oregon limited liability company ("Idalia"), and GRD Cali, LLC, a California limited liability company ("GRDC"); GRUS owns a 60% interest in each of Idalia and GRDC.

Through GR Gardens, the Company operates three cultivation facilities that currently service the Oregon recreational marijuana market: Manzanita Glen, Trail's End, and the Medford Warehouse Project (the "Warehouse"). Grown Rogue is expanding its facilities, adding retail locations, and plans to enter the California market as a fully integrated cannabis company. GRUS, through its subsidiaries, GR Gardens and GR Distribution, currently holds four licenses (three producer licenses and one wholesale license) to do business in the Oregon recreational marijuana market. Generally, there are four types of marijuana businesses regulated by the Oregon Liquor Control Commission (the "OLCC"). "Marijuana producers" cultivate marijuana for wholesale. "Marijuana processors" produce marijuana extracts and products. "Marijuana wholesalers" may purchase marijuana and marijuana products to sell to marijuana retailers and other non-consumers. Lastly, "marijuana retailers" are allowed to sell marijuana.

- Marijuana Producers can apply for two different license types under the OLLC regulatory structure. A Tier I license allows for up to a maximum of 5,000 square feet of indoor and 20,000 square feet of outdoor flowering canopy. A Tier II license allows for a maximum of 10,000 square feet of indoor and 40,000 square feet of outdoor flowering canopy. The differential between outdoor and indoor is if you use artificial lights during the flowering cycle it is considered indoor under the rules. Marijuana producers can sell their products directly to marijuana processors, Marijuana wholesalers or Marijuana retailers.
- Marijuana Processors all operate under a single license. This license type includes both volatile and non-volatile extraction, mechanical (i.e. bubble hash or rosin press), and edible products. For each product contemplated by a processor, they must file for specific certificates in order to be legally allowed to produce the products. Marijuana processors can sell their products directly to marijuana wholesalers and marijuana retailers. Marijuana processors can also sell to other marijuana processor for additional processing but not for direct resale. Marijuana processors cannot sell their products to Marijuana Producers.
- Marijuana Wholesalers are responsible for supply chain logistics and are generally responsible for taking the product from the manufacturer and getting it to a marijuana processor for extraction or marijuana retailer for direct sale to the customer. Marijuana wholesalers can sell products to other marijuana wholesalers, marijuana processors, or marijuana retailers. Marijuana wholesalers cannot sell their products to marijuana producers but are allowed to return marijuana to marijuana producers from which the marijuana wholesaler originally purchased the product from.

- Marijuana retailers provide the storefront for retailer customers. Marijuana retailers are only allowed to sell to a customer who is over 21 with valid identification. Marijuana retailers cannot sell products to any other license type. Limited delivery options are available for marijuana retailers as long as they have license approval and stay within the jurisdiction of their license when doing the delivery and related items to individuals 21 years and older.

GR Gardens currently holds three producer licenses for the three properties described above (and has submitted an additional application for a producer license to the OLCC that is pending), and GR Distribution holds one wholesaler license. GR Distribution and GR Gardens jointly hold the producer license and the wholesale license at the Warehouse as the licenses are co-located in the same facility. GR Distribution and GR Gardens have also applied for a processor license for the Warehouse. Grown Rogue, through one or more of its subsidiaries, intends to acquire one or more Oregon retail licenses in the future.

Market Trend

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].

Production

GR Gardens is responsible for production of recreational marijuana using outdoor, greenhouse, and indoor production methodologies. GR Gardens holds three Tier II producer licenses from the OLCC. “Manzanita Glen”, an outdoor cultivation property leased in Josephine County, Oregon from GR Gardens’ sister company, GRUP, has 40,000 square feet of canopy. “Trail’s End”, an outdoor cultivation property leased from its sister company, GRU Properties in Jackson County, Oregon has 40,000 square feet of canopy. The Medford Warehouse project, an indoor cultivation property leased from its sister company, GRUP, is designed to have 10,000 square feet of canopy when fully constructed. The Warehouse is also the location of GR Distribution, the wholesale division of Grown Rogue and will also house the processing centre for all Grown Rogue products. The two outdoor projects are anticipated to provide 3,000 lbs combined of cannabis annually and the Warehouse project is estimated to produce 2,500 lbs annually when fully completed.

GRUS is located in the famed Emerald Triangle, which is well-known for the quality of its marijuana. With both indoor and outdoor operations, Grown Rogue is able to produce the high quality indoor flower through controlled atmosphere environment (CAE) operations. By carefully controlling temperature, humidity, CO2 levels and other criteria, Grown Rogue is able to provide year-round supply of high quality marijuana flower with multiple harvests per month.

With its location in Southern Oregon, GRUS is also able to capitalize on an ideal outdoor growing environment where it can produce high quality, low cost marijuana to serve as feed stock for the other products GRUS offers (vape cartridges, concentrates, pre-rolls, and edibles). GRUS is able to produce this feed stock at 3 to 4 times cheaper than indoor production costs and is thus able to establish competitive market prices.

As part of GRUS’ plan to expand and diversify, GRUS is currently considering three different models for adding capacity. The first option is to acquire and construct additional capacity on a separate property that has been identified in Jackson County, Oregon that is the location of a currently operating pear orchard (“The Farm”).

The Farm property is a 100+ acre pear orchard property with significant infrastructure and priority water rights, with a total licensable canopy of approximately 280,000 sq feet. The Farm is anticipated to be acquired through an owner carry arrangement for GRUS to purchase the property in five years. As of the date of filing this Report, GRUS’ license for the Farm is pending with the OLCC. GRUS, through its subsidiary GR Gardens, has already submitted a Tier II producer license application to the OLCC for 40,000 sq feet of canopy. GRUS intends to retrofit the existing warehouse facility on The Farm for commercial indoor cultivation, construct outdoor cultivation, and begin construction of greenhouses in early 2019 using light deprivation methodologies. GRUS believes The Farm would provide GRUS with significant additional cultivation capacity to meet growing demand for GRUS products for the foreseeable future.

The second option is to implement a contract management model with existing licensed cultivators where GRUS would provide specific genetics and cultivation expertise to the licensed operator to ensure the quality of products. This option would be implemented for the 2019 outdoor season but would likely be limited to only greenhouse or outdoor production as there is limited indoor production where GRUS is located to provide proper management and oversight. This solution, while reducing the capital expense required under The Farm option, would likely result in a higher price for end product from the farmer.

The third option would be to source available product on the wholesale markets. This option results in limited capital or operational expense risk but would likely result in less secure consistency in supply and higher purchasing costs than GRUS could achieve with the other options described above.

GR Gardens is securing a processing license, expected to be issued in the first quarter of 2019, which would allow it to produce its own derivative products, with expected decreases in costs and greater assurance of consistency of production. The extraction lab will be constructed at the Warehouse.

GRUS, through one or more of its subsidiaries, also anticipates securing retail establishments in Oregon through strategic partnerships or acquisitions to fulfill the vertical integration strategy of GRUS and to help ensure quality and consistency in the supply chain.

Grown Rogue executives and technical staff have significant cannabis cultivation experience that includes extensive knowledge of indoor, outdoor, and greenhouse growing conditions required to optimize productivity; financial; sales; marketing; and branding. With the necessary specialized skill sets of the management team coupled with the large agricultural work force present in Oregon, the Company believes that all of the necessary skill and labor is available to execute upon its strategy in Oregon.

Product

The products GRUS produces include a variety of flower products (indicas, sativas, and hybrids), both high CBD and THC strains, pre-rolls, vape cartridges, and other derivative products to establish a more diverse and full service opportunity for its dispensary customers. GRUS has a suite of “core” strains that represent the primary product line that consumers can rely upon every time they arrive at their local dispensary. In addition to the “core” product offerings, GRUS also intends to provide seasonal strains for both indoor and outdoor product. GRUS believes this variety will appeal to the consumer by offering a diverse product with competitive market pricing.

The Company believes that it is establishing a unique approach in the current cannabis industry market place by bringing a large variety of unique strains. This variety allows GRUS to meet the various demands of the consumer as well as provide a complete suite of strain specific products from the original seed to final derivative products. This allows each customer to select their own preferred consumption method and still enjoy GRUS products.

GRUS pre-rolls are produced only from flower (no trim) and are packaged in a patent pending nitrogen sealed glass tube to ensure fresh products for the customer.

The vape cartridges are a combination of both pure CO2 oil extraction, which provides the best in flavor, and distillate. The distillate is carefully flavored with specific terpene ratios to enhance the flavors and experience for the customer. The Company believes it uses only the best hardware from reputable suppliers to ensure limited malfunction of its products.

GRUS produces a wide array of concentrate products, including shatter, wax, live resin, and snap and pull. The Company believes only the best input material is utilized in their concentrates resulting in the highest quality products.

GRUS sources all of its equipment and materials from vendors it believes to be reliable from both cannabis centric companies (i.e. hydroponic grow stores) and conventional agriculture solutions. Pricing is generally lower than retail pricing as GRUS sources the majority of their supplies directly from the manufacturer.

Genetics

GRUS contracted with a geneticist to provide proprietary genetic lines into the GRUS portfolio. Through the implementation of this robust breeding and phenotype selection program, GRUS is focused on identifying and capturing the specific genetic traits that consumers are requesting. The end goal of this work is to have patented proprietary strains that GRUS can license as well as work toward establishing stable seed that can be used in Grown Rogue production.

All of GRUS genetics are rigorously tested to establish the genetic makeup of each strain in its portfolio.

Distribution and Sales

GRUS distributes product through its wholly owned subsidiary, GR Distribution, doing business as Rogue Distribution, which works directly with Oregon dispensaries to provide quality, consistency, and product variety year-round. GRUS' sales team works directly with dispensary owners and intake managers to provide consistent product, competitive prices, and service using sales techniques from other industries such as pharmaceutical and liquor. Rogue Distribution has also developed relationships with many existing brands and provides exclusive services for those brands in the State of Oregon and first rights for distribution in other states that GRUS enters as part of a broader product offering. This allows GRUS to rapidly expand its brand presence in new states by providing the nexus for the best brands in the states GRUS works to enter. Currently, GRUS only intends to expand to California. GRUS receives commissions for distributing these products ranging from 15% to 30%. This allows GRUS to increase its product offerings for dispensaries and simplify their purchasing process by reducing the number of vendors that each dispensary needs to work with.

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

GRUS works with dispensary owners to develop promotional opportunities for the retail customers and bud tenders. This is structured in the form of providing select "rare" strains, clothing, or other items that are provided to certain customers based on their loyalty and/or purchasing volume. GRUS provides detailed tutorials to the staff and owners of the dispensaries around the product and how it is grown, processed, cured, packaged and other items so that they are intimately familiar with our process. GRUS also provides expense paid trips for 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.

The Company believes it is the first in the Oregon cannabis market to offer dedicated purchase plans that provide a fixed number of guaranteed products over a three, six, or twelve-month timeline. These plans are intended to provide GRUS with established contractual cash flow and the dispensary partners with guaranteed high-quality products.

GRUS' wholly owned subsidiary, GR Distribution (dba Rogue Distribution), has partnered with 365 Cannabis, powered by Microsoft Dynamics, which is the leading "seed to sale" enterprise resource planning (ERP) solution in the industry. This ERP system provides sophistication, scalability, and security of a fully compliant cannabis business and Point-of-Sale (POS) systems to their dispensary partners and customers. This system allows GRUS to provide real time inventory analysis both internally and with dispensaries allowing for immediate re-ordering of GRUS products simplifying the supply chain logistics in the cannabis markets.

GRUS has entered into a sales agreement with Zing, an established digital transaction company that has received approval from the necessary banking regulations to provide digital money transfer services for cannabis transactions. GRUS receives a percentage of the fees collected by Zing through the digital platform. The solution uses a mobile app that requires customers to download and dispensaries to place the technology at their point of sale. This technology could eliminate the cash component of consumer purchases in dispensaries which is a significant challenge for the cannabis industry both from a convenience and safety issue.

Branding

Building a cannabis brand is by far one of the most critical aspects to a successful company in the sector. Currently, almost all cannabis brands are focused on one of two aspects:

- The flower and/or quality of the flower.
- The effect, mostly focused on impact of the product.

The above two components largely appeal to the current cannabis consumer, or legacy cannabis user, who uses cannabis mostly for the experience it creates. This experienced user determines the best product based on the potency of the product.

While GRUS prides itself on the highest quality flower, its brand aims to penetrate into broader, mainstream markets through a promise of the “Right Experience.” The Grown Rogue brand is focused on “The Right Experience, Every Time”™ that it believes accomplishes several key objectives:

1. Addresses the negative stigma attached to cannabis at both a cultural and regulatory level.
2. Establishes the company’s core values and purpose.
3. Forecasts the company’s trajectory and market positioning.

Everyday experiences like running, reading a book, sharing a beverage with friends, or creative writing can be enhanced with the right strain of cannabis properly ingested at the right dosage. GRUS is deeply focused on providing the “Right Experience” and thus aims to provide intelligence and education around the various strains, genetic disposition, and the key product characteristics from profile testing. The education GRUS provides through digital channels develops best practices and community as the company strives to eliminate the “dark mystery” historically associated with cannabis. GRUS attempts to provide the market with detailed knowledge on the plant. For the interested party who is less concerned with the science, GRUS offers a branding strategy around experience based on an acronym on the letters in the word ROGUE. Each of the letters represents an experience curation. Rather than simply state that X strain will create Y effect, the company’s visual and demonstrative marketing assets showcase “experience” by category. The five GRUS categories of experience are:

RELAX
OPTIMIZE
GROOVE
UPLIFT
ENERGIZE

Within these categories is a range of cannabis strains that help to enhance certain types of experiences.

The brand strategy is to showcase the non-active cannabis user in everyday situations and present cannabis as an enhancement to activities and experiences the individual already engages in. As cannabis becomes more mainstream, the early adopter will associate GRUS with messaging and photography that resonates. The focus today is on the Oregon culture and GRUS will evolve the messaging based on geographical lifestyle of areas where the Company expands. GRUS establishes visuals that are specific to each market they operate in which results in different imagery for, for example, the Portland, Oregon market vs the Los Angeles, California market. By doing this, the Company believes that its branding and visuals resonate with the consumers in each individual markets focused on the primary activities for those areas.

The defensibility for this approach is based on science and market research. The three primary influencers in the cannabis plant are potency (THC and CBD level), genetic makeup (sativa vs indica), and terpenes. The DNA of the plant coupled with the test results of the strain provides significant and compelling reason to position a specific strain in a specific category. GRUS takes a further step by using an online mobile experience sampling tool that records well-being to capture key data points on how the strain affects the individual both physically and mentally. GRUS’s future plan is to encourage use of this tool by offering discounts on GRUS products and turn this data collection into a sales/marketing tool. The brand is based on experience and is delivering the Right Experience with specific cannabis products.

The Company believes it is developing scientifically defensible product classifications for all of its products around the ROGUE Study. The ROGUE Study is a comprehensive consumer experience survey that queries select information from cannabis consumers regarding the experiences they have when consuming cannabis products. This method employs both quantitative and qualitative analysis. Every product GRUS produces is analyzed by third party labs to determine THC and CBD potency, ratios of CBD to THC, the total and individual level of terpenes, and the genetic makeup of the input strain. This information is compiled and analyzed by the ROGUE science team and proprietary algorithms are created that allow GRUS to place the products into the five different categories. In addition, GRUS has created a consumer survey that allows GRUS customers to complete a simple survey both before and after consumption that describes the experience the consumer had while consuming GRUS (or other company's) products. This survey is being led by a PhD psychologist to ensure all of the information collected is based on scientific defensibility. GRUS has already collected thousands of surveys on its products and intends to continue focusing on this critical information to better understand the experience consumers have while consuming GRUS products allowing the Company to more accurately place products into the correct categories.

In June 2018, GRUS launched GRAM, its second brand into the Oregon market (after its first brand "Grown Rogue"). GRAM is focused on providing the highest quality products at the most competitive prices. GRAM currently is focusing on pre-rolls and shatter.

Marketing and Advertising

GRUS' marketing channels include a comprehensive, fully responsive (mobile) interactive website. The website has been search engine optimized (SEO) and includes call to action (CTA) popup boxes that request contact information in exchange for promotional items, such as hats, beanies, t-shirts, and other similar products.

GRUS is focused on providing education to the large majority of new and existing consumers. This education will focus on providing blogs and articles that highlight important topics and information to further enhance the public's understanding of the myriad of uses and benefits of cannabis.

Digital advertising will be included, primarily on industry sites and alternative news sources if regulations loosen, on sites such as Leafly, Oregon Cannabis Connection, Northwest Leaf, Oregon Leaf, Dope Magazine, Portland Mercury, and Willamette Weekly.

The Company has established a social media presence that includes Facebook, Twitter, Instagram, and Snapchat. The Company's social identity will be defined by delivering fresh content and keeping interaction with followers/fans prompt and positive. The Company 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.

Trademarks and Patents

The Company actively seeks to protect its brand and intellectual property. GRUS currently has four different trademarks that have been submitted.

- Jager was filed on September 29, 2017.
- Grown Rogue was filed on September 22, 2017, with the Statement of Use filed on May 21, 2018 and is awaiting the registration certificate.
- The Right Experience Every Time was filed on September 29, 2017 with the Statement of Use filed on May 21, 2018 and is awaiting the registration certificate.
- Sizzleberry was filed on September 29, 2017 with the Statement of use filed on May 21, 2018 and is awaiting the registration certificate.

GRUS filed a patent for its nitrogen sealed glass containers on February 15, 2018. This patent application, No: 15/897,906, is pending review by the United States Patent Office.

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. (see Failure to Protect Intellectual Property in Item 3.D Key Information - Risk Factors.)

Oregon Market and Competition

The Oregon cannabis market is generally divided between the Oregon Medical Marijuana market (governed by the Oregon Health Authority) and the Oregon recreational marijuana market (governed by the OLCC). GRUS does not sell to the Oregon medical marijuana market (as it is anticipated this market will be subsumed by the recreational market in the future).

In the first year of Oregon recreational sales, the Oregon Department of Revenue reported US\$240 million in recreational sales to end users (generating tax revenues for the State of Oregon of US\$60.2 million) and posted US\$520 million in sales in 2017 [Source: Portland Business Journal, February 2018]. This amount is expected to triple by 2019, reaching \$800 million, as estimates predict that over 25% of Oregonians are marijuana consumers (one of the highest concentration in the United States). [Source: Brightfield Group, <https://www.brightfieldgroup.com/post/ranking-of-best-places-for-cannabis-investment-2-oregon>]. In addition, it is estimated that Oregon consumers use marijuana at a quantity higher than most other states. [Source: Marijuana Report from the Oregon Health Authority, January 2016].

The State of Oregon does not cap the number of licenses that it will issue, so the competition in the state is varied. As of November 20, 2017, there were 3,115 applications filed with the OLCC. Of these, 1,626 were active licenses, including: 21 laboratories, 136 processors, 859 producers, 514 retailers, and 96 wholesalers. Although there are a wide variety of smaller competitors in the Oregon recreational market, Grown Rogue attempts to differentiate itself by its significant focus on brand identity and product diversity, proven cultivation expertise, quality of product produced, innovation in the integrated business platform, educational opportunities and significant professional experience of its leadership team. In June 2018, the OLCC stopped accepting new license applications to allow the state to finish processing the existing licenses already submitted. This should reduce, at least temporarily, the amount of new licenses coming into the market which may help stabilize the supply/demand metrics in Oregon.

Oregon has seen significant price compression on cannabis product offerings since the legalization of cannabis. However, this price compression has resulted in more consumers purchasing products as flower sales in Oregon are up 1,500% in 2018 as compared to 2017. (Source: Frontier Financial Group, Inc., dba New Frontier Data)

Social and Environmental Policies

The Company employs sustainable business models in all of its operations. On the cultivation side, GRUS 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 dehumidification water. GRUS uses only natural and organic products in all of their applications from nutrients to integrated pest management. GRUS has obtained the “Clean Green” certification for its use of sustainable, natural, and organically based practices, which is generally considered to be the highest level of sustainable cannabis practices in the US. These are standard industry best practices that have little to no impact on capital expenditures.

GRUS hires and pays a living wage to all of its employees and is very involved in each of the communities where it operates, for example recently donating a portion of profits to disaster relief as a result of hurricane devastation in the U.S.

Seasonality and Uncertainties

The Company’s operations are subject to seasonal fluctuations that can significantly impact quarter to quarter operating results. For example, GRUS cultivates and harvests cannabis both indoors and outdoors, and outdoor cultivation of cannabis is not possible during certain parts of the year. Consequently, the Company’s results may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods.

The Company is exposed to a number of risks and uncertainties in the normal course of business that have the potential to affect operating performance. The Company has operating and risk management strategies to help minimize these operating risks and uncertainties. In addition, the Company has controls and governance procedures including a code of business ethics and whistle blowing procedures.

Other Operations

GRUS' wholly owned subsidiary, GRU Properties, is the leasing and project development arm of GRUS. GRU Properties currently leases three separate facilities and was responsible for construction and development of all three. All three leases are at comparable market rates and rent is paid in cash. J. Obie Strickler, President and CEO of the Company, is the landlord on one of the leases. The lease with Mr. Strickler is a related party transaction given that Mr. Strickler is the landlord and a director and officer of the Company. GRU Properties subleases all of its leased and developed properties back to its sister companies (GR Gardens and GR Distribution). The real estate model in the cannabis industry is very attractive and GRU Properties has been constructed in order to provide this type of service as a standalone business model if necessary. In the future, GRU Properties plans to utilize its expertise in design and build of commercial cannabis facilities with the goal of leasing these fully constructed and operational facilities to entities that are not associated with the Company.

GR Distribution is responsible for all company sales of both internal products as well as purchase and white labeling of other industry products. GR Distribution leases space in the Warehouse. GR Distribution currently services primarily GR Gardens as its exclusive distributor. This relationship is critical to the overall success of the Company's vertical integration as it provides the opportunity to put all of the Company's products under one roof. All cultivation flower from GR Gardens is transported from two separately licensed facilities using refrigerated trucks to GR Distribution's warehouse facility to allow for centralized drying, curing, trimming, storage, and security. The Company believes that these economy of scale savings allows GRUS to be one of the lowest cost cannabis operators in Oregon.

GRUS' intellectual property subsidiary, GRIP, has been in operation since late 2016. GRIP focuses on all branding and marketing, genetic research, cultivation analytics, and intellectual property protection. GRIP's brand (Grown Rogue) is licensed to GRUS and its other subsidiaries. GRIP will continue developing new brands and ideas to be licensed to the Company or other cannabis based companies in the territories that the Company targets for expansion.

GRIP has also implemented a genetics program to continue the goal of providing the best possible products from the original seed selection. GRUS brought numerous proprietary products to market in 2017 and is developing a more robust and comprehensive breeding program to combine and stabilize certain genetic traits of interest for the product portfolio. GRUS has acquired the rights to a proprietary analytics program that is focused on determining the specific environmental characteristics that are required to cultivate the best cannabis. Similar to wine, each cannabis strain requires certain conditions to thrive. Evaluating and analyzing natural outdoor conditions like temperature, humidity, elevation, soil type, light levels, and other site specific characteristics will allow GRIP to identify specific strains that should be grown in certain regions.

GR Gardens and GR Distribution have also recently submitted to the OLCC an application of a processor license that will facilitate creating its own derivative products in house. This is the third step in the Company's vertical integration model.

In 2018, Grown Rogue signed a letter of intent with Jeff Shepherd, international award-winning chocolatier, to bring its first edible to the market. The terms of the joint venture include a 60% ownership of the joint venture entity by the Company which will contract with Rogue Distribution to provide distribution services for all of the products. The joint venture was formed through Idalia LLC, an Oregon limited liability company. In late 2018, GRUS launched the first chocolate bar under the GRAM brand with the highest quality and lowest cost chocolate currently in the Oregon market. These chocolates became available in a select number of Oregon dispensaries. GRUS plans to distribute chocolates throughout California in the first quarter of 2019.

GRUS is also working to develop a luxury edible product line that will fall under the Grown Rogue brand that will include additional products than just chocolate bars. These products are currently under R&D and market research with expected launch at end of 2018 or early 2019.

GRUS has signed a Letter of Intent with a group of companies in Oregon that include an OLCC licensed retailer, distribution company, and seed farm as well as an existing hydroponic supply store. In addition, GRUS is in discussion with several other licensed cannabis companies in Oregon across the supply chain. Grown Rogue intends to leverage its brand presence and relationships to rapidly increase its presence in the Oregon market.

Our future success depends largely on our ability to operate and expand within the cannabis industry. Numerous factors beyond our control, which could affect our success and operating results could include:

- Changes in regulations or laws regarding cannabis
- Changes in enforcement priorities regarding the Federal CSA
- Difficulties in obtaining cannabis licenses from the OLCC and other regulators
- Fluctuations in foreign currency exchange rates
- Fluctuations in the price of cannabis and cannabis derivatives
- Legal liability associated with cannabis related products or services
- Reliance on third parties to provide necessary products (including raw materials) and services
- Failure to manage expansion and changes to our business
- Adverse macroeconomic conditions could cause decreases or delays in spending by our advertisers
- Competition for, among other things, financings, acquisitions, technology licenses, and skilled personnel (See, *Item 3.D Key Information - Risk Factors*).

We caution that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on our forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. We also caution 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.

Following the Transaction, we now rely on raw materials, including cannabis, other materials involved in cultivating cannabis, and materials used in producing cannabis derivative products, e.g., cooking ingredients. We obtain our raw materials from various parties and the prices of such raw materials can be volatile.

The cannabis and technology industries are highly competitive in every phase. Many of our competitors have greater financial and technical resources, and have established multi-state and multi-national operations, and have secured licenses, which we may not have or be able to obtain. As a result, we may be prevented from participating in certain cannabis activities (See, *Item 3.D Key Information - Risk Factors*).

Governmental Regulation

Federal, state, and international laws and regulations govern the collection, use, retention, disclosure, sharing and security of data that we receive from and about our users. The use of consumer data by online service providers and advertising networks is a topic of active interest among federal, state, and international regulatory bodies, and the regulatory environment is unsettled. Many states have passed laws requiring notification to users where there is a security breach for personal data, such as California's Information Practices Act. We face similar risks in international markets where our products and services are offered. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly-evolving industry in which we operate. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies, and foreign governments concerning data protection which could affect us. For example, a revision to the 1995 European Union Data Protection Directive is currently being considered by legislative bodies that may include more stringent operational requirements for data processors and significant penalties for non-compliance. Any failure, or perceived failure, by us to comply with or make effective modifications to our policies, or to comply with any federal, state, or international privacy, data-retention or data-protection-related laws, regulations, orders or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others, a loss of user confidence, and a loss of users, advertising partners, any of which could potentially have an adverse effect on our business (See, *Item 3.D Key Information - Risk Factors*).

The Company plans to expand its business into California, currently the largest cannabis market in the United States with an anticipated market of over US\$7.7 billion by 2021 [Source: Report from Arcview Market Research and BDS Analytics, April 2018]. GRUS has signed a letter of intent for a joint venture facility in northern California to position the Company in the largest production area in the United States. The terms of the joint venture include a 60% ownership of the joint venture entity by Grown Rogue, free rent of an existing 14,000 square foot former chip manufacturing and packaging plant for 24 months, with conditional approval by the local municipality for a micro-tier business that includes distribution, production, and manufacturing. The Company intends to use this facility as its sourcing center for production materials that it will then sell to other distribution companies and for direct sale to retail dispensaries through an in-house sales team. The joint venture will be formed through GRD Cali, LLC, a California company. The Company's focus in California is to start with distribution, move into extraction (manufacturing), and ultimately retail. The Company believes California will ultimately see similar price compression as other recreational states and therefore does not anticipate constructing or operating cultivation facilities in California for several years. The Company does not currently hold any licenses to operate its business in California, and intends to obtain such required licenses prior to entering the California market.

In June 2017 the California State Legislature passed Senate Bill No. 94 known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) which combined the previous medical and adult use regulation in the state. There are four agencies that regulate marijuana in the state the Bureau of Cannabis Control (BCC), California Department of Food and Agriculture, California Department of Public Health, and California Department of Tax and Fee Administration. California state and local licenses are renewed annually and require submittal of a renewal application to the BCC. There is no ultimate expiry of licenses in California and if the requisite fees are paid, the renewal is submitted in a timely manner, and there are no material violations on record against the license holder renewal would be approved in the ordinary course of business.

The Company's business and products is and will continue to be regulated by the OLCC and other regulatory bodies as applicable laws continue to change and develop, and as the Company's operations expand into new areas. 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 US 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.

(See, *Item 3.D Key Information - Risk Factors*).

C. Organizational Structure

Prior to the Transaction, the Company had three wholly-owned subsidiaries: DoubleTap Daily Inc., a company incorporated in the Province of Ontario on February 29, 2016 ("DoubleTap"), Ice Studio Productions Inc., a company incorporated in the Province of Ontario on June 16, 2016 ("ICE Studio"), and Novicius Acquisition Corp., a company incorporated in the Province of Ontario on March 26, 2018. The Company owned ICE Studio indirectly, through its ownership of DoubleTap; Ice Studio is a wholly-owned subsidiary of DoubleTap.

As of November 15, 2018, and as a result of the Transaction, we have nine wholly-owned subsidiaries: Ice Studio, DoubleTap, Grown Rogue Canada, GRUS, GR Gardens, GR Distribution, GRUP, GRIP, and GR Meds. The Company owns ICE Studio indirectly through its ownership in DoubleTap; Ice Studio is a wholly-owned subsidiary of DoubleTap. The Company owns GR Gardens, GR Distribution, GRUP, GRIP, and GR Meds indirectly through its ownership of GRUS; each of GR Gardens, GR Distribution, GRUP, GRIP, and GR Meds 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") and GRD Cali, LLC, a California limited liability company ("GRDC"); GRUS owns a 60% interest in each of Idalia and GRDC.

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)	DoubleTap Daily Inc. (incorporated February 29, 2016)	ICE Studio Productions Inc. (incorporated June 16, 2016) (owned 100% by DoubleTap Daily Inc.)	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 Meds, 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; and (ii) a 60% interest in GRD Cali, LLC, a California limited liability company that was organized August 15, 2018.

The corporate structure of the Company after closing the Transaction is as follows:

Grown Rogue International Inc. (ON Corp)								
Grown Rogue Canada Inc. (ON Corp)	Double Tap Daily Inc. (ON Corp)	Grown Rogue Unlimited LLC (Oregon)						
	Ice Studio Productions Inc. (ON Corp)	Grown Rouge Gardens LLC (Oregon)	Grown Rogue Distribution LLC (Oregon)	GRU Properties LLC (Oregon)	GRIP LLC (Oregon)	Grown Rogue Meds LLC (Oregon)	Idalia LLC (Oregon)	GRD Cali LLC (California)

D. Property, Plants and Equipment.

We do not own any real property at this time. Our U.S. executive offices consist of approximately 3,000 square feet of office space and are rented at US \$2,894 per month through a one-year lease that can be extended for two three-year options. The address of our U.S. executive offices is 145 Bartlett, Medford, Oregon. Our Ontario executive offices are located at 340 Richmond Street West, Toronto, Ontario, M5V 1X2, Canada. The Company pays nominal rent for its Toronto offices.

Through GR Gardens, the Company operates three cultivation facilities that currently service the Oregon recreational marijuana market: Manzanita Glen, Trail's End, and the Warehouse.

The Company leases five acres of real property commonly known as 1970 Lonnon Road, Grants Pass, Oregon 97527, through that certain Commercial Lease Agreement, dated January 1, 2017, between Pamela Carmichael Waxlax 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 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 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.

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 August 31, 2018 and 2017 and notes thereto included under Item 18.

Certain statements made in this Item are forward-looking statements under the Reform Act. 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.

A. Operating Results

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 stock trade 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 August 31, 2018: Ice Studio and DoubleTap and Novicius Acquisition Corp.

Effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta Ltd., a company operating in the province of Alberta ("1354166 Alberta"). The Company's former subsidiaries, Eagleford Energy, Zavala Inc., a Nevada company ("Zavala Inc."), and its wholly owned subsidiary EEZ Operating Inc., a Texas company ("EEZ Operating"), were disposed of effective August 31, 2015 (see *Item 18 Financial Statements*, Note 15 to the consolidated financial statements of Novicius Corp. as for the year ended August 31, 2018).

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 August 31, 2018 and 2017, the Company considered its capital structure to be comprised of shareholders' deficiency.

Going Concern

The consolidated financial statements 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.

Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, or other means of funding its operations, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

The Company has accumulated significant losses and negative cash flows from operations in recent years which raise doubt as to the validity of the going concern assumption. As at August 31, 2018, the Company has working capital deficiency of \$799,588 (2017: working capital deficiency \$487,776) and an accumulated deficit of \$32,201,307, (2017: \$31,684,984). These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. The Consolidated Financial Statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying Consolidated Financial Statements.

BASIS OF PREPARATION**Statement of Compliance**

These 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 policies applied in these Consolidated Financial Statements are based on IFRS issued and outstanding as of January 1, 2018. The Board of Directors approved the Consolidated Financial Statements on December 31, 2018.

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 3 of the Consolidated Financial Statement attached hereto.

Functional and Presentation Currency

The functional and presentation currency of the parent Grown Rogue and its wholly owned subsidiaries Ice Studio and DoubleTap is Canadian dollars.

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 reportable and geographical segments are Canada and, previously, the United States. The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Effective August 31, 2015, the Company discontinued its reportable segment in the United States.

The following tables show information regarding the Company's reportable segments:

	Canada	United States	Total
	\$	\$	\$
For the year ended August 31, 2018			
Revenue, continuing operations	—	—	—
Net loss, continuing operations	(516,323)	—	(516,323)
Net loss	(516,323)	—	(516,323)

	Canada	United States	Total
	\$	\$	\$
For the year ended August 31, 2017			
Revenue, continuing operations	20,788	—	20,788
Net loss, continuing operations	(2,097,738)	—	(2,097,738)
Net loss	(2,097,738)	—	(2,097,738)

	Canada	United States	Total
	\$	\$	\$
For the year ended August 31, 2016			
Net loss, continuing operations	(13,534,298)	—	(13,534,298)
Net income (loss), discontinued operations	8,731	(6,020)	2,711
Net loss	(13,525,567)	(6,020)	(13,531,587)

	Canada	United States	Total
	\$	\$	\$
As at August 31, 2018			
Total Assets	33,043	—	33,043
Total Liabilities	(832,631)	—	(832,631)

	Canada	United States	Total
	\$	\$	\$
As at August 31, 2017			
Total Assets	42,047	—	42,047
Total Liabilities	(529,823)	—	(529,823)

Other Information

Additional information relating to us may be obtained or viewed from the System for Electronic Data Analysis and Retrieval at www.sedar.com and our future United States Securities and Exchange Commission filings can be viewed through the Electronic Data Gathering Analysis and Retrieval System (EDGAR) at www.sec.gov.

OVERALL PERFORMANCE

For the year ended August 31, 2018, net loss from continuing operations was \$516,323 compared to a net loss from continuing operations of \$2,097,738 for year ended August 31, 2017. The decrease in net loss during 2018, was primarily related to the Company decrease in expenses of \$1,602,203 from \$2,118,526 in 2017 to \$516,323 in 2018. The main components of the net loss are as follows:

- During fiscal 2018, the Company experienced a decrease in employee stock-based compensation of \$1,410,094 to \$204,511 versus stock-based compensation expense of \$1,614,605 during fiscal 2017. During 2017, the Company granted 150,000 stock options to officers and a director. As only 70,000 of the options continued to vest during fiscal 2018, stock-based compensation expense was reduced significantly in fiscal 2018 when compared to fiscal 2017.
- In addition, share purchase options that were granted on September 9, 2016 to a consultant (non-employee) of the Company, were recorded as non-cash stock-based compensation expense of \$235,393 on August 31, 2017. There were no other transactions of this nature in 2018 as the options fully-vested in fiscal 2017.
- During fiscal 2017, prior obligations of the Company's former defunct subsidiary Dyami Energy, LLC ("Dyami Energy") expired and the Company recorded a gain on de-recognition of financial liabilities in the amount of \$893,990.
- The Company recorded \$Nil for research, content development and technology support costs in 2018 compared to \$313,106 for 2017. The Company had no such activities during fiscal 2018.
- General and administrative expenses decreased by \$203,361 from \$508,241 in 2017 to \$304,880 in 2018 due to decreases primarily in legal and accounting fees, shareholder information, rent and transfer fees.
- The Company incurred anti-dilution fees of \$186,832 in 2017 (\$Nil for 2018), with respect to the issuance of shares and warrants pursuant to anti-dilution provisions of private placements completed during the 2016 and 2017 fiscal years.
- During fiscal 2017, the Company recorded an impairment loss of \$81,483 on a secured note receivable compared to \$Nil in the current fiscal period of 2018. There were no such transactions during fiscal 2018.
- Hosting, advertising and technology services decreased by \$68,559 from \$71,423 in 2017 to \$2,864 for the same period in 2018 as a result of a general scale-back of the Company's operations.

During 2018, the Company received a non-interest bearing, due on demand shareholder loans of \$79,910.

The Company anticipates further expenditures to be made on future opportunities evaluated by the Company. Any expenditure which 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.

The loss on settlement of debt during fiscal 2016 was primarily attributed to the issuance of 1,032,998 units in the capital of the Company at fair value pursuant to the anti-dilution provisions of the August 30, 2014, debt conversion agreements and the issuance of 954,131 shares of our common stock at fair value as settlement of loans and interest due in the amount of \$1,262,453. In addition during fiscal 2017, the Company experienced an increase in stock based compensation of \$1,234,074 to \$1,849,998 versus stock based compensation expense of \$615,924 during fiscal 2016. The increase in stock based compensation expenses is largely related to increase in allotments, changes in share prices and assumptions used in the fair value calculation of stock options. During fiscal 2017, prior obligations of the Company's former defunct subsidiary Dyami Energy, LLC ("Dyami Energy") expired and the Company recorded a gain on de-recognition of financial liabilities in the amount of \$893,990. Also in the current period the Company recorded a loss on marketable securities of \$Nil versus \$120,125 for the same twelve month period in fiscal 2016. During fiscal 2017, the Company recorded an impairment loss of \$81,483 on a secured note receivable compared to \$Nil in the prior fiscal period in 2016.

On November 30, 2016, the Company completed a private placement for gross proceeds of \$50,000 and issued 7,692 units in the capital of the Company at a purchase price of \$6.50 per unit. Each unit was comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of \$10.00 until November 30, 2019.

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC (“Catch Star”). On October 12, 2016, the Company advanced US\$65,000 (\$81,483 at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the “Secured Note”). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. On February 1, 2017, the Company issued a letter of demand for the repayment in full of the Secured Note from Catch Star. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount.

Effective August 31, 2017, the Company settled shareholder advances of \$213,781 and issued 1,187,672 shares of our common stock at a purchase price of \$0.18 per share.

As a result of the November 30, 2016, private placement of \$50,000 and the August 31, 2017, settlement of shareholder advances of \$213,781, effective August 31, 2017, the Company issued 1,420,809 shares of our common stock and 16,364 Units in the capital of the Company pursuant to the anti-dilution provisions of the August 31, 2016, private placement agreements.

On August 31, 2017, 538,417 common share purchase warrants expired. The amount allocated to warrants based on the Binomial Lattice model was \$2,195,738 with a corresponding increase to contributed surplus.

The Company anticipates further expenditures to be made on future opportunities evaluated by the Company. Any expenditure which 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.

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 3D: “Key Information, Risk Factors”).

SELECTED ANNUAL INFORMATION-CONTINUING OPERATIONS

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

	For the Years Ended		
	August 31		
	2018	2017	2016
		\$	\$
Revenue	—	20,788	—
Net loss from continuing operations	(516,323)	(2,097,738)	(13,534,298)
Loss per share from continuing operations, basic	\$ (0.098)	(0.788)	(6.516)
Loss per share from continuing operations, diluted	\$ (0.098)	(0.788)	(6.516)
Assets	33,043	42,047	482,582

August 31, 2018 – 2017

For the year ended August 31, 2018, the net loss from continuing operations was \$516,323, compared to a net loss from continuing operations of \$2,097,738 for year ended August 31, 2017. The decrease in the net loss during 2018 was primarily related to a decrease in employee stock-based compensation of \$1,410,094. During 2017, the Company granted 150,000 stock options to officers and a director. As only 70,000 of the options continued to vest during fiscal 2018, stock-based compensation expense was reduced significantly in fiscal 2018 when compared to fiscal 2017. There was a decrease in non-cash stock based compensation expense related to non-employee share purchase options granted to a consultant from 2017 to 2018 of \$235,393. No such options were granted during fiscal 2018. A gain of \$893,990 was recorded in fiscal 2017 on the de-recognition of financial liabilities, however there were no such charges during fiscal 2018. This was related to the expiration of prior obligations of the Company's former defunct subsidiary Dyami Energy, LLC. There was a decrease in research, content development and technology support costs of \$313,106 as these were costs only incurred in fiscal 2017. General and administrative expenses also decreased by \$203,361 from \$508,241 in 2017 to \$304,880 in 2018 because of reduced legal costs related to the settlement of debt, along with reduced expenses for shareholder information and transfer fees. The Company incurred anti-dilution fees of \$186,832 in 2017 (\$Nil for 2018), with respect to the issuance of shares and warrants pursuant to anti-dilution provisions of private placements completed during the 2016 and 2017 fiscal years. In 2017, the Company incurred an impairment loss of \$81,483 on a secured note receivable compared to impairment losses of \$Nil in the current fiscal period of 2018. The Company incurred less expense for hosting, advertising and technology services in 2018 creating a decrease in expenses of \$68,559 from \$71,423 in 2017, to \$2,864 for 2018.

August 31, 2017 – 2016

For the year ended August 31, 2017, net loss from continuing operations was \$2,097,738 compared to a net loss from continuing operations of \$13,534,298 for year ended August 31, 2016. The decrease in net loss during 2017, was primarily related to a loss on settlement of debt of \$Nil compared to \$12,489,249 in fiscal 2016. The loss on settlement of debt during fiscal 2016 was primarily attributed to the issuance of 1,032,998 units in the capital of the Company at fair value pursuant to the anti-dilution provisions of the August 30, 2014, debt conversion agreements and the issuance of 954,311 shares of our common stock at fair value as settlement of loans and interest due in the amount of \$1,262,453. In addition, during fiscal 2017, the Company experienced an increase in stock-based compensation of \$1,234,074 to \$1,849,998 versus stock-based compensation expense of \$615,924 during fiscal 2016. The increase in stock-based compensation expenses is largely related to increase in allotments, changes in share prices and assumptions used in the fair value calculation of stock options. During fiscal 2017, prior obligations of the Company's former defunct subsidiary Dyami Energy, LLC ("Dyami Energy") expired and the Company recorded a gain on de-recognition of financial liabilities in the amount of \$893,990. Also, in the current period the Company recorded a loss on marketable securities of \$Nil versus \$120,125 for the same twelve-month period in fiscal 2016. During fiscal 2017, the Company recorded an impairment loss of \$81,483 on a secured note receivable compared to \$Nil in the prior fiscal period in 2016.

RESULTS OF OPERATIONS-CONTINUING OPERATIONS**Revenue*****Advertising Revenue***

For the year ended August 31, 2018, no advertising revenue was earned, compared to \$20,788 for the same twelve-month period ended August 31, 2017. The decrease in advertising revenue for the current period is a result of the development of the Company's online management and advertising platform (<http://doubletap.co>) during fiscal 2017 that was not carried over to fiscal 2018.

Natural Gas Sales

Natural gas sales were \$Nil for the years ended August 31, 2018 and 2017. Effective February 29, 2016, the Company disposed of its interest in 1354166 Alberta and as a result, its operations were deconsolidated from the Company's Consolidated Financial Statements and presented as discontinued operations on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows.

Research, Content Development and Technology Support

For the year ended August 31, 2018, the Company did not incur research, content development and technology support compared to \$313,606 incurred in 2017 and \$160,519 in 2016. The decrease in research, content development and technology support costs were related to the development of the Company's online management and advertising platform (<http://doubletap.co>) during fiscal 2016 and 2017.

Hosting, Advertising and Technology Services

For the year ended August 31, 2018, the Company incurred hosting and technology costs of \$2,864 compared to \$71,423 for the year ended August 31, 2017 (2016: \$45,272). The decrease in hosting and technology costs experienced in current fiscal year 2018, was a result of the development of the Company's online management and advertising platform (<http://doubletap.co>) during fiscal 2017.

	For the Years Ended August 31,		
	2018	2017	2016
General and Administrative			
Professional fees	\$ 102,480	\$ 179,907	\$ 148,662
Head office costs	24,000	42,000	42,000
Management fees	60,000	60,000	60,000
Transfer and registrar costs	13,270	20,985	12,842
Shareholders information	24,958	72,473	63,375
Office and general costs	1,972	11,809	5,826
Directors fees	200	8,700	1,800
Consulting fees and expenses	60,000	90,000	60,000
Travel	—	2,920	15,215
Rent	18,000	19,447	3,776
Insurance	—	—	4,710
Total	\$ 304,880	\$ 508,241	\$ 418,206

For the year ended August 31, 2018, the Company's general and administrative costs of \$304,880 were again significantly lower by \$203,361 compared to \$508,241 for the year ended August 31, 2017. The decrease in expenses during fiscal 2018 was primarily attributed to a decrease in professional fees of \$77,427 to \$102,480 compared to \$179,907 in fiscal 2017; a decrease in consulting fees of \$30,000; and a decrease of \$18,000 in head office costs for fiscal 2018. The decrease in professional fees can be attributed to the prior year correction errors related to the DWF Settlement Agreement in fiscal August 31, 2017 that resulted in expenses that were higher than normal. During the year, the Company also experienced a decrease of \$47,515 in shareholders information expenses; and a decrease of \$7,715 in transfer and registrar costs related to the prior 2017 fiscal year, that were higher than usual because of the name change of the Company from Intelligent Content Enterprises Inc., to Novicius Corp., as well as the consolidation of shares of common stock that became effective on May 26, 2017. There were no expenses for travel and insurance in 2018.

For the year ended August 31, 2017, the Company's general and administrative costs increased by \$90,035 to \$508,241 versus \$418,206 for the year ended August 31, 2016. The increase expenses during fiscal 2017 was primarily attributed to an increase in professional fees of \$31,245 to \$179,907 compared to \$148,662 in fiscal 2016, an increase in consulting fees of \$30,000, and an increase of \$15,671 in rent versus \$3,776 recorded in the comparable period in 2016. The increase in professional fees was mainly attributed to the correction of prior period errors related to the DWF Settlement Agreement. The increase in rent during 2017 was a result of the office space rented in relation to DWF operations. During fiscal 2017, the Company also experienced an increase of \$9,098 in shareholders information and an increase of \$8,143 in transfer and registrar costs related to the name change of the Company from Intelligent Content Enterprises Inc., to Novicius Corp., and the consolidation of shares of common stock effective May 26, 2017. In addition, the Company has recorded increased fees related to its listing on the Canadian Securities Exchange.

Loss on Foreign Exchange

For the year ended August 31, 2018, the Company recorded a loss on foreign exchange of \$4,068 compared to a loss of \$1,433 for the same twelve-month period ended August 31, 2017.

For the year ended August 31, 2017, the Company recorded a loss on foreign exchange of \$1,433 versus a loss on foreign exchange of \$21,890 for year ended August 31, 2016.

These foreign exchange losses are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company. The decrease in the loss on foreign exchange during fiscal 2018 and 2017 compared to fiscal 2016, is largely attributed to the disposition of Zavala Inc., whose functional currency was US dollars and the general fluctuations with the United States and Canadian dollar exchange rates.

Stock Based Compensation

Employees

For the year ended August 31, 2018, the Company recorded stock-based compensation of \$204,511 compared to \$1,614,605 for the same period in 2017. During 2017, the Company granted 150,000 stock options to officers and a director. As only 70,000 of the options continued to vest during fiscal 2018, stock-based compensation expense was reduced significantly in fiscal 2018 when compared to fiscal 2017. On May 31, 2018, all of the 155,000 outstanding common share purchase options were released and cancelled.

During fiscal 2018, the Company recorded the vesting of Ritwik Uban's 70,000 common stock options to September 9, 2018 of \$204,511 as stock-based employee compensation.

During fiscal 2017, the Company granted the following common share purchase options:

- On September 9, 2016, the Company granted 30,000 immediately vesting common share purchase options to a director and 30,000 common share purchase options vesting February 6, 2017 to the President. These options are exercisable at \$13.00 per share and expire on September 8, 2021. The Company recorded non-cash stock-based compensation expense of \$706,178 during fiscal 2017.
- On September 9, 2016, the Company granted to the President 70,000 common share purchase options exercisable at \$15.00 per share and expiring on September 8, 2021. Of these options 35,000 vest on September 8, 2017 and 35,000 vest on September 8, 2018. The Company recorded non-cash stock-based compensation expense of \$613,532 during fiscal 2017 and \$204,511 during fiscal 2018.
- On November 1, 2016, the Company granted 50,000 common share purchase options vesting March 30, 2017 to the former Chief Financial Officer. These options were exercisable at \$6.40 per share and expired on April 25, 2017. The Company recorded non-cash stock-based compensation expense of \$294,895.

During fiscal 2016, the Company granted the following common share purchase options:

- On April 1, 2016, the Company granted options to purchase 30,000 shares of common stock to a director. The Company recorded non-cash stock-based compensation expense of \$615,924. These options expired on December 8, 2016.

Non Employees

For the year ended August 31, 2018, the Company did not record any expenses for non-employee stock-based compensation.

For the year ended August 31, 2017, the Company recorded stock-based compensation for non-employees of \$235,393 compared to \$Nil for the same twelve-month period in 2016. On September 9, 2016, the Company granted 20,000 immediately vesting common share purchase options to a consultant of the Company. These options were exercisable at \$13.00 per share and expire on September 8, 2021.

For the year ended August 31, 2016, the Company recorded stock-based compensation for non-employees of \$Nil compared to \$28,173 for the year ended August 31, 2015. On November 12, 2014, the Company granted options to purchase 2,500 shares of common stock to a consultant of the Company. These options are exercisable at \$12.00 per share, vest immediately and expire on November 11, 2019.

Anti-Dilution Fees

For the year ended August 31, 2018, the Company did not record any expenses for anti-dilution fees compared to the same period in the prior year.

For the year ended August 31, 2017, the Company recorded anti-dilution fees of \$186,832 compared to \$Nil for the year ended August 31, 2016 and 2015.

On August 31, 2016, the Company completed private placements for gross proceeds of \$260,000 and issued 23,636 units in the capital of the Company at a purchase price of \$11.00 per unit. The subscription agreements contain an anti-dilution provision such that if within 18 months of August 31, 2016, the Company issues additional shares of common stock for a consideration per share or with an exercise or conversion price per share, less than \$11.00 (the "Adjusted Price") the holder shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price.

As a result of the November 30, 2016, private placement of \$50,000, the Company issued 16,364 Units in the capital of the Company pursuant to the anti-dilution provisions of the August 31, 2016, private placement agreements. The fair value of the units \$2,127 was allocated to shares of our common stock and anti-dilution fees in the consolidated statement of operations. No value was allocated to warrants based on the Binomial Lattice model.

As a result of the August 31, 2017, private placement of \$213,781, the Company issued 1,420,809 shares of common stock in the capital of the Company pursuant to the anti-dilution provisions of the August 31, 2016, private placement agreements. The fair value of \$184,705 was calculated on the previous day's closing price of shares of the Company's common stock and allocated to shares of our common stock and anti-dilution fees in the consolidated statement of operations.

Gain on De-recognition of Financial Liabilities

There were no gains on de-recognition of financial liabilities during fiscal 2018.

During fiscal 2017, prior obligations of the Company's former defunct subsidiary Dyami Energy expired, and the Company recorded a gain on de-recognition of Dyami Energy's financial liabilities in the amount of \$893,990 (2016: \$Nil).

Impairment loss on Secured Note Receivable

There were no impaired losses on Secured Notes Receivable during the 2018 fiscal year.

During fiscal 2017, the Company recorded an impairment loss of \$81,483 on a secured note receivable compared to \$Nil in the prior fiscal period in 2016 and 2015.

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC ("Catch Star"). On October 12, 2016, the Company advanced US\$65,000 (\$81,483 at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the "Secured Note"). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount.

Gain on Disposal of Subsidiary

For the year ended August 31, 2018, the Company did not record any gains on disposal of a subsidiary.

For the year ended August 31, 2017, the Company recorded a gain on disposal of subsidiary in the amount of \$Nil compared to a gain of \$68,489 for the year ended August 31, 2016.

Effective February 29, 2016, the Company entered into a Share Purchase and Debt Settlement Agreement with 1288131 Alberta Ltd. and disposed of its interest in 1354166 Alberta for the settlement of debt owed to 1288131 Alberta Ltd., in the amount of \$62,867. The net assets and liabilities of 1354166 Alberta upon disposal were \$(5,622) resulting in a gain of \$68,489.

Gain on Expiry of Derivative Liabilities

For the year ended August 31, 2018, there were no gains on Expiry of Derivative Liabilities.

For the year ended August 31, 2017, the Company recorded a gain on expiry of derivative liabilities in the amount of \$Nil versus a gain on expiry of derivative liabilities in the amount of \$281,210 for the year ended August 31, 2016. During fiscal 2016, 1,305 warrants expired and the fair value of \$281,210 was recorded as a gain on expiry of derivative liabilities in the consolidated statement of operations.

Interest

For the year ended August 31, 2018, the Company did not record any interest costs.

For the year ended August 31, 2017, the Company recorded interest costs of \$Nil compared to interest costs of \$12,812 for the year ended August 31, 2016.

Loss on Settlement of Debt

For the year ended August 31, 2018, the Company did not record any losses on Settlements of Debt.

For the year ended August 31, 2017, the Company recorded a loss on settlement of debt in the amount of \$Nil compared to a loss on settlement of debt in the amount of \$12,489,249 for the year ended August 31, 2016.

For the year ended August 31, 2016, the Company recorded a loss on settlement of debt in the amount of \$12,489,249 compared to loss on settlement of debt of \$Nil for the same twelve-month period in 2015. The primary factors contributing to the resulting net loss on settlement of debt during the year ended August 31, 2016 was related to the issuance of 1,032,998 units in the capital of the Company pursuant to the anti-dilution provision of the August 30, 2014, debt conversion agreements. The fair value of the units \$6,896,800 was recognized as a loss on settlement of debt in the consolidated statement of operations. In Addition, effective November 18, 2015, the Company entered into shares for debt conversion agreements and converted loans and interest due in the aggregate amount of \$1,262,453 through the issuance of 954,311 shares of our common stock. The fair value of the common shares \$6,371,457 was allocated to shares of our common stock and \$5,109,004 was recorded as a loss on settlement of debt in the consolidated statement of operations.

Impairment Loss on Marketable Securities

For the year ended August 31, 2018, the Company did not record any impairment losses on marketable securities.

For the year ended August 31, 2017, the Company recorded an impairment loss on marketable securities of \$Nil compared to \$120,125 for the year ended August 31, 2016.

For the year ended August 31, 2016, the Company recorded an impairment loss on marketable securities of \$120,125 (August 31, 2015: \$Nil). As at August 31, 2017 and 2016, the Company held 1,200,000 common shares in a quoted company security that had been acquired as settlement of litigation. As at August 31, 2015, the Company recorded a change in the fair value of the securities in other comprehensive loss in the amount of \$110,525. For the year ended August 31, 2016, the Company re-classified the loss of \$110,525 to the consolidated statement of operations and recorded a further impairment of \$9,600.

At each financial reporting period, the Company estimates the fair value of investments which are held-for-trading, based on quoted closing bid prices at the consolidated statements of financial position date or the closing bid price on the last day the security traded if there were no trades at the consolidated statements of financial position date and such valuations are reflected in the consolidated financial statements.

Gain (Loss) on Derivative Liabilities

For the year ended August 31, 2018 the Company had no derivative liabilities.

For the year ended August 31, 2017 the Company had no derivative liabilities. As at August 31, 2017, the Company recorded a gain on expiry of derivative warrant liabilities of \$Nil compared to \$281,210 for the year ended August 31, 2016.

As at August 31, 2016, the Company had 175,000 derivative warrant liabilities outstanding with a fair value of \$Nil. On June 22, 2016, the Company entered into a consulting agreement and issued 175,000 common share purchase warrants exercisable at \$15.00 with a cashless exercise option. At August 31, 2016, the Company determined that it would not continue with the agreement and it was suspended and on January 15, 2017, the agreement was mutually terminated no warrants were exercised.

Net Income (Loss) from Discontinued Operations Net of Tax

Net income from discontinued operations net of tax for the year ended August 31, 2018, was \$NIL.

Net income from discontinued operations net of tax for the year ended August 31, 2017, was \$Nil compared to a net income from discontinued operations net of tax of \$2,711, for the year ended August 31, 2016.

Net income from discontinued operations net of tax for the year ended August 31, 2016, was \$2,711 compared to a net loss from discontinued operations net of tax of \$4,762,461 for the year ended August 31, 2015. The income (loss) from discontinued operations is a result of the discontinued operations of 1354166 Ontario and Zavala Inc. as follows:

1354166 Ontario

The Company entered into a Share Purchase and Debt Settlement Agreement with 1288131 Alberta Ltd. effective February 29, 2016 and disposed of its interest in 1354166 Alberta. As a result, the Company's investment in 1354166 Alberta had been derecognized from the Company's Consolidated Financial Statements and presented as discontinued operations on the Consolidated Statements of Operations. The following table presents the statements of operations of 1354166 Alberta for the period set out:

	August 31, 2016
Revenue	
Natural gas sales	\$ 13,998
Expenses	
Operating costs	5,170
General and administrative	97
	<u>(5,267)</u>
Net income from discontinued operations	\$ 8,731
Earnings per share from discontinued operations, basic and diluted	\$ 0.000

Zavala Inc.

At August 31, 2015, the Company entered into a Settlement and Exercise of Security Agreement whereby effective August 31, 2015, the Company assigned and conveyed all its rights, title and interest in and to Zavala Inc. Accordingly, the Company's investment in Zavala Inc. had been derecognized from the Company's Consolidated Financial Statements as at August 31, 2015 and presented as discontinued operations.

The following table presents the consolidated statements of operations and comprehensive income (loss) of Zavala Inc., for the years set out:

	August 31, 2016
Expenses	
Accretion	\$ —
General and administrative	6,020
Bad debt expense	—
Impairment loss on marketable securities	—
Impairment loss on exploration and evaluation assets	—
Loss from discontinued operations	<u>(6,020)</u>
Foreign currency translation	—
Total loss from discontinued operations	\$ (6,020)
Loss per share from discontinued operations, basic and diluted	\$ (0.000)

Net Loss

Net loss for the year ended August 31, 2018 was \$516,323 compared to a net loss of \$2,097,738 for the year ended August 31, 2017. The decrease in net loss of \$1,581,415 was primarily related to a decrease in stock-based compensation for employees of \$1,410,094, stock-based compensation-non employees of \$235,393, a decrease in research, content development and technology support of \$313,106, a decrease in general and administrative expenses of \$203,361, a decrease in anti-dilution fees of \$186,832, a decrease in impairment loss on secured note receivable of \$81,483, hosting, advertising and technology services of \$68,559; and an offset gain on de-recognition of financial liabilities of \$893,990, and an increase in loss on foreign exchange of \$2,635.

Net loss for the year ended August 31, 2017, was \$2,097,738 compared to a net loss of \$13,531,587 the year ended August 31, 2016. The decrease in net loss during 2017, was primarily related to an increase in loss on settlement of debt of \$Nil compared to \$12,489,249 in fiscal 2016. In addition, during fiscal 2017, the Company an increase in stock-based compensation of \$1,234,074 to \$1,849,998 versus stock-based compensation expense of \$615,924 during fiscal 2016 and the Company recorded a gain on de-recognition of financial liabilities in the amount of \$893,990. In the current period the Company recorded a loss on marketable securities of \$Nil versus \$120,125 for the same twelve-month period in fiscal 2016. During fiscal 2017, the Company recorded an impairment loss of \$81,483 on a secured note receivable compared to \$Nil in the prior fiscal period in 2016.

Other Comprehensive Income (Loss) to be Re-Classified

Impairment Loss on Marketable Securities

For the year ended August 31, 2016, the Company reclassified an unrealized loss on marketable securities of \$110,525 recorded in fiscal 2015 to an impairment loss on marketable securities on the consolidated statements of operations as a result of the Company's investment in Stratex Oil & Gas Holdings, Inc., common shares being fair valued at \$Nil.

Total Other Comprehensive Income (Loss)

Total other comprehensive income for the year ended August 31, 2018 and August 31, 2017 were \$Nil compared to a total comprehensive income of \$110,525 for the year ended August 31, 2016.

Net Loss and Comprehensive Loss

Net loss and comprehensive loss for the year ended August 31, 2018 was \$516,323 compared with \$2,097,738 for the year ended August 31, 2017. The decrease in net loss during 2018 was primarily related to a decrease in employee stock-based compensation of \$1,410,094, non-employee stock-based compensation of \$235,393. In the 2018 fiscal year, there were decreases in a number of fiscal 2017 non-recurring transactions such as research, content development and technology support of \$313,106, anti-dilution fees of \$186,832, impairment loss on secured note receivable of \$81,483, and an offsetting gain on de-recognition of financial liabilities of \$893,990. There were decreases from fiscal 2017 to 2018 related to general and administrative expenses of \$203,361 and hosting, advertising and technology services of \$68,559.

Net loss and comprehensive loss for the year ended August 31, 2017, was \$2,097,738 compared to \$13,421,062 for the year ended August 31, 2016. The decrease in net loss during 2017, was primarily related to an increase in loss on settlement of debt of \$Nil compared to \$12,489,249 in fiscal 2016. In addition, during fiscal 2017, the Company experienced an increase in stock-based compensation of \$1,234,074 to \$1,849,998 versus stock-based compensation expense of \$615,924 during fiscal 2016 and the Company recorded a gain on de-recognition of financial liabilities in the amount of \$893,990. Also, in the current period the Company recorded a loss on marketable securities of \$Nil versus \$120,125 for the same twelve-month period in fiscal 2016. During fiscal 2017, the Company recorded an impairment loss of \$81,483 on a secured note receivable compared to \$Nil in the prior fiscal period in 2016.

Earnings (Loss) per Share, Basic

Continuing Operations

Basic loss per share from continuing operations for the year ended August 31, 2018 was \$0.098 compared to basic loss per share of \$0.788 for the same twelve-month period in 2017.

Basic loss per share from continuing operations for the year ended August 31, 2017, was \$0.788 compared to basic loss per share of \$6.516 for the same twelve-month period in 2016.

Discontinued Operations

Basic loss per share from discontinued operations for the year ended August 31, 2018 and for the year ended August 31, 2017 were both \$Nil.

Basic loss per share from discontinued operations for the year ended August 31, 2017 was \$Nil compared to a basic income of \$0.001 for fiscal 2016.

Total Loss per Share, Basic

Total basic loss per share for the year ended August 31, 2018, was \$0.098 compared to total basic loss per share of \$0.788 for the same twelve-month period in 2017.

Total basic loss per share for the year ended August 31, 2017, was \$0.788 compared to total basic loss per share of \$6.515 for the same twelve-month period in 2016.

Earnings (Loss) per Share, Diluted

Continuing Operations

Diluted loss per share from continuing operations for the year ended August 31, 2018 was \$0.098 compared to diluted loss per share of \$0.788 for the same twelve-month period in 2017.

Diluted loss per share from continuing operations for the year ended August 31, 2017, was \$0.788 compared to diluted loss per share of \$6.516 for the same twelve-month period in 2016.

Discontinued Operations

Diluted loss per share from discontinued operations for the year ended August 31, 2018 and for the year ended August 31, 2017 were both \$Nil.

Diluted loss per share from discontinued operations for the year ended August 31, 2017 was \$Nil compared to diluted income per share of \$0.001 for the same twelve-month period in 2016.

Total Loss per Share, Diluted

Total diluted loss per share for the year ended August 31, 2018 was \$0.098 compared to total diluted loss per share of \$0.788 for the same twelve-month period in 2017.

Total diluted loss per share for the year ended August 31, 2017, was \$0.788 compared to total diluted loss per share of \$6.515 for the same twelve-month period in 2016.

SUMMARY OF QUARTERLY RESULTS-CONTINUING OPERATIONS

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

For the quarter ending	2018 August 31	2018 May 31	2018 February 28	2017 November 30
Net loss for the period	\$ (167,941)	\$ (127,398)	\$ (93,406)	\$ (127,578)
Loss per share, basic and diluted	\$ (0.032)	\$ (0.024)	\$ (0.018)	\$ (0.024)

Fiscal 2018

During the quarter ended August 31, 2018, the Company incurred stock-based compensation expenses of \$68,170 and general and administrative expenses of \$97,895.

For the quarter ending	2017 August 31	2017 May 31	2017 February 28	2016 November 30
Net loss for the period	\$ (1,199,755)	\$ (198,521)	\$ (81,215)	\$ (618,247)
Loss per share, basic and diluted	\$ (0.447)	\$ (0.08)	\$ (0.03)	\$ (0.23)

Fiscal 2017

During the quarter ended August 31, 2017, the Company recorded stock-based compensation expense of \$1,698,901 a gain on de-recognition of financial liabilities of \$893,990 and anti-dilution fees of \$178,650. During ended May 31, 2017, the Company incurred general and administrative expenditures of \$119,830. During the quarter ended February 28, 2017, the Company recorded research, content development and technology support costs of \$63,641. During the quarter ended November 30, 2016, the Company recorded anti-dilution fees of \$104,727.

FOURTH QUARTER RESULTS-CONTINUING OPERATIONS

For the quarter ending	August 31, 2018	August 31, 2017	August 31, 2016
Revenue	\$ —	\$ 16,280	\$ —
Net Income (loss) for the period	\$ (167,941)	\$ (1,199,755)	\$ 153,579
Income (loss) per share, basic and diluted	\$ (0.032)	\$ (0.19)	\$ (0.06)

Advertising Revenue

For the three months ended August 31, 2018, the Company recorded advertising revenue of \$Nil compared to \$16,280 for the same three-month period ended in fiscal 2017. The advertising revenue for fiscal 2017 is a result of the development of the Company's online management and advertising platform (<http://doubletap.co>) during that year which was not carried over to fiscal 2018.

Research, Content Development and Technology Support

For the three months ended August 31, 2018, there were no research, content development and technology support costs compared to \$20,378 for the same period three-month period ended August 31, the completion of the online management s and advertising platform during fiscal 2017.

Hosting, Advertising and Technology Services

For the three months ended August 31, 2018, the Company incurred \$Nil hosting and technology costs related to the maintenance of the Company's online management and advertising platform.

For the three months ended August 31, 2017, the Company incurred hosting and technology costs of \$20,144 related to the maintenance of the Company's online management and advertising platform.

General and Administrative	For the Three Months Ended August 31,		
	2018	2017	2016
Professional fees	\$ 50,920	\$ 51,848	\$ 71,488
Head office costs	6,000	10,500	10,500
Management fees	15,000	15,000	15,000
Transfer and registrar costs	2,701	3,833	8,296
Shareholders information	3,411	12,457	1,815
Office and general costs	363	1,252	4,626
Directors fees	—	900	600
Consulting fees and expenses	15,000	15,000	15,000
Travel	—	—	13,920
Rent	4,500	—	3,776
Insurance	—	—	4,710
Total	\$ 97,895	\$ 110,790	\$ 149,731

General and administrative expenses for the three months ended August 31, 2018, decreased to \$97,895 compared to \$110,790 for the same period ended August 31, 2017. For the three months ended August 31, 2018, head office costs decreased by \$4,500, from \$10,500 in the three-month period ended August 31, 2017 to \$6,000 for the quarter ended August 31, 2018. Shareholder information decreased by \$9,046 from \$12,457 for the three-month period ended August 31, 2017 to \$3,411 for the same three-month period ended August 31, 2018. Office and general costs were reduced by \$889 from \$1,252 in the three-month period ended August 31, 2017 to \$363 for the same period in 2018. Although there were no director fees in 2018, there were fees of \$900 for the three-month period ended August 31, 2017. There was rent expense of \$4,500 for the three-month period ended August 31, 2018, however, there were no rental costs for the same three-month period ended August 31, 2017.

General and administrative expenses for the three months ended August 31, 2017, decreased to \$110,790 compared to \$149,731 for the year ended August 31, 2016. For the three months ended August 31, 2017 shareholders information costs increased by \$10,642 to \$12,457 compared to \$1,815 for the three months ended August 31, 2016. The fiscal 2017 increase was primarily attributed to the costs associated with the consolidation of the Company's shares of common stock and the addition of fees related to the Company's listing on the Canadian Securities Exchange. For the three months ended August 31, 2017, professional fees decreased by \$19,640 to \$51,848 compared to \$71,488 for the same three-month ended in 2016. In addition, during fiscal 2017, travel costs decreased by \$13,920, insurance costs decreased by \$4,710 and rent decreased by \$3,776. The reduction in costs were a result of the settlement of the DWF Transaction.

Loss on Foreign Exchange

For the three months ended August 31, 2018, the Company recorded a loss of \$1,876 compared to a gain of \$321 for the three months ended August 31, 2017. There difference in gains and losses on foreign exchange are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company.

For the three months ended August 31, 2017, the Company recorded a gain on foreign exchange of \$321 versus a loss on foreign exchange of \$112 for the same three-month period in 2016. These foreign exchange gains and losses are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company.

Stock Based Compensation

Employees

For the three months ended August 31, 2018, the Company recorded stock-based compensation of \$68,170 compared to \$1,478,314 for the same three-month period in 2017. During the 2018 fiscal period, 35,000 common share purchase options vested from September 8, 2017 to May 1, 2018, when they were cancelled. As a result, the Company recorded an accelerated non-cash stock-based compensation of \$68,170 for partial vesting, reflecting a total amount for the 2018 year of \$204,511. Effective May 1, 2018, all of the stock options issued by the Company were released and subsequently cancelled and the balance was recorded as an increase to contributed surplus.

For the three months ended August 31, 2017, the Company recorded stock-based compensation of \$1,478,314 compared to \$Nil for the same three-month period in 2016. During the three-month period in fiscal 2017, the Company revised the fair value of stock options issued to directors and officers on September 9, 2016 and November 1, 2016.

Non Employees

For the three months ended August 31, 2018, the Company recorded stock-based compensation for non-employees of \$Nil compared with the three months ended August 31, 2018 of \$220,588.

For the three months ended August 31, 2017, the Company recorded stock-based compensation for non-employees of \$220,588 compared to \$Nil for the same three-month period in 2016. During the three-month period in fiscal 2017, the Company revised the fair value of stock options issued to a consultant on September 9, 2016.

Anti-Dilution Fees

For the three months ended August 31, 2018, the Company recorded anti-dilution fees of \$Nil compared to \$178,650 for the three months ended August 31, 2017.

On August 31, 2016, the Company completed private placements for gross proceeds of \$260,000 and issued 23,636 units in the capital of the Company at a purchase price of \$11.00 per unit. The subscription agreements contain an anti-dilution provision such that if within 18 months of August 31, 2016, the Company issues additional shares of our common stock for a consideration per share or with an exercise or conversion price per share, less than \$11.00 (the "Adjusted Price") the Holder shall be entitled to receive from the Company (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under this agreement will equal the number of Units that the Holder would otherwise be entitled to receive had this transaction occurred at the Adjusted Price.

Gain on de-recognition of financial liabilities

During the three months ended August 31, 2018, the Company recorded \$Nil for gain on de-recognition of financial liabilities compared with the August 31, 2017 amount of \$893,990 which was related to the expiry of prior obligations.

During the three months ended August 31, 2017, the Company recorded a gain on de-recognition of financial liabilities in the amount of \$893,990 relating to the expiry of prior obligations of Dyami Energy.

Impairment loss on Secured Note Receivable

During the three months ended August 31, 2018, the Company did not record any impairment losses.

During the three months ended August 31, 2017, the Company recorded an impairment loss of \$81,483 on a secured note receivable compared to \$Nil in the same three-month prior period in 2016 and 2015.

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC ("Catch Star"). On October 12, 2016, the Company advanced US\$65,000 (\$81,483 at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the "Secured Note"). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount.

Net Income (Loss) from Continuing Operations

Net loss from continuing operations for the three months ended August 31, 2018 was \$167,941 compared to the three months ended August 31, 2017 of \$1,199,755. During the three months ended August 31, 2018, the Company recorded stock-based compensation of \$68,170, general and administrative expenses of \$97,895, and foreign exchange losses of \$1,876.

Net loss from continuing operations for the three months ended August 31, 2017 was \$1,199,755 versus a net income from continuing operations of \$153,579 for the three months ended August 31, 2016. During the three months ended August 31, 2017, the Company recorded a gain on de-recognition of financial liabilities in the amount of \$893,990 which gain was partially offset by an increase in stock-based compensation expense of \$1,698,901 compared to \$Nil in the same three month prior period, anti-dilution fees of \$178,650 compared to \$Nil for the three months ended August 31, 2016 and an impairment loss of \$81,483 on a secured note receivable compared to \$Nil in the prior period in 2016.

Net Income from Discontinued Operations

For the three months ended August 31, 2018, net income from discontinued operations was \$Nil versus net income from discontinued operations of \$Nil for the three months ended August 31, 2017.

For the three months ended August 31, 2017, net income from discontinued operations was \$Nil versus net income from discontinued operations of \$2,118 for the three months ended August 31, 2016.

Net Income (Loss) and Comprehensive Income (Loss)

Net loss for the three months ended August 31, 2018 was \$167,941 compared to a net loss of \$1,199,755 for the same three-months ended August 31, 2017.

Net loss for the three months ended August 31, 2017 was \$1,199,755 compared to net income of \$155,697 for three months ended August 31, 2016. During the three months ended August 31, 2017, the Company recorded a gain on de-recognition of financial liabilities in the amount of \$893,990 which gain was partially offset by anti-dilution fees of \$178,650 compared to \$Nil for the three months ended August 31, 2016.

Earning (Loss) per Share, Basic and diluted

Basic and diluted loss per share from continuing operations for the three months ended August 31, 2018 was \$0.032 compared to a basic and diluted loss per share from continuing operations of \$0.447 for the same three-month period in 2017.

Basic and diluted loss per share from continuing operations for the three months ended August 31, 2017, was \$0.447 compared to a basic and diluted loss per share from continuing operations of \$0.06 for the same three-month period in 2016.

CAPITAL EXPENDITURES

There were no capital expenditures for the 2017 and 2018 fiscal periods.

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC (“Catch Star Studios”). On October 12, 2016, the Company advanced US\$65,000 (\$81,483 at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the “Secured Note”). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. On February 1, 2017, the Company issued a letter of demand for the repayment in full of the Secured Note from Catch Star. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount

The Company expects that capital expenditures will increase in future reporting periods as the Company seeks further opportunities and ventures of merit in an effort to increase shareholder value.

FINANCING ACTIVITIES

During the year ended August 31, 2018, the Company recorded shareholders' loans payable of \$79,910 compared to \$Nil for the year ended August 31, 2017.

During the year ended August 31, 2017, the Company completed a private placement for gross proceeds of \$50,000 and issued 7,692 units in the capital of the Company at a price of \$6.50 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of \$10.00 until November 30, 2019.

Effective August 31, 2017, the Company settled shareholder advances of \$213,781 and issued 1,187,672 shares of our common stock at a purchase price of \$0.18 per share.

B. Liquidity and Capital Resources

Cash as of August 31, 2018 was \$28,906 compared to cash of \$1,040 as of August 31, 2017.

For the year ended August 31, 2018, the primary use of funds was related to general administrative expenses. The Company's working capital deficiency at August 31, 2018 was \$799,588.

For the year ended August 31, 2017, the primary use of funds was related to general administrative expenses and the US \$65,000 advance to Catch Star. The Company's working capital deficiency at August 31, 2017 was \$487,776.

Current assets of \$33,043 as at August 31, 2018 include cash of \$28,906 (\$1,040 as at August 31, 2017) and \$4,137 of other receivables (\$41,007 as at August 31, 2017). Current liabilities as at August 31, 2018 of \$832,631 include trade and other payables of \$703,306 (\$529,823 as at August 31, 2017), short term advances from related party of \$49,415 (\$Nil as at August 31, 2017) and \$79,910 of shareholder loans (\$Nil as at August 31, 2017).

Management of the Company recognizes that cash flow from operations is not sufficient meet its working capital requirements or fund additional opportunities or ventures of merit. The Company has liquidity risk which necessitates the Company to obtain debt financing or raise additional equity. There is no assurance the Company will be able to obtain the necessary financing in a timely manner.

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. If the Company issued additional shares of our common stock from treasury it would cause the current shareholders of the Company dilution.

Outlook and Capital Requirements

We anticipate further expenditures to expand our current business plan. Amounts expended on future opportunities and ventures of merit is dependent on the nature of the opportunities evaluated by us. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by us, or by other means. Our long-term profitability will depend upon its ability to successfully implement its business plan.

C. Research and Development, Patents and Licenses, Etc.

We do not engage in research and development activities.

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 Areview Market Research and BDS Analytics, January 2018].

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 would in turn could result in a material adverse effect on the Company.

E. Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with IFRS as issued by the IASB. Preparing these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments include those related to the ability of the Company to continue as a going concern, the determination of when property and equipment are available for use, and impairment of its financial and non-financial assets. The most significant estimates and assumptions include those related to the valuation of biological assets, the collectability of accounts receivable, the useful lives of property and equipment, inputs used in accounting the determination of the discount rate used to estimate the fair value of the liability component of convertible promissory notes, the inputs used in the estimate of the fair value of unit-based compensation and the inputs used in the estimate of the fair value of the unit purchase option issued.

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 immediately following the Transaction, with each position and office held by them in our Company, and the period of their service as a director or as an officer.

<u>Name</u>	<u>Position with the Company</u>	<u>Date First Elected or Appointed</u>
J. Obie Strickler	President, Chief Executive Officer and Director	November 15, 2018
Jacques Habra	Chief Strategy Officer	November 15, 2018
Michael Johnston	Chief Financial Officer and Corporate Secretary	November 15, 2018
Abhilash Patel	Director	November 15, 2018
Stephen Gledhill	Director	November 15, 2018

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 two or more directors or executive officers.

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 38 years old and is employed on a full time basis with the Company. Mr. Strickler has signed a non-competition and non-disclosure agreement with the Company.

Jacques Habra – Chief Strategy Officer. Mr. Habra is the Chief Strategy Officer of the Company responsible for branding, marketing, communications, and Company strategy. Mr. Habra is an award-winning entrepreneur who has launched multiple companies with successful exits in various sectors including technology, electronics, and real estate. Mr. Habra graduated from the University of Michigan with a degree in English and Philosophy with Honors. National success stories include founding and sale of Web Elite, lead investor and interim CEO of TrackR (recently awarded \$50MM in Series B funding from Amazon), and founding and financing of SelfEcho. Mr. Habra serves on several non-profit boards in the greater Santa Barbara community and in 2016 was named Entrepreneur of the Year by the Santa Barbara Technology and Industry Association. Jacques’ leadership at GRUS has led to private equity investment, an emphasis on “Experience” branding, and successful growth strategy. Mr. Habra is 44 years old and is an independent contractor providing services on a full time basis to the Company. Mr. Habra has signed a non-competition and non-disclosure agreement with the Company.

Michael Johnston – Chief Financial Officer and Corporate Secretary. Mr. Johnston is a graduate of Western University, and joined Forbes Andersen LLP, Chartered Professional Accountants in 2004 and became a partner in 2012. Mr. Johnston has over 10 years of experience with both private and public companies in various capacities, including that of Chief Financial Officer. Mr. Johnston is 37 years old and is an independent contractor providing services on a part time (30%) basis to the Company. Mr. Johnston has signed a non-disclosure agreement with the Company but has not signed a non-competition 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 August 31, 2018.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Option Based Awards (\$)	All Other Compensation (\$)	Total Compensation (\$)
James Cassina, Chief Financial Officer and Director	2018	60,000	Nil	100	60,100
Ritwik Uban, Chief Executive Officer, President, Director	2018	Nil	204,511	Nil	204,511
Dikshant Batra, Director	2018	Nil	Nil	100	100
J. Obie Strickler	2018	Nil	Nil	Nil	Nil
Jacques Habra	2018	Nil	Nil	Nil	Nil
Michael Johnston	2018	Nil	Nil	Nil	Nil
Abhilash Patel	2018	Nil	Nil	Nil	Nil
Stephen Gledhill	2018	Nil	Nil	Nil	Nil

As of November 15, 2018, Mr. Cassina, Mr. Uban, and Mr. Batra are no longer employed by the Company.

Outstanding Option-Based Awards

As at August 31, 2018, there are no outstanding stock options for the Company.

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 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 August 31, 2018, 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 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 no 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 a highly competitive oil and gas exploration environment 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

At August 31, 2018, the Company has no outstanding stock options.

Pension Plan Benefits

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

Termination and Change of Control Benefits

At August 31, 2016, the Company did not have executive employment agreements in place with any of its Named Executive Officers that include termination or change of control benefits; except that Ritwik Uban, subsequent to the year and, on September 9, 2016, executed an employment agreement that provided for consideration in the event of termination or change of control.

The Company has no compensatory plan, contract or arrangement 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; except that Ritwik Uban, subsequent to the year and, on September 9, 2016, executed an employment agreement that provided for consideration in the event of termination or change of control.

Director Compensation

Each director of the Company is entitled to receive the sum of \$100 for each meeting of the directors, meeting of a committee of the directors or meeting of the shareholders attended. During the fiscal year ended August 31, 2018, no amount was paid (\$3,800 accrued) by the Company with respect to such fees.

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.

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.

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 three 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 August 31, 2018, none of the Company’s directors were directors of other Canadian or United States reporting issuers.

As at November 30, 2018, the following director and officer of the Company also serves as directors and/or officers of other reporting issuers, as follows:

Stephen Gledhill	CFO of Caracara Silver Inc. (TSXV) CFO of CO2 Gro Inc. (TSXV)
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Board and Committee Meetings

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. The table below reflects the attendance of each director of ours at each Board and committee meeting of the Board during the fiscal year ended August 31, 2018.

Name	Board of Directors Meetings	Audit Committee Meetings	Compensation Committee Meetings	Disclosure Committee Meetings
James Cassina	1	1	Nil	Nil
Ritwik Uban	Nil	1	Nil	Nil
Dikshant Batra	1	1	Nil	Nil

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.

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, Compensation Committee and Disclosure 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 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.

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, a compensation committee (the "**Compensation Committee**"), and a disclosure committee (the "**Disclosure 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.

Disclosure Committee

The mandate of the Disclosure Committee is formalized in a written charter. The members of the Disclosure Committee are J. Obie Strickler, Abhilash Patel and Stephen Gledhill. The Committee's duties and responsibilities include, but are not limited to, review and revise our controls and other procedures ("Disclosure and Controls Procedures") to ensure that (i) information required by us to be disclosed to the applicable regulatory authorities and other written information that we will disclose to the public is reported accurately and on a timely basis, and (ii) such information is accumulated and communicated to management, as appropriate to allow timely decisions regarding required disclosure; assist in documenting and monitoring the integrity and evaluating the effectiveness of the Disclosure and Control Procedures; the identification and disclosure of material information about us, the accuracy completeness and timeliness of our financial reports and all communications with the investing public are timely, factual and accurate and are conducted in accordance with applicable legal and regulatory requirements.

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 who possesses the following attributes:

- an understanding of financial statements and generally accepted accounting principles;
- 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 during 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 a formal written statement delineating all relationships between the auditor and us, consistent with Independence Standards Board Standard 1.
- 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.
- Obtaining annually from the independent auditors a formal written statement describing all relationships between the auditors and us. 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.

- 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;
 - 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 Annual 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, 2018, we had 2 employees, our president and chief financial officer. Following the Transaction, we have 41 employees, including our chief executive officer, chief strategy officer, and chief financial officer.

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 30, 2018, 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 ⁽²⁾	President, Chief Executive Officer and Director	29,346,201	40.5%
Jacques Habra	Chief Strategy Officer	3,486,769	4.9%
Michael Johnston	Chief Financial Officer and Corporate Secretary	*	*
Abhilash Patel ⁽³⁾	Director	1,586,396	2.2%
Stephen Gledhill	Director	*	*
All officers and directors as a group (5 persons)		34,419,366	47.0%

(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 71,655,734 shares of common stock outstanding as of the date of filing of this Report.

(2) Includes 729,432 warrants to purchase common stock at \$0.55 per share. Also includes 5,995,011 shares held jointly with his spouse.

(3) Includes 896,811 warrants held by Gambit II, LLC to purchase common stock at \$0.55 per shares. Also includes 689,585 shares held by Gambit II, LLC.

* less than one percent.

The shares of common stock and warrants to purchase common stock held by Messrs. Strickler and Habra were escrowed at the closing of the Transaction (the “Escrow Securities”). The Escrow Securities will be released on the following schedule:

November 26, 2018, the date the Company’s common stock was listed on the CSE (the “Listing Date”)	1/10 of the Escrow Securities
6 months after the Listing Date	1/6 of the remaining Escrow Securities
12 months after the Listing Date	1/5 of the remaining Escrow Securities
18 months after the Listing Date	1/4 of the remaining Escrow Securities
24 months after the Listing Date	1/3 of the remaining Escrow Securities
30 months after the Listing Date	1/2 of the remaining Escrow Securities
36 months after the Listing Date	remaining Escrow Securities

Following the Transaction, to the knowledge of our management, there are no arrangements that 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 are 71,655,734 issued and outstanding shares of our common stock as of November 30, 2018. As of November 30, 2018, to the best of our knowledge, the following are the only persons who hold directly or indirectly or exercises 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 ⁽¹⁾	Percentage
J. Obie Strickler ⁽²⁾	29,346,201	40.5%
Christopher Lancashire ⁽³⁾	10,141,376	13.5%
Edward Coppola ⁽⁴⁾	7,656,818	10.3%

(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 71,655,734 shares of common stock outstanding as of the date of filing of this Report.

(2) Includes 3,527,728 warrants to purchase common stock at \$0.55 per share.

(3) Includes 2,828,409 warrants to purchase common stock at \$0.55 per shares.

The following table discloses the geographic distribution of the majority of the holders of record of our common stock as of date of November 30, 2018.

Country	Number of Shareholders	Number of Shares	Percentage of Shareholders	Percentage of Shares
Canada	1,116	35,558,199	91.78%	49.62%
USA	77	33,785,749	6.33%	47.15%
All Other	23	2,311,786	1.89%	3.23%
Total	1,216	71,655,734	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.

Obie Strickler currently owns the Trails End Property that is one of the facility properties leased to GRUP. Grown Rogue pays \$5,000 per month in rent for this property and 2.5% of gross sales achieved at the property, all payable in cash. Although this lease began January 1, 2017, Grown Rogue began paying this amount in October 2017. As such, Grown Rogue has \$45,000 of accrued liabilities related to nine months' rent that went unpaid. The rent owed by GRUP to Mr. Strickler is paid in cash at comparable market rates.

Canopy Management 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 current adjusted amount owed to Canopy Management for the purchased inventory is US\$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.

The above 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:

	August 31, 2018	August 31, 2017	August 31, 2016
Short term employee benefits (1) (2)	\$ 60,200	\$ 129,981	\$ 60,000
Stock-based compensation (3)	\$ 204,511	1,614,605	615,924
	\$ 264,711	\$ 1,744,586	\$ 675,924

The following balances owing to the President and Chief Financial Officer of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	August 31, 2018	August 31, 2017
Short term employee benefits payable (1)(2)	\$ 50,398	\$ 101,500
	\$ 50,398	\$ 101,500

- (1) The Company accrued management fees to the Chief Financial Officer of the Company at a rate of \$5,000 per month during fiscal 2018, 2017 and 2016 (\$12,500 per month during fiscal 2015).
- (2) On September 9, 2016, the Company entered into an employment agreement with the President of the Company under which the Company agreed to pay to the President, a base salary of \$90,000 and grant one hundred thousand (100,000) common share purchase options (Note 12 e). Effective May 21, 2017, the Company and the President agreed to amend the terms of the employment agreement, by reducing the President's base salary to \$10.00 annually, allowing the President to contract his services to Torinit contemporaneous with his continued employment with the Company and providing a top up provision of up to \$1,500 in a month from the Company if the gross compensation earned by the President from Torinit during June, July and August 2017 (the "Period"), reduces the overall compensation earned by the President below \$7,500 in any such month during the Period.
- (3) On November 12, 2014, the Company granted options to purchase 7,500 shares of our common stock to three directors. On April 1, 2016, the Company granted options to purchase 30,000 shares of our common stock to a director. On September 9, 2016 and November 1, 2016, the Company granted options to purchase 130,000 and 50,000 shares of our common stock to officers and directors.

On September 1, 2016, the Company entered into an agreement for a period of 12 months with Torinit Technologies Inc., ("Torinit") to provide dedicated resource augmentation to DoubleTap in an effort to optimize user experience while navigating through the <http://DoubleTap.co> website and drive traffic growth by engaging users across all demographics (the "Torinit Services"). As consideration for the Torinit Services, the Company agreed to compensate Torinit the sum of \$8,000 per month based on 320 hours per month for a 12 month period. Dikshant Batra, who was a director of the Company until November 14, 2018, is also the President, a director and major shareholder of Torinit. As at August 31, 2017, included in trade and other payables is \$23,961 due to Torinit.

As at August 31, 2018, the amount of directors' fees included in trade and other payables was \$40,400 (August 31, 2017: \$10,200).

As at August 31, 2017 and 2016, the Company had a promissory note payable to the former President of the Company of \$Nil. For the year ended August 31, 2016, the Company recorded interest on the promissory note of \$496 (August 31, 2015: \$838). On February 26, 2016, the former President assigned the promissory note of \$10,000 and all accumulated interest due in the amount of \$113,844 to an arms-length third party. The note was due on demand with interest at a rate of 10% per annum. Effective November 18, 2015, the Company issued to the former President 114,009 Units in the capital of the Company pursuant to the anti-dilution provision contained in the August 30, 2014, debt conversion agreements. On February 29, 2016, the former President converted \$38,239 in outstanding debt into 12,746 units in the capital of the Company.

Effective November 18, 2015, the Company entered into a shares-for-debt conversion agreement and converted a note and interest payable to Core Energy Enterprises Inc. ("Core") in the aggregate amount of \$362,793 through the issuance of 274,243 shares of our common stock. The fair value of the shares of our common stock \$1,830,983 was recorded as an increase to shares of our common stock and \$1,468,190 was recorded as a loss on settlement of debt in the statement of operations. The CFO of the Company is a major shareholder, officer and a director of Core.

During the Fiscal year 2018, the Company received advances from GRUS for working capital purposes in the amount of \$49,415. The amount was settled upon finalization of the Transaction.

Inter-Company Balances

As at August 31, 2018, the inter-company balance due from our wholly owned subsidiary DoubleTap was \$309,520.

As at August 31, 2018, the inter-company balance due from our wholly owned subsidiary ICE Studio was \$177,186.

As of November 30, 2018, the inter-company balance due from DoubleTap was \$314,768 and the amount due from ICE Studio was \$Nil.

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 August 31, 2018, 2017, and 2016, 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 71,655,734 were issued and outstanding as of November 30, 2018. 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 November 30, 2017.

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 became eligible for trading on October 22, 2009 on the Over the Counter Bulletin Board ("OTCBB") 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 OTCQB under the symbol ("ICEIF"). On May 26, 2017, we changed our name from Intelligent Content Enterprises Inc., to Novicuis Corp., and completed a 1-for-10 stock consolidation and following commenced trading on the OTCQB under the symbol ("NVSIF")

On November 18, 2016, shares of our common stock commenced trading on the Canadian Securities Exchange (“CSE”), under the symbol “ISP”. On May 26, 2017, we changed our name from Intelligent Content Enterprises Inc., to Novicuis Corp., and completed a 1-for-10 stock consolidation and following commenced trading on the CSE under the symbol (“GRIN”).

The following table set forth the reported high and low bid prices for shares of our common stock on the OTCQB in US dollars for the periods indicated.

	Period	High (2)	Low (2)
Fiscal Year August 31, 2018	Year Ended August 31, 2018	\$ 0.26	\$ 0.05
Fiscal Year August 31, 2017	Year Ended August 31, 2017	\$ 10.90	\$ 0.003
Fiscal Year August 31, 2016	Year Ended August 31, 2016	\$ 24.70	\$ 4.00
Fiscal Year August 31, 2015	Year Ended August 31, 2015	\$ 40.00	\$ 1.00
Fiscal Year August 31, 2014	Year Ended August 31, 2014	\$ 100.00	\$ 20.00
Fiscal Year 2018 by Quarter	First Quarter ended 11/30/2017	\$ 0.182	\$ 0.05
	Second Quarter Ended 02/29/2018	\$ 0.21	\$ 0.05
	Third Quarter Ended 05/31/2018	\$ 0.26	\$ 0.15
	Fourth Quarter Ended 08/31/2018	\$ 0.26	
Fiscal Year 2017 by Quarter	First Quarter ended 11/30/2016	\$ 10.90	\$ 3.20
	Second Quarter Ended 02/29/2017	\$ 4.90	\$ 0.80
	Third Quarter Ended 05/31/2017	\$ 0.84	\$ 0.51
	Fourth Quarter Ended 08/31/2017	\$ 0.25	\$ 0.003
Calendar Year 2018 by Month	July	\$ 0.26	\$ 0.26
	August	\$ 0.26	\$ 0.26
	September	\$ 0.26	\$ 0.26
	October	\$ 0.26	\$ 0.26
	November	\$ 0.34	\$ 0.07
	December	\$ 0.32	\$ 0.21

Notes.

- (1) The closing price on the OTCQB for our common stock on November 30, 2018 was \$0.30.
- (2) Adjusted for the 2-for-1 forward stock split on March 16, 2012, the 1-for-10 stock consolidation on August 25, 2014, the 1-for-10 stock consolidation on February 1, 2016 and the 1-for-10 stock consolidation on May 26, 2017.

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

The Company filed articles of amendment effective November 1, 2018 and changed its name from Novicius Corp. to Grown Rogue International Inc. The Company 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. The consolidated financial statements have been adjusted to reflect these consolidations accordingly.

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:

	<u>Number</u>	<u>Amount \$</u>
Balance August 31, 2016	2,650,627	23,220,683
Common shares issued as private placement	7,692	30,233
Common shares issued as settlement of shareholder advances	1,187,672	213,781
Common shares issued as anti-dilution provision	1,420,809	184,705
Common shares issued as anti-dilution provision	16,364	2,127
Balance August 31, 2017 and August 31, 2018	<u>5,283,164</u>	<u>23,651,529</u>

Preferred Shares Issued:

As at August 31, 2018 and August 31, 2017, there were no preferred shares issued.

b) Share Purchase Warrants

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

	<u>August 31,</u> <u>2018</u>		<u>August 31,</u> <u>2017</u>	
	<u>Number of</u> <u>Warrants</u>	<u>Weighted</u> <u>Average Price</u>	<u>Number of</u> <u>Warrants</u>	<u>Weighted</u> <u>Average Price</u>
Warrants				
Outstanding, beginning of year	208,211	—	722,572	—
Warrants issued (Note 11 b (i))	—	—	7,692	—
Warrants issued (Note 11 b (iv))	—	—	16,364	—
Warrants expired (Note 11 b (v))	—	—	(538,417)	—
Balance, end of year	<u>208,211</u>	<u>\$ 5.27</u>	<u>208,211</u>	<u>\$ 5.27</u>

The following tables summarize the outstanding warrants as at August 31, 2018, and August 31, 2017, respectively:

Number of Warrants 2018	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value (\$)
160,519	\$ 3.50	March 1, 2019	0.50	603,370
23,636	\$ 12.50	August 31, 2019	1.00	126,729
24,056	\$ 10.00	November 30, 2019	1.25	19,767
208,211			0.64	749,866

Number of Warrants 2017	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value (\$)
160,519	\$ 3.50	March 1, 2019	1.50	603,370
23,636	\$ 12.50	August 31, 2019	2.00	126,729
24,056	\$ 10.00	November 30, 2019	2.25	19,767
208,211			1.64	749,866

c) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	August 31,		
	2018	2017	2016
Weighted Average Shares Outstanding, basic	5,283,164	2,663,614	2,077,096
Weighted Average Shares Outstanding, diluted	5,283,164	2,663,614	2,077,096

At August 31, 2018, there were 208,211 common share purchase warrants that could be exercised, however they are anti-dilutive. At August 31, 2017, there were 155,000 stock options and 208,211 common share purchase warrants that could be exercised, however they are anti-dilutive. The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

d) Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding shares of our common stock on a rolling basis.

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 \$
Balance, August 31, 2016	38,300	22.80
Granted	200,000	12.05
Expired	(83,300)	(13.63)
Balance, August 31, 2017	155,000	13.87
Cancelled	(155,000)	(13.87)
Balance, August 31, 2018	—	—

The following table is a summary of the Company's stock options outstanding and exercisable as at August 31, 2017:

Options Outstanding			Options Exercisable		
Exercise Price	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price \$
\$ 12.00	5,000	2.20	November 11, 2019	5,000	0.50
\$ 15.00	70,000	4.02	September 8, 2021	35,000	3.79
\$ 13.00	80,000	4.02	September 8, 2021	80,000	4.38
	155,000	3.95		85,000	13.87

As at August 31, 2018, the Company had no options outstanding and exercisable.

e) Stock Based Compensation

Effective May 1, 2018, all of the stock options issued by the Company were released and subsequently cancelled and \$1,815,961 was recorded as an increase to contributed surplus.

Employees

On September 9, 2016, the Company granted 30,000 immediately vesting common share purchase options to shares to a director and 30,000 common share purchase options vesting February 6, 2017 to the President. These options are exercisable at \$13.00 per share and expire on September 8, 2021. As at August 31, 2017, the Company recorded non-cash stock-based compensation expense of \$706,178.

On September 9, 2016, the Company granted to the President 70,000 common share purchase options exercisable at \$15.00 per share and expiring on September 8, 2021. Of these options, 35,000 vested on September 8, 2017 and 35,000 vesting on September 8, 2018. As at August 31, 2017, the Company recorded non-cash stock-based compensation expense of \$613,532. As at August 31, 2018, the Company recorded a further \$204,511 in stock-based compensation.

On November 1, 2016, the Company granted 50,000 common share purchase options vesting March 30, 2017 to the former Chief Financial Officer. These options were exercisable at \$6.40 per share and expired on April 25, 2017. As at August 31, 2017, the Company recorded non-cash stock-based compensation expense of \$294,895.

Non Employees

On September 9, 2016, the Company granted 20,000 immediately vesting common share purchase options to a consultant of the Company. These options are exercisable at \$13.00 per share and expire on September 8, 2021. As at August 31, 2017, the Company recorded non-cash stock-based compensation expense of \$235,393.

The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following assumptions and inputs:

	November 1, 2016	September 9, 2016
Weighted average fair value per option	\$ 5.90	\$ 11.70
Weighted average risk-free interest rate	0.68%	0.59%
Forfeiture rate	0%	0%
Weighted average expected volatility	156.70%	152.32%
Expected life (years)	5	5
Dividend yield	Nil	Nil
Stock price on the date of grant	\$ 6.40	\$ 12.90

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 Articles were 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 (the “**New By-Laws**”) 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 by-laws 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 five acres of real property commonly known as 1970 Lonnon Road, Grants Pass, Oregon 97527, through that certain Commercial Lease Agreement, dated January 1, 2017, between Pamela Carmichael Waxlax 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 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 property located at 655 Rossanley Drive, Medford, Oregon 97501, 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.

On June 22, 2016, the Company entered into a consulting agreement to assist with the development of new business programs, business units, partnerships, revenues, concepts and ideas as well as technical, commercial and creative advisory services. As consideration for the services, the Company agreed to provide to the consultant remuneration of \$20,000 upon execution the agreement, \$10,000 monthly commencing July 1, 2016, and issue 175,000 common share purchase warrants, valid for 5 years with cashless exercise provisions issued at a price of \$15.00 vesting 43,750 per quarter. On January 15, 2017, the consulting agreement was terminated and no warrants vested.

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC (“Catch Star”). On October 12, 2016, the Company advanced US\$65,000 (\$81,483 as at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement (the “Note”) with Catch Star. The Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. On February 1, 2017, the Company issued a letter of demand for the repayment of the Note in full. At August 31, 2017 the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount.

The Company negotiated an Asset Purchase Agreement to be effective February 29, 2016, with an expectation to acquire the net assets (the “Acquired Assets”) of Digital Widget Factory Inc., a Belize company (the “Vendor”), in an all-stock transaction by issuing 12,500,000 Company and 5,750,000 Series A preferred shares (the “Proposed Purchase Price Shares”). The 1,250,000 common shares included in the Proposed Purchase Price Shares are reported at the post-conversion quantity following the May 26, 2017, 1-for-10 share conversion; these shares were returned on January 20, 2017, prior to the filing of the May 26, 2017 articles of amendment. The essential components of the proposed Acquired Assets were an intelligent content platform technology developed by Digital Widget Factory Inc. and a series of related websites under the url digiwdgy.com. The fair value of the transaction was estimated at \$9,530,250 and was agreed to be paid by the Company through the issuance of the Proposed Purchase Price Shares.

Subsequent to February 29, 2016, management of the Company came to the conclusion that certain representations and warranties made under the Asset Purchase Agreement were conceivably deficient and on November 24, 2016, the Company advanced a Notice of Claim. On December 22, 2016, it was agreed that all disputed matters contained in the Asset Purchase Agreement, be resolved in a Settlement Agreement whereby the Company agreed to return the Acquired Assets to the Vendor and the Vendor agreed to return the Proposed Purchase Price Shares to the Company.

The Settlement Agreement closed effective January 20, 2017, when the Company returned the Acquired Assets to the Vendor and the Vendor returned to the Company the Proposed Purchase Price Shares previously issued to the Vendor and a full and final release in respect of all obligations under the DWF Agreement was exchanged between the Vendor and the Company. The Proposed Purchase Price Shares have been cancelled in the capital stock of the Company and the Company no longer has any interest in the Acquired Assets.

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 traded on the OTCQB, 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 U.S. federal income tax consequences, under current law, generally applicable to a U.S. 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 U.S. 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 U.S. 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 U.S. 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 U.S. persons have the authority to control all of the trust’s substantial decisions or (b) the trust was in existence on August 20, 1996 and has properly elected to continue to be treated as a U.S. person. This summary does not address the U.S. 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, custodians or beneficial owners of qualified or non-qualified retirement or savings plans, including individual retirement accounts and other tax-deferred accounts, or 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.

U.S. Inversion Rules

As summarized above, the Company, which is as of the date of this Report and will continue to be a corporation organized under the laws of Canada, generally would be classified as a foreign (non-United States) corporation as defined under general rules of the U.S. Tax Code. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a foreign corporation to be taxed as a U.S. domestic corporation. Under section 7874 of the U.S. Tax Code, a corporation created or organized outside the United States will under certain circumstances be treated as a U.S. domestic corporation for purposes of Title 26 of the United States Code, which includes treatment as a U.S. domestic corporation for all federal income tax purposes (such treatment is referred to as an “inversion”). Inversion treatment will apply if each of the following three conditions is met (a) the foreign corporation acquires, directly or indirectly, or is treated as acquiring under applicable U.S. Treasury Regulations, substantially all of the assets held, directly or indirectly, by a U.S. domestic corporation or entity treated as a partnership, (b) after the acquisition, the former stockholders of the acquired U.S. corporation or partners of the entity treated as a partnership hold at least 80% (by vote or value) of the shares of the foreign corporation by reason of holding ownership interests in the acquired U.S. entity, and (c) after the acquisition, the foreign corporation’s expanded affiliated group (“EAG”) does not have substantial business activities in the foreign corporation’s country of organization or incorporation when compared to the EAG’s total business activities (clauses (a) – (c), collectively, the “Inversion Conditions”).

For this purpose, an EAG is a group of corporations where (a) a foreign corporation owns stock representing more than 50% of the vote and value of at least one member of the EAG, and (b) stock representing more than 50% of the vote and value of each member is owned by other members of the group. An EAG includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

Under Section 7874 of the U.S. Tax Code, the Transaction resulted in the Company being treated as a U.S. domestic corporation for all federal income tax purposes. The Company is therefore subject to U.S. federal income tax on its worldwide income. However, as a result of the Company being treated as U.S. domestic corporation, the myriad anti-deferral rules of the U.S. Tax Code, such as the controlled foreign corporation and personal foreign investment company rules, should not apply.

Distributions with respect to shares of our Common Stock

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 will be included in the gross income of a U.S. Holder as a dividend to the extent such distribution is paid out of current or accumulated earnings and profits of ours, as determined under U.S. federal income tax principles. 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. Distributions that are treated as a dividend and are received by non-corporate U.S. Holders may be subject to U.S. federal income tax at lower rates than other types of ordinary income (generally 15%) if certain conditions are met. In the case of U.S. Holders that are corporations and that hold a sufficient percentage of our stock, such dividends generally will be eligible for the dividends received deduction.

If a U.S. Holder receives a distribution with respect to our stock paid in Canadian dollars, the amount of the distribution for U.S. federal income tax purposes will be the U.S. dollar value of the distribution (determined on the date the distribution is paid) 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 distribution is paid and the date the distribution amount is converted into U.S. dollars.

If Canada imposes a withholding tax on any distributions made with respect to our stock (see discussion above, "Certain Canadian Federal Income Tax Consequences"), the U.S. Holder will generally be entitled to claim a U.S. foreign tax credit in the amount of such tax, subject to certain limitations on foreign tax credits imposed by the U.S. Tax Code (see "Foreign Tax Credit," below.)

Disposition of Shares of our Common Stock

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 U.S. 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 sale or other 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 preferential tax rates, i.e., a maximum U.S. federal income tax rate of 20%. Any capital losses realized on the sale or other disposition of shares of our common stock will be subject to significant limitations applicable to all capital losses.

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 U.S. federal income tax on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax and the amount of state, local and foreign taxes that are deductible by a U.S. Holder has been significantly limited by recent changes in U.S. tax law. 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.

Significant and complex limitations apply to the foreign tax credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's U.S. 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 U.S. 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 three specific "classes" of income, including passive income, foreign branch income, and general limitation income. Foreign taxes imposed on a particular class of income generally cannot offset U.S. tax on income assigned to another class. Distributions with respect to our common stock to U.S. Holders would typically be included in the passive income basket.

Unused foreign tax credits can generally be carried back one year and carried forward ten years, subject to foreign tax credit limitations in each carryover year. U.S. Holders should consult their own tax advisors concerning the ability to utilize foreign tax credits.

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 U.S. 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 U.S. Holder will be allowed as a credit against the U.S. Federal income tax liability of the U.S. Holder and may entitle the U.S. Holder to a refund, provided that the required information is furnished to the IRS.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

The consolidated financial statements of the Company for the years ended August 31, 2018 and August 31, 2017 included herein have been audited by MNP LLP, located at 111 Richmond Street West, Suite 300, Toronto, Ontario M5H 2G4, Canada, independent registered public accounting firm, as set forth in their report thereon, and are incorporated by reference herein in reliance upon such report given on the authority of such firm as expert in accounting and auditing.

The consolidated financial statements of the Company for the year ended August 31, 2016 included herein have been audited by Schwartz Levitsky Feldman LLP, located at 2300 Yonge Street, Suite 1500, Box 2434, Toronto, Ontario, Canada, M4P 1E4, independent registered public accounting firm, as set forth in their report thereon, and are incorporated by reference herein in reliance upon such report given on the authority of such firm as expert in accounting and auditing.

The consolidated financial statements of GRUS for the period from incorporation (October 31, 2016) to October 31, 2017 and for the year ended October 31, 2018 included herein have been audited by Turner, Stone and Company, LLP, located at 12700 Park Central Drive, Suite 1400, Dallas, Texas 75251, independent registered public accounting firm, as set forth in their report thereon, and are incorporated by reference herein in reliance upon such report given on the authority of such firm as expert in accounting and auditing.

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 Disclosures 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	August 31, 2018		August 31, 2017	
		Carrying Value (\$)	Fair Value (\$)	Carrying Value (\$)	Fair Value (\$)
Fair value through profit or loss:					
Cash	1	28,906	28,906	1,040	1,040
Other financial liabilities:					
Trade and other payables		703,306	703,306	529,823	529,823
Advance from related party		49,415	49,415	—	—
Shareholder loans		79,910	79,910	—	—

Cash is stated at fair value (Level 1 measurement). The carrying value of trade and other payables approximate their fair value due to the short-term maturity of these financial instruments.

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

Credit Risk

Credit risk is primarily related to the Company's receivables and cash and the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. At August 31, 2018, trade and other receivables amounts are \$Nil (August 31, 2017: \$Nil). At August 31, 2018, included in other receivables is HST due from the Government of Canada in the amount of \$4,137 (2017 - \$41,007).

Concentration risk exists in cash because cash balances are maintained with one financial institution. The risk is mitigated because the financial institution is an international bank and all amounts are due on demand.

The Company's maximum exposure to credit risk is as follows:

	August 31, 2018 (\$)	August 31, 2017 (\$)
Cash	28,906	1,040
Balance	28,906	1,040

Liquidity Risk

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to fulfill planned opportunities or that viable options are available to fund such opportunities from new equity issuances or alternative sources of financings. As a company without significant revenue, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that such financing terms may not be acceptable to the Company.

The following table illustrates the contractual maturities of financial liabilities:

August 31, 2018	Payments Due by Period \$				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	703,306	703,306	—	—	—
Shareholder loans	79,910	79,910	—	—	—
Advances from related party	49,415	49,415	—	—	—
Total	832,631	832,631	—	—	—

August 31, 2017	Payments Due by Period \$				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	529,823	529,823	—	—	—
Total	529,823	529,823	—	—	—

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

The Company is exposed to the fluctuations in foreign exchange rates. The Company operates in Canada and a portion of its expenses are incurred in US dollars. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in US dollars as at the year-end set out below:

	August 31, 2018	August 31, 2017
	(\$)	(\$)
Cash	643	77
Prepaid expenses and deposits	—	—
Trade and other payables	(39,640)	(38,777)
Net assets (liabilities) denominated in US\$	(38,997)	(38,700)
Net assets (liabilities) CDN dollar equivalent at period end ⁽¹⁾	(50,910)	(48,514)

(1) Translated at the exchange rate in effect at August 31, 2018 \$1.3055 (August 31, 2017 \$1.2536)

The following table shows the estimated sensitivity of the Company's total loss for the periods set out from a change in the US dollar exchange rate in which the Company has exposure with all other variables held constant.

Percentage change in US Dollar	August 31, 2018		August 31, 2017	
	Increase	Decrease	Increase	Decrease
	In total loss from a change in % in the US Exchange Rate		In total loss from a change in % in the US Exchange Rate	
	(\$)		(\$)	
5%	(3,323)	3,323	(3,041)	3,041
10%	(6,646)	6,646	(6,082)	6,082
15%	(9,969)	9,969	(9,123)	9,123

(ii) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The majority of the Company's debt is short-term in nature with fixed rates.

Item 12. Description of Securities Other Than Equity Securities

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

Not applicable.

Item 16. [Reserved]

Not applicable.

Item 16A. Audit Committee Financial Expert

Not applicable.

Item 16B. Code of Ethics

Not applicable.

Item 16C. Principal Accountant Fees and Services

Not applicable.

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

Not applicable.

Item 16G. Corporate Governance

Not applicable.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III

Item 17. Financial Statements

In lieu of responding to this item, we have responded to Item 18 of this Form 20-F.

Item 18. Financial Statements

The (i) audited consolidated financial statements of the Company for the years ended August 31, 2018, August 31, 2017 and August 31, 2016, and (ii) the audited consolidated financial statements of GRUS for the period from incorporation (October 31, 2016) to October 31, 2017 and for the year ended October 31, 2018, each as required under Item 18, are attached hereto starting on page F-1 of this Form 20-F. All of the financial information is presented herein in accordance with IFRS, as issued by the International Accounting Standards Board.



Consolidated Financial Statements

For the years ended August 31, 2018, 2017 and 2016

(Expressed in Canadian Dollars)



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of Novicius Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Novicius Corp. (the “Company”), which comprise the consolidated statements of financial position as at August 31, 2018 and August 31, 2017, and the consolidated statements of operations and other comprehensive income (loss), changes in shareholders’ deficiency and cash flows for the years then ended, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2018 and August 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which indicates that the Company incurred a consolidated net loss of \$516,323 during the year ended August 31, 2018 and, as of that date, the Company’s consolidated current liabilities exceeded its total assets by \$799,588. As stated in Note 1 to the consolidated financial statements, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that casts substantial doubt on the Company’s ability to continue as a going concern.

Basis for Opinion

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures include obtaining and examining, on a test basis, audit evidence regarding the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Accordingly, we express no such opinion.



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An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Other Matter

The consolidated financial statements of Novicius Corp. as at August 31, 2016, and for the year then ended, were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements in their report dated March 13, 2017.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

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We have served as the Company's auditor since 2017.
Toronto, Canada
December 31, 2018

MNP
LLP

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Independent Auditor's Report of Schwartz Levitsky Feldman LLP, independent registered public accounting firm, dated March 13, 2017, with respect to the consolidated financial statements of Intelligent Content Enterprises Inc. as at August 31, 2016 and 2015 and for the years ended August 31, 2016, 2015, included in the Form 20-F filed by the Company on March 20, 2017, is incorporated herein by reference.



Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	August 31, 2018	August 31, 2017
Assets		
Current Assets		
Cash	\$ 28,906	\$ 1,040
Other receivables	4,137	41,007
Total current assets	<u>33,043</u>	<u>42,047</u>
Total Assets	<u>\$ 33,043</u>	<u>\$ 42,047</u>
Liabilities and Shareholders' Deficiency		
Current liabilities		
Trade and other payables	\$ 703,306	\$ 529,823
Advances from related party (Note 8)	49,415	—
Shareholder loans (Note 9)	79,910	—
Total current liabilities	<u>832,631</u>	<u>529,823</u>
Total liabilities	<u>832,631</u>	<u>529,823</u>
Shareholders' deficiency		
Common shares (Note 11 a)	23,651,529	23,651,529
Share purchase warrants (Note 11 b)	749,866	749,866
Share purchase options (Note 11 d)	—	1,611,450
Contributed surplus	7,000,324	5,184,363
Accumulated deficit	(32,201,307)	(31,684,984)
Total shareholders' deficiency	<u>(799,588)</u>	<u>(487,776)</u>
Total Liabilities and Shareholders' Deficiency	<u>\$ 33,043</u>	<u>\$ 42,047</u>
Going Concern (Note 1 b)		
Related Party Transactions and Balances (Note 8 and 9)		
Discontinued Operations and Dissolution of Subsidiary (Note 15)		
Subsequent Events (Note 16)		

Approved by the Board of Directors

Signed "J. Obie Strickler"
 J. Obie Strickler, President, Chief Executive Officer and Director

Signed "Stephen Gledhill"
 Stephen Gledhill, Director

The accompanying notes are an integral part of these consolidated financial statements



Consolidated Statements of Operations and Other Comprehensive Income (Loss)
For the years ended August 31,
(Expressed in Canadian Dollars)

	2018	2017	2016
Continuing operations			
Revenue			
Advertising revenue	\$ —	\$ 20,788	\$ —
Expenses			
Hosting, advertising and technology services	2,864	71,423	45,272
General and administrative	304,880	508,241	418,206
Loss on foreign exchange	4,068	1,433	21,890
Stock based compensation (Note 11 e)	204,511	1,614,605	615,924
Stock based compensation-non employees (Note 11 e)	—	235,393	—
Research, content development and technology support	—	313,106	160,519
Anti-dilution fees (Note 11 b (iii) and Note 11 b (iv))	—	186,832	—
Gain on derecognition of financial liabilities (Note 15)	—	(893,990)	—
Impairment loss on secured note receivable (Note 7)	—	81,483	—
Gain on disposal of subsidiary (Note 15)	—	—	(68,489)
Gain on expiry of derivative liabilities (Note 10)	—	—	(281,210)
Interest	—	—	12,812
Loss on settlement of debt (Note 9)	—	—	12,489,249
Impairment loss on marketable securities (Note 6)	—	—	120,125
	<u>516,323</u>	<u>2,118,526</u>	<u>13,534,298</u>
Net (loss) from continuing operations	(516,323)	(2,097,738)	(13,534,298)
Net income from discontinued operations net of tax (Note 15)	—	—	2,711
Net loss	<u>(516,323)</u>	<u>(2,097,738)</u>	<u>(13,531,587)</u>
Other comprehensive income (loss) to be re-classified to operations			
Impairment loss on marketable securities (Note 6)	—	—	110,525
Total other comprehensive income (loss)	<u>—</u>	<u>—</u>	<u>110,525</u>
Net loss from operations and other comprehensive income	<u>\$ (516,323)</u>	<u>\$ (2,097,738)</u>	<u>\$ (13,421,062)</u>
Earnings (loss) per share, basic			
Continuing operations	\$ (0.098)	\$ (0.788)	\$ (6.516)
Discontinued operations	\$ 0.000	\$ 0.000	\$ 0.001
Total loss per share, basic	<u>\$ (0.0098)</u>	<u>\$ (0.788)</u>	<u>\$ (6.515)</u>
Earnings (loss) per share, diluted			
Continuing operations	\$ (0.098)	\$ (0.788)	\$ (6.516)
Discontinued operations	\$ 0.000	\$ 0.000	\$ 0.001
Total loss per share, diluted	<u>\$ (0.0098)</u>	<u>\$ (0.788)</u>	<u>\$ (6.515)</u>
Weighted average shares outstanding, basic	<u>5,283,164</u>	<u>2,663,614</u>	2,077,096
Weighted average shares outstanding, diluted	<u>5,283,164</u>	<u>2,663,614</u>	2,077,096

The accompanying notes are an integral part of these consolidated financial statements



Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended August 31, 2018, 2017 and 2016
(Expressed in Canadian Dollars)

	SHARE CAPITAL Number of Common Shares*	SHARE CAPITAL Common Shares \$	SHARE PURCHASE WARRANTS \$	SHARE PURCHASE OPTIONS \$	CONTRIBUTED SURPLUS \$	AVAILABLE FOR SALE RESERVE \$	ACCUMULATED DEFICIT \$	TOTAL SHAREHOLDERS' (DEFICIENCY) \$
Balance, August 31, 2015	377,295	9,997,792	801,079	272,553	1,861,600	(110,525)	(16,055,659)	(3,233,160)
Item re-classified to statements of operations:								
-loss on marketable securities	—	—	—	—	—	110,525	—	110,525
Shares issued as debt extinguishment	954,311	6,371,457	—	—	—	—	—	6,371,457
Shares issued as private placement	500,000	50,000	—	—	—	—	—	50,000
Shares issued as anti-dilution provision	1,032,998	5,034,157	1,862,643	—	—	—	—	6,896,800
Units issued as private placement	10,000	9,044	20,956	—	—	—	—	30,000
Units issued as private placement	23,636	133,271	126,729	—	—	—	—	260,000
Units issued as debt extinguishment	150,519	638,295	582,414	—	—	—	—	1,220,709
Exercise of warrants	51,868	986,667	(467,984)	—	—	—	—	518,683
Stock options expired	—	—	—	(60,143)	60,143	—	—	—
Stock based compensation	—	—	—	615,924	—	—	—	615,924
Net loss for the period, continuing operations	—	—	—	—	—	—	(13,534,298)	(13,534,298)
Net loss for the period, discontinued operations	—	—	—	—	—	—	2,711	2,711
Balance, August 31, 2016	2,650,627	23,220,683	2,925,837	828,334	1,921,743	—	(29,587,246)	(690,649)
Stock based compensation	—	—	—	1,849,998	—	—	—	1,849,998
Units issued as private placement	7,692	30,233	19,767	—	—	—	—	50,000
Stock options expired	—	—	—	(1,066,882)	1,066,882	—	—	—
Warrants expired	—	—	(2,195,738)	—	2,195,738	—	—	—
Shares issued as settlement of shareholder advances	1,187,672	213,781	—	—	—	—	—	213,781
Shares issued as anti-dilution provision	1,420,809	184,705	—	—	—	—	—	184,705
Units issued as anti-dilution provision	16,364	2,127	—	—	—	—	—	2,127
Net loss for the period, continuing operations	—	—	—	—	—	—	(2,097,738)	(2,097,738)
Balance, August 31, 2017	5,283,164	23,651,529	749,866	1,611,450	5,184,363	—	(31,684,984)	(487,776)
Stock based compensation	—	—	—	204,511	—	—	—	204,511
Stock options cancelled	—	—	—	(1,815,961)	1,815,961	—	—	—
Net loss for the period, continuing operations	—	—	—	—	—	—	(516,323)	(516,323)
Balance, August 31, 2018	5,283,164	23,651,529	749,866	—	7,000,324	—	(32,201,307)	(799,588)

* Reflects the May 26, 2017 one (1) for ten (10) consolidation and the February 1, 2016, one (1) for ten (10) consolidation

The accompanying notes are an integral part of these consolidated financial statements



Consolidated Statements of Cash Flows
For the years ended August 31,
(Expressed in Canadian Dollars)

	2018	2017	2016
Cash provided by (used in) Operating activities			
Net loss from continuing operations	\$ (516,323)	\$ (2,097,738)	\$ (13,534,298)
Net income from discontinued operations (Note 15)	—	—	2,711
Net loss	(516,323)	(2,097,738)	(13,531,587)
Items not involving cash:			
Stock based compensation (Note 11 e)	204,511	1,849,998	615,924
Anti-dilution fees (Note 11 b (c) and (d))	—	186,832	—
Gain on derecognition of financial liabilities (Note 15)	—	(893,990)	—
Impairment loss on secured note receivable (Note 7)	—	81,483	—
Loss on settlement of debt (Note 9)	—	—	12,489,249
Impairment loss on marketable securities (Note 6)	—	—	120,125
Gain on disposal of subsidiary (Note 15)	—	—	(68,489)
Gain on expiry of derivative liabilities (Note 10)	—	—	(281,210)
Working capital adjustments:			
(Increase) decrease in other receivables	36,870	(26,202)	4,586
Increase in trade and other payables	173,483	250,577	198,704
Increase in advances from related party	49,415	—	—
Decrease in prepaid expenses and deposits	—	17,799	14,138
Net cash used in operating activities	(52,044)	(631,241)	(438,560)
Investing activities			
Secured note receivable (Note 7)	—	(81,483)	—
Net cash used in investing activities	—	(81,483)	—
Financing activities			
Shares issued as settlement of shareholder advances	—	213,781	—
Private placement of units	—	50,000	290,000
Warrants exercised	—	—	518,683
Private placement of shares	—	—	50,000
Shareholders' loans	79,910	—	—
Net cash provided by financing activities	79,910	263,781	858,683
Increase (decrease) in cash for the year	27,866	(448,943)	420,123
Net effect of exchange rate changes on cash	—	—	(2,332)
Cash, beginning of year	1,040	449,983	32,192
Cash, end of year	\$ 28,906	\$ 1,040	\$ 449,983

The accompanying notes are an integral part of these consolidated financial statements



Notes to the Consolidated Financial Statements
August 31, 2018 and 2017 and 2016
(Expressed in Canadian Dollars)

1. a) Nature of Business

Novicius Corp., was amalgamated under the Business Corporations Act (*Ontario*) on November 30, 2009 (“Novicius” or the “Company”). The Company filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its common shares 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 common shares 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. the Company has developed an online content management and advertising platform that powers user and advertising engagement programs in real-time to desktop, mobile and portable devices (<http://doubletap.co>). Subsequent to year end, the Company completed a reverse takeover transaction with Grown Rogue Unlimited LLC and changed its name to Grown Rogue International Inc (refer to Note 16).

The Company’s registered office is located at 340 Richmond Street West, Toronto, Ontario, MSV 1X2. The Company’s common shares trade on the OTCQB under the symbol NVSIF and on the Canadian Securities Exchange under the symbol NVS.

The consolidated financial statements include the accounts of Novicius, the legal parent, together with its wholly-owned subsidiaries, Ice Studio Productions Inc. incorporated in the Province of Ontario on June 16, 2016 (“ICE Studio”), DoubleTap Daily Inc. incorporated in the Province of Ontario on February 29, 2016, (“DoubleTap”) and Novicius Acquisition Corp. (“Acquisition Corp.”), incorporated in the Province of Ontario on March 26, 2018.

b) Going Concern

These consolidated financial statements (the “Consolidated Financial Statements”) 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 has been 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.

Due to continuing operating losses, the Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, or other means of funding its operations, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

The Company has accumulated significant losses and negative cash flows from operations in recent years which raise doubt as to the validity of the going concern assumption. As at August 31, 2018, the Company has working capital deficiency of \$799,588 (2017: working capital deficiency \$487,776) and an accumulated deficit of \$32,201,307, (2017: \$31,684,984). These material uncertainties may cast significant doubt upon the entity’s ability to continue as a going concern. The Consolidated Financial Statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying Consolidated Financial Statements.

2. Basis of Preparation

Statement of Compliance

These 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 policies applied in these Consolidated Financial Statements are based on IFRS issued and outstanding as of January 1, 2018. The Board of Directors approved the Consolidated Financial Statements on December 31, 2018.

Basis of Measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

Functional and Presentation Currency

The functional and presentation currency of the parent Novicius and its wholly owned subsidiaries ICE Studio, DoubleTap and Acquisition Corp., is Canadian dollars.

3. Summary of Significant Accounting Policies

Basis of Consolidation

Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of the subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the Consolidated Financial Statements. The Consolidated Financial Statements include the accounts of the Company, the legal parent, together with its wholly-owned subsidiaries, Ice Studio, DoubleTap and Novicius Acquisition Corp.

Revenue Recognition

Revenue is recognized when there is persuasive evidence that an arrangement exists which is when a contract or sales order is signed by both parties, delivery has occurred, ownership has been transferred to the customer, price is fixed or determinable and ultimate collection is reasonably assured at the time of delivery. Revenue from advertising revenue were recognized when services were provided.

Foreign Currency

Items included in the Consolidated Financial Statements of each of the Company’s wholly owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in profit or loss.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the foreign currency translation reserve under other comprehensive income.

3. Summary of Significant Accounting Policies (Continued)

Significant Accounting Estimates and Judgements

The preparation of the Consolidated Financial Statements in accordance with IFRS requires that management make estimates and assumptions and use judgment regarding the measured amounts of assets, liabilities and contingent liabilities at the date of the Consolidated Financial Statements and reported amounts of revenue and expenses during the reporting period. Such estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Consolidated Financial Statements are:

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is an uncertainty regarding the Corporation's ability to continue as a going concern (see Note 1 b and Note 16).

Fair Value of Financial Instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Fair Value of Derivative Liabilities

The Company is exposed to risks related to changes in its share prices, foreign exchange rates, interest rate and volatility rates used to determine the estimated fair value of its derivative liabilities. In the determination of the fair value of these instruments, the Company utilizes certain independent values and, when not available, internal financial models which are based primarily on observable market data. Management's judgment is required in the development of these models. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, discount rates and dividend yield.

Settlement of Debt with Equity Instruments

Equity instruments issued to a creditor to extinguish a financial liability are measured at the fair value of the equity instruments at the date the financial liability is extinguished. The Company estimates the fair value of warrants using the Binomial Lattice pricing model and further assumptions including the expected life, volatility, discount rates and dividend yield. The fair value of the units comprising shares and warrants issued in connection with the extinguishment of a financial liability are then prorated to the total market value of the common shares.

Fair Value of Stock Based Compensation and Warrants

In determining the fair value of share based payments the calculated amounts are not based on historical cost, but is derived based on assumptions (such as the expected volatility of the price of the underlying security, expected hold period before exercise, dividend yield and the risk-free rate of return) input into a pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options and compensation warrants before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period; dividend yield; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or compensation warrants and they are not transferable. Similar calculations are made in estimating the fair value of the warrant component of an equity unit. The assumptions used in these calculations are inherently uncertain. Changes in these assumptions could materially affect the related fair value estimates.

3. Summary of Significant Accounting Policies (Continued)

Earnings (Loss) per Share

The basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The diluted earnings per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation.

Discontinued Operations

A discontinued operation is a component of the Company's business that represented a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Effective February 29, 2016, the Company disposed of its investment in 1354166 Alberta Ltd., ("1354166 Alberta") and accordingly their operations were treated as discontinued operations.

Financial Instruments

Classification and Measurement

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit and loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "other financial liability" as defined by IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at "fair value through profit or loss" and are measured at fair value with changes in fair value recognized in the statement of operations. Transaction costs are expensed when incurred. The Company has classified cash and derivative liabilities as "fair value through profit and loss".

Financial instruments classified as "loans and receivables", "held-to-maturity", or "financial liabilities" are measured at amortized cost using the effective interest rate method of amortized cost. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity.

"Other financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through profit or loss". The Company has classified trade and other payables as "other financial liabilities".

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. The Company has classified its marketable securities as "available for sale".

Cash

Cash in the statement of financial position comprise cash held in banking institutions.

Marketable Securities

At each financial reporting period, the Company estimates the fair value of investments which are available-for-sale, which could be based on quoted closing bid ask spread prices or other measures for unquoted instruments. Adjustments to the fair value of the marketable securities at the financial position date are recorded to other comprehensive income until re-classified to the statement of operations.

3. Summary of Significant Accounting Policies (Continued)

Derivative Financial Instruments

The Company's derivative instruments consisted of derivative liabilities in relation to its i) anti-dilution units issued; and ii) share purchase warrants with a US Dollar exercise price.

i) The Company had issued Units that contained an anti-dilution provision such that if within 18 months of the issue date, the Company issued additional common shares for a consideration per share or with an exercise or conversion price per share, less than issue price (the "Adjusted Price") the Holder shall be entitled to receive (for no additional consideration) additional Units in an amount such that, when added to the number of Units acquired by Holder under the agreement will equal the number of Units that the Holder would otherwise be entitled to receive had the transaction occurred at the Adjusted Price. The anti-dilution provision was considered a derivative and required fair value measurement at each reporting period. During the reporting periods August 31, 2016 and 2015 the Company determined that based on the market price being greater than the issue price per share, no additional common shares were required to be fair valued and recorded as a derivative liability.

ii) In prior years, the Company had issued share purchase warrants with an exercise price in US dollars, rather than Canadian dollars (the functional currency of the Company). Such share purchase warrants are derivative instruments and the Company was required to re-measure the fair value at each reporting date. The fair value of these share purchase warrants are re-measured at each reporting date using the Black-Scholes option pricing model with changes recorded to the statement of operations.

Impairment

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of operations. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

Income tax

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

3. Summary of Significant Accounting Policies (Continued)

Share-Based Compensation

The Company has a share-based compensation plan that grants stock options to employees and non-employees. This plan is an equity settled plan. The Company uses the fair value method for accounting for share-based awards to employees and non-employees.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

Warrants

When the Company issues units comprising common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of the common shares is estimated and the fair value of the warrants issued is estimated using an option pricing model. The fair value is then prorated to the total of the net proceeds received on issuance of the common shares and the warrants.

4. 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 Company intends to adopt IFRS 15 effective September 1, 2018 and does not expect it to have a material impact on the Consolidated 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 intends to adopt this new standard September 1, 2018 and does not expect it to have a material impact on the Consolidated Financial Statements.

(iii) On January 13, 2016, the IASB issued IFRS 16 Leases (“IFRS 16”) which will replace IAS 17, Leases. IFRS 16 will bring 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 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is assessing the impact of this new standard on the Consolidated Financial Statements.

5. Segmented Information

The Company's reportable and geographical segments are Canada and, previously, the United States. The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Effective August 31, 2015, the Company discontinued its reportable segment in the United States.

The following tables show information regarding the Company's reportable segments:

	Canada \$	United States \$	Total \$
For the year ended August 31, 2018			
Revenue, continuing operations	—	—	—
Net loss, continuing operations	(516,323)	—	(516,323)
Net loss	(516,323)	—	(516,323)

	Canada \$	United States \$	Total \$
For the year ended August 31, 2017			
Revenue, continuing operations	20,788	—	20,788
Net loss, continuing operations	(2,097,738)	—	(2,097,738)
Net loss	(2,097,738)	—	(2,097,738)

	Canada \$	United States \$	Total \$
For the year ended August 31, 2016			
Net loss, continuing operations	(13,534,298)	—	(13,534,298)
Net income (loss), discontinued operations	8,731	(6,020)	2,711
Net loss	(13,525,567)	(6,020)	(13,531,587)

	Canada \$	United States \$	Total \$
As at August 31, 2018			
Total Assets	33,043	—	33,043
Total Liabilities	(832,631)	—	(832,631)

	Canada \$	United States \$	Total \$
As at August 31, 2017			
Total Assets	42,047	—	42,047
Total Liabilities	(529,823)	—	(529,823)

6. Marketable Securities

As at August 31, 2018, the Company held 1,200,000 common shares in Stratex Oil & Gas Holdings, Inc. ("Stratex"). As at August 31, 2015, the Company recorded a change in the fair value of the securities in other comprehensive income (loss) in the amount of \$110,525. For the year ended August 31, 2016, the Company re-classified the impairment of \$110,525 from other comprehensive income (loss) to the statement of operations and recorded a further impairment of \$9,600 as a result of the Stratex common shares being fair valued at \$Nil.

Market value on acquisition	\$	120,125
Change in fair value		(110,525)
Market value, August 31, 2015	\$	9,600
Impairment		(9,600)
Market value, August 31, 2018 and 2017	\$	—

7. Secured Note Receivable

On May 25, 2016, the Company entered into a Term Sheet to license to acquire all the technology, production and client operations owned and operated by New York based Catch Star Studios LLC (“Catch Star”). On October 12, 2016, the Company advanced US\$65,000 (CDN\$81,483 as at August 31, 2017) to Catch Star and entered into a Secured Promissory Note and General Security Agreement with Catch Star (the “Secured Note”). The Secured Note is due on demand and is secured by all of the assets of Catch Star. Subsequently, Catch Star and the Company could not reach a definitive agreement to memorialize the terms and conditions of the Term Sheet and abandoned the prospective transaction. On February 1, 2017, the Company issued a letter of demand for the repayment in full of the Secured Note from Catch Star. At August 31, 2017, the Company determined that the Secured Note was uncollectible and recorded an impairment of the full amount.

8. Related Party Transactions and Balances

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:

	August 31, 2018	August 31, 2017	August 31, 2016
Short term employee benefits (1) (2)	\$ 60,200	\$ 129,981	\$ 60,000
Stock based compensation (3)	204,511	1,614,605	615,924
	<u>\$ 264,711</u>	<u>\$ 1,734,586</u>	<u>\$ 675,924</u>

The following balances owing to the President and Chief Financial Officer of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	August 31, 2018	August 31, 2017
Short term employee benefits payable (1)(2)	\$ 50,398	\$ 101,500
Total balances owing	<u>\$ 50,398</u>	<u>\$ 101,500</u>

- (1) The Company accrues management fees to the Chief Financial Officer of the Company at a rate of \$5,000 per month during fiscal 2018, 2017 and 2016.
- (2) On September 9, 2016, the Company entered into an employment agreement with the President of the Company under which the Company agreed to pay to the President, a base salary of \$90,000 and grant one hundred thousand (100,000) common share purchase options (Note 11 e). Effective May 21, 2017, the Company and the President agreed to amend the terms of the employment agreement, by reducing the President’s base salary to \$10.00 annually, allowing the President to contract his services to Torinit contemporaneous with his continued employment with the Company and providing a top up provision of up to \$1,500 in a month from the Company if the gross compensation earned by the President from Torinit during June, July and August of 2017 (the “Period”), reduces the overall compensation earned by the President below \$7,500 in any such month during the Period.
- (3) On April 1, 2016, the Company granted options to purchase 30,000 common shares to a director. On September 9, 2016 and November 1, 2016, the Company granted options to purchase 130,000 and 50,000 common shares to officers and directors (Note 11 e).

8. Related Party Transactions and Balances (Continued)

On September 1, 2016, the Company entered into an agreement for a period of 12 months with Torinit Technologies Inc., (“Torinit”) to provide dedicated resource augmentation to DoubleTap in an effort to optimize user experience while navigating through the <http://DoubleTap.co> website and drive traffic growth by engaging users across all demographics (the “Torinit Services”). As consideration for the Torinit Services, the Company agreed to compensate Torinit the sum of \$8,000 per month based on 320 hours per month for a 12 month period. Dikshant Batra, a director of the Company, is also the President, a director and major shareholder of Torinit. As at August 31, 2018 and 2017, included in trade and other payables is \$23,961 due to Torinit.

As at August 31, 2018, the amount of directors’ fees included in trade and other payables was \$40,400 (August 31, 2017: \$10,200).

As at August 31, 2017 and 2016, the Company had a promissory note payable to the former President of the Company of \$Nil. For the year ended August 31, 2016, the Company recorded interest on the promissory note of \$496 (August 31, 2015: \$838). On February 26, 2016, the former President assigned the promissory note of \$10,000 and all accumulated interest due in the amount of \$113,844 to an arms-length third party. The note was due on demand with interest at a rate of 10% per annum. Effective November 18, 2015, the Company issued to the former President 114,009 Units in the capital of the Company pursuant to the anti-dilution provision contained in the August 30, 2014, debt conversion agreements. On February 29, 2016, the former President converted \$38,239 in outstanding debt into 12,746 units in the capital of the Company (Note 9).

During the year, the Company received advances from Grown Rogue Unlimited LLC (see Note 16) for working capital purposes in the amount of \$49,415. The amount will be settled upon finalization of the reverse takeover transaction.

9. Shareholders’ Loans, Loans Payable and Debt Conversion

Shareholder Loans

As at August 31, 2018, the Company had shareholders’ loans payable of \$79,910 (August 31, 2017: \$Nil). The loans are non-interest bearing and due on demand.

Effective November 18, 2015, the Company issued a total of 1,032,998 Units in the capital of the Company pursuant to an anti-dilution provision contained in the August 30, 2014 debt conversion agreements. The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company’s stock. The fair value of the units of \$6,896,800 was allocated to the common shares in the amount of \$5,034,157 and warrants in the amount of \$1,862,643 based on their relative fair values and \$6,896,800 was recognized as a loss on settlement of debt in the statement of operations. Significant assumptions utilized in the Binomial Lattice process for the warrant component of the conversion were as follows:

	November 18, 2015
Market value on valuation date	\$ 6.60
Contractual exercise rate	\$ 10.00
Term	1.79 years
Expected market volatility	183.30%
Risk free rate using zero coupon US Treasury Security rate	0.90%

Loans Payable

Effective November 18, 2015, the Company converted loans and interest due in the aggregate amount of \$899,660 through the issuance of 680,068 common shares in the capital of the Company. The fair value of the common shares of \$4,540,474 was allocated to common shares and \$3,640,814 was recorded as loss on settlement of debt in the consolidated statement of operations.

On February 29, 2016, the Company entered into asset purchase and debt settlement agreement and converted loans and interest in the aggregate amount of \$277,473 in exchange for the Company’s 0.03% net smelter return royalty on 8 mining claim blocks located in Red Lake, Ontario which were carried on the consolidated statement of financial position at \$Nil. Accordingly, the Company recorded a gain on settlement of debt for the full amount in the consolidated statement of operations.

9. Shareholders' Loans, Loans Payable and Debt Conversion (Continued)

Debt Conversion

On February 29, 2016, the Company converted debt in the aggregate amount of \$451,557 through the issuance of 150,519 units in the capital of the Company. Each unit was comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of \$3.50 until March 1, 2019. The fair value of the units of \$1,220,709 was allocated to common shares in the amount of \$638,295 and warrants in the amount of \$582,414 based on their relative fair values and \$769,152 was recognized as a loss on extinguishment of debt in the consolidated statement of operations. Significant assumptions utilized in the Binomial Lattice process for the warrant component of the conversion were as follows:

	February 29, 2016
Market value on valuation date	\$ 8.10
Contractual exercise rate	\$ 3.50
Term	3 years
Expected market volatility	169.73%
Risk free rate using zero coupon US Treasury Security rate	0.91%

Effective November 18, 2015, the Company entered into a shares for debt conversion agreement and converted a note and interest payable to Core Energy Enterprises Inc. ("Core") in the aggregate amount of \$362,793 through the issuance of 274,243 common shares in the capital of the Company. The fair value of the common shares of \$1,830,983 was recorded as an increase to common shares and \$1,468,190 was recorded as a loss on settlement of debt in the consolidated statement of operations. The CFO of the Company is a major shareholder, officer and a director of Core.

10. Derivative Liabilities

As at August 31, 2018 and 2017, the Company had no derivative liabilities. As at August 31, 2016, the Company had 175,000 derivative warrant liabilities outstanding with a fair value of \$Nil, an expiry date of January 15, 2017 which meant a remaining life of 0.13 years and an exercise price of \$15.00. As at August 31, 2016, the Company recorded a gain on expiry of derivative warrant liabilities of \$281,210 in the consolidated statement of operations.

The Company had warrants issued with a cashless exercise price and warrants issued with an exercise price in US dollars which was different from the functional currency of the Company and accordingly the warrants were treated as a financial liabilities. The following table sets out the changes in derivative warrant liabilities during the respective periods:

	Number of Warrants	Fair Value Assigned \$	Average Exercise Price \$
As at August 31, 2015	1,305	281,210	US 466.66
Warrants expired	(1,305)	(281,210)	(466.66)
Warrants issued	175,000	—	15.00
As at August 31, 2016	175,000	—	15.00
Warrants expired	(175,000)	—	(15.00)
As at August 31, 2017 and 2018	—	—	—

On June 22, 2016, the Company entered into a consulting agreement and issued 175,000 common share purchase warrants exercisable at \$15.00 with a cashless exercise option. At August 31, 2016, the Company determined that it would not continue with the agreement and it was suspended and on January 15, 2017, the agreement was mutually terminated no warrants were exercised.

11. Share Capital and Reserves

The Company filed articles of amendment effective May 26, 2017, and changed its name from Intelligent Content Enterprises Inc., to Novicius Corp., and consolidated its common shares 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 common shares on the basis of one (1) new share for every ten (10) old shares. The consolidated financial statements have been adjusted to reflect these consolidations accordingly.

a) Share Capital

Authorized:

Unlimited number of common shares at no par value

Unlimited number of preferred shares issuable in series

Common Shares Issued:

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

	Number	Amount \$
Balance August 31, 2016	2,650,627	23,220,683
Common shares issued as private placement (Note 11 b (i))	7,692	30,233
Common shares issued as settlement of shareholder advances (Note 11 b (ii))	1,187,672	213,781
Common shares issued as anti-dilution provision (Note 11 b (iii))	1,420,809	184,705
Common shares issued as anti-dilution provision (Note 11 b (iv))	16,364	2,127
Balance August 31, 2017 and August 31, 2018	<u>5,283,164</u>	<u>23,651,529</u>

Preferred Shares Issued:

As at August 31, 2018 and August 31, 2017, there were no preferred shares issued.

b) Share Purchase Warrants

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

	August 31, 2018		August 31, 2017	
	Number of Warrants	Weighted Average Price	Number of Warrants	Weighted Average Price
Warrants				
Outstanding, beginning of year	208,211	—	722,572	—
Warrants issued (Note 11 b (i))	—	—	7,692	—
Warrants issued (Note 11 b (iv))	—	—	16,364	—
Warrants expired (Note 11 b (v))	—	—	(538,417)	—
Balance, end of year	<u>208,211</u>	<u>\$ 5.27</u>	<u>208,211</u>	<u>\$ 5.27</u>

- (i) On November 30, 2016, the Company completed private placements for gross proceeds of \$50,000 and issued 7,692 units in the capital of the Company at a purchase price of \$6.50 per unit. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of \$10.00 until November 30, 2019. The fair value of the units (\$50,000) was allocated to common shares \$30,233 and the amount allocated to warrants component using a Binomial Lattice model was \$19,767.
- (ii) Effective August 31, 2017, the Company settled shareholder advances of \$213,781 and issued 1,187,672 common shares in the capital of the Company at a price of \$0.18 per share.

11. Share Capital and Reserves (Continued)

b) Share Purchase Warrants (Continued)

- (iii) Pursuant to the August 31, 2017, settlement of shareholder advances of \$213,781, effective August 31, 2017, the Company issued 1,420,809 common shares in the capital of the Company pursuant to the anti-dilution provision of the August 31, 2016, private placement agreements. The fair value of \$184,705 was calculated on the previous day's closing price of the Company's common shares and allocated to common shares and anti-dilution fees in the consolidated statement of operations.
- (iv) Pursuant to the November 30, 2016, private placement of \$50,000, effective August 31, 2017, the Company issued 16,364 Units in the capital of the Company pursuant to the anti-dilution provision of the August 31, 2016, private placement agreements. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of \$10.00 until November 30, 2019. The fair value of the units of \$2,127 was allocated to common shares and anti-dilution fees in the consolidated statement of operations. No value was allocated to warrants based on the Binomial Lattice model.
- (v) On August 31, 2017, 538,417 common share purchase warrants exercisable at \$10.00 expired. The amount allocated to warrants based on the Binomial Lattice model was \$2,195,738 with a corresponding increase to contributed surplus.

The following table summarizes the outstanding warrants as at August 31, 2018 and August 31, 2017, respectively:

Number of Warrants 2018	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value (\$)
160,519	\$ 3.50	March 1, 2019	0.50	603,370
23,636	\$ 12.50	August 31, 2019	1.00	126,729
24,056	\$ 10.00	November 30, 2019	1.25	19,767
208,211			0.64	749,866

Number of Warrants 2017	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value (\$)
160,519	\$ 3.50	March 1, 2019	1.50	603,370
23,636	\$ 12.50	August 31, 2019	2.00	126,729
24,056	\$ 10.00	November 30, 2019	2.25	19,767
208,211			1.64	749,866

c) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	August 31,		
	2017	2017	2016
Weighted Average Shares Outstanding, basic	5,283,164	2,663,614	2,077,096
Weighted Average Shares Outstanding, diluted	5,283,164	2,663,614	2,077,096

At August 31, 2018, there were 208,211 common share purchase warrants that could be exercised, however they are anti-dilutive. The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

11. Share Capital and Reserves (Continued)

d) Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding common shares of the Company on a rolling basis.

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 \$
Balance, August 31, 2016	38,300	22.80
Granted	200,000	12.05
Expired	(83,300)	(13.63)
Balance, August 31, 2017	155,000	13.87
Cancelled	(155,000)	(13.87)
Balance, August 31, 2018	—	—

The following table is a summary of the Company's stock options outstanding and exercisable as at August 31, 2017:

Exercise Price	Number of Options	Options Outstanding Weighted Average Remaining Life (Years)	Expiry Date	Options Exercisable	
				Number of Options	Weighted Average Exercise Price \$
\$ 12.00	5,000	2.20	November 11, 2019	5,000	0.50
\$ 15.00	70,000	4.02	September 8, 2021	35,000	3.79
\$ 13.00	80,000	4.02	September 8, 2021	80,000	4.38
	155,000	3.95		85,000	13.87

e) Stock Based Compensation

Effective May 1, 2018, all of the stock options issued by the Company were released and subsequently cancelled and \$1,815,961 was recorded as an increase to contributed surplus.

Employees

On September 9, 2016, the Company granted 30,000 immediately vesting common share purchase options to shares to a director and 30,000 common share purchase options vesting February 6, 2017 to the President. These options are exercisable at \$13.00 per share and expire on September 8, 2021. As at August 31, 2017, the Company recorded non-cash stock-based compensation expense of \$706,178.

On September 9, 2016, the Company granted to the President 70,000 common share purchase options exercisable at \$15.00 per share and expiring on September 8, 2021. Of these options, 35,000 vested on September 8, 2017 and 35,000 vesting on September 8, 2018. As at August 31, 2017, the Company recorded non-cash stock-based compensation expense of \$613,532. As at August 31, 2018, the Company recorded a further \$204,511 in stock-based compensation.

On November 1, 2016, the Company granted 50,000 common share purchase options vesting March 30, 2017 to the former Chief Financial Officer. These options were exercisable at \$6.40 per share and expired on April 25, 2017. As at August 31, 2017, the Company recorded non-cash stock-based compensation expense of \$294,895.

11. Share Capital and Reserves (Continued)

e) Stock Based Compensation (Continued)

Non Employees

On September 9, 2016, the Company granted 20,000 immediately vesting common share purchase options to a consultant of the Company. These options are exercisable at \$13.00 per share and expire on September 8, 2021. As at August 31, 2017, the Company recorded non-cash stock-based compensation expense of \$235,393.

The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following assumptions and inputs:

	November 1, 2016	September 9, 2016
Weighted average fair value per option	\$ 5.90	\$ 11.70
Weighted average risk-free interest rate	0.68%	0.59%
Forfeiture rate	0%	0%
Weighted average expected volatility	156.70%	152.32%
Expected life (years)	5	5
Dividend yield	Nil	Nil
Stock price on the date of grant	\$ 6.40	\$ 12.90

12. Non-Cash Transactions

The following table summarizes the non-cash transactions for the years set out:

	August 31, 2018 (\$)	August 31, 2017 (\$)	August 31, 2016 (\$)
Non-cash transactions			
Stock based compensation (Note 11 e)	204,511	1,849,998	615,924
Stock options cancelled (Note 11 e)	(1,815,961)	—	—
Stock options expired (Note 11 d)	—	(1,066,882)	(60,143)
Warrants expired (Note 11 b (v))	—	(2,195,738)	—
Units issued as anti-dilution provision (Note 11 b (iii))	—	184,705	6,896,800
Shares issued as anti-dilution provision (Note 11 b (iv))	—	2,127	—
Shares issued to settle debt	—	—	6,371,457
Derivative warrants expired (Note 10)	—	—	(281,210)
Units issued as debt extinguishment (Note 9)	—	—	1,220,709
Debt settled in exchange of property (Note 9)	—	—	(277,473)

13. Financial Instruments and Concentration of Risks

Financial instruments are measured at fair value on initial recognition of the instrument. The types of risk exposure to the Company's financial instruments and the ways in which such exposures are managed are as follows:

Credit Risk

Credit risk is primarily related to the Company's receivables and cash and the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. At August 31, 2018, trade and other receivables amounts are \$Nil (August 31, 2017: \$Nil). At August 31, 2018, included in other receivables is HST due from the Government of Canada in the amount of \$4,137 (August 31, 2017: \$41,007).

Concentration risk exists in cash because cash balances are maintained with one financial institution. The risk is mitigated because the financial institution is an international bank and all amounts are due on demand.

The Company's maximum exposure to credit risk is as follows:

	August 31, 2018 (\$)	August 31, 2017 (\$)
Cash	28,906	1,040
Balance	28,906	1,040

13. Financial Instruments and Concentration of Risks (Continued)

Liquidity Risk

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to fulfill planned opportunities or that viable options are available to fund such opportunities from new equity issuances or alternative sources of financings. As a company without significant revenue, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that such financing terms may not be acceptable to the Company.

The following table illustrates the contractual maturities of financial liabilities:

August 31, 2018	Payments Due by Period \$				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	703,306	703,306	—	—	—
Shareholder loans	79,910	79,910	—	—	—
Advances from related party	49,415	49,415	—	—	—
Total	832,361	832,361	—	—	—

August 31, 2017	Payments Due by Period \$				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	529,823	529,823	—	—	—
Total	529,823	529,823	—	—	—

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

The Company is exposed to the fluctuations in foreign exchange rates. The Company operates in Canada and a portion of its expenses are incurred in US dollars. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in US dollars as at the year-end set out below:

	August 31, 2018 (\$)	August 31, 2017 (\$)
Cash	643	77
Prepaid expenses and deposits	—	—
Trade and other payables	(39,640)	(38,777)
Net liabilities denominated in US\$	(38,997)	(38,700)
Net liabilities CDN dollar equivalent at period end ⁽¹⁾	(50,910)	(48,514)

(1) Translated at the exchange rate in effect at August 31, 2018 \$1.3055 (August 31, 2017 \$1.2536)

13. Financial Instruments and Concentration of Risks (Continued)

(i) Currency Risk (Continued)

The following table shows the estimated sensitivity of the Company's total loss for the periods set out from a change in the US dollar exchange rate in which the Company has exposure with all other variables held constant.

Percentage change in US Dollar	August 31, 2018		August 31, 2017	
	Increase	Decrease	Increase	Decrease
	In total loss from a change in % in the US Exchange Rate (\$)		In total loss from a change in % in the US Exchange Rate (\$)	
5%	(3,323)	3,323	(3,041)	3,041
10%	(6,646)	6,646	(6,082)	6,082
15%	(9,969)	9,969	(9,123)	9,123

(ii) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is not exposed to any significant interest rate risk.

(iii) Fair Value of Financial Instruments

The Company's financial instruments included on the consolidated statements of financial position are comprised of cash, trade and other payables, advances from related party and shareholder loans. 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	August 31, 2018		August 31, 2017	
		Carrying Value (\$)	Fair Value (\$)	Carrying Value (\$)	Fair Value (\$)
Fair value through profit or loss:					
Cash	1	28,906	28,906	1,040	1,040
Other financial liabilities:					
Trade and other payables		703,306	703,306	529,823	529,823
Advance from related party		49,415	49,415	—	—
Shareholder loans		79,910	79,910	—	—

Cash is stated at fair value (Level 1 measurement). The carrying values of trade and other payables, advances from related party and shareholder loans approximate their fair value due to the short-term maturity of these financial instruments.

13. Financial Instruments and Concentration of Risks (Continued)

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 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 August 31, 2018 and 2017, the Company considered its capital structure to be comprised of shareholders' deficiency.

14. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% to the effective tax rate is as follows:

	2018	2017	2016
Net loss before recovery of income taxes	\$ 516,323	\$ 2,097,738	\$ 13,531,587
Expected income tax (recovery) expense	(136,830)	(555,901)	(3,585,871)
Share based compensation and non-deductible expenses	80,740	302,853	—
Debt forgiveness	—	236,907	—
Non-taxable items and others	—	—	3,458,054
Change in tax benefits not recognized	56,090	16,141	127,817
Income tax (recovery) expense	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2018	2017	2016
Non-capital losses carried forward - Canada	\$ 5,370,460	\$ 5,154,600	\$ 1,313,096
Share issue costs	12,590	16,790	5,621
Capital losses carry forwards	—	—	28,070
Oil and gas interests	—	—	76,713
Unrecognized deferred tax asset	<u>\$ 5,383,050</u>	<u>\$ 5,171,390</u>	<u>\$ 1,423,500</u>

The Company's Canadian non-capital losses expire as follows:

2030	703,290
2031	648,310
2032	1,200,570
2033	870,780
2034	662,600
2035	258,560
2036	766,380
2037	44,120
2038	215,850
	<u>\$ 5,370,460</u>

15. Discontinued Operations and Dissolution of Subsidiary

Discontinued Operations of Eagleford Energy, Zavala Inc.

In accordance with the terms of a Secured Note and a General Security Agreement, the Company and Benchmark Enterprises Inc., (“Benchmark”) entered into a Settlement and Exercise of Security Agreement effective August 31, 2015 for the extinguishment of the Secured Note and Interest in the amount of \$1,762,328. The Company assigned and conveyed to Benchmark all of its rights, title and interest in and to Zavala Inc. and issued 100,000 common shares of the Company to Benchmark. As a result of the extinguishment of the Note, the Company’s investment in Zavala Inc. had been derecognized from the Company’s Consolidated Financial Statements as at the effective date (August 31, 2015) and presented as discontinued operations on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows. Upon the disposition of Zavala Inc., the Company realized a foreign exchange translation gain of \$615,881. The following table presents the consolidated statements of operations and other comprehensive income (loss) of Zavala Inc., for the years set out:

	August 31, 2016
Expenses	
General and administrative	\$ 6,020
Loss from discontinued operations	<u>(6,020)</u>
Loss per share from discontinued operations, basic and diluted	<u>\$ (0.000)</u>

The following table represents the consolidated statements of Zavala Inc. for the periods set out:

	August 31, 2016
Cash used in:	
Operating activities	
Net loss from discontinued operations	\$ (6,020)
Cash used in operating activities, discontinued operations	<u>\$ (6,020)</u>

Discontinued operations of 1354166 Alberta Ltd.

The Company entered into a Share Purchase and Debt Settlement Agreement with 1288131 Alberta Ltd. effective February 29, 2016 and disposed of its interest in 1354166 Alberta for the settlement of debt owed to 1288131 Alberta Ltd., in the amount of \$62,867.

As a result of the extinguishment of the debt, the Company’s investment in 1354166 Alberta had been derecognized from the Company’s Consolidated Financial Statements as at the effective date (February 29, 2016) and presented as discontinued operations on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows. Upon the disposition of 1354166 Alberta the Company recognized a gain in the amount of \$68,489 in the consolidated statement of operations.

The following table presents the statements of operations of 1354166 Alberta for the period set out:

	August 31, 2016
Revenue	
Natural gas sales	\$ 13,998
Expenses	
Operating costs	5,170
General and administrative	97
	<u>5,267</u>
Net income from discontinued operations	<u>\$ 8,731</u>
Earnings per share from discontinued operations, basic and diluted	<u>\$ 0.000</u>

15. Discontinued Operations and Dissolution of Subsidiary (Continued)

The following table presents the statements of cash flows of 1354166 Alberta for the period set out:

	August 31, 2016
Cash provided by (used in)	
Operating activities	
Net income from discontinued operations	\$ 8,731
Item not involving cash	
Net changes in non-cash working capital	
Accounts receivable	4,955
Accounts payable	14
Cash provided by operating activities, discontinued operations	<u>13,700</u>
Net cash provided by discontinued operations	<u>\$ 13,700</u>

The following table presents the effect of the disposal of 1354166 Alberta on the Consolidated Statement of Financial Position of the Company:

	February 29, 2016
Cash	\$ 2,564
Accounts Receivable	3,391
Accounts payable	(14)
Provisions (Note 12)	(11,563)
Net assets and liabilities of 1354166 Alberta	<u>\$ (5,622)</u>

Dissolution of Dyami Energy, LLC

Effective April 3, 2014, the Company's former wholly owned subsidiary Dyami Energy, LLC ("Dyami Energy") was dissolved. The Company's investment in Dyami Energy had been derecognized from the Company's Consolidated Financial Statements as at the effective date and presented on the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows as an impairment of the net assets and liabilities on dissolution of subsidiary. Prior obligations of Dyami Energy, with respect to the Matthews and Murphy Leases of \$893,990 were previously recorded by the Company as financial liabilities and recognized as a gain upon de-recognition of financial liabilities for the year ended August 31, 2017.

16. Subsequent Events

On October 31, 2018, the Company, Grown Rogue Unlimited LLC ("Grown Rogue"), Grown Rogue Canada Inc. ("Grown Rogue Canada") and Novicius Acquisition Corp. ("Acquisition Corp") entered into a definitive transaction agreement (the "Definitive Agreement") which set out the terms for the reverse take-over of the Company by Grown Rogue and the related transactions (the "Transaction"). On the closing date of the Transaction, the Company acquired the business of Grown Rogue and the funds raised by Grown Rogue Canada. Effective November 1, 2018, in preparation for the Transaction, the Company completed a consolidation (the "Consolidation") of its common shares on the basis of 1.4 pre-consolidated common shares for 1 post-consolidated common share (a "Resulting Issuer Share") and changed its name to "Grown Rogue International Inc.". In consideration for all of the equity interests of Grown Rogue, the unitholders and warrant holders of Grown Rogue received an aggregate of 60,746,202 Resulting Issuer Shares at a deemed price of \$0.44 per share and 5,446,202 Resulting Issuer Warrants with an exercise price of \$0.55 per share. As part of the transaction, Grown Rogue also completed a non-brokered private placement of subscription receipts for gross proceeds of \$1,646,050, with each subscription receipt being sold for \$0.44.

In accordance with debt settlement agreements between the Company and certain of its creditors, the parties agreed to assign an aggregate of \$369,508 in indebtedness owing to the Company to Acquisition Corp. The debt was subsequently converted (the "Debt Conversion") into 839,790 units of Acquisition Corp. at \$0.44 per unit (the "Debt Conversion Units"). Each Debt Conversion Unit was comprised of one common share of Acquisition Corp. (a "Debt Conversion Share") and one Novicius AcquisitionCo purchase warrant ("Novicius AcquisitionCo Warrants"). Each Novicius AcquisitionCo Warrant is exercisable into one common share at an exercise price of \$0.55 per share for 24 months. In accordance with the Definitive Agreement, the Debt Conversion Shares were exchanged for 839,790 Resulting Issuer Shares at the time of the amalgamation for Grown Rogue Canada and Acquisition Corp., and the 839,790 Novicius AcquisitionCo Warrants were exchanged, without additional consideration or action, for the same number of warrants of the Company.

Consolidated Financial Statements

Grown Rogue Unlimited, LLC

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

(Expressed in United States Dollars)



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 for 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 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 audits to obtain reasonable assurance about whether the 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Turner, Stone & Company, LLP

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

Turner, Stone & Company, L.L.P.
Accountants and Consultants

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Grown Rogue Unlimited, LLC

Consolidated Statements of Financial Position as at October 31, 2018 and 2017

Expressed in United States Dollars

	2018	2017
Assets		
Current Assets		
Cash	\$ 826,643	\$ 453,199
Accounts receivable, net	252,908	31,750
Other receivable	52,843	-
Biological assets (note 6)	149,617	10,436
Inventory (note 7)	1,380,101	1,342,597
Prepaid expenses and other assets	207,582	47,940
	<u>2,869,694</u>	<u>1,885,922</u>
Property and equipment (note 8)	1,575,921	989,196
Intangible Assets (note 9)	64,974	39,373
Deferred transaction costs	855,679	-
	<u>\$ 5,366,268</u>	<u>\$ 2,914,491</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,382,694	\$ 706,667
Finance lease payable (note 10)	99,134	39,666
Convertible promissory notes (note 12)	265,277	640,065
Long-term debt (note 11)	-	502,173
Due to employee/director (note 19)	104,000	104,000
Interest payable (notes 11, 12)	470,134	154,978
	<u>3,321,239</u>	<u>2,147,549</u>
Finance lease payable (note 10)	97,680	82,810
Convertible promissory notes (note 12)	1,034,099	754,517
Convertible debentures (note 13)	931,099	-
Long-term debt (note 11)	50,000	50,000
Deferred rent (note 20)	31,256	24,912
Derivative liabilities	148,500	157,000
	<u>5,613,873</u>	<u>3,216,788</u>
Members' Deficit		
Members' Capital (note 14)	4,701,773	100
Subscriptions Payable (note 15)	720,516	-
Equity Component of Convertible Debentures (note 13)	132,000	-
Contributed Surplus (note 16)	2,010,489	-
Accumulated Deficit	<u>(7,812,383)</u>	<u>(302,397)</u>
	<u>(247,605)</u>	<u>(302,297)</u>
	<u>\$ 5,366,268</u>	<u>\$ 2,914,491</u>

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

Approved by the Managing Member of the LLC

Signed "J. Obie Strickler", Managing Member of the LLC

Grown Rogue Unlimited, LLC

Consolidated Statements of Operations

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

	<u>2018</u>	<u>2017</u>
Revenue	\$ 1,932,128	\$ 156,066
Cost of Goods Sold		
Unrealized gain on changes in fair value of biological assets (note 6)	(541,352)	(985,515)
Cost of goods sold (note 7)	2,886,973	151,663
Cost of goods sold (recovery to cost of sales), net of the unrealized gain on changes in fair value of biological assets	<u>2,345,621</u>	<u>(833,852)</u>
Gross profit (loss)	<u>(413,493)</u>	<u>989,918</u>
Expenses		
General and administrative (note 22)	2,707,886	1,049,655
Amortization of intangible assets (note 9)	18,762	-
Amortization of property and equipment (note 8)	460,046	45,926
Accretion expense (note 12)	317,827	33,191
Unit based compensation (note 16(iii))	<u>1,049,595</u>	<u>-</u>
	4,554,116	1,128,772
Loss from operations	<u>(4,967,609)</u>	<u>(138,854)</u>
Interest expense	(965,285)	(163,543)
Finance charge expense (note 16)	(1,510,489)	-
Loss on derecognition of derivative liability	(57,500)	-
Loss on disposal of property and equipment	<u>(9,103)</u>	<u>-</u>
Net loss	<u>\$ (7,509,986)</u>	<u>\$ (302,397)</u>

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

Grown Rogue Unlimited, LLC

Consolidated Statements of Changes in Members' Deficit

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

	Common units	Incentive Units	Seed Round Preferred Units	Total Members' Capital	Subscriptions Payable	Equity Component of Convertible Debentures	Contributed Surplus	Accumulated Deficit	Total Members' Deficit
Balance - October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common units issued for cash (note 14)	100	-	-	100	-	-	-	-	100
Net loss	-	-	-	-	-	-	-	(302,397)	(302,397)
Balance - October 31, 2017	\$ 100	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ (302,397)	\$ (302,197)
Common units issued pursuant to conversion of notes payable (note 14)	2,152,134	-	-	2,152,134	-	-	-	-	2,152,134
Seed Round Preferred Units issued for cash (note 14)	-	-	1,300,345	1,300,345	-	-	-	-	1,300,345
Common units issued for cash (note 14)	225,000	-	-	225,000	-	-	-	-	225,000
Common units issued to service providers (note 14)	1,049,595	-	-	1,049,595	-	-	-	-	1,049,595
Unit purchase options granted (note 16)	-	-	-	-	-	-	1,510,489	-	1,510,489
Unit purchase option purchased (note 16)	-	-	-	-	-	-	500,000	-	500,000
Issuance of convertible debentures (note 13)	-	-	-	-	-	132,000	-	-	132,000
Subscription proceeds (note 15)	-	-	-	-	720,516	-	-	-	720,516
Issuance costs	-	-	(25,401)	(25,401)	-	-	-	-	(25,401)
Net loss	-	-	-	-	-	-	-	-	(7,509,986)
Balance - October 31, 2018	\$3,426,829	\$ -	\$1,274,944	\$4,701,773	\$ 720,516	\$ 132,000	\$ 2,010,489	\$ (302,397)	\$ (247,605)

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

Grown Rogue Unlimited, LLC

Consolidated Cash Flow Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

	<u>2018</u>	<u>2017</u>
Cash provided by (used in) Operating Activities		
Net loss	\$ (7,509,986)	\$ (302,397)
Adjustments for non-cash items in net loss		
Amortization of property and equipment	460,046	45,926
Amortization of intangible assets	18,762	
Unrealized gain on changes in fair value of biological assets	(541,352)	(985,515)
Realized changes in fair value of biological assets in inventory sold	997,744	-
Unit-based compensation	1,049,595	
Amortization of debt issuance costs	-	1,151
Accretion expense	317,827	33,191
Finance charge expense	1,510,489	-
Loss on disposal of property and equipment	9,103	-
Services settled by issuance of long-term debt	26,487	-
Loss on derecognition of derivative liability	57,500	-
	<u>(3,063,785)</u>	<u>(1,207,644)</u>
Changes in non-cash working capital (note 17)	1,253,428	511,136
Net cash used in operating activities	<u>(2,350,357)</u>	<u>(696,508)</u>
Investing Activities		
Purchase of intangible asset	(44,363)	(39,373)
Purchase of property and equipment	(1,055,874)	(724,807)
Net cash used in investing activities	<u>(1,100,237)</u>	<u>(764,180)</u>
Financing Activities		
Members' contributions	1,525,345	-
Subscriptions receivable	720,516	-
Option proceeds	500,000	-
Proceeds from long-term debt	2,649,253	1,931,755
Repayment of long-term debt	(578,250)	(17,868)
Payment of debt issuance costs	(111,746)	-
Payment of equity issuance costs	(25,401)	-
Deferred transaction costs	(855,679)	-
Net cash provided by financing activities	<u>3,824,038</u>	<u>1,913,887</u>
Change in cash	373,444	453,199
Cash - beginning of period	<u>453,199</u>	<u>-</u>
Cash - end of period	<u>\$ 826,643</u>	<u>453,199</u>
Supplemental cash flow disclosure Interest paid	128,042	7,414
Purchase of property and equipment on account	-	37,025
Property and equipment acquired through finance leases (note 10)	158,193	134,289
Property and equipment acquired through convertible note payable	-	139,001
Prepayment of finance lease	-	4,712
Conversion of notes payable to 1,854.4 common units of stock	1,909,134	-

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

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

1. Nature of Operations

Grown Rogue Unlimited, LLC (the “Company”), was incorporated on October 31, 2016, under Oregon Revised Statutes 63 of the State of Oregon. The Company’s registered office is located at 805 SW Broadway, Suite 2400, Portland, Oregon, 97205.

The consolidated financial statements as at October 31, 2018 and 2017, and for the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017, include Grown Rogue Unlimited, LLC and its subsidiaries (collectively referred to as the “Company”). The Company’s subsidiaries include Grown Rogue Gardens, LLC; Grown Rogue Distribution, LLC; GRU Properties, LLC; GRIP, LLC; and Grown Rogue Meds, LLC.

Grown Rogue Gardens, LLC is engaged in cannabis cultivation activities. Grown Rogue Distribution, LLC is engaged in wholesale activities; GRU Properties, LLC is engaged in real estate activities; and GRIP, LLC is engaged in intellectual property activities.

2. Basis of Presentation

a) 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 managing member of the LLC on June 8, 2022.

b) Basis of Measurement

The consolidated 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.

c) Functional and Presentation Currency

The Company and its affiliates’ functional currency is the United States (“U.S.”) dollar. These consolidated financial statements are presented in U.S. dollars.

d) 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 consolidated financial statements from the date that control commences until the date control ceases. All significant inter-company balances and transactions have been eliminated upon consolidation

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

3. Significant Accounting Policies

a) Revenue

The Company records revenue when it has transferred the risks and rewards of ownership of the goods to the purchaser, when it has no continuing managerial involvement over the goods, when it is probable the Company will receive the consideration, and when it can reliably measure the amount of revenue and costs associated with the transaction.

b) Inventory

Inventory is valued at the lower of cost and net realizable value. Harvested cannabis included in inventory is recognized at the fair value of the biological asset at the point of harvest. Manufactured inventory and work-in-progress includes an allocation of production overhead, which is based on normal operating capacity. The Company reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value.

c) Cost of goods sold

Cost of goods sold includes the cost of finished goods inventory sold during the period, revaluations of biological assets at the point of harvest, and inventory write-downs during the period.

d) Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up-to the point of harvest. Subsequent to harvest, the recognized biological asset amount becomes the cost basis of finished goods inventory. Seeds are measured at fair value. Unrealized gains or losses arising from changes in fair value less costs to sell during the period are included in the consolidated results of operations of the appropriate period.

e) 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.

f) 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 subject to common control or common significant influence. 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.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

3. Significant Accounting Policies (continued)

g) 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 write off 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, 2018, 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, but as the assets were not available for use as intended by management as at October 31, 2018, 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 years 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.

h) Leased Assets

Leases are classified as finance leases whenever substantially all the risks and rewards of ownership of the leased asset are transferred to the Company. Leased assets are measured initially at an amount equal to the lower of fair value and present value of minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases, where the risks and rewards of ownership are not transferred are classified as operating leases and are not recognized on the Company's consolidated statement of financial position.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

3. Significant Accounting Policies (continued)

i) 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.

j) 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 pre-tax 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 the consolidated statement of operations.

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.

k) Deferred transaction costs

Deferred transaction costs represents 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.

l) Financial Instruments

Financial assets and liabilities within the scope of IAS 39 (Financial Instruments: Recognition and Measurement) are classified as financial assets or liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets and liabilities at initial recognition.

All of the Company's financial instruments are initially measured at fair value, with subsequent measurements dependent upon the classification of each financial instrument.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

3. Significant Accounting Policies (continued)

1) Financial Instruments (continued)

Cash is comprised of deposits held in financial institutions and undeposited cash on hand.

Financial assets are classified as fair value through profit or loss (“FVTPL”) if the assets are considered to be held for trading or designated as such upon initial recognition.

Loans and receivables represent financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any losses from impairment. Loans and receivables is comprised of accounts receivable and other receivable.

Other financial liabilities are recognized initially on the date the Company becomes party to the contractual provisions of the financial instrument. Financial liabilities are recognized initially at fair value, including any directly attributable transaction costs. Subsequent to initial recognition, the Company measures financial liabilities at amortized cost using the effective interest rate method. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled. Other financial liabilities include the Company’s accounts payable and accrued liabilities, convertible promissory notes, and long-term debt.

The effective interest method is used to calculate the amortized cost of a financial asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that is used to discount estimated future cash receipts or payments over the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Compound financial instruments issued by the Company comprise convertible promissory notes that are convertible to share capital at either the option of the holder or upon consummation of a qualifying go-public transaction. The number of shares to be issued will depend on the conversion price, which will be agreed to by the Company and the purchaser of the note. The liability component of a compound financial instrument would be recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component would be recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument would not be re-measured subsequent to initial recognition.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

3. Significant Accounting Policies (continued)

l) Financial Instruments (continued)

The Company's financial assets and financial liabilities are classified and subsequently measured as follows:

Asset/Liability	Classification	Subsequent Measurement
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Loans and receivables	Amortized cost
Long term debt	Other financial liabilities	Amortized cost
Convertible promissory notes	Other financial liabilities	Amortized cost
Finance lease payable	Other financial liabilities	Amortized cost
Due to employee/ director	Other financial liabilities	Amortized cost
Interest payable	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost

m) Impairment of Financial Assets

An impairment loss in respect of a financial asset measured at amortized cost, such as accounts receivable and other receivable, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the corresponding asset.

n) Unit Based Compensation

Unit Based Payment Transactions

Transactions with non-employees that are settled in equity instruments of the Company are measured at the fair value of the 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.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

3. Significant Accounting Policies (continued)

n) Unit Based Compensation (continued)

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.

The dilutive effect of outstanding options, if any, is reflected as additional dilution in the computation of loss per unit.

Unit Issuance Costs

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

o) Members’ Capital

Members’ capital consists of common units, incentive units and seed round preferred 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.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

3. Significant Accounting Policies (continued)

p) Income Taxes

No provision for federal or state income taxes is included in the Company's consolidated financial statements because the tax effects of the Company's income or loss for the period from inception to December 31, 2017 are passed on to the Members. Effective January 1, 2018, Grown Rogue Gardens, LLC and Grown Rogue Distribution, LLC elected to be taxed as corporations. As such, these two entities will follow the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the statement of financial position and their corresponding tax value, using the substantively enacted tax rates expected to apply when these temporary differences are reversed. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity.

Deferred tax liabilities are recognized for all temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

q) Future Accounting Pronouncements

IFRS 9 Financial Instruments ("IFRS 9") was issued in final form in July 2014 by the IASB, 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 1 January 2018, with early application permitted. The Company is currently evaluating the impact adopting IFRS 9 will have on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB in May 2014 and will replace IAS 18 Revenue, IAS 11 Construction contracts, and IFRIC 13 *Customer loyalty programmes*. IFRS 15 uses a control-based approach to recognize revenue, which represents a change from the risk and reward approach used under the current standard, and it applies to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. Companies can elect to use either a full or modified retrospective approach when adopting the standard, which is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact adopting IFRS 15 will have on its consolidated financial statements.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

3. Significant Accounting Policies (continued)

q) Future Accounting Pronouncements (continued)

IFRS 16 Leases (“Leases”) was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset’s use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is currently evaluating the impact adopting IFRS 16 will have on its consolidated financial statements.

4. Liquidity, Capital Resources and Going Concern

The Company has incurred significant losses and has deficiencies in both working capital and total capital. The Company’s management continues to finance its cash needs through promissory and convertible promissory notes, and the issuance of membership units. These conditions raise substantial doubt regarding the Company’s ability to continue as a going concern. If management is unsuccessful in its efforts to generate profitable operations and/or continue to receive financial support, the Company may not be able 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 a return to successful operations and cash flows as well as the potential issuance of equity interests. The accompanying consolidated financial statements do not reflect any adjustment that might result from the outcome of this uncertainty.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments include those related to the ability of the Company to continue as a going concern, the determination of when property and equipment are available for use, and impairment of its financial and non-financial assets. The most significant estimates and assumptions include those related to the valuation of biological assets, the collectability of accounts receivable, the useful lives of property and equipment, inputs used in accounting the determination of the discount rate used to estimate the fair value of the liability component of convertible promissory notes, the inputs used in the estimate of the fair value of unit-based compensation and the inputs used in the estimate of the fair value of the unit purchase option issued.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

6. Biological Assets

Biological assets consists of cannabis seeds and cannabis plants. The reconciliation of changes in the carrying amount of biological assets as at October 31, 2018 and October 31, 2017 follows:

Balance - October 31, 2016	\$ -
Add: Purchase of cannabis seeds	3,200
Add: Purchased mothers & clones	753
Add: Purchased cannabis plants	363,565
Change in fair value less costs to sell due to biological transformation	985,515
Transferred to inventory upon harvest	(1,342,597)
Balance - October 31, 2017	10,436
Add: Purchase of cannabis seeds	-
Add: Purchased mothers & clones	-
Add: Purchased cannabis plants	521,949
Change in fair value less costs to sell due to biological transformation	541,352
Transferred to inventory upon harvest	(924,120)
Balance - October 31, 2018	<u>\$ 149,617</u>

When determining the fair value of biological assets, the Company makes estimates and uses assumptions as follows:

- Expected costs required to grow the cannabis up to the point of harvest
- Expected costs associated with harvesting and selling
- Expected yield from the cannabis plants and selling price.

The estimates and assumptions used are subject to volatility in uncontrollable market conditions, may significantly impact the fair value of biological assets. Biological assets represent a level 3 assets in the fair value hierarchy.

7. Inventory

As at October 31, 2018, the Company's inventory consists of 1,606 kg (October 31, 2017 - 609 kg) of harvested cannabis.

Balance - October 31, 2017	<u>\$ 1,342,597</u>
Balance - October 31, 2018	<u>\$ 1,380,101</u>

The cost of inventories included as an expense and included in cost of goods sold, excluding amortization expense was \$2,886,973 (2017 - \$151,663).

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

8. Property and Equipment

	Furniture and Fixtures	Computer and Office Equipment	Production Equipment and Other	Construction in Progress - Warehouse	Leasehold Improvements	Total
Cost						
Balance - October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	750	2,230	169,403	536,008	326,731	1,035,122
Balance - October 31, 2017	\$ 750	\$ 2,230	\$ 169,403	\$ 536,008	\$ 326,731	\$ 1,035,122
Additions	-	73,653	199,827	772,746	9,648	1,055,874
Disposals	-	-	(12,115)	-	-	(12,115)
Transfers	(750)	-	-	(730,596)	731,346	-
Balance - October 31, 2018	<u>\$ -</u>	<u>\$ 75,883</u>	<u>\$ 357,115</u>	<u>\$ 578,158</u>	<u>\$ 1,067,725</u>	<u>\$ 2,078,881</u>
Accumulated amortization						
Balance - October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization for the year	6	145	13,133	-	32,642	45,926
Balance - October 31, 2017	\$ 6	\$ 145	\$ 13,133	\$ -	\$ 32,642	\$ 45,926
Transfers	(6)	-	-	-	6	-
Amortization for the year	-	1,762	61,036	-	397,248	460,046
Disposals	-	-	(3,012)	-	-	(3,012)
Balance - October 31, 2018	<u>\$ -</u>	<u>\$ 1,907</u>	<u>\$ 71,157</u>	<u>\$ -</u>	<u>\$ 429,896</u>	<u>\$ 502,960</u>
Net Book Value						
As at October 31, 2017	<u>\$ 744</u>	<u>\$ 2,085</u>	<u>\$ 156,270</u>	<u>\$ 536,008</u>	<u>\$ 294,089</u>	<u>\$ 989,196</u>
As at October 31, 2018	<u>\$ -</u>	<u>\$ 73,976</u>	<u>\$ 285,958</u>	<u>\$ 578,158</u>	<u>\$ 637,829</u>	<u>\$ 1,575,921</u>

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

9. Intangible Assets

The Company's intangible asset included amounts charged to develop the Company's website and brand positioning. The Company determined the useful lives of the assets to be 2 and 3 years, respectively. Amortization is calculated on a straight-line basis over the respective useful lives.

	<u>Website</u>	<u>Branding</u>	<u>Total</u>
Cost			
Balance - October 31, 2016	\$ -	\$ -	\$ -
Additions	29,405	9,968	39,373
Balance - October 31, 2017	29,405	9,968	39,373
Additions	41,971	2,392	44,363
Balance - October 31, 2018	<u>\$ 71,376</u>	<u>\$ 12,360</u>	<u>\$ 83,736</u>
Accumulated Amortization			
Balance - October 31, 2016	\$ -	\$ -	\$ -
Additions	-	-	-
Balance - October 31, 2017	-	-	-
Amortization for the period	15,862	2,900	18,762
Balance - October 31, 2018	<u>\$ 15,862</u>	<u>\$ 2,900</u>	<u>\$ 18,762</u>
Net Book Value			
As at October 31, 2017	\$ 29,405	\$ 9,968	\$ 39,373
As at October 31, 2018	<u>\$ 55,514</u>	<u>\$ 9,460</u>	<u>\$ 64,974</u>

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

10. Finance lease liabilities

- i) Effective July 11, 2017, and as amended on July 28, 2017, the Company entered into an agreement with a third party to lease equipment at a cost \$134,289 over a thirty-six month period for monthly payments of \$4,778. The terms and conditions of the lease predicate that substantially all of the risks and rewards of ownership of the leased asset transfer to the Company. Therefore, the Company has classified the agreement as a finance lease.
- ii) Effective November 8, 2017, the Company entered into an agreement with a third party to lease equipment at a cost \$158,193 over a thirty-six month period for monthly payments of \$5,630. The terms and conditions of the lease predicate that substantially all of the risks and rewards of ownership of the leased asset transfer to the Company. Therefore, the Company has classified the agreement as a finance lease.

As at October 31, 2018, the related lease liabilities are payable as follows:

	Future minimum lease payments	Interest	Total
Less than one year	\$ 99,134	\$ 25,762	\$ 124,896
Between one and five years	97,680	8,080	105,760
	<u>\$ 196,814</u>	<u>\$ 33,842</u>	<u>\$ 230,656</u>

As at October 31, 2018, the net book value of the growing equipment under finance lease is \$218,275.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

11. Long-term Debt

Transactions related to the Company's unsecured promissory notes during the year ended October 31, 2018, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2017	\$ 552,173	\$ 552,173	\$ 14,860
Amortization of deferred financing costs	642	642	-
Settled in exchange for convertible promissory note (note 12(iii))	(500,000)	(500,000)	(10,416)
Interest expense on long-term debt	-	-	6,000
Debt repayments	(2,815)	(2,815)	-
Balance - October 31, 2018	50,000	50,000	10,444
Less: current portion	-	-	10,444
Balance - October 31, 2018 net of current portion	\$ 50,000	\$ 50,000	\$ -

Transactions related to the Company's unsecured promissory notes during the period from October 31, 2016 to October 31, 2017, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2016	\$ -	\$ -	\$ -
12% - February 1, 2017 (i)	50,000	50,000	4,444
25% - October 1, 2017 (ii)	500,000	500,000	10,416
Other	2,815	2,815	-
	552,815	552,815	14,860
Deferred financing costs	(1,170)	(1,170)	-
Amortization of deferred financing costs	528	528	-
Interest expense on long-term debt	-	-	14,860
Balance - October 31, 2017	552,173	552,173	14,860
Less: current portion	502,173	502,173	14,860
Balance - October 31, 2017, net of current portion	\$ 50,000	\$ 50,000	\$ -

- i) On February 1, 2017: Principal of \$50,000 with simple interest accrued at a rate of 12% per annum. Interest only payments due on the following: (i) \$6,000 on each of July 1, 2018 and July 1, 2019 and interest and principal payment, \$56,000 due on July 1, 2020. As at October 31, 2018, accrued interest of \$10,444 (2017 - \$4,444) was incurred.
- ii) On October 1, 2017: Principal of \$500,000 with simple interest accrued at a rate of 25% per annum. During the year ended October 31, 2018, this Company formalized this debt by way of a convertible promissory note (see note 12(iii)). As at October 31, 2018, accrued interest of \$10,416 (2017 - \$10,416) was incurred.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

12. Convertible Promissory Notes

Transactions related to the Company's convertible promissory notes during the year ended October 31, 2018, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2017	\$ 1,518,391	\$ 1,394,582	\$ 140,118
50% - November 7, 2017 (i)	300,000	300,000	-
50% - November 14, 2017 (ii)	190,000	190,000	-
50% - November 14, 2017 (ii)	125,000	125,000	-
50% - November 14, 2017 (ii)	90,000	90,000	-
50% - November 14, 2017 (ii)	25,000	25,000	-
50% - November 14, 2017 (ii)	70,000	70,000	-
50% - November 14, 2017 (ii)	25,000	25,000	-
50% - November 14, 2017 (ii)	25,000	25,000	-
25% - December 15, 2017 (iii)	1,000,000	1,000,000	-
12.5% - August 1, 2018 (vii)	57,500	57,500	-
	<u>3,425,891</u>	<u>3,302,082</u>	<u>140,118</u>
Deferred financing costs	(55,008)	(55,008)	-
Amortization of deferred financing costs	52,286	52,286	-
Interest expense on long-term debt	-	-	822,165
Fair value of conversion option	-	(298,000)	-
Interest accretion	-	284,042	-
Exchanged	(50,000)	(50,000)	(7,500)
Repaid	(492,223)	(492,223)	(205,678)
Converted to common units	<u>(1,537,775)</u>	<u>(1,443,803)</u>	<u>(294,330)</u>
Balance - October 31, 2018	1,343,171	1,299,376	454,775
Less: current portion	<u>265,277</u>	<u>265,277</u>	<u>454,775</u>
Balance - net of current portion	<u>\$ 1,077,894</u>	<u>\$ 1,034,099</u>	<u>\$ -</u>

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

12. Convertible Promissory Notes (continued)

Transactions related to the Company's convertible promissory notes during the period from October 31, 2016 to October 31, 2017, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2016	\$ -	\$ -	\$ -
15% - February 1, 2017 (iv)	100,000	100,000	11,209
15% - February 1, 2017 (v)	100,000	100,000	11,209
25% - June 1, 2017 (vi)	637,775	637,775	65,816
50% - July 26, 2017 (vii)	100,000	100,000	13,185
50% - July 26, 2017 (viii)	100,000	100,000	13,185
50% - July 26, 2017 (ix)	100,000	100,000	13,185
50% - October 1, 2017 (x)	250,000	250,000	10,274
50% - October 20, 2017 (xi)	100,000	100,000	1,507
50% - October 23, 2017 (xii)	50,000	50,000	548
	<u>1,537,775</u>	<u>1,537,775</u>	<u>140,118</u>
Deferred financing costs	(20,008)	(20,008)	-
Amortization of deferred financing costs	624	624	-
Interest expense on long-term debt	-	-	140,118
Fair value of conversion option	-	(157,000)	-
Interest accretion	-	33,191	-
Balance - October 31, 2017	1,518,391	1,394,582	140,118
Less: current portion	<u>640,065</u>	<u>640,065</u>	<u>140,118</u>
Balance - net of current portion	<u>\$ 878,326</u>	<u>\$ 754,517</u>	<u>\$ -</u>

During the year ended October 31, 2018, the Company issued the following unsecured convertible promissory notes:

- i) Effective November 7, 2017, the Company entered into an agreement with the Company's Marketing Consultant (the "Consultant") whereby the Consultant purchased a convertible promissory note for the total principal of \$300,000 with simple interest accrued at a rate of 50%. Accrued interest shall be paid in monthly installments of \$12,500 until maturity. A balloon interest payment of \$15,000 was due to the Consultant on day 180 and has been accrued as of July 31, 2018. The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) 12 months from the effective date of the note; or (b) the occurrence of a change of control of the Company. The note does not have a prepayment option under the agreement, unless agreed to in writing by the purchaser.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

12. Convertible Promissory Notes (continued)

i) (continued)

At any time prior to the maturity of the agreement, the Consultant has the right to convert all (but not less than all) of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common units of the Company 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 represents the following a) \$15,000,000 if the holder converts the note within 6 months of the effective date of the note and b) \$18,000,000 if the holder converts the note after 6 months of the effective date of the note, but prior to the note's maturity. On June 1, 2018, the principal of \$300,000 was converted into 285.70 common units of the Company as described in note 14(xvi).

ii) Effective November 14, 2017, the Company 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 accrue simple interest as follows:

- a) Interest will accrue on the outstanding principal at an annual rate of 50% calculated on the basis of a year of 365 days.
- b) Should the Purchasers extend the maturity date due to a public event prior to the end of the period, the Purchaser has the right to extend the Maturity date by up to 3 months after the consummation of the public event at an annual rate of 0% following the initial period.
- c) Should purchasers extend the Maturity Date by 6 months on all but not less than all of the then-outstanding principal; provided, however the Company shall pay Holder all principal not so extended, and all accrued but unpaid interest at the end of the initial period at an annual rate of 30% calculated on the basis of a year of 365 days.
- d) Should the Purchaser extend the maturity date of this note by 18 months on not less than \$10,000 of the then-outstanding principal and unpaid interest accrued under the Note at the end of the initial period; provided, however the Company shall pay Purchaser all principal and/or interest for which the maturity date is not so extended at an annual rate of 20% calculated on the basis of a year of 365 days.

The notes, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) the date on which the initial period ends (the Maturity Date) unless the Maturity Date is extended by Purchaser by 3, 6, or 18 months after the Public Event. The notes may not be prepaid, in whole or in part, prior to the Maturity Date without the prior written consent of a majority in interest of a Purchaser.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

12. Convertible Promissory Notes (continued)

ii) (continued)

If at any time prior to the maturity of the notes and qualified equity financing occurs, the Purchaser has the right to convert not less than \$10,000 of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of the Company at a price per unit equal to the applicable conversion price. If the Purchaser has extended the maturity date and the qualified equity financing occurs during the 18 months following the initial period, the Purchaser shall have the obligation to convert all of the outstanding principal amount and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of the Company at a price per unit equal to the applicable conversion price. The conversion price represents the following:

- a) In the event of a qualified equity financing, the lower of (i) the valuation cap divided by issued and outstanding share count immediately prior to the qualified equity financing, or (ii) eighty percent (80%) of the price per unit paid in cash by purchasers of New Units issued in such qualified equity financing; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the initial period, up to a maximum of ten percent (10%) (e.g., if such an event of default continues for five months, the conversion price under this paragraph (a) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above); or
- b) In the event of a public event the lower of (i) the valuation cap divided by the issued and outstanding share count immediately prior to the public event, or (ii) eighty percent (80%) of the price per unit paid in cash by purchasers of new units issued in such Public Event; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the Initial Period, up to a maximum of ten percent (10%) (e.g., if such an event of default continues for five months, the conversion Price under this paragraph (b) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above); or
- c) In the event of a change of control transaction, the lower of (i) the valuation cap divided by the change of control issued and outstanding share count immediately prior to the qualified equity financing, or (ii) eighty percent (80%) of the price per unit paid by the purchaser(s) in such change of control transaction; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the initial period, up to a maximum of ten percent (10%) (e.g., if such an event of default continues for five months, the conversion price under this paragraph (c) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above); provided, further, that if a transaction or event can be characterized both as a public event and as a change of control transaction, the conversion price shall be established as if such transaction or event were a change of control transaction; or

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

12. Convertible Promissory Notes (continued)

ii) (continued)

d) In the event of a nonqualified equity financing, the lower of (i) the valuation cap divided by Issued and outstanding share count immediately prior to the nonqualified equity financing, or (ii) eighty percent (80%) of the price per unit paid in cash by purchasers of new units issued in such nonqualified equity financing; provided, however, that such percentage shall decline by two percent (2%) for each month an event of default occurs and is continuing after the end of the initial period, up to a maximum of ten percent (10%) (e.g., if such an event of default continues for five months, the conversion price under this paragraph (a) will be a price equal to seventy (70%) of the applicable price set forth in clause (ii) above). During the year ended October 31, 2018, the Company made aggregate principal repayments of \$275,000. As at October 31, 2018, accrued interest of \$127,915 remained unpaid.

iii) Effective December 15, 2017, the Company 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%, payable as follows:

a) As at October 31, 2018 interest accrued to \$105,556 on the sum of \$500,000, of debt previously held by the holder.

b) Interest shall accrue from the effective date of the note on the total sum of \$1,000,000 and paid in monthly installments of \$20,833.33 to the holder beginning on January 15, 2018. As at October 31, 2018 none of the monthly instalments had been paid.

c) A one-time additional interest payment equal to 5% of the unpaid principal balance payable concurrent with the 12th scheduled monthly installment payment is otherwise due. In the event the holder completed a full or partial conversion within 12 months of the effective date, the one-time interest payment shall be pro-rated as at the date of the full or partial conversion.

The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be 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 the Company. Within the first 24 months from the effective date of the note, no prepayment will occur, except for payments of accrued interest or other payments as outlined above.

At any time prior to the 24 month anniversary of the effective date of the note, the holder has the right to fully or partially convert the outstanding principal and all accrued and unpaid interest into the number of fully paid and non-assessable common membership units of the Company at a price per unit equal to the applicable conversion price. The Conversion price represents an amount equal to the applicable conversion valuation divided by the number of issued and outstanding units of the Company at the time of conversion calculated immediately before the closing of a qualified equity financing event if the conversion is in conjunction with a qualified equity financing event.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

12. Convertible Promissory Notes (continued)

iii) (continued)

If the Company consummates a going public event within the 12 months anniversary date of the note, the holder has the right to fully or partially convert the total principal outstanding at a price per unit equal to the applicable conversion price by providing written notice to the Company of its election to convert within 7 days after receipt from the Company of the financing notice. If the holder so converts, the Company will offer the holder a position as a strategic advisor to the Company for a 12 month term, which commences on the date of conversion. The holder will receive gross monthly compensation equal to \$10,000 if the holder fully converts or a portion of the \$10,000 equal to the ratio of the amount converted.

The conversion valuation represents the following a) \$20,000,000 if the holder converts the note within 12 months of the effective date of the note and b) \$40,000,000 if the holder converts the note after 12 months of the effective date of the note, but before 24 months of the effective date of the note. As at October 31, 2018, accrued interest of \$248,958 was incurred.

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

- iv) 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 the Company 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 non-assessable shares of common stock of the Company. 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 (2017 - \$11,209) was incurred. The fair value of the conversion option was estimated as \$Nil.
- v) 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 the Company 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 non-assessable shares of common stock of the Company. 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 \$22,438 (2017 - \$11,209) was incurred. The fair value of the conversion option was estimated as \$Nil. On June 15, 2018, the principal of \$100,000 and unpaid interest of \$20,465 were converted into 115 uncertified common units of the Company as described in note 14(xviii).

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

12. Convertible Promissory Notes (continued)

- vi) Effective June 1, 2017: the Company 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 includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be 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 the Company. A balloon interest payment of \$30,000 was due to the Holder on June 1, 2018. On June 1, 2018, the principal of \$637,775 and unpaid interest of \$146,157 (which included the \$30,000 balloon interest payment) were converted into 922.70 common units of the Company as described in note 14(xv).

In the event the Company 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 non-assessable shares of common stock of the Company 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 has 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 the Company.

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 represents the following a) \$10,000,000 if the holder converts the note within 12 months of the effective date of the note and b) \$15,000,000 if the holder converts the note after 12 months of the effective date of the note, but prior to the note's maturity. As at October 31, 2017, accrued interest of \$65,816 was incurred.

The fair value of the conversion option was estimated as \$54,000 using the following inputs, assumptions and estimates:

Risk-free interest rate	1.68%
Expected life	2.6 years
Expected volatility	70%
Share price	\$ 612
Units outstanding at time of conversion	10,000
Conversion price at time of conversion	\$ 1,000 - \$1,500

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

12. Convertible Promissory Notes (continued)

- vii) Effective July 26, 2017, the Company 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. If the holder extends the term an additional 6 months the rate of simple interest will change to 30%, such that at the end of the 12 month period, the total outstanding principal and interest amount would not exceed \$140,000.

The holder of the convertible promissory note has the unrestricted right, at the holder's option to convert a maximum of \$125,000 of the outstanding balances into common units of the Company at a price per unit agreed upon by the Company and the holder, or if a conversion price per unit cannot be agreed upon, the price per unit will be determined by appraisal. The right to convert may be exercised after the extended maturity date of the convertible promissory note. The number of common shares into which the convertible promissory notes may or will be converted shall be determined by dividing the unpaid principal balance, together with all accrued and unpaid interest thereon, by the conversion price. 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. In addition, \$25,000 of accrued and unpaid interest was converted into common units of the Company as described in note 14(xii). 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 has a maturity date to August 1, 2019, with interest at 12.5% per annum, payable monthly. As at October 31, 2018, accrued interest of \$1,197 (2017 - \$13,185) was incurred.

The fair value of the conversion option was estimated as \$23,000 using the following inputs, assumptions and estimates:

Risk-free interest rate		1.36%
Expected life		0.75 years
Expected volatility		70%
Share price	\$	612
Conversion price at time of conversion	\$	612

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

12. Convertible Promissory Notes (continued)

viii) Effective July 26, 2017, the Company 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. If the holder extends the term an additional 6 months the rate of simple interest will change to 30%, such that at the end of the 12 month period, the total outstanding principal and interest amount would not exceed \$140,000.

The holder of the convertible promissory note has the unrestricted right, at the holder's option to convert a maximum of \$125,000 of the outstanding balances into common units of the Company at a price per unit agreed upon by the Company and the holder, or if a conversion price per unit cannot be agreed upon, the price per unit will be determined by appraisal. The right to convert may be exercised after the extended maturity date of the convertible promissory note. The number of common shares into which the convertible promissory notes may or will be converted shall be determined by dividing the unpaid principal balance, together with all accrued and unpaid interest thereon, by the conversion price. As at October 31, 2017, accrued interest of \$13,185 was incurred. On January 31, 2018, the principal of \$100,000 and unpaid interest of \$25,000 were converted into 89.8 common units of the Company as described in note 14(x)(iii).

The fair value of the conversion option was estimated as \$23,000 using the following inputs, assumptions and estimates:

Risk-free interest rate	1.36%
Expected life	0.75 years
Expected volatility	70%
Share price	\$ 612
Conversion price at time of conversion	\$ 612

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

12. Convertible Promissory Notes (continued)

- ix) Effective July 26, 2017: Principal of \$100,000 with simple interest calculated at a rate of 50% per annum for the first 6 months. The note becomes due and payable on the earlier of a) February 1, 2018 unless extended for another 6 months at the holder's option and b) the occurrence of a change of control of the Company. At the maturity date, the holder has the right to either a) convert the total unpaid principal and accrued interest balance into other convertible notes then being offered or b) extend the original term of the note for an additional 6-month period. If the holder extends the term an additional 6-months the rate of simple interest will change to 30% per annum. As at October 31, 2017, accrued interest of \$13,185 was incurred. Effective January 31, 2018, the principal and unpaid interest of \$25,000 were converted into 74.8 common units of the Company (note 14(ix)).

The fair value of the conversion option was estimated as \$15,000 using the following inputs, assumptions and estimates:

Risk-free interest rate		1.15%
Expected life		0.25 years
Expected volatility		60%
Share price	\$	612
Conversion price at time of conversion	\$	612

- x) Effective October 1, 2017: the Company 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 note for total principal of \$250,000 with simple interest calculated at a rate of 50% per annum. The note, which includes any unpaid principal and accrued interest, unless converted in accordance with provisions stated in the agreement shall be due and payable on the earlier of the following: (a) 12 months from the effective date of the note; or (b) the occurrence of a change of control of the Company. A balloon interest payment of \$15,000 is due to the Holder on day 180. The note does not have a prepayment option under the agreement, unless agreed to in writing by the Holder. Effective March 31, 2018, the principal and unpaid interest of \$46,250 were converted into 332.4 common units of the Company (note 14(xiv)).

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 the Company at a price per unit equal to the applicable conversion price calculated immediately before the closing of a going public event or qualified transaction.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

12. Convertible Promissory Notes (continued)

x) (continued)

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 represents the following a) \$10,000,000 if the holder converts the note within 6 months of the effective date of the note and b) \$15,000,000 if the holder converts the note after 6 months of the effective date of the note, but prior to the note's maturity. As at October 31, 2017, accrued interest of \$10,274 was incurred.

The fair value of the conversion option was estimated as \$8,000 using the following inputs, assumptions and estimates:

Risk-free interest rate	1.41%
Expected life	0.92 years
Expected volatility	70%
Share price	\$ 612
Units outstanding at time of conversion	10,000
Conversion price at time of conversion	\$1,000 - \$1,500

xi) Effective October 20, 2017, Principal of \$100,000 with simple interest accrued at a rate of 50% per annum. All unpaid principal and accrued interest become due and payable on the earlier of a) the 6 month anniversary of the note, unless extended at the sole discretion of the holder and b) the occurrence of a change in control of the Company. At the Maturity date, the holder has the right to either a) convert the total unpaid principal and accrued interest into other convertible notes then being offered by the Company or b) extend the maturity of the note by 6 months. Should the holder extend the note, interest will accrue on the original principal at a rate of 30% per annum. As of the maturity date, October 20, 2017, the maturity date was extended by 6 months and fully matured on April 20, 2018. On April 20, 2018, the maturity was extended by 6 months to October 20, 2018 with interest accrued at a rate of 30% during the extension period. The maturity date was then extended further to November 8, 2018. As at October 31, 2018, accrued interest of \$40,000 (2017 - \$1,507) was incurred.

The fair value of the conversion option was estimated as \$23,000 using the following inputs, assumptions and estimates:

Risk-free interest rate	1.27%
Expected life	0.47 years
Expected volatility	70%
Share price	\$ 612
Conversion price at time of conversion	\$ 612

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

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12. Convertible Promissory Notes (continued)

- xii) On October 23, 2017, Principal of \$50,000 with simple interest accrued at a rate of 50% per annum. All unpaid principal and accrued interest become due and payable on the earlier of a) the 6 month anniversary of the note, unless extended at the sole discretion of the holder and b) the occurrence of a change in control of the Company. At the Maturity date, the holder has the right to either a) convert the total unpaid principal and accrued interest into other convertible notes then being offered by the Company or b) extend the maturity of the note by 6 months. Should the holder extend the note, interest will accrue on the original principal at a rate of 30% per annum. As at October 31, 2017, accrued interest of \$548 was incurred. On January 26, 2018, the holder converted the original principal amount and accrued and unpaid interest of \$6,458 into 34 uncertified common units of the Company (note 14(viii)).

The fair value of the conversion option was estimated as \$11,000 using the following inputs, assumptions and estimates:

Risk-free interest rate		1.27%
Expected life		0.48 years
Expected volatility		70%
Share price	\$	612
Conversion price at time of conversion	\$	612

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

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13. Convertible Debentures

Transactions related to the Company's convertible debentures during the year ended October 31, 2018, include the following:

	Face value	Carrying amount	Interest payable
Balance - October 31, 2016 and 2017	\$ -	\$ -	\$ -
Issued during the year	1,141,060	1,141,060	7,758
Fair value of conversion option	-	(132,000)	-
Interest accretion	-	33,785	-
Less: issuance costs	(111,746)	(111,746)	-
Balance - October 31, 2018	1,029,314	931,099	7,758
Less: current portion	-	-	7,758
Balance - net of current portion	<u>\$ 1,029,314</u>	<u>\$ 931,099</u>	<u>\$ -</u>

- (i) During the year ended October 31, 2018, the Company 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 will be secured by a general security agreement granting a security interest in all of the Company's property and assets. The debentures can be converted by the holder into common units of the company 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, the Company incurred issuance costs of \$111,746.

The Company has 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.

Grown Rogue Unlimited, LLC

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For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

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14. Members' Capital

The Company 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 for the periods ended October 31, 2018 and October 31, 2017:

	Number of Common Units	Number of Incentive Units	Number of Seed Round Preferred Units	Member's Capital
Balance, October 31, 2016 (date of inception)	-	-	-	\$ -
Issued for cash proceeds (i)	7,000	-	-	100
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 (ii)	-	300	-	-
Issued to service providers	1,500	-	-	1,049,595
Issuance costs	-	-	-	(25,401)
Balance, October 31, 2018	<u>10,545</u>	<u>300</u>	<u>733</u>	<u>\$ 4,701,773</u>

- i) During the period ended October 31, 2017, the Company issued 7,000 common units to the Company's CEO and President for proceeds of \$100.
- ii) On November 27, 2017, the Company issued 300 Incentive Units to an employee of the Company.
- iii) Effective December 11, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of \$1,773.05 per Unit. Under the Agreement the Company issued 253 Units for total proceeds of \$448,581. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The Conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.
- iv) Effective December 11, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of \$1,773.05 per Unit. Under the Agreement the Company issued 56 Units for a total purchase price of \$99,291. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The Conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

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14. Members' Capital (continued)

- v) Effective December 11, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of \$1,773.05 per Unit. Under the Agreement the Company issued 139 Units for a total purchase price of \$246,454. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The Conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.
- vi) Effective December 15, 2017, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of \$1,773.05 per Unit. Under the Agreement the Company issued 3 Units for a total purchase price of \$5,319. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.
- vii) Effective January 5, 2018, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 621 Seed Round Preferred Units (the "Units") at a purchase price of \$1,773.05 per Unit. Under the Agreement the Company issued 170 Units for a total purchase price of \$301,418. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.
- viii) Effective January 26, 2018, the holder of a convertible promissory note converted the original principal amount of \$50,000 and all accrued and unpaid interest of \$6,458 into 34 uncertified common units of the Company.

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Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

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14. Members' Capital (continued)

- ix) Effective January 31, 2018, the holder of a note payable assigned 100% principal and accrued and unpaid interest to a limited liability company (the "Entity"), which is wholly owned by the holder. Through the execution of the assignment agreement, the terms within, the Entity converted the original principal amount of \$100,000 and all accrued and unpaid interest of \$25,000 into 74.8 uncertified common units of the Company.
- x) Effective January 31, 2018, the holder of two convertible promissory notes in the original principal amount of \$100,000 took the following actions:
 - (i) Received a return of principal of \$50,000 from one of the convertible promissory notes.
 - (ii) 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
 - (iii) 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 Company.
- xi) Effective February 9, 2018, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 750 Seed Round Preferred Units (the "Units") at a purchase price of \$1,773.05 per Unit. Under the Agreement the Company issued 56 Units for a total purchase price of \$99,291. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.

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Notes to the Consolidated Financial Statements

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14. Members' Capital (continued)

- xii) Effective February 9, 2018, the Company entered into a Seed Round Preferred Unit Subscription Agreement whereby the Company will issue up to 750 Seed Round Preferred Units (the "Units") at a purchase price of \$1,773.05 per Unit. Under the Agreement the Company issued 56 Units for a total purchase price of \$99,291. Each Unit will have one vote per unit and will be subject to automatic conversion into common units rounded to the nearest whole common unit, at the then effective conversion rate immediately prior to the closing of a public event. The conversion rate shall be determined by dividing the original issue price for a single Unit by the conversion price effective at the time of conversion. The conversion price will change upon the occurrence of an event which changes the number of outstanding and issued common units at the time of conversion.
- xiii) Effective March 1, 2018, the Company issued 750 common units to the Company's CFO/general counsel and 750 common units to the Company's marketing consultant. The fair value of these units was estimated to be \$1,049,595 and has been expensed as unit-based compensation expense.
- xiv) Effective March 31, 2018, the holder of a convertible promissory note converted the original principal amount of \$250,000 and all accrued and unpaid interest of \$46,250 into 332.4 uncertified common units of the Company.
- xv) Effective June 1, 2018, the holder of a convertible promissory note converted the original principal amount of \$637,775 and all accrued and unpaid interest of \$146,157 into 922.70 uncertified common units of the Company.
- xvi) Effective June 1, 2018, the holder of a convertible promissory note converted the original principal amount of \$300,000 into 285.70 uncertified common units of the Company.
- xvii) Between June 13, 2018 and June 15, 2018, the Company issued 190.8 common units of the Company for proceeds of \$225,000.
- xviii) Effective June 15, 2018, the holder of a convertible promissory note converted the original principal amount of \$100,000 and all accrued and unpaid interest of \$20,465 into 115 uncertified common units of the Company.

15. Subscriptions Payable

During the year ended October 31, 2018, the Company received aggregate proceeds of CAD\$923,630 (\$720,516) for 2,099,159 Subscription Receipts. Each Subscription Receipt includes one common unit of the Company, and one purchase warrant of the Company. Each purchase warrant is exercisable at the option of the holder to purchase one common unit of the Company at a price of CAD\$0.55 per common unit for a period of two years from the time the Company 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. As of the date of these financial statements, the common units and purchase warrants had not been issued by the Company.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

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16. Unit Purchase Options

- i) During the year ended October 31, 2018, the Company 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. The exercise of the option is contingent upon the optionee having invested a minimum of CAD\$1,050,000 of cash in securities of another party. As at October 31, 2018, this minimum investment had been completed. In November of 2018, this option was cancelled.

The fair value of the option of \$871,230 has been expensed as a finance charge expense 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	5.5 months
Expected volatility	% 99*

* Based on the volatility of comparable publicly traded companies

- ii) During the year ended October 31, 2018, the Company 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 (“the Expiration Date”); provided, however, that the expiration date shall be automatically extended for an additional three years (the “Extended Period”) if, during the initial two-year term the Company does not raise at least \$18,000,000 in additional equity capital at an effective price per common unit at or above \$0.70 (a “Qualified Offering”); and provided further, that the Company has the right, only during the Extended Period, if any, and only following the exercise of the Option, to accelerate the expiration date to forty-five days following written notice to the holder if during the Extended Period the Company closes a Qualified Offering.
- iii) During the year ended October 31, 2018, the Company granted an option to purchase 2,000,000 common units of the Company for an aggregate amount of CAD\$40,000 at any point prior to December 31, 2018. The exercise of the option is contingent upon the optionee having invested a minimum of CAD\$1,050,000 of cash in securities of another party. As at October 31, 2018, this minimum investment had been completed.

The fair value of the option of \$639,259 has been expensed as a finance charge expense 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

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

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17. Changes in Non-cash Working Capital

The changes to the Company's non-cash working capital for the periods ended October 31, 2018 and 2017 are as follows:

	2018	2017
Accounts receivable	\$ (221,158)	\$ (31,750)
Other receivable	(52,843)	-
Inventory and biological assets	(633,077)	(367,518)
Prepaid expenses and other assets	(136,129)	(43,228)
Accounts payable and accrued liabilities	1,676,027	669,742
Due to employee/ director	-	104,000
Interest payable	614,264	154,978
Deferred rent	6,344	24,912
	<u>\$ 1,253,428</u>	<u>\$ 511,136</u>

During the year ended October 31, 2018, the realized change in fair value of biological assets included in costs of inventory sold was \$997,744 (period ended October 31, 2017 – \$Nil).

18. Income Taxes

(i) 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:

		2018
Income (loss) before income taxes		<u>\$ (7,509,986)</u>
Expected income tax recovery	27.60%	(2,072,756)
Loss (income) related to entities taxed as partnerships	(21.95)%	1,648,189
Temporary differences related to inventory valuation	0.32%	(24,262)
Non-deductible expenses	(0.39)%	29,378
Temporary differences related to cost of goods sold	(3.27)%	245,410
Unrealized gain on biological assets	1.99%	(149,413)
Losses and other deductions for which no benefit has been recognized	(4.30)%	323,454
Income tax expense	-	<u>\$ -</u>

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

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18. Income Taxes (continued)

(ii) Deferred Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	<u>2018</u>	<u>2017</u>
Deferred Tax Assets		
Start-up costs	\$ 200,231	\$ -
Inventory	48,498	-
Biological asset fair value adjustment	(149,955)	-
Net operating loss carry-forwards	335,701	-
Allowance for doubtful accounts	29,485	-
	<u>463,960</u>	<u>-</u>
Deferred taxes not recognized	(463,960)	-
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

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 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 Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

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19. Related Party Transactions

During the period ended October 31, 2018, the Company incurred the following related party transactions:

- i) Through its wholly owned subsidiary, GRU Properties, LLC leased 41.92 acres of real property located in Trail, Oregon owned by the Company's President and CEO. The lease expires on December 31, 2020. Rent of \$65,000 was included in facility expense for the year ended October 31, 2018 (2017 - \$50,000). The Company had \$5,500 (October 31, 2017 - \$45,000) owing in accounts payable and accrued liabilities at October 31, 2018.
- ii) The Company incurred employee/director fees of \$48,000 (2017 - \$14,000) with an individual related to the Company's President and CEO. At October 31, 2018, due to employee/ director includes \$14,000 (October 31, 2017 - \$14,000) and accounts payable and accrued liabilities includes \$12,000 (October 31, 2017 - \$14,000) payable to this individual.
- iii) The Company incurred fees related to marketing and promotion services of \$239,568 (2017 - \$89,504) from two companies owned by the Company's Chief Strategy Officer ("CSO"). At October 31, 2018, accounts payable and accrued liabilities includes \$25,054 (October 31, 2017 - \$4,362) payable to these companies.
- iv) The Company incurred fees related to computer services of \$Nil (2017 - \$9,060) from a company owned by an individual related to the Company's President and CEO. As at October 31, 2018, accounts payable and accrued liabilities includes \$Nil (October 31, 2017 - \$Nil) payable to this company.
- v) Key management personnel consists of the President and CEO; Executive Vice President, CFO/General Counsel; and the CSO. The compensation paid or payable to key management for services for the periods ended October 31, 2018 and 2017 is as follows:

	2018	2017
Salaries and consulting fees	\$ 533,568	\$ 235,504
Unit-based compensation	\$ 1,049,565	\$ -

Accounts payable and accrued liabilities at October 31, 2018 includes \$218,690 (October 31, 2017 - \$258,238) and due to employee/ directors includes \$90,000 (October 31, 2017 - \$90,000) payable to these parties.

Additional related party transactions are disclosed in notes 12(vi) and 12(x)

The transactions are in the normal course of operations and are measured at the exchange amounts being the amounts agreed to by the parties.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

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20. Financial Instruments

i) Market Risk

a) Currency Risk

As at October 31, 2018, no financial assets and liabilities were denominated in a foreign currency.

b) Interest Rate Risk

At October 31, 2018 and 2017, 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.

c) 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 \$1,079,551 (October 31, 2017 - \$484,949) as at October 31, 2018. The allowance for doubtful accounts at October 31, 2018 is \$106,443 (October 31, 2017 - \$Nil)

As at October 31, 2018 and 2017, the Company's trade accounts receivable were aged as follows:

	2018	2017
Current	\$ 131,558	\$ 10,400
1-30 days	112,420	9,700
31 days-older	8,930	11,650
	-	-
	<u>\$ 252,908</u>	<u>\$ 31,750</u>

Grown Rogue Unlimited, LLC

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20. Financial Instruments (continued)

i) Market Risk (continued)

d) Liquidity Risk

Liquidity risk represents the risk that the Company will encounter difficulty in meeting the obligations associated with 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, 2018, the Company has current assets of \$2,869,694 (2017 - \$2,914,491) and current liabilities of \$3,321,239 (2017 - \$2,147,549), which resulted in a working capital deficit of \$451,545 (2017 - working capital of \$766,942).

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	\$ 2,382,694	\$ -
Convertible promissory notes	265,277	1,034,099
Long-term debt	-	50,000
Convertible debentures	-	931,099
Due to employee/officer	104,000	-
Interest payable	470,134	-
Deferred rent	-	31,256
Finance lease	99,134	97,680
	<u>\$ 3,321,239</u>	<u>\$ 2,144,134</u>

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Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

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20. Financial Instruments (continued)

i) Market Risk (continued)

e) 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.

f) Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair valued for both financial and non-financial 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: quoted prices (unadjusted) 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
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the year ended October 31, 2018 there were no transfers of amounts between levels.

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21. 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 revenue were generated in the United States during the periods ended October 31, 2018 and 2017. As such, amounts disclosed in the consolidated financial statements also represent the single operating and geographical reporting segment.

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, 2018, one major customer accounted for 16% of revenues (2017 – three major customers accounted for 33% of annual revenues).

22. General and Administrative Expenses

General and administrative expenses for the periods ended October 31, 2018 and 2017 are as follows:

	2018	2017
Legal and professional	\$ 898,599	\$ 525,810
Salaries and benefits	791,518	200,274
Supplies	11,748	-
Facility expense	215,922	123,703
Marketing and promotion	302,401	90,673
Travel	159,848	43,611
Office expense	36,535	30,845
Utilities	49,952	-
Business license and fees	35,904	19,362
Repairs and maintenance	4,243	-
Consultants	-	9,088
Commissions	-	4,133
Research and development	5,233	-
Insurance	9,194	-
Bank fees	17,270	2,156
Bad debt	113,028	-
Miscellaneous	56,491	-
	<u>\$ 2,707,886</u>	<u>\$ 1,049,655</u>

Grown Rogue Unlimited, LLC

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23. 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:

- (i) to safeguard the Company's assets and ensure the Company's ability to continue as a going concern;
- (ii) to raise sufficient capital to finance the construction of its production facility and obtain license to produce recreational marijuana; and
- (iii) 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.

24. Definitive Transaction Agreement

On October 31, 2018, the Company, Novicius Corp. ("Novicius"), Grown Rogue Canada Inc. ("Grown Rogue Canada") and Novicius Acquisition Corp. entered into a definitive transaction agreement which set out the terms for the reverse take-over of Novicius by the Company and the related transactions (the "Transaction"). On the closing date of the Transaction, Novicius acquired the business of the Company and the funds raised by Grown Rogue Canada. Effective November 1, 2018, in preparation for the Transaction, Novicius completed a consolidation of its common shares on the basis of 1.4 pre-consolidated common shares for 1 post-consolidated common share (a "Resulting issuer Share") and changed its name to "Grown Rogue International Inc.". In consideration for all of the equity interests of the Company, the unitholders and warrant holders of the Company received an aggregate of 60,746,202 resulting Issuer Shares at a deemed price of \$0.44 per share and 5,446,202 Resulting Issuer Warrants with an exercise price of \$0.55 per share. The transaction closed on November 15, 2018.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

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25. Commitments

- a) The Company has commitments under operating leases for its facilities and commitments under a finance lease for equipment. The minimum lease payments due are as follows:

Fiscal Year	Amount
2019	\$ 259,384
2020	227,772
2021	20,600

- b) During the year ended October 31, 2018, the Company entered into a technology license agreement pursuant to which, the Company 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 the Company. As of the date of these financial statements, the common units had yet to be issued.

26. Subsequent Events

Subsequent to the year ended October 31, 2018:

- a) During the year ended October 31, 2019, the Company issued a total of 1,035,500 common shares with an aggregate fair value of \$255,360 to certain directors, officers, and consultants of the Company as compensation for services provided to the Company. Insiders of the Company received an aggregate of 1,015,000 common shares. The Company also issued 650,000 options to service providers, each exercisable to acquire one common share at a price of \$0.44 per share. Of the issued options, 150,000 were exercisable until November 30, 2021, and 500,000 were exercisable until January 1, 2022. No options were exercised, and none were forfeited or expired.

During the year ended October 31, 2020, the Company issued a total of 3,209,386 shares with an aggregate fair value of \$240,340 to service providers, directors, and employees of the Company. The Company also issued 3,575,000 options to acquire one common share at an exercise price of \$0.15, exercisable for a period of four years from the grant dates. Officers of the Company received 2,250,000 options. No options were exercised, and 505,000 options were forfeited or expired.

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.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

26. Subsequent events (continued)

During the three months ended January 31, 2022, the Company issued a total of 311,835 shares with an aggregate fair value of \$46,031 to service providers, directors, and employees of the Company. The Company also issued 195,000 options to acquire one common share at an exercise price of \$0.15, exercisable for a period of four years from the grant dates. No options were exercised, and 500,000 options were forfeited or expired.

From February 1, 2022, through June 8, 2022, the Company issued a total of 217,500 shares with an aggregate fair value of \$13,765 to service providers, directors, and employees of the Company. The Company also issued 485,000 options exercisable to acquire one common share at an exercise price of \$0.15 per share, exercisable for a period of four years from the grant dates. No options were exercised, and 300,000 options were forfeited or expired.

- b) During the year ended October 31, 2019, the Company repaid \$265,277 and converted the face value of \$1,100,000 of convertible promissory notes into common units of the Company, which, in connection with the Definitive Transaction Agreement disclosed at Note 24, were converted into 5,465,877 common shares.
- c) 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.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

26. Subsequent events (continued)

- d) On February 10, 2020, the Company agreed to a non-brokered private placement offering of units (the “Units”), with each Unit comprising one common share of the Company and one common share purchase warrant (the “Warrants”) in exchange for CAD\$1,500,000 (\$1,084,335). Each warrant entitles the holder to purchase one common share of the Company at a price equal to a 25% premium to the Unit price for a period of 24 months. The Units were issued at CAD\$0.10 per Unit. The Company has the right to accelerate the expiry of the warrants to thirty days following written notice to the holder if the common shares of the Company close at or above CAD\$0.25 per share for a period of ten consecutive trading days on the Canadian Securities Exchange. As of the date of these financial statements, the Company had issued 15,000,000 Units for gross proceeds of CAD\$1,500,000. In addition, the Company has agreed to nominate one board member of Grown Rogue as recommended by the subscriber at future shareholder meetings and the ability, if the subscriber does not have its nominee on the Company’s board of directors, to appoint a board observer. This agreement was transacted with Plant Based Investment Corp. (“PBIC”), a related party with a board nominee and approximately 22% common share ownership.
- e) On February 10, 2020, the Company executed a subscription agreement to issue 15,000,000 common shares of the Company in exchange for 2,362,204 common shares of PBIC at an agreed-upon exchange price of approximately CAD\$1,500,000.
- f) 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 a 100% owned subsidiary.
- g) 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.
- h) On December 2, 2020, the Company’s subsidiary, Grown Rogue Gardens LLC issued an unsecured promissory note in the amount of US\$150,000 to a key Company operations manager. Terms of the note include 10% interest per annum and 12-month maturity. The Company has the right to extend up to 50% of the principal for up to 6 months by paying a one-time extension fee of 10% of the amount extended.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

26. Subsequent events (continued)

- i) 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.
- j) 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 a secured promissory note payable, which will be settled by payments of \$500,000, due on August 1, 2022, and \$750,000, due on May 1, 2023.
- k) 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.

Grown Rogue Unlimited, LLC

Notes to the Consolidated Financial Statements

For the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017

Expressed in United States Dollars

26. Subsequent events (continued)

- l) 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.
- m) 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 will be owned 50% by Golden Harvests and 50% by Pure Extracts.

Pure Extracts will 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.

Until such time as the necessary regulatory approvals are obtained, the processing equipment is leased to Golden Harvests. The lease term commences August 16, 2021, and terminates 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 is \$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. When the Closing Date occurs, the leased equipment will be contributed to the joint venture by Pure Extracts and the lease agreement will terminate.

- n) 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. This 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 was determined by dividing 2,000 by the total volume of pounds of the Harvest. A portion of these payments are to 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 have fully repaid the principal amount prior to the maturity date then the note would automatically terminate. The note has no stated rate of interest, and in the event of default, the note will accrue interest at 15% per annum.
- o) 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 are 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.

Item 19. 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 (15)
1.10	Amended Stock Option Plan, February 24, 2011 (3)
1.11	Amended Stock Option Plan, February 24, 2012 (4)
1.12	By-Law No. 1, February 24, 2012 (4)
1.13	Articles of Amendment, effective March 16, 2012 (5)
1.14	Articles of Amendment, effective August 25, 2014 (6)
1.15	Articles of Amendment, effective February 1, 2016 (7)
1.16	Articles of Amendment, effective February 29, 2016 (8)
1.17	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)
1.18	Articles of Amendment, effective May 26, 2017 (10)
1.19	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)
1.20	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)
8.1	Subsidiaries of Grown Rogue International Inc. (12)
15.1	Consent of MNP, LLP (12)
15.2	Consent of Schwartz Levitsky Feldman LLP (12)
15.3	Consent of Turner, Stone and Company, LLP (12)

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 June 9, 2009

SIGNATURE

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 registration statement on its behalf.

Date: June 8, 2022

GROWN ROGUE INTERNATIONAL INC.

/s/ J. Obie Strickler

J. Obie Strickler
President & Chief Executive Officer

SUBSIDIARIES OF GROWN ROGUE INTERNATIONAL INC. PRIOR TO THE TRANSACTION

100% owned subsidiaries incorporated in the Province of Ontario		
Novicius Acquisition Corp. (incorporated March 26, 2018)	DoubleTap Daily Inc. (incorporated February 29, 2016)	ICE Studio Productions Inc. (incorporated June 16, 2016)

SUBSIDIARIES OF GROWN ROGUE INTERNATIONAL INC. 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)	DoubleTap Daily Inc. (incorporated February 29, 2016)	ICE Studio Productions Inc. (incorporated June 16, 2016)	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 Meds, 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; and (ii) a 60% interest in GRD Cali, LLC, a California limited liability company that was organized August 15, 2018.



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our auditor's report dated December 31, 2018 with respect to the consolidated financial statements of Grown Rogue International Inc. (formerly Novicius Corp.) as at August 31, 2018 and 2017 and for the years then ended (which expresses an unqualified opinion and included an explanatory paragraph related to the conditions and events that raise substantial doubt on the Company's ability to continue as a going concern), included in Form 20-F of Grown Rogue International Inc. (formerly Novicius Corp.) as filed with the United States Securities Exchange Commission.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants
June 8, 2022
Toronto, Canada

Schwartz Levitsky Feldman llp
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL



CONSENT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

To: Grown Rogue International Inc.

We consent to the incorporation by reference of our Independent Auditor's Report dated March 13, 2017 with respect to the consolidated financial statements of Intelligent Content Enterprises Inc. as at August 31, 2016 and 2015 and for the years ended August 31, 2016, 2015 and 2014 referenced in Form 20-F of Grown Rogue International Inc. as of November 15, 2018.

A handwritten signature in black ink that reads "Schwartz Levitsky Feldman llp".

Toronto, Ontario, Canada
June 8, 2022

Chartered Professional Accountants
Licensed Public Accountants

2300 Yonge Street, Suite 1500, Box 2434
Toronto, Ontario M4P 1E4
Tel: 416 785 5353
Fax: 416 785 5663

Your Vision Our Focus



CONSENT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

To: Grown Rogue International Inc.

We consent to the incorporation by reference of our Independent Auditor's Report dated June 8, 2022 with respect to the consolidated financial statements of Grown Rogue Unlimited, LLC as at October 31, 2018 and 2017 and for the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017 referenced in Form 20-F of Grown Rogue International Inc. as of November 15, 2018.

We also consent to the reference to our firm under the heading "Experts" in the Form 20-F.

Turner, Stone & Company, LLP

Certified Public Accountants
June 8, 2022
Dallas, Texas

Turner, Stone & Company, L.L.P.
12700 Park Central Drive, Suite 1400
Dallas, Texas 75251
Telephone: 972-239-1600/Facsimile: 972-239-1665
