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

FORM 20-F

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

OR

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

OR

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

For the transition period from November 1, 2023 to December 31, 2023

OR

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

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission File Number: 000-53646

GROWN ROGUE INTERNATIONAL INC.

(Exact name of Registrant as specified in its charter)

Ontario, Canada

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Obie Strickler, Telephone (458) 226-2100

550 Airport Road, Medford, Oregon, United States 97504

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

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

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

(Title of Class)

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

(Title of Class)

The number of outstanding shares of the issuer's common stock as of December 31, 2023, was 182,005,886 shares.

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

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

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

[Table of Contents](#)

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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

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

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

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

If the securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

U.S. GAAP International Financial Reporting Standards by the International Accounting Standards Board Other

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

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

Table of Contents

PART I		2
ITEM 1	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	2
A.	<u>DIRECTORS AND SENIOR MANAGEMENT</u>	2
B.	<u>ADVISERS</u>	2
C.	<u>AUDITORS</u>	2
ITEM 2	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	2
A.	<u>OFFER STATISTICS</u>	2
B.	<u>METHOD AND EXPECTED TIMETABLE</u>	2
ITEM 3	<u>KEY INFORMATION</u>	2
A.	<u>[RESERVED]</u>	2
B.	<u>CAPITALIZATION AND INDEBTEDNESS</u>	2
C.	<u>REASONS FOR THE OFFER AND USE OF PROCEEDS</u>	2
D.	<u>RISK FACTORS</u>	2
ITEM 4	<u>INFORMATION ON THE COMPANY</u>	15
A.	<u>HISTORY AND DEVELOPMENT OF THE COMPANY</u>	15
B.	<u>BUSINESS OVERVIEW</u>	19
C.	<u>ORGANIZATIONAL STRUCTURE</u>	24
D.	<u>PROPERTY, PLANTS AND EQUIPMENT</u>	25
ITEM 4A	<u>UNRESOLVED STAFF COMMENTS</u>	26
ITEM 5	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	26
A.	<u>OPERATING RESULTS</u>	35
B.	<u>LIQUIDITY AND CAPITAL RESOURCES</u>	40
C.	<u>RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES</u>	43
D.	<u>TREND INFORMATION</u>	43
E.	<u>CRITICAL ACCOUNTING ESTIMATES</u>	43
ITEM 6	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	43
A.	<u>DIRECTORS AND SENIOR MANAGEMENT</u>	43
B.	<u>COMPENSATION</u>	45
C.	<u>BOARD PRACTICES</u>	49
D.	<u>EMPLOYEES</u>	55
E.	<u>SHARE OWNERSHIP</u>	55
F.	<u>DISCLOSURE OF REGISTRANT'S ACTION TO RECOVER ERRONEOUSLY AWARDED COMPENSATION</u>	56
ITEM 7	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	57
A.	<u>MAJOR SHAREHOLDERS</u>	57
B.	<u>RELATED PARTY TRANSACTIONS</u>	57
C.	<u>INTERESTS OF EXPERTS AND COUNSEL</u>	59
ITEM 8	<u>FINANCIAL INFORMATION</u>	60
A.	<u>CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION</u>	60
B.	<u>SIGNIFICANT CHANGES</u>	60
ITEM 9	<u>THE OFFER AND LISTING</u>	60
A.	<u>OFFER AND LISTING DETAILS</u>	60
B.	<u>PLAN OF DISTRIBUTION</u>	61
C.	<u>MARKETS</u>	61
D.	<u>SELLING SHAREHOLDERS</u>	61
E.	<u>DILUTION</u>	61
F.	<u>EXPENSES OF THE ISSUE</u>	61

Table of Contents

ITEM 10	<u>ADDITIONAL INFORMATION</u>	61
A.	<u>SHARE CAPITAL</u>	61
B.	<u>MEMORANDUM AND ARTICLES OF ASSOCIATION</u>	61
C.	<u>MATERIAL CONTRACTS</u>	68
D.	<u>EXCHANGE CONTROLS</u>	69
E.	<u>TAXATION</u>	70
F.	<u>DIVIDENDS AND PAYING AGENTS</u>	74
G.	<u>STATEMENT BY EXPERTS</u>	74
H.	<u>DOCUMENTS ON DISPLAY</u>	74
I.	<u>SUBSIDIARY INFORMATION</u>	74
ITEM 11	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK</u>	74
ITEM 12	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	74
A.	<u>DEBT SECURITIES</u>	74
B.	<u>WARRANTS AND RIGHTS</u>	74
C.	<u>OTHER SECURITIES</u>	74
D.	<u>AMERICAN DEPOSITORY SHARES</u>	74
PART II		75
ITEM 13	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	75
ITEM 14	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	75
ITEM 15	<u>CONTROLS AND PROCEDURES</u>	75
ITEM 16	<u>[RESERVED]</u>	76
ITEM 16A.	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	76
ITEM 16B.	<u>CODE OF ETHICS</u>	76
ITEM 16C.	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	77
ITEM 16D.	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	78
ITEM 16E.	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	78
ITEM 16F.	<u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	78
ITEM 16G.	<u>CORPORATE GOVERNANCE</u>	79
ITEM 16H.	<u>MINE SAFETY DISCLOSURE</u>	79
ITEM 16I.	<u>DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION</u>	79
ITEM 16J.	<u>INSIDER TRADING POLICIES</u>	79
ITEM 16K.	<u>CYBERSECURITY</u>	79
PART III		80
ITEM 17	<u>FINANCIAL STATEMENTS</u>	80
ITEM 18	<u>FINANCIAL STATEMENTS</u>	80
ITEM 19	<u>EXHIBITS</u>	81

GENERAL

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

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

NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

PART I

ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. DIRECTORS AND SENIOR MANAGEMENT

Not applicable.

B. ADVISERS

Not applicable.

C. AUDITORS

The independent registered public accounting firm conducting the audit of the Company is Turner, Stone & Company, L.L.P., located at 12700 Park Central Drive, Suite 1400, Dallas, Texas 75251, United States of America.

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

A. OFFER STATISTICS

Not applicable.

B. METHOD AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 KEY INFORMATION

A. [RESERVED]

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

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

THERE ARE NUMEROUS AND VARIED RISKS, KNOWN AND UNKNOWN, THAT MAY PREVENT US FROM ACHIEVING OUR GOALS. THE RISKS DESCRIBED BELOW ARE NOT THE ONLY ONES WE WILL FACE. IF ANY OF THESE RISKS ACTUALLY OCCURS, OUR BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATION MAY BE MATERIALLY ADVERSELY AFFECTED. IN SUCH CASE, THE TRADING PRICE OF OUR SECURITIES COULD DECLINE AND INVESTORS IN OUR SECURITIES COULD LOSE ALL OR PART OF THEIR INVESTMENT. THE INFORMATION IN THIS REPORT IS COMPLETE AND ACCURATE AS OF THE DATES REFERENCED HEREIN, BUT THE INFORMATION MAY CHANGE AFTER SUCH DATE. SHOULD ONE OR MORE OF THE FOLLOWING RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD THE UNDERLYING ASSUMPTIONS OF OUR BUSINESS PROVE INCORRECT, ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THOSE ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED, INTENDED OR PLANNED.

Risks Factors Relating to Our Business

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, Michigan, and other state law legalizing certain cannabis uses, the federal law must be applied.

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

On the federal legislative side, a number of bills (some bi-partisan) have been introduced in Congress over the years in an attempt to address and perhaps reconcile the tension between state-legal cannabis programs and federal illegality, including the Strengthening the Tenth Amendment Through Entrusting States (STATES) Act, the Marijuana Opportunity Reinvestment and Expungement Act (MORE) Act, the Cannabis Administration and Opportunity (CAOA) Act, the Secure and Fair Enforcement (SAFE) Banking Act, the Preparing Regulators Effectively for a Post-Prohibition Adult-Use Regulated Environment (PREPARE) Act, and the Small Business Tax Equity (SBTE) Act. Congress has not passed any material marijuana reform legislation in decades.

There has, however, been activity with respect to cannabis from the administrative branch. In 2013, then United States Department of Justice Deputy Attorney General James M. Cole issued a memorandum (the “Cole Memorandum”) for all United States Attorneys providing updated guidance to federal prosecutors concerning marijuana enforcement under the Federal CSA. The Cole Memorandum applied to all Department of Justice federal enforcement activity, including civil enforcement, criminal investigations, and prosecutions concerning marijuana in all states. However, the Cole Memorandum was rescinded by Attorney General Jeff Sessions on January 4, 2018. Notably, the Biden administration has tacitly reverted to the guidance provided in the Cole Memorandum. Although current Attorney General Merrick Garland has not officially reinstated the Cole Memorandum, he advised in written testimony in early 2021 that he did not “think it the best use of the Department’s limited resources to pursue prosecutions of those who are complying with the laws in states that have legalized and are effectively regulating marijuana.” The Department of the Treasury adopted recommendations based on the standards set forth in the Cole Memorandum in its guidance (the “FinCen Guidance”) provided in 2014. Despite the repeal of the Cole Memorandum, the Department of Treasury’s Financial Crimes Enforcement Network (FinCEN) has confirmed that the FinCEN Guidance remains in effect and the Department of Treasury indicated it will remain in place.

On October 6, 2022, President Biden, among other things, asked the Secretary of Health and Human Services and the Attorney General to initiate the administrative process to review expeditiously how marijuana is scheduled under federal law. On or about August 29, 2023, Deputy Secretary of Health and Human Services (HHS) Rachel Levine transmitted a letter to the head of the Drug Enforcement Agency (DEA), Anne Milgram, recommending that cannabis and its derivatives be removed from Schedule I of the CSA. HHS’s recommendation is to reschedule cannabis to Schedule III. Schedule III substances are deemed to have medicinal value and have potential for abuse but less than substances in Schedules I or II, and abuse that may lead to moderate or low physical dependence or high psychological dependence. HHS’s recommendation remains pending and the Department of Justice (DOJ), specifically the DEA, is in the process of assessing it. If DOJ accepts the recommendation, it will then promulgate rules to effectuate the reschedule.

[Table of Contents](#)

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned. Unless and until the United States amends the Federal CSA with respect to marijuana, there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal law, or if existing applicable state laws are repealed or curtailed, Grown Rogue's business, results of operations, financial condition, and prospects would be materially adversely affected. There thus remains a risk that federal authorities may enforce current federal law against companies such as Grown Rogue for violation of federal law or they may seek to bring an action or actions against Grown Rogue 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.

In light of the uncertainty surrounding the treatment of United States cannabis-related activities, including the rescission of the Cole Memorandum, the Canadian Securities Administrators published a Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities (“Staff Notice 51-352”) on February 8, 2018 setting out certain disclosure expectations for issuers with United States cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with United States cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the United States cannabis industry.

Certain Grown Rogue subsidiaries are directly engaged in the cultivation, manufacture, possession, sale, or distribution of cannabis in the recreational cannabis marketplace in the State of Oregon and in the medical and recreational marketplaces in the State of Michigan. Pending regulatory approval, certain Grown Rogue subsidiaries expect to be directly engaged in the cultivation, manufacture, possession, sale, or distribution of cannabis in the recreational cannabis marketplace in New Jersey and Illinois. In accordance with Staff Notice 51-352, Grown Rogue will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws, or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on Grown Rogue's licenses, business activities, or operations will be promptly disclosed by Grown Rogue.

Other Laws and Regulations. The industry in which GR Unlimited operates could require the Company and/or GR Unlimited 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”), the Cannabis Regulatory Agency (the “CRA”) of Michigan, and other regulatory bodies as applicable laws continue to change and develop. Pending regulatory approval, Grown Rogue, through its subsidiaries, expects to participate in Illinois's and New Jersey's adult-use markets over the coming year. Regulatory compliance with the OLCC, CRA, 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 GR Unlimited.

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.

[Table of Contents](#)

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

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

Limited Operating History. GR Unlimited has a limited operating history and had no record of prior performance as a separate enterprise prior to the reverse take-over of the Company by GR Unlimited. (See *Item 4.A History and Development of the Company*). GR Unlimited 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 GR Unlimited 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 sustain profitability.

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

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

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

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

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

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

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

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

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

[Table of Contents](#)

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

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

Licenses. The Company's success depends on its ability to obtain and maintain marijuana licenses from state and local authorities including the OLCC and CRA. If the Company fails to obtain or maintain one or more marijuana production licenses from the OLCC, CRA, 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, CRA, or other applicable state or local governmental authorities will have a material adverse effect on the Company and possibly require it to cease operations.

Limited Customer Base; Retail Price Volatility. 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 includes Oregon and Michigan. The Company currently may not sell its products to any business or person located outside Oregon and Michigan. 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 includes Oregon and Michigan. The retail and wholesale prices in Oregon and Michigan have demonstrated significant volatility over time. Price declines, if sustained, will have a material adverse effect on the Company.

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

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

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

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

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

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

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

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

The protections of U.S. 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-chartered financial institutions.

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

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

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

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

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

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

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

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

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

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

United States Tax Classification of the Company. The Company is treated as a United States corporation for U.S. federal income tax purposes under IRC Section 7874 and is expected to be subject to U.S. federal income tax on its worldwide income. The Company is also, regardless of any application of IRC Section 7874, 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 will have a material adverse effect on it.

General Risk Factors

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

We may 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. At December 31, 2023, we had working capital of \$3,842,334, accumulated deficit of \$20,353,629, and generated net income of \$672,427 for the transition period ended December 31, 2023. At October 31, 2023, we had working capital of \$4,417,356, accumulated deficit of \$20,996,449, and generated a net loss of \$662,320 for the year ending October 31, 2023. We may not have sufficient funds to meet our liabilities for the ensuing twelve months as they become due. Our ability to continue operations and fund our liabilities may become dependent on our ability to secure additional financing and cash flow.

We have significant trade and other payables which may make it difficult to service our debts and adversely affects our ability to obtain additional financing. At December 31, 2023, we had trade and other payables in the amount of \$1,358,962. At October 31, 2023, we had trade and other payables in the amount of \$2,359,750. If in the future we are unable to service our debt obligations we may, among other things, need to refinance all or a portion of our debt at an increased borrowing cost, obtain additional financing, delay capital expenditures, or sell material assets. If we are not able to re-finance our debt as necessary, obtain additional financing, or sell assets on commercially acceptable terms or at all, we may not be able to satisfy our debt obligations and continue business operations.

We must continue to institute procedures designed to avoid potential conflicts involving our officers and directors. Some of our directors and officers are or may serve on the Board(s) 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.

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

Our investors may have difficulty selling our securities as there is a limited public trading market for such securities. An investor in the Company may find it difficult to resell our securities. There is only a limited public market for our securities, and no assurance can be given that a broad or active public trading market will develop in the future or, if developed, that it will be sustained. Our common stock trades on the OTC Markets and the Canadian Securities Exchange (the "CSE"). 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.

Risks Factors Relating to 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 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 or deregistration 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. We have previously received and resolved a cease trade order from the Ontario Securities Commission for failure to meet filing requirements. We are also currently the subject of an SEC enforcement action seeking to revoke registration of our common stock.

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

Our shareholders may experience dilution of their ownership interests because of our future issuance of additional shares of common stock. Our organizational and corporate documents authorize the issuance of an unlimited number of shares of common stock, without par value. In the event that we are required to issue additional shares of common stock or securities exercisable for or convertible into additional shares of common stock, enter into private placements to raise financing through the sale of equity securities, the interests of our existing shareholders will be diluted and existing shareholders may suffer dilution in their net book value per share depending on the price at which such securities are sold. If we do issue additional shares, it will cause a reduction in the proportionate ownership and voting power of all existing shareholders. As of December 31, 2023, we had outstanding the following share purchase options: 8,650,000 options exercisable at CAD\$0.15 per share, 1,150,000 options exercisable at CAD\$0.16, 1,400,000 options exercisable at a weighted average exercise price of CAD\$0.30 per share, and 600,000 options exercisable at a weighted average exercise price of CAD\$0.39 per share. As of October 31, 2023, we had outstanding the following share purchase options: 8,655,000 options exercisable at CAD\$0.15 per share, 1,150,000 options exercisable at CAD\$0.16, and 1,400,000 options exercisable at a weighted average exercise price of CAD\$0.30 per share. As of December 31, 2023, we had outstanding the following common share purchase warrants: 6,716,499 warrants exercisable at CAD\$0.25, 13,737,500 warrants exercisable at CAD\$0.28 per share, 2,816,250 warrants exercisable at CAD\$0.28 and 8,500,000 warrants exercisable at CAD\$0.33 per share. As of October 31, 2023, we had outstanding the following common share purchase warrants: 6,716,499 warrants exercisable at CAD\$0.25, 13,737,500 warrants exercisable at CAD\$0.28 per share, 2,816,250 warrants exercisable at CAD\$0.28 and 8,500,000 warrants exercisable at CAD\$0.33 per share. (See Item 5: “Operating and Financial Review and Prospects” – “Share Capital and Reserves and Derivative Liabilities” and Item 4.A “History and Development of the Company”).

Applicable SEC rules governing the trading of “penny stocks” will limit the trading and liquidity of our common stock and may affect the trade price for our common stock. The SEC has adopted rules which generally define “penny stock” to be any equity security that has a market price (as defined) of less than U.S.\$5.00 per share or an exercise price of less than U.S.\$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 U.S.\$5,000,000 or individuals with a net worth in excess of U.S.\$1,000,000 or annual income exceeding U.S.\$200,000 or U.S.\$300,000 jointly with their spouse.

[Table of Contents](#)

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

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

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

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

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

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

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

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

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

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

[Table of Contents](#)

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

ITEM 4 INFORMATION ON THE COMPANY

In November 2018 the Company entered into a Transaction combining its business operations with GR Unlimited, resulting in a reverse takeover by GR Unlimited. Prior to the Transaction, we were an emerging media and internet company with a focus on user experience and engagement, creating brands, products and destinations globally, regionally and by language that are value driven providing an informative, interactive, entertaining and engaging look at content.

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

Shares of our common stock are quoted on the OTC Markets under the symbol GRUSF and listed on the CSE under the symbol GRIN. Our registered office is located at 40 King St W Suite 5800, Toronto, ON M5H 3S1. Telephone (416) 364-4039, Facsimile (416) 364-8244. Our management office is located at 550 Airport Road, Medford, Oregon, United States, 97504. Our books and financial records are located in the management office. Our Canadian public filings can be accessed and viewed via the System for Electronic Data Analysis and Retrieval (“SEDAR”) at www.sedar.com. Readers can also access and view our Canadian public insider trading reports via the System for Electronic Disclosure by Insiders at www.sedi.ca.

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

Our U.S. public filings are available at the public reference room of the SEC located at 100 F Street, N.E., Room 1580, Washington, DC 20549 and on the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system of the SEC at the website maintained by the SEC at www.sec.gov.

A. HISTORY AND DEVELOPMENT OF THE COMPANY

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

[Table of Contents](#)

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

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

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

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

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

During the transition period ended December 31, 2023, and the fiscal years ended October 31, 2023 and 2022, the Company invested \$770,010, \$4,008,866, and \$4,000,874, respectively, on property and equipment, the significant majority of which was spent on the build-out of its indoor growing and processing facilities. 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, debt, shareholders' loans, and cash flow from operations.

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

[Table of Contents](#)

In February 2020, the Company, through its subsidiary GR Michigan, LLC (“GR Michigan”), 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 Chief Executive Officer (“CEO”), signed an option agreement to purchase Golden Harvests under similar terms (the “New Option”). Canopy had already been approved by the State of Michigan for licensing and this facilitated the Company’s ability to accelerate and exercise its option to obtain a 60% interest in Golden Harvests.

On January 19, 2021, the Company completed the first tranche of a private placement of 2,031,784 shares for proceeds of \$200,000. On February 5, 2021, the Company completed the second tranche of the private placement (the “February 2021 Private Placement 2nd Tranche”) comprised of 8,200,000 units (the “Units”) at CAD\$0.16 per Unit for proceeds of CAD\$1,312,000 (U.S.\$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: our CEO subscribed to 1,600,000 Units; the CFO of GR Unlimited subscribed to 2,000,000 Units; a key Company operations manager subscribed to 1,000,000 Units; and PBIC subscribed to 2,000,000 Units.

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

On March 5, 2021, the Company announced the completion of a brokered private placement offering through the issuance of an aggregate of 21,056,890 special warrants (each a “Special Warrant”) at a price of 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.

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

[Table of Contents](#)

On December 5, 2022, the Company announced the closing of a non-brokered private placement of the December Convertible Debentures with an aggregate principal amount of \$2,000,000. The December Convertible Debentures accrue interest at 9% per year, paid quarterly, and mature 36 months from the date of issue. The December Convertible Debentures are convertible into common shares of the Company at a conversion price of CAD\$0.20 per common share. Additionally, on closing, the Company issued to the Purchasers of the December Convertible Debentures an aggregate of 6,716,499 warrants (the “December Warrants”), that represents 50% coverage of each purchaser’s convertible debenture investment. The December Warrants are exercisable for a period of three years from issuance into common shares at an exercise price of \$0.25 CAD per common share. The Company has the right to accelerate the warrants if the closing share price of the common shares on the CSE is CAD\$0.40 or higher for a period of 10 consecutive trading days. The December Convertible Debentures and December Warrants issued pursuant to the private placement (and the underlying common shares) were subject to a statutory hold period of four months and one day from the closing date. The Company issued the notice of acceleration required by the warrant certificates governing these warrants on March 1, 2024, thereby accelerating the expiry date to 90 days from the date of notice.

During the year ended October 31, 2023, Purchasers of the December Convertible Debentures converted an aggregate total of convertible debenture principal of \$1,040,662 and \$133,977 at CAD\$0.20 per share into 10,151,250 and 1,022,025 common shares respectively.

In January 2023, the Company exercised an option to acquire 87% of our CEO’s membership interest in Canopy, which provides identical economic rights as the Company originally had in the February 2020 Option Agreement (described above). Canopy acquired a 60% controlling interest in Golden Harvests in May 2021. The Company acquired a controlling 60% interest in Golden Harvests for aggregate consideration of U.S.\$1,007,719 comprised of 1,025,000 common shares of the Company with a fair value of U.S.\$158,182, and cash payments and cash payable of U.S.\$849,537.

On May 1, 2023, the terms of the Secured Promissory Note between GR Distribution and HSCP were amended for a second time. Under the second amendment, the Secured Promissory Note will be fully settled in two principal amounts. On May 1, 2023, the \$500,000 principal payment plus all accrued but unpaid interest under the first amendment was due and payable. The remaining principal balance of \$500,000, which bears no interest, is due and payable as follows: \$150,000 due and payable on August 1, 2023; \$150,000 due and payable on November 1, 2023; and \$200,000 due and payable on December 31, 2023. The balance was fully paid during the two months ended December 31, 2023.

On May 24, 2023, GR Unlimited entered into an independent contractor consulting agreement with Goodness Growth Holdings, Inc., under which GR Unlimited will support Goodness Growth in the optimization of its cannabis flower products, with a particular focus on improving the quality and yield of top-grade “A” cannabis flower across its various operating markets, starting with Maryland and Minnesota. The consulting agreement was amended on September 20, 2023.

On July 13, 2023, the Company announced the closing of a non-brokered private placement of unsecured convertible debentures (the “July Convertible Debentures”) with an aggregate principal amount of \$5,000,000. The July Convertible Debentures accrue interest at 9% per year, paid quarterly, and mature 48 months from the date of issue. The July Convertible Debentures are convertible into common shares of the Company at a conversion price of CAD\$0.24 per common share, at any time on or prior to the maturity date. Additionally, on closing, the Company issued to the subscribers of the July Convertible Debentures an aggregate of 13,737,500 July Warrants, that represents one-half of one warrant for each CAD\$0.24 of principal amount subscribed (the “July Warrants”). The July Warrants are exercisable for a period of three years from issuance into common shares at an exercise price of CAD\$0.28 per common share. The Company has the right to accelerate the warrants if the closing share price of the common shares on the Canadian Securities Exchange is CAD\$0.40 or higher for a period of 10 consecutive trading days. On March 1, 2024, the Company issued the notice of acceleration required by the warrant certificates governing the July Warrants, thereby accelerating the expiry date to 90 days from the date of notice.

[Table of Contents](#)

On August 17, 2023, the Company announced that it had closed the second and final tranche of a non-brokered private placement of unsecured convertible debentures for gross proceeds of \$1,000,000 (the “August Convertible Debentures”), for a total aggregate principal amount under both tranches of \$6,000,000 with the July Convertible Debentures. Additionally, on closing, the Company issued to subscribers under the second tranche an aggregate of 2,816,250 common share purchase warrants (the “August Warrants”). The terms of the August Convertible Debentures and August Warrants issued as part of this second tranche are the same as those issued with the July Convertible Debentures and July Warrants. On March 1, 2024, the Company issued the notice of acceleration required by the warrant certificates governing these warrants, thereby accelerating the expiry date to 90 days from the date of notice.

On October 3, 2023, GR Unlimited executed a promissory note (the “New Jersey Retail Promissory Note”) and advanced \$250,000 to an individual representing the principal amount of the note. Pursuant to the New Jersey Retail Promissory Note, interest on the outstanding principal borrowed accrues at a rate of 12% per annum provided that, if the extended maturity date of the note is triggered, interest shall accrue on the outstanding balance commencing on the maturity date and ending on the extended maturity date of the New Jersey Retail Promissory Note. The Company signed a related definitive agreement on January 16, 2024 to invest in the development of an adult-use dispensary in West New York, New Jersey.

On October 4, 2023, the Company announced that it signed a definitive agreement with an option to acquire 70% of ABCO Garden State, LLC (“ABCO”), pending regulatory approval from the New Jersey Cannabis Regulatory Commission (the “CRC”). ABCO was granted a conditional cultivation and manufacturing license by the CRC and will receive its annual cultivation license soon. GR Unlimited executed a secured draw down promissory note (the “Iron Flag Promissory Note”) with Iron Flag, LLC (“Iron Flag”), to fund tenant improvements and for general working capital at the 50,000 square foot facility leased by ABCO for use in ABCO’s cannabis cultivation operations under construction and estimated to be completed in the second quarter of 2024. Pursuant to the Iron Flag Promissory Note, GR Unlimited shall make the maximum amount available to Iron Flag in one or more advances in an aggregate amount not to exceed \$4,000,000. Interest on the outstanding principal borrowed accrues at a rate of 12.5% per annum commencing with respect to each advance and accruing until the date the standing advances and all accrued interest is paid in full.

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

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

B. BUSINESS OVERVIEW

General

Immediately prior to the reverse takeover 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 GR Unlimited, we became a multi-state cannabis company curating innovative products that allow consumers to enhance life experiences. Grown Rogue is committed to educating, inspiring and empowering consumers with information about cannabis so they can “enhance experiences” by selecting the right product. The Grown Rogue portfolio of brands have a diverse cannabis product suite that includes premium flower (indoor and sungrown) and flower pre-rolls. Grown Rogue is strategically focused on high quality, low cost production of flower and flower-based products. Flower continues to be the leading product category in most every state as compared to other products such as edible, vape cartridges, pre-rolls, or concentrates. With its best-in-class production methods, low cost cultivation, award winning product, and geographic location in the famed Emerald Triangle, Grown Rogue is well positioned to execute on becoming a leader in flower production in the cannabis sector.

Grown Rogue (through its subsidiaries) has direct involvement in the cultivation, manufacture, possession, sale, and distribution of marijuana in the United States. Grown Rogue and its subsidiaries are primarily involved in the U.S. marijuana industry as a seed to retail company with operations currently in Oregon and Michigan (both of which have legalized medical and recreational marijuana). Grown Rogue, through its subsidiaries, produces recreational marijuana and distributes it to dispensaries throughout Oregon and Michigan.

[Table of Contents](#)

Oregon

Grown Rogue, through its wholly owned subsidiary, Grown Rogue Gardens, LLC (“GR Gardens”), operates four cultivation facilities in Oregon, comprising approximately 95,000 square feet of flowering cultivation canopy, that currently service the Oregon recreational marijuana market: two outdoor sungrown farms called “Foothill” and “Ross Lane”, and two state-of-the-art indoor facilities (“Rossanley” and “Airport”). GR Gardens currently holds five producer licenses in Oregon from the Oregon Liquor Control Commission (“OLCC”), two wholesaler licenses, and two processor licenses.

During the year ended October 31, 2023, we executed a two-year lease which includes an option to purchase Ross Lane, an Oregon property which includes 35 acres, 3 tax lots and an additional OLCC producer license. Subsequent to the balance sheet date on January 12, 2024, the Company executed on this purchase option for total consideration of \$1,525,000 comprised of a promissory note of \$1,285,000 with the remaining consideration consisting of down payment and credit for prepaids rents.

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

GR Gardens is responsible for production of recreational marijuana using outdoor and indoor production methodologies. Foothill and Ross Lane are outdoor farms with 40,000 square feet of flowering canopy each, for a total of 80,000 square feet, sitting on a combined land package of approximately 135 acres. Our “Trail’s End” outdoor property will not be cultivated in 2023, and we will transfer the Trail’s End license to Ross Lane for production in 2024 to streamline operational efficiencies by centralizing production facilities.

Rossanley, an approximately 17,000 square-foot indoor facility, with approximately 5,600 square feet of flowering bench space, produces high-quality indoor flower through controlled environment agriculture (“CEA”) operations. By carefully controlling temperature, humidity, carbon dioxide levels, and other criteria, we produce a year-round supply of high-quality cannabis flower with multiple harvests per month. Rossanley has eight dedicated flower rooms, which allows for an average of nearly four harvests per month resulting in approximately 4,000 pounds annually.

Airport, acquired in 2022, is a 30,000 square foot indoor growing facility adding 30,000 square feet of CEA indoor production space and 9,152 square feet of flowering bench space. Airport is a short distance from Rossanley, which is a benefit to operating efficiency, and it is equipped with state-of-the-art equipment which facilitates the implementation of best practices developed at Rossanley.

The total annual production capacity for Grown Rogue’s Oregon operations, based on the current constructed capacity, will range between 20,000 and 24,000 pounds, depending upon various factors including sungrown seasonality and strain performance.

Michigan

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

The Golden Harvests facility is approximately 60% constructed, with approximately 50,000 square feet in operation, including approximately 14,550 square feet of flowering bench space, in addition to all the ancillary support space, including office and administration to support the operations. The facility produces high quality indoor flower CEA, with fourteen individual flowering rooms in operation. Harvested pounds in Michigan in 2023 totaled approximately 10,000 pounds. Golden Harvests produces bulk flower, packaged flower, and manufactures pre-rolls on site.

[Table of Contents](#)

Services

On May 24, 2023, GR Unlimited entered into an independent contractor consulting agreement (the “Consulting Agreement”) with Goodness Growth Holdings, Inc. (CSE: GDNS; OTCQX: GDNSF) (“Goodness Growth”). Under the Consulting Agreement, GR Unlimited will support Goodness Growth in the optimization of its cannabis flower products, with a particular focus on improving the quality and yield of top-grade “A” cannabis flower across its various operating markets, starting with Maryland and Minnesota.

Under the initial term of the Consulting Agreement, which expires on June 30, 2025, Goodness Growth will provide compensation to GR Unlimited for sustained consulting support, including input on systems and processes, and recommendations to improve Goodness Growth’s cultivation operations. GR Unlimited will be entitled to receive additional incentive compensation if our services result in improved cash flow performance as compared to Goodness Growth’s baseline expectations over the term of the agreement. Our cooperation in the agreement will be on an exclusive basis to Goodness Growth within the markets in which Goodness Growth operates. The agreement will automatically extend for up to two additional two-year terms, unless terminated by Goodness Growth or the Company.

A termination fee of at least \$5,000,000 is payable to GR Unlimited in the event that Goodness Growth is acquired, sells all or substantially all of its assets, or is merged into another entity and is not the surviving entity of such merger. In addition, a termination fee of at least \$2,500,000 is payable to GR Unlimited in the event that the Consulting Agreement terminates for certain other conditions.

As part of this strategic agreement, Goodness Growth is obligated to issue 10,000,000 warrants to purchase 10,000,000 subordinate voting shares of Goodness Growth to the Company, with a strike price equal to CAD\$0.317 (U.S.\$0.233), being a 25.0 percent premium to the 10-day volume weighted average price (“VWAP”) of Goodness Growth’s subordinate voting shares prior to the effective date of the Consulting Agreement. Similarly, the Company will issue 8,500,000 warrants to purchase 8,500,000 common shares of the Company to Goodness Growth, with a strike price equal to CAD\$0.225 (U.S.\$0.166), being a 25.0 percent premium to the 10-day VWAP of the Company’s common shares prior to the effective date of the Consulting Agreement. These warrants were issued on October 5, 2023.

The Consulting Agreement and amendments to the Consulting Agreement provides for service revenue earned by us the Company to be calculated beginning January 2023, and we reported service revenue of \$96,050 for the two months ended December 31, 2023 (for year ended October 31, 2023 - \$929,016) and cost of service revenue of \$89,120 for the two months ended December 31, 2023 (for year ended October 31, 2023 - \$308,461).

Product

Grown Rogue produces a range of cultivars for consumers to enjoy, which are traditionally classified as indicas, sativas, and hybrids. Grown Rogue has a mix of “core” and “limited” strains to provide consumers with consistent and unique purchasing options at their local dispensary. Grown Rogue flower has won multiple awards in Oregon, which is one of the most competitive cannabis production environments in the world, including the prestigious Growers Cup competition on two occasions. Grown Rogue won 1st place for highest THC content, 1st place for highest terpene content, and 3rd place in the grower’s choice category. In addition, we believe we achieved an outdoor production potency record, at the time, in the state of Oregon, when its Monkey Train cultivar tested at a THC potency of 35.13%. In 2023, Grown Rogue won 3rd place in the Oregon Grower’s Cup Outdoor category for its Sour Grape Strain. Consumers can enjoy bulk flower in both Oregon and Michigan. In the Michigan market we also offer our innovative nitrogen sealed 3.5 gram flower jars, our patented nitrogen sealed pre-rolls, 3.5 gram flower bags, and regularly packaged pre-rolls.

We recently launched a new line of strain-specific prepackaged flower, coupled with proprietary genetics, in Michigan, and launched a new branded pre-roll pack product in Oregon in 2023. In addition, Grown Rogue launched a new brand of pre-rolls, a rapidly growing category, called Yeti in 2023. According to LeafLink’s MarketScape data, Grown Rogue was the #1 flower producer in Oregon and a top 5 indoor flower wholesaler in Michigan in 2022 and in 2023.

[Table of Contents](#)

Genetics

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

Distribution and Sales

Grown Rogue uses a multi-channel distribution strategy that includes direct-to-retail delivery and third-party delivery (Michigan regulations mandate independent third-party delivery); wholesalers, who have their own distribution channels; and processors, who utilize Grown Rogue products (e.g., trim) to create retail-ready products.

Regarding the direct-to-retail channel, Grown Rogue’s sales team works closely with dispensary owners and intake managers to provide consistent product, competitive prices, and personalized service using sales techniques from other industries such as pharmaceutical and liquor. Grown Rogue’s goal is to establish and maintain the client relationship as we continue to expand our footprint in the states in which we operate.

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

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

Based upon information from MarketScape, which is part of the sales analytics tool utilized by LeafLink, which handles all of our sales and invoicing, we are the largest producer in Oregon and a top five indoor flower producer in Michigan.

Branding

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

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

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

[Table of Contents](#)

Marketing and Advertising

Grown Rogue’s marketing channels include a comprehensive, fully responsive (mobile) interactive website. The website has been search-engine optimized (“SEO”) and includes calls to action that encourage consumers to become part of the Grown Rogue community by following the company on social media.

Grown Rogue is focused on providing education to new and existing consumers through Grown Rogue’s website but even more hands on through retail partners. We provide vendor and budtender education days where we spend one on one time with the budtenders educating them about everything Grown Rogue.

Grown Rogue strategically leverages the narrative at retail through digital and physical retail assets to further educate consumers about Grown Rogue.

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

Licenses

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

Trademarks and Patents

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

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

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

Social and Environmental Policies

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

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

[Table of Contents](#)

Plans for Expansion and Economic Outlook

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

The expansion into Airport and acquisition of a 60% interest in Golden Harvests represent execution of management’s strategy of growth through high quality, low-cost flower production. In addition, we have added a profitable services segment, which leverages our cultivation expertise to generate margin and increase our presence to two new states at low financial risk. As other growth opportunities arise under favorable financial terms, management can activate known and repeatable systems into new assets.

We believe that the future of the cannabis industry is in branded products and that the leading brands are being developed on the west coast, which is well known for high quality cannabis. Unlike many current multi-state operators who prefer to obtain just a few licenses in a large volume of states, Grown Rogue is focused on establishing a larger number of licenses in fewer states to capitalize on the economies of scale we view as optimal to maximize profits. Over the next twelve months, Grown Rogue is focused on furthering our footprints and flower market shares in the Oregon and Michigan markets, strengthening our presence in Minnesota and Maryland (by way of the Consulting Agreement), continuing to add new products to our portfolio, and exploring and executing on strategic opportunities in new states.

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

C. ORGANIZATIONAL STRUCTURE

As of the date of this Transition Report, and as a result of the Transaction, we have five wholly-owned subsidiaries: GR Unlimited, GR Gardens, Grown Rogue Distribution, LLC (“GR Distribution”), GRU Properties, LLC (“GRUP”), and GRIP, LLC (“GRIP”). The Company owns GR Gardens, GR Distribution, GRUP, and GRIP, indirectly through its ownership of GR Unlimited; each of GR Gardens, GR Distribution, GRUP, and GRIP is a wholly owned subsidiary of GR Unlimited. Through GR Unlimited, the Company also has an indirect ownership of 87% interest in GR Michigan, LLC (“GR Michigan”), and 87% of Canopy Management LLC, which owns 60% of Golden Harvests. The Company also owns Grown Rogue Retail Ventures, LLC (“GR Retail”) indirectly through its ownership of GR Unlimited as GR Retail is a wholly owned subsidiary of GR Unlimited, which owns 43.5% of GR Retail.

All intercompany balances and transactions have been eliminated on consolidation.

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

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

[Table of Contents](#)

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)

* GR Unlimited also owns (i) an 87% interest in GR Michigan; (ii) and an 87% interest in Canopy, in which Canopy owns a 60% controlling interest in Golden Harvests. GR Michigan, Canopy and Golden Harvests are LLCs organized in Michigan. Additionally, GR Unlimited owns a 43.5% interest in GR Retail, an entity organized in Delaware.

The corporate structure of the Company as of the date of this Transition Report is as follows:

Company	Ownership
Grown Rogue Unlimited, LLC	100% by GRIN
Grown Rogue Gardens, LLC	100% by Grown Rogue Unlimited, LLC
GRU Properties, LLC	100% by Grown Rogue Unlimited, LLC
GRIP, LLC	100% by Grown Rogue Unlimited, LLC
Grown Rogue Distribution, LLC	100% by Grown Rogue Unlimited, LLC
GR Michigan, LLC	87% by Grown Rogue Unlimited, LLC
Canopy Management, LLC	87% by Grown Rogue Unlimited, LLC
Golden Harvests, LLC	60% by Canopy Management, LLC
Grown Rogue Retail Ventures, LLC	100% by Grown Rogue Unlimited, LLC
Grown Rogue West New York, LLC	43.5% by Grown Rogue Retail Ventures, LLC**

** The Company, through its subsidiary GR Retail invested \$500,000 in the equity of GR West NY. GR West NY is a lender to a retail business in New Jersey.

D. PROPERTY, PLANTS AND EQUIPMENT

Our U.S. executive offices consist of approximately 5,000 square feet of office space located at the Airport facility. The address of our U.S. executive offices 550 Airport Road, Medford, Oregon 97504. Our Ontario executive offices are located at 340 Richmond Street West, Toronto, Ontario, M5V 1X2, Canada.

Through GR Gardens, the Company operates four cultivation facilities that currently service the Oregon recreational marijuana market: Airport, Rossanley, Ross Lane, and Foothill. The Company formerly also operated Trail’s End, at which will production is not planned from 2023 forward. The Company also leases a facility used to for post-harvest processing called Lars.

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

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

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

[Table of Contents](#)

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

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

The Company leases approximately 35 acres of real property, with an option to purchase, in Jackson County, Oregon, commonly known as 2888 Ross Lane, Central Point, Oregon, through that certain Commercial Lease Agreement, dated December 20, 2022, between Lender Capital, LLC, and GR Gardens., Subsequent to the statement of financial position dated October 31, 2023, the Company exercised its option to purchase the Ross Lane property on January 12, 2024 for a total purchase price of \$1,525,000. After applying deposits in escrow and rents paid adjustments, the remaining consideration due of \$1,285,000 is in the form of a secured promissory note payable over 36 months.

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

ITEM 4A UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with our Audited Consolidated Financial Statements for two months ended December 31, 2023 and the years ended October 31, 2023 and 2022 and notes thereto included under Item 18. For a discussion of Operation and Financial Review and Prospects for the year ended October 31, 2021 please refer to the Company's Form 20-F Annual Report for the fiscal year ended October 31, 2021 filed on November 4, 2022.

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

Overview

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

The Company's registered office is 40 King St W Suite 5800, Toronto, ON M5H 3S1, Canada. Shares of our common stock quoted on OTC Markets under the symbol GRUSF and listed on the CSE under the symbol GRIN.

The Consolidated Financial Statements include the accounts of Grown Rogue International Inc., the legal parent, together with its wholly owned subsidiaries as at October 31, 2023: GR Unlimited, and GR Unlimited's subsidiaries (collectively referred to as the "Subsidiaries"). GR Unlimited's wholly-owned subsidiaries include GR Gardens; GR Distribution, LLC; GRUP; and GRIP. GR Unlimited also has an 87% interest in GR Michigan, as well as an 87% interest in Canopy, which owns 60% of Golden Harvests.

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 financing 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 favorable market conditions to sustain future development of the business. At December 31, 2023, and October 31, 2023 and 2022, the Company considered its capital structure to be comprised of shareholders' deficiency.

BASIS OF PREPARATION

Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the IASB and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"). On April 29, 2024, the Board of Directors approved the Consolidated Financial Statements for the two months ended December 31, 2023.

Basis of Consolidation

The subsidiaries are those companies 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 and rights pertaining to the subsidiaries. The financial statements of subsidiaries are included in these financial statements from the date that control commences until the date control ceases. All intercompany balances and transactions have been eliminated upon consolidation.

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 2 of the Consolidated Financial Statement attached hereto.

Change in Fiscal Year End

On January 29, 2024, the Company changed its fiscal year-end from October 31st to December 31st, effective immediately. The decision to change the fiscal year-end to a calendar year-end was to align our reporting cycle more closely with how we plan to manage our business. This Transition Report on Form 20-F reports our financial results for the period from November 1, 2023, through December 31, 2023, which we refer to as the "transition period" in this report. Following the transition period, we will file an annual report for each twelve-month period ended December 31st of each year beginning with December 31, 2024.

Functional and Presentation Currency

The Company's functional currency is the Canadian dollar and the functional currency of its Subsidiaries is the U.S. dollar. The Consolidated Financial Statements are presented in U.S. dollars.

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

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

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

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 October 2022, the IASB amended IAS 1 *Presentation of Financial Statements*. The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2024. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.
- (ii) In May 2020, the IASB published 'Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company adopted the amendments effective November 1, 2022, which did not have material impact to the Company's consolidated financial statements.
- (iii) As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flow when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13 *Fair Value Measurement*. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The Company adopted the Amendments to IAS 41 effective November 1, 2022, which did not have material impact to the Company's consolidated financial statements.
- (iv) As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IFRS 9 *Financial Instruments*. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company adopted the Amendments to IFRS 9 effective November 1, 2022, which did not have material impact to the Company's consolidated financial statements.
- (v) In May 2017, the IASB issued IFRS 17 *Insurance Contracts*. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The standard is effective for annual periods beginning on or after January 1, 2023. The Company is evaluating the potential impact of this standard on the Company's consolidated financial statements.

SEGMENTED INFORMATION

The Company's operating segments include the production and sale of cannabis and the provision of consulting services in the production and sale of cannabis. All property and equipment and intangible assets are located in the United States. All revenues were generated in the United States during the two months ended December 31, 2023, and the years ended October 31, 2023 and 2022. As such, amounts disclosed in the Consolidated Financial Statements also represent the single operating and geographical reporting segment.

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

Geographical segments	Oregon	Michigan	Other	Services	Total
	\$	\$	\$	\$	\$
Non-current assets other than financial instruments					
At December 31, 2023	8,187,649	4,054,332	1,761,382	-	14,003,363
At October 31, 2023	7,362,957	4,016,861	1,361,366	-	12,741,184
At October 31, 2022	4,719,260	3,741,309	-	-	8,460,569
Transition period ended December 31, 2023					
Net revenue	1,529,088	2,012,949	-	96,050	3,638,087
Gross profit	766,291	1,597,643	-	6,840	2,370,774
Gross profit before fair value adjustment	902,603	1,235,111	-	6,840	2,144,554
Year ended October 31, 2023					
Net revenue	11,001,261	11,422,908	-	929,016	23,353,185
Gross profit	5,259,439	6,791,700	-	620,375	12,671,514
Gross profit before fair value adjustment	4,615,259	6,653,234	-	620,375	11,888,868
Year ended October 31, 2022					
Net revenue	8,852,104	8,905,179	-	-	17,757,283
Gross profit	3,039,159	5,083,919	-	-	8,123,078

(1) Includes: Plant and equipment, and non-current assets other than financial instruments.

SHARE CAPITAL AND RESERVES

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

a) Share Capital

Authorized:

Unlimited number of shares of common stock at no par value

Unlimited number of preferred shares issuable in series

Shares of Common Stock Issued:

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

	Number	Amount \$
Balance October 31, 2021	156,936,876	\$ 20,499,031
Shares issued for employment, director, and consulting services	529,335	59,796
Private placement of shares	13,166,400	1,300,000
Balance October 31, 2022	170,632,611	21,858,827
Shares issued in consideration for the acquisition of Golden Harvests	200,000	35,806
Shares issued as partial settlement of December Convertible Debentures	11,173,275	2,698,789
Balance December 31, and October 31, 2023	182,005,886	24,593,422

[Table of Contents](#)

Preferred Shares Issued:

At December 31, 2023, October 31, 2023 and 2022, there were no preferred shares issued.

b) Share Purchase Warrants

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

Warrants	Number of Warrants	Weighted Average Price (CAD\$)
Outstanding, October 31, 2021	56,919,787	\$ 0.22
Expiration of warrants	(23,409,091)	(0.14)
Outstanding, October 31, 2022	33,510,696	\$ 0.28
Issued pursuant to December Convertible Debentures	6,716,499	0.25
Issuance pursuant to July Convertible Debentures	13,737,500	0.28
Issuance pursuant to August Convertible Debentures	2,816,250	0.28
Issuance pursuant to Consulting Agreement with Goodness Growth	8,500,000	0.33
Expiration of warrants	(33,510,696)	(0.28)
Outstanding, December 31, and October 31, 2023	31,770,249	\$ 0.29

The following tables summarize the outstanding warrants at transition period ended December 31, 2023, and the years ended October 31, 2023, and 2022, respectively:

Number of Warrants 2023	Exercise Price (CAD\$)	Expiry Date	Remaining Contractual Life (Years)
6,716,499	\$ 0.25	December 2, 2025	1.92
13,737,500	0.28	July 13, 2026	2.53
2,816,250	0.28	August 17, 2026	2.63
8,500,000	0.33	October 5, 2028	4.77
31,770,249	\$ 0.29		3.01

Number of Warrants 2023	Exercise Price (CAD\$)	Expiry Date	Remaining Contractual Life (Years)
6,716,499	\$ 0.25	December 2, 2025	2.09
13,737,500	0.28	July 13, 2026	2.70
2,816,250	0.28	August 17, 2026	2.80
8,500,000	0.33	October 5, 2028	4.93
31,770,249	\$ 0.29		3.18

Number of Warrants 2022	Exercise Price (CAD\$)	Expiry Date	Remaining Contractual Life (Years)
8,200,000	\$ 0.20	February 5, 2023	0.27
23,162,579	0.30	March 5, 2023	0.34
2,148,117	0.44	June 28, 2023	0.66
33,510,696	\$ 0.28		0.34

[Table of Contents](#)

d) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	December 31, 2023	October 31, 2023	October 31, 2022
Weighted Average Shares Outstanding, basic	182,005,886	172,708,792	169,193,812
Weighted Average Shares Outstanding, diluted	214,046,728	172,708,792	169,193,812

e) Share Purchase Options

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

	Number of Options	Weighted Average Exercise Price CAD\$
Balance, October 31, 2021	5,765,000	\$ 0.20
Granted to employees	605,000	0.15
Forfeitures by service providers	(500,000)	0.44
Forfeitures by employees	(960,000)	0.15
Balance, October 31, 2022	4,910,000	\$ 0.18
Granted to employees	3,650,000	0.15
Granted to employees	400,000	0.30
Granted to service providers	2,750,000	0.15
Expiration of options to employees	(430,000)	0.15
Expiration of options to employees	(75,000)	0.22
Balance, October 31, 2023	11,205,000	\$ 0.17
Granted to employees	100,000	0.39
Granted to service providers	500,000	0.39
Expiration of options to employees	(5,000)	0.15
Balance, December 31, 2023	11,800,000	\$ 0.18

The following table is a summary of the Company's stock options outstanding and exercisable at December 31, 2023:

Options Outstanding				Options Exercisable	
Exercise Price CAD\$	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price CAD\$
\$ 0.15	1,840,000	0.5	July 2024	1,777,500	\$ 0.15
0.15	200,000	0.9	November 2024	200,000	0.15
0.30	1,000,000	1.3	April 2025	850,000	0.30
0.16	1,150,000	1.4	May 2025	1,150,000	0.16
0.15	85,000	1.8	November 2025	85,000	0.15
0.15	300,000	2.3	April 2026	150,000	0.15
0.15	6,225,000	3.0	January 2027	400,000	.015
0.30	400,000	3.7	September 2027	-	0.30
0.39	600,000	3.9	November 2027	41,666	0.39
\$ 0.18	11,800,000	2.3		4,654,166	\$ 0.18

OVERALL PERFORMANCE

Revenues during the two months ended December 31, 2023, were lower than the comparative year ended October 31, 2023, due primarily to the number of months in which the revenues are based.

	For the two months ended December 31, 2023	For the year ended October 31, 2023	Variance	Variance
	(\$)	(\$)	(\$)	(%)
Revenue from Grown Rogue production	3,542,037	22,424,169	(18,882,132)	(84%)
Revenue from services	96,050	929,016	(832,966)	(90%)
Total revenue	3,638,087	23,353,185	(19,715,098)	(84%)

	For the two months ended December 31, 2023	For the year ended October 31, 2023	Variance	Variance
	(\$)	(\$)	(\$)	(%)
Indoor	2,846,752	17,813,172	(14,966,420)	(84%)
Outdoor	42,678	2,471,790	(2,429,112)	(98%)
Pre-rolls	192,952	821,774	(628,822)	(77%)
Trim and other	459,655	1,317,433	(857,778)	(65%)
Revenue from Grown Rogue production	3,542,037	22,424,169	(18,882,132)	(84%)

Cost of finished cannabis inventory sold during the two months ended December 31, 2023, decreased by 87% from the year ended October 31, 2023, while revenues for the same periods decreased 84%. The following table summarizes costs of sales for the two months ended December 31, 2023, and the year ended October 31, 2023,

	For the two months ended December 31, 2023	For the year ended October 31, 2023	Change	Change
	(\$)	(\$)	(\$)	(%)
Cost of finished cannabis inventory sold	1,404,323	11,155,676	(9,751,353)	(87%)
Costs of service revenues	89,210	308,641	(219,431)	(71%)
Costs of goods sold, excl. fair value items	1,493,533	11,464,317	(9,970,784)	(87%)

For the two months ended December 31, 2023, the Company reported a gross margin of \$2,370,774 (for the years ended October 31, 2023 - \$12,671,514, October 31, 2022 - \$8,012,078). Our ability to generate margin depends upon the following significant factors: direct and indirect costs incurred to grow biological assets and complete inventory; depreciation of capital investments required to grow biological assets and complete inventory; and the impact of the adjustments that result from the fair valuation of biological assets. We prioritize cost efficiency in production and efficiency of capital allocation, and to maximize sales revenues through a variety of efforts, including production of flower which is desirable to consumers, sales team incentives, and continually increasing the number of our wholesale customers.

Operating expenses for the two months ended December 31, 2023 were \$1,944,620 (for the years ended October 31, 2023 - \$8,417,363, October 31, 2022 - \$7,165,929). Increased general and administrative costs during the year ended October 31, 2023, were primarily due to an increase in total overheads, from growth in facility sizes and number of facilities, and of which a portion is attributed to administration. The increases are also due in part to additional staffing required to support expansion and growth, which demanded increases in management expertise in operations and corporate positions, as well as an increased utilization of professional services to support various transactions and costs of regulatory compliance and public disclosure executed during the years ended October 31, 2023 and 2022.

[Table of Contents](#)

During the two months ended December 31, 2023, we added \$770,010 (for the years ended October 31, 2023 - \$4,008,866; October 31, 2022 - \$4,000,874) to property and equipment, including non-cash right-of-use asset additions. We expended cash flows of \$126,090 for property and equipment additions during the two months ended December 31, 2023 (for the years ended October 31, 2023 - \$1,456,782; October 31, 2022 - \$1,111,283).

On April 14, 2022, the Company closed the purchase of indoor growing assets from High Street Capital Partners, LLC (see *Item 4.A History and Development of the Company*). Purchase consideration included a secured promissory note payable with a principal sum of \$1,250,000, of which \$500,000 was due on August 1, 2022 and \$750,000 was due on May 1, 2023, before amendment of the agreement, which is described below. The collateral for the secured promissory note payable is comprised of the assets purchased.

On August 1, 2022, the terms of the Secured Promissory Note between Grown Rogue Distribution, LLC and HSCP Oregon, LLC, were amended. As amended, the secured promissory note was to be fully settled by two principal amounts of \$500,000 (the “First Principal Payment”) and \$750,000 due on May 1, 2023. Beginning on August 1, 2022, and continuing until repaid in full, the unpaid portion of the First Principal Amount will accrue simple interest at a rate per annum of 12.5%, payable monthly. In the event the Company raises capital, principal payments shall be made as follows. If the capital raise is less than or equal to \$2 million, then 25% of the capital raise shall be paid against the First Principal Payment; if the capital raise is greater than \$2 million and less than or equal to \$3 million, then \$250,000 shall be paid against the First Principal Payment; and if the capital raise is greater than \$3 million, then \$500,000 shall be paid against the First Principal Payment.

On May 1, 2023, the terms of the secured promissory note were amended for a second time (the “Second Amendment”). Under the Second Amendment, the secured promissory note will be fully settled in two principal amounts. On May 1, 2023, the \$500,000 principal payment plus all accrued but unpaid interest under the First Amendment was due and payable. The remaining principal balance of \$500,000 (the “Second Principal Amount”), which bears no interest, was due and payable as follows: \$150,000 due and payable on August 1, 2023; \$150,000 due and payable on November 1, 2023; and \$200,000 due and payable on December 31, 2023. The balance was fully paid during the two months ended December 31, 2023.

On December 5, 2022, the Company announced the closing of a non-brokered private placement of the December Convertible Debentures with an aggregate principal amount of \$2,000,000. The December Convertible Debentures accrue interest at 9% per year, paid quarterly, and mature 36 months from the date of issue. The December Convertible Debentures are convertible into common shares of the Company at a conversion price of CAD\$0.20 per common share. Additionally, on closing, the Company issued to the Purchasers of the December Convertible Debentures an aggregate of 6,716,499 Warrants, that represents 50% coverage of each Purchaser’s Convertible Debenture investment. The December Warrants are exercisable for a period of three years from issuance into common shares at an exercise price of \$0.25 CAD per common share. The Company has the right to accelerate the warrants if the closing share price of the common shares on the CSE is CAD\$0.40 or higher for a period of 10 consecutive trading days. The December Convertible Debentures and December Warrants issued pursuant to the private placement (and the underlying common shares) were subject to a statutory hold period of four months and one day from the closing date.

During the year ended October 31, 2023, two holders of the December Convertible Debentures converted an aggregate total of convertible debenture principal of \$1,040,662 and \$133,977 at CAD\$0.20 per share into 10,151,250 and 1,022,025 common shares respectively.

On July 13, 2023, the Company announced the closing of the first tranche of a non-brokered private placement of the unsecured convertible debentures (“July Convertible Debentures”) with an aggregate principal amount of \$5,000,000. The July Convertible Debentures accrue interest at 9% per year, paid quarterly, and mature 48 months from the date of issue. The July Convertible Debentures are convertible into common shares of the Company at a conversion price of CAD\$0.24 per common share, at any time on or prior to the maturity date. Additionally, on closing, the Company issued to the Subscribers of the July Convertible Debentures an aggregate of 13,737,500 warrants (the “July Warrants”), that represents one-half of one warrant for each CAD\$0.24 of principal amount subscribed. The July Warrants are exercisable for a period of three years from issuance into common shares at an exercise price of CAD\$0.28 per common share. The Company has the right to accelerate the warrants if the closing share price of the common shares on the CSE is CAD\$0.40 or higher for a period of 10 consecutive trading days. The July Warrants’ expiry date will be accelerated to 90 days following notice of the acceleration.

[Table of Contents](#)

On August 17, 2023, the Company announced that it had closed the second and final tranche of a non-brokered private placement of unsecured convertible debentures the August Convertible Debentures for gross proceeds of U.S.\$1,000,000, for a total aggregate principal amount under both tranches of totaling \$6,000,000 for both of the July Convertible Debentures and August Convertible Debentures. Additionally, on closing, the Company issued to subscribers under of the August Convertible Debentures the second tranche an aggregate of 2,816,250 common share purchase warrants. The terms of the convertible debentures and warrants issued as part of this second tranche are the same as those issued in the July Convertible Debentures and July Warrants.

During the year ended October 31, 2023, we granted 6,800,000 stock options, exercisable at a weighted average exercise price of CAD\$0.16 per share and the vesting charge related to the outstanding options was \$344,593.

During the two months ended December 31, 2023, we granted 600,000 stock options, exercisable at a weighted average exercise price of CAD\$0.39 per share and the vesting charge related to the outstanding options was \$104,359.

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 only recently generated cash flow from operations to independently finance its growth and operations, it has been reliant on access to capital in the form of both debt and equity to fund on-going operations and to fund capital investments. Although periodic volatility of financial and capital markets may severely limit access to capital, the Company has been able to attract the required investment capital in the past, however no assurances can be made that it will continue to do so in the future.

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

A. OPERATING RESULTS

General

Grown Rogue derives a substantial portion of its revenues from the state-legal cannabis industry in the United States. Grown Rogue is indirectly involved (through subsidiaries) in the state-legal cannabis industry in the United States where respective state laws permit “adult-use”/“recreational” and/or medical cannabis cultivation, manufacture, distribution, sales, and possession. Currently, Grown Rogue’s subsidiaries directly participate in the cultivation, manufacture, possession, distribution, or sale of cannabis in Oregon’s adult-use market and in Michigan’s medical and adult-use market. Pending regulatory approval, Grown Rogue, through its subsidiaries, expects to participate in Illinois’s and New Jersey’s adult-use markets over the coming year.

Cannabis is classified as a Schedule I narcotic under the Federal CSA, making it federally illegal in the United States. A Schedule I narcotic under the Federal CSA is deemed to have a high potential for abuse, no accepted medical use, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication. Despite federal illegality, over the past decade 38 states have legalized cannabis for medical use within their borders, 24 states, two territories, and the District of Columbia have enacted measures to regulate cannabis for recreational use, and nine states have approved measures to allow for “low THC” medical use programs. As such, cannabis is largely regulated at the state level in the United States. Notwithstanding the permissive regulatory environment of cannabis at the state level, pursuant to the Supremacy Clause of the United States Constitution, United States federal laws are paramount and in case of conflict between federal and state law in the United States, the federal law shall apply. As a result of the conflict between state and federal law regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Active enforcement of the current federal law on cannabis may directly and adversely affect revenues and profits of Grown Rogue.

Selected Financial Information

The following table reflects the summary of results for the transition period ended December 31, 2023, and the years ended October 31, 2023 and 2022.

	Two months ended December 31, 2023	Year ended October 31, 2023	Year ended October 31, 2022
	(\$)	(\$)	(\$)
Total revenue	3,638,087	23,353,185	17,757,283
Income from operations	426,154	4,254,151	957,149
Net income (loss)	672,427	(662,320)	419,951
Net income (loss) per share, basic and diluted	0.00	(0.00)	0.00
Comprehensive income (loss)	678,533	(666,882)	400,716
Comprehensive income (loss) per share, basic and diluted	0.00	(0.00)	0.00
Total assets	29,615,900	30,162,721	16,370,582
Total non-current liabilities	4,514,352	4,610,087	2,114,978
Cash dividends	Nil	Nil	Nil

Revenue

The following tables summarize revenues earned during the transition period ended December 31, 2023, and the year ended October 31, 2023.

	Two months ended December 31, 2023	Year ended October 31, 2023	Variance	Variance
	(\$)	(\$)	(\$)	(%)
Revenue from Grown Rogue production	3,542,037	22,424,169	(18,882,132)	(84%)
Revenue from services	96,050	929,016	(832,966)	(90%)
Total revenue	3,638,087	23,353,185	(19,715,098)	(84%)

Revenue from Grown Rogue production is detailed in the following table:

	Two months ended December 31, 2023	Year ended October 31, 2023	Variance	Variance
	(\$)	(\$)	(\$)	(%)
Indoor	2,846,752	17,813,172	(14,966,420)	(84%)
Outdoor	42,678	2,471,790	(2,429,112)	(98%)
Pre-rolls	192,952	821,774	(628,822)	(77%)
Trim and other	459,655	1,317,433	(857,778)	(65%)
Revenue from Grown Rogue production	3,542,037	22,424,169	(18,882,132)	(84%)

Revenues during the transition period ended December 31, 2023, were lower than the year ended October 31, 2023, due primarily to the number of months in which the revenues are based. As detailed further below, we sold less pounds in the two months ended December 31, 2023, than the comparative year ended October 31, 2023, at higher total ASP. The following table summarizes pounds sold, revenues from those pounds, and average selling prices.

	Two months ended December 31, 2023	Year ended October 31, 2023	Pounds variance	December 31, 2023 ASP (\$)	October 31, 2023 ASP (\$)	ASP variance
	Pounds sold	pounds sold				
Indoor	2,901	20,329	(17,428)	981	876	105
Outdoor	158	7,114	(6,956)	270	347	(77)
Pre-rolls	178	651	(473)	1,087	1,263	(176)
Total	3,237	28,094	(24,857)	952	751	201

	Two months ended December 31, 2023	Year ended October 31, 2023	Year ended October 31, 2022
	(\$)	(\$)	(\$)
General and Administrative			
Office, banking, travel and overheads	470,821	\$ 1,960,695	\$ 1,929,385
Professional services	59,701	585,342	456,532
Salaries and benefits	906,831	3,919,840	3,466,319
Total	\$ 1,437,353	\$ 6,465,877	\$ 5,852,236

[Table of Contents](#)

General and administrative costs for the two months ended December 31, 2023, were approximately 22% of the costs for the year ended October 31, 2023. Increased general and administrative costs during the year ended October 31, 2023, were primarily due to an increase in total overheads, from growth in facility sizes and number of facilities, and of which a portion is attributed to administration. The increases are also due in part to additional staffing required to support expansion and growth, which demanded increases in management expertise in operations and corporate positions, as well as an increased utilization of professional services to support various transactions and costs of regulatory compliance and public disclosure executed during the year ended October 31, 2023.

Equity-Based Compensation

Employees

For the transition period ended December 31, 2023, and the years ended October 31, 2023 and 2022, the Company recorded employee equity-based payments valued at \$44,845, \$202,208, and \$107,695, respectively.

During the transition period ended December 31, 2023, the Company granted the following stock options to employees:

Number granted	Vesting terms	Exercise price (CAD\$)	Expiration
100,000	50% on one year anniversary of grant date, 50% on second anniversary of grant date	0.39	4 years from date of grant

During the year ended October 31, 2023, the Company granted the following stock options to employees:

Number granted	Vesting terms	Exercise price (CAD\$)	Expiration
200,000	1/3 on each anniversary of grant date	0.15	4 years from date of grant
200,000	50% on one year anniversary of grant date, 50% on second anniversary of grant date		
400,000	Fully vested on grant date	0.15	4 years from date of grant
6,000,000	Vest on one year anniversary of grant date	0.15	4 years from date of grant
6,800,000		0.15	

Non Employees

For the transition period ended December 31, 2023, and the years ended October 31, 2023 and 2022, the Company recorded non-employee equity-based compensation valued at \$59,514, \$142,385, and \$49,258, respectively.

During the two months ended December 31, 2023, the Company granted the following stock options to non-employees:

Number granted	Vesting terms	Exercise price (CAD\$)	Expiration
500,000	Monthly over a year	0.39	4 years from date of grant

Interest

For the transition period ended December 31, 2023, the Company recorded interest expense of \$69,164 (for the years ended October 31, 2023 - \$370,616; October 31, 2022 - \$402,239).

Gain on Debt Settlement

During the year ended October 31, 2022, the Company reported gain on debt settlement of \$453,858 related primarily to settlement of debt for marketable securities. There was no gain on debt settlement to report for transition period ended December 31, 2023, nor the year ended October 31, 2023.

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

For the transition period ended December 31, 2023, the Company recorded a currency translation gain of \$6,106 (for the years ended October 31, 2023 – translation loss of \$4,562; October 31, 2022 – translation loss of \$19,235).

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

Net Loss and Comprehensive Loss

For the transition period ended December 31, 2023, the net income was \$672,427 (for the years ended October 31, 2023 – net loss of \$662,320; October 31, 2022 – net loss of \$1,014,747). Significant deductions from operating profit during 2023 included an unrealized loss on derivative liabilities, measured by non-cash fair value adjustments.

Comprehensive income (loss) for the transition period ended December 31, 2023, and the years ended October 31, 2023, and 2022, reflect net income (loss) adjusted for the impact of foreign currency translation.

Total Loss per Share, Basic

Comprehensive income (loss) per share for the transition period ended December 31, 2023, was \$0.00, (for the years ended October 31, 2023 - \$(0.00); October 31, 2022 - \$0.00).

SUMMARY OF RESULTS-CONTINUING OPERATIONS

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

	Two months ended Dec 31, 2023	Fiscal Year 2023 Quarter End Oct 31	Fiscal Year 2023 Quarter End Jul 31	Fiscal Year 2023 Quarter End Apr 30
Revenue (\$)	3,638,087	6,522,291	6,295,717	6,004,637
Net income (loss) (\$)	672,427	(2,012,324)	345,488	411,979
Net income (loss) per share, basic and diluted	0.00	(0.00)	0.00	0.00

[Table of Contents](#)

	Fiscal Year 2023 Quarter End Jan 31	Fiscal Year 2022 Quarter End Oct 31	Fiscal Year 2022 Quarter End Jul 31	Fiscal Year 2022 Quarter End Apr 30
Revenue (\$)	4,530,540	5,072,635	4,251,808	4,700,127
Net income (loss) (\$)	592,537	(451,630)	571,406	144,734
Net income (loss)/share, basic and diluted	0.01	(0.00)	0.00	0.01

COMMITMENTS

Set out below are undiscounted minimum future lease payments after December 31, 2023.

	Total future minimum lease payments \$
Less than one year	982,881
Between one and five years	2,449,475
Total minimum lease payments	3,432,356
Less amount representing interest	(534,298)
Total	\$ 2,898,058

The Company has four lease contracts with extension options remaining after December 31, 2023, which were negotiated by management to provide flexibility in managing business needs. Set out below are the undiscounted potential rental payments related to periods following the date of exercise options that are not included in the lease term:

	Within five years	More than five years
Extension options available to be exercised	\$ 3,611,037	\$ 6,351,725

The contractual maturities of the Company's accounts payable and accrued liabilities, debt, leases, and unearned revenue occur over the next three years are as follows:

	Year 1	Over 1 Year - 3 Years	Over 3 Years - 5 Years
	\$	\$	\$
Accounts payable and accrued liabilities	1,358,962	-	-
Lease liabilities	925,976	1,041,614	930,468
Convertible debentures	-	-	2,459,924
Debt	780,360	82,344	-
Business acquisition consideration payable	360,000	-	-
Total	3,425,298	1,123,958	3,390,392

B. LIQUIDITY AND CAPITAL RESOURCES

Our ability to generate cash in the short term is based upon sales from production and financing proceeds, and in the long term is based upon sales from production, including production from investments in production increases, or from growth by business acquisitions, or a combination thereof. Investments to increase production or acquire business may require further financing. The Company generates cash flows from sales of cannabis products which generate margin that contribute to coverage of other operating costs, but has not yet reached productive scale to generate net income and positive net cash flows from operations on a consistent basis. We have raised financing historically through debt and equity, which has been and will be invested in the business in order to improve production yields and increase total productive capacity, as well as cover operating costs. We raised gross proceeds of \$nil during the transition period ended December 31, 2023 (for years ended October 31, 2023 - \$8.0 million; October 31, 2022 - approximately \$1.4 million). We are typically able to sell finished goods shortly after inventory reaches its final state, and sales are primarily made on cash-on-delivery terms, or with short net terms. Our ability to fund operations, to plan capital expenditures, and to plan acquisitions, depends on future operating performance and cash flows and the availability of capital by way of debt or equity investment in the Company, which are subject to prevailing economic conditions and financial, business, and other factors, some of which are beyond the Company's control.

Cash flows

The following table summarizes certain cash flow items for the transition period ended December 31, 2023, and the years ended October 31, 2023, and 2022.

	Two months ended December 31, 2023	Year ended October 31, 2023	Year ended October 31, 2022
	(\$)	(\$)	(\$)
Net income (loss)	672,427	(662,320)	419,951
Net cash provided by (used in) operating activities	231,109	5,729,351	2,004,175
Net cash used in investing activities	(1,145,286)	(2,887,308)	(1,113,283)
Net cash provided by (used in) by financing activities	(1,139,491)	4,433,820	(422,541)
Net increase in cash and cash equivalents	(2,053,668)	7,275,863	468,351
Effect of currency translation	6,106	(2,210)	918
Cash and cash equivalents, beginning	8,858,247	1,582,384	1,114,033
Cash and cash equivalents, ending	6,804,579	8,858,247	1,582,384

Operating activities

During the transition period ended December 31, 2023, cash provided by operating activities was \$231,109, (for years ended October 31, 2023 - \$5,729,351; October 31, 2022 - \$2,004,175). This number was derived by adding back non-cash items to net income (loss), including the following significant adjustments:

- \$186,415 in amortization of property and equipment (years ended October 31, 2023 - 578,641; October 31, 2022 - \$750,916);
- \$209,985 from depreciation expensed in costs of finished inventory sold (years ended October 31, 2023 - \$1,757,672; October 31, 2022 - \$1,102,688);
- Deduction of \$686,867 from the unrealized change in fair value of biological assets (years ended October 31, 2023 - \$3,355,797; October 31, 2022 - \$3,278,572);
- \$460,467 for changes in fair value in inventory sold (years ended October 31, 2023 - \$2,573,151; October 31, 2022 - \$3,685,338);

[Table of Contents](#)

- \$224,064 from deferred income taxes benefit (years ended October 31, 2023 - \$470,358; October 31, 2022 - \$nil);
- \$104,359 in share-based compensation and stock option vesting expense, including expense for option grants under our stock option plan implemented during 2020, as well as shares issued directly as compensation for employees, directors, and service providers (years ended October 31, 2023 - \$344,593; October 31, 2022 - \$96,649);
- \$216,493 (years ended October 31, 2023 - \$1,026,732; October 31, 2022 - \$491,751) in accretion of interest expense on debt and convertible debentures outstanding;
- \$Nil (years ended October 31, 2023 - \$nil; October 31, 2022 - \$333,777) from the unrealized loss on our investment in PBIC shares, measured at PBIC's publicly quoted share price;
- \$Nil (years ended October 31, 2023 - \$nil; October 31, 2022 - \$455,674) from gain on debt settlement;
- Deduction of \$366,981 (years ended October 31, 2023 - \$4,563,498 loss; October 31, 2022 - \$nil) from the gain on fair value of derivative liability; and
- Deduction of \$400,016 (years ended October 31, 2023 - \$129,113; October 31, 2022 - \$nil) from the unrealized gain on warrants asset.

Increases in non-cash working capital are summarized in the following table.

	December 31, 2023	October 31, 2023	October 31, 2022
	(\$)	(\$)	(\$)
Accounts receivable	466,434	(465,465)	(904,711)
Inventory and biological assets	(344,311)	(767,636)	(94,595)
Prepaid expenses and other assets	(27,549)	(40,513)	5,267
Accounts payable and accrued liabilities	(1,115,128)	569,451	(124,334)
Interest payable	-	-	(13,750)
Income tax payable	507,332	55,024	56,401
Unearned revenue	-	(28,024)	(95,389)
Total	(513,222)	(677,163)	(1,171,111)

Changes in accounts receivable are due to the timing and collection of sales. Changes in inventory and biological assets reflect increases due to increased productive capacity, as well as the timing of harvests, the timing of the completion growth cycles, and the timing of sales of finished inventory. Changes in liabilities, including accounts payable and accrued liabilities reflect the use of credit terms and cash flow management based upon ongoing liquidity management.

Investing activities

During the transition period ended December 31, 2023, we added \$770,010 (years ended October 31, 2023 - \$4,008,866; October 31, 2022 - \$4,000,874) to property and equipment, including non-cash right-of-use asset additions. We expended cash flows of \$126,690 (years ended October 31, 2023 - \$1,456,782; October 31, 2022 - \$1,111,283) for property and equipment additions.

We also expended \$1,018,596 (year ended October 31, 2023 - \$1,420,526) as cash advances and loans to other parties during the two months ended December 31, 2023.

[Table of Contents](#)

Financing activities

Net cash flows used by financing activities during the transition period ended December 31, 2023, were \$1,139,491 (years ended October 31, 2023 – net cash provided of \$4,433,820; October 31, 2022 – net cash used of \$422,541).

Significant financing activities for the transition period ended December 31, 2023, included the following:

- Repayment of \$126,978 of convertible debentures;
- Repayments of \$444,347 of lease principal; and
- Repayments of \$568,166 of long-term debt.

Financing activities during the comparable year ended October 31, 2023, included the following:

- Proceeds of \$8,000,000 from issuance of convertible debentures;
- Repayment of \$261,006 of convertible debentures;
- Repayments of \$1,673,344 of lease principal; and
- Repayments of \$1,631,830 of long-term debt.

Financing activities during the comparable year ended October 31, 2022, included the following:

- Debt proceeds of \$100,000 borrowed for general purposes;
- \$1,300,000 raised through a private placement of common shares;
- Repayments of \$1,089,738 of lease principal; and
- Repayments of \$732,803 of long-term debt.

Trends and expected fluctuations in liquidity

	<u>December 31,</u> <u>2023</u>	<u>October 31,</u> <u>2023</u>	<u>Variance</u>	<u>Variance</u>
	(\$)	(\$)	(\$)	(%)
Current assets	15,612,537	17,421,537	(1,809,000)	(10%)
Current liabilities	(11,770,203)	(13,004,181)	1,233,978	(9%)
Working capital	3,842,334	4,417,356	(575,022)	(13%)

Working capital varied from October 31, 2023 to December 31, 2023, due to primarily to an increase in net cash used by financing activities, which was \$1,139,491 during the transition period ended December 31, 2023 as compared to cash provided by financing activities of \$4,433,820 during the year ended October 31, 2023, and net cash used by financing activities of \$422,541 during the year ended October 31, 2022.

We expect significant ongoing fluctuations in working capital over time, as we are in the early stages of growth. We have historically raised debt with principal due on maturity, and accordingly, we expect significant one-time payments as debt matures, as opposed to smooth cash outflows over time. We have historically been able to meet commitments, modify debt maturities, and raise new financing as required to respond to changes in our liquidity position, although there is no guarantee we will be able to do so in the future. We are exposed to market pricing for cannabis products, which materially impacts our liquidity and is out of our control. The market for cannabis products, including flower, which is our primary product, is relatively immature, having recently become legal to buy and sell in certain markets. We have observed some indications of seasonality, and in addition, we have observed that market conditions can change rapidly without apparent explanations or analyzable causes. We cannot control whether we will be able to raise financing when required or sell cannabis products at profitable prices in the future; however, part of our strategy is to produce flower at sustainable gross margins over a growing productive base, which, holding other factors constant, is expected to result in improved net loss or net income, as well as net cash flows.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

We do not engage in significant research and development activities. As such, included in general and administrative expenses are limited research and development expenses during the transition period ended December 31, 2023, and the years ended October 31, 2023 and 2022.

D. TREND INFORMATION

The trend of cannabis legalization in the United States has resulted in a significant opportunity. Forty-one U.S. states, as well as the District of Columbia and Puerto Rico, have legalized adult-use or medical cannabis markets. In the U.S., adult-use sales are expected to grow at a compounded annual growth rate of 21.7% through year 2025, and U.S. adult-use and medical sales are projected to reach U.S.\$33.9 billion by year 2025 [Source: The State of Legal Cannabis Markets from Areview Market Research and BDS Analytics, 8th Edition].

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

E. CRITICAL ACCOUNTING ESTIMATES

Not applicable.

ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

J. Obie Strickler – President, Chief Executive Officer and Director. Mr. Strickler is the President, Chief Executive Officer and Chairman of the Company. He is also CEO, President, and founder of GR Unlimited. He founded Canopy in 2015 to consolidate the three medical facilities he had operated since 2006 within one company. Mr. Strickler formed GR Unlimited 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 Bachelor of Science 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 GR Unlimited into a premier cannabis company. Mr. Strickler is 43 years old and is employed on a full-time basis with the Company. Mr. Strickler has not signed a non-competition or non-disclosure agreement with the Company.

Ryan Kee – Mr. Kee is an experienced accounting professional with a history of working in mining in various global jurisdictions. He is skilled in financial reporting, IT integrations, and team building and development. Mr. Kee has a Bachelor of Science in Accounting and Spanish from the University of Idaho, and is a Certified Public Accountant, licensed in Washington state. He has developed financial models to quantitatively describe the cost profiles of operating mines, optimize grade cutoffs, and drive cost reductions. Most recently, he led accounting, supply chain, and IT teams for an operating gold mine in South America, and will apply the best practices learned and developed in mining to cannabis production. Mr. Kee is 40 years old and is employed with the Company.

Sean Conacher – Mr. Conacher is an experienced executive with a demonstrated history of working in the financial services and marketing sectors. He is skilled in entrepreneurship, venture capital, public and private equity, foreign exchange, options and asset management. He is currently the Chief Strategy Officer of PBIC, a publicly traded investment corporation that offers unique global exposure to the emerging global cannabis and plant-based sector. PBIC’s main objective is to provide shareholders long-term total return through its actively managed portfolio of securities, both public and private, operating in, or that derive a portion of their revenue or earnings from products or services related to the cannabis and plant-based industry. Mr. Conacher is 53 years old and intends to devote the time necessary to serve as a director of the Corporation.

Abhilash Patel – Director. Mr. Patel is a serial entrepreneur, venture investor, speaker, and philanthropist. He is currently Founder and Principal at Lotus Capital, an early-stage investment fund in Santa Monica, California. 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 44 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 26 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 63 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 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 transition period ended December 31, 2023 and year ended October 31, 2023.

Name	Period	Salary, consulting fee, retainer or commission	Bonus	Committee or meeting fees	Value of perquisites	Value of all other compensation	Total compensation
		(\$)	(\$)	(\$)		(\$)	(\$)
J. Obie Strickler, President, CEO, and Director	Two months ended Dec 31, 2023	53,000	50,000	Nil	Nil	71,260 ⁽¹⁾	174,260
	Year ended Oct 31, 2023	240,000	20,000	Nil	Nil	347,036 ⁽²⁾	607,036
Adam August, Senior VP Grown Rogue Unlimited LLC	Two months ended Dec 31, 2023 ⁽³⁾	38,924	Nil	Nil	Nil	9,693 ⁽⁴⁾	48,616
	Year ended Oct 31, 2023 ⁽³⁾	192,038	Nil	Nil	Nil	41,262 ⁽⁴⁾	233,300
Ryan Kee, Chief Financial Officer and Director	Two months ended Dec 31, 2023	2,381	Nil	Nil	Nil	7,943 ⁽⁵⁾	10,324
	Year ended Oct 31, 2023	152,957	Nil	Nil	Nil	40,133 ⁽⁵⁾	193,090
Abhilash Patel, Director	Two months ended Dec 31, 2023	Nil	Nil	Nil	Nil	2,572 ⁽⁶⁾	2,572
	Year ended Oct 31, 2023	Nil	Nil	Nil	Nil	12,504 ⁽⁶⁾	12,504
Stephen Gledhill, Director	Two months ended Dec 31, 2023	Nil	Nil	3,000 ⁽⁷⁾	Nil	2,572 ⁽⁶⁾	5,572
	Year ended Oct 31, 2023	Nil	Nil	18,000 ⁽⁷⁾	Nil	12,504 ⁽⁶⁾	30,504
Sean Conacher, Director	Two months ended Dec 31, 2023	Nil	Nil	Nil	Nil	3,601 ⁽⁶⁾	3,601
	Year ended Oct 31, 2023	Nil	Nil	Nil	Nil	42,343 ⁽⁶⁾	42,343

[Table of Contents](#)

- 1) Represents rents charged by a company owned by Mr. Strickler and option expense payment made to Mr. Strickler.
- 2) Represents rents charged by a company owned by Mr. Strickler, lease payments for equipment sold by Mr. Strickler to the Company, and option expense payment made to Mr. Strickler.
- 3) On January 4, 2024, we announced that Mr. August will be stepping down from his position as Senior VP and will continue to support us in an advisory capacity ensuring his long-standing institutional knowledge continues with the Company.
- 4) Represents Option expense and interest paid on debenture to Mr. August.
- 5) Represents Option expense paid to Mr. Kee.
- 6) Represents stock option vesting expense.
- 7) Mr. Gledhill was compensated \$3,000 for the two months ended December 31, 2023 and \$18,000 for the year ended October 31, 2023 in fees in his role as chair of the Audit Committee and Compensation Committee.

Outstanding Option-Based Awards

The following table summarizes options outstanding at December 31, 2023.

Exercise price (CAD\$)	Options outstanding	Number exercisable	Remaining Contractual Life (years)	Expiry period
0.15	1,840,000	1,777,500	0.5	July 2024
0.15	200,000	200,000	0.9	November 2024
0.30	1,000,000	850,000	1.3	April 2025
0.16	1,150,000	1,150,000	1.4	May 2025
0.15	85,000	85,000	1.8	November 2025
0.15	300,000	150,000	2.3	April 2026
0.15	6,225,000	400,000	3.0	January 2027
0.30	400,000	-	3.7	September 2027
0.39	600,000	41,666	3.9	November 2027
0.18	11,800,000	4,654,166	2.3	

Compensation Discussion and Analysis

Objective of the Compensation Program

The objectives of the Company's compensation program are to attract, hold and inspire performance of J. Obie Strickler and Ryan Kee, 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 transition period ended December 31, 2023, the Company's NEO compensation program consisted of the following elements:

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

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

Short-Term Incentive

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

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

Long-Term Incentive

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

Stock Option Plan

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

[Table of Contents](#)

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

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

Overview of How the Compensation Program Fits with Compensation Goals

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

Incentive Plan Awards

During the transition period ended December 31, 2023, 100,000 stock options were granted to employees and 500,000 stock options were granted to service providers. During the year ended October 31, 2023, 6,800,000 stock options were granted to employees. During the year ended October 31, 2022, the Company granted 605,000 stock options to employees.

Pension Plan Benefits

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

Termination and Change of Control Benefits

At December 31, 2023, the Company had one executive employment agreement in place with the Chief Financial Officer, which could be triggered by termination, or a constructive dismissal within six months of a change in control event. If triggered, a payment equal to 50% of the Chief Financial Officer's compensation for the twelve months prior to the change in control event would be due within sixty calendar days after the effective date of the triggering event.

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

Director Compensation

The Company does not compensate its Board of Directors based on the number of meetings attended. Mr. Gledhill is paid a monthly fee of \$1,500. Aggregate compensation paid to each director during the transition period ended December 31, 2023 is included in the Executive Compensation table above. As of the date of this Report, none of the Company's directors has a service contract with the Company or its subsidiaries providing for benefits upon termination of employment.

Retirement Policy for Directors

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

Directors' and Officers' Liability Insurance

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

Pension Plans, Retirement Plans, and Similar Benefits

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

C. BOARD PRACTICES

Board of Directors

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

Mr. Strickler, Mr. Patel, and Mr. Gledhill were appointed as directors on November 15, 2018. Mr. Conacher was appointed as a director on August 27, 2020 and Mr. Kee was appointed as a director on August 18, 2021. 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.

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

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

Directorships

At October 31, 2023 and December 31, 2023, the following director and officer of the Company also served as a director and/or officer of other reporting issuers, as follows:

Stephen Gledhill	CFO and Corporate Secretary of CO2 Gro Inc. (TSXV)
	CFO and Corporate Secretary of POSaBIT Systems Corporation (CSE)
	CFO and director of Bhang Inc. (CSE)

Board of Directors Mandate

The Board of Directors 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 of Directors reviews the statements of responsibilities for the Company including, but not limited to, the code of ethics and expectations for business conduct.

[Table of Contents](#)

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

The Board of Directors 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 of Directors 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 and Compensation Committee has a chair and a mandate.

Orientation and Continuing Education

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

Ethical Business Conduct

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

Since the beginning of our most recently completed fiscal year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code. The board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs.

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

Nomination of Directors

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

Compensation

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

[Table of Contents](#)

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

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

Committees of the Board

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

Audit Committee

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

Compensation Committee

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

Assessments

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

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

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

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

Responsibilities and Powers

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

- Annual review and revision of the Charter as necessary with the approval of the board.
- Review and obtain from the independent auditors annually a formal written statement delineating all relationships between the auditor and us, consistent with Independence Standards Board Standard 1. The Committee shall actively engage in a dialogue with the independent auditors with respect to any relationship that may impact the objectivity and the independence of the auditors and shall take, or recommend that the board take, appropriate actions to oversee and satisfy itself as to the auditors' independence.
- Recommending to the board the independent auditors to be retained (or nominated for shareholder approval) to audit our financial statements. Such auditors are ultimately accountable to the board and the Committee, as representatives of the shareholders.
- Evaluating, together with the board and management, the performance of the independent auditors and, where appropriate, replacing such auditors.
- Ensuring that the independent auditors are prohibited from providing the following non-audit services and determining which other non-audit services the independent auditors are prohibited from providing:
 - Bookkeeping or other services related to our accounting records or consolidated financial statements;
 - Financial information systems design and implementation;
 - Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - Actuarial services;
 - Internal audit outsourcing services;
 - Management functions or human resources;
 - Broker or dealer, investment advisor or investment banking services;
 - Legal services and expert services unrelated to the audit; and
 - Any other services which the Public Company Accounting Oversight Board determines to be impermissible.
- Approving any permissible non-audit engagements of the independent auditors.
- Meeting with our auditors and management to review the scope of the proposed audit for the current year, and the audit procedures to be used, and to approve audit fees.
- Reviewing the audited consolidated financial statements and discussing them with management and the independent auditors. Consideration of the quality of our accounting principles as applied in its financial reporting. Based on such review, the Committee shall make its recommendation to the Board as to the inclusion of our audited consolidated financial statement in our Report to Shareholders.
- Discussing with management and the independent auditors the quality and adequacy of and compliance with our internal controls.

[Table of Contents](#)

- 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 December 31, 2023, we had 138 employees compared to 204 and 181 employees as of October 31, 2023 and 2022, respectively.

E. SHARE OWNERSHIP

Shares of our common stock are owned by Canadian residents, U.S. 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 April 29, 2024, certain information with respect to the amount and nature of beneficial ownership of shares of our common stock held by (i) each person who is a director or an executive officer of ours; and (ii) all directors and executive officers of ours, as a group. Shares of our common stock subject to options, warrants, or convertible securities currently exercisable or convertible or exercisable or convertible within 60 days of the date of filing of this Report are deemed outstanding for computing the share ownership and percentage of the person holding such options, warrants, or convertible securities but are not deemed outstanding for computing the percentage of any other person.

Name and Owner	Identity	Amount and Nature of Beneficial Ownership of Common Stock⁽¹⁾	Percentage
J. Obie Strickler	President, Chief Executive Officer and Director	34,194,416 ⁽²⁾	16.42%
Ryan Kee	Chief Financial Officer and Director	97,500 ⁽³⁾	0.05%
Adam August	Senior VP, Grown Rogue Unlimited LLC	5,256,451 ⁽⁴⁾	2.52%
Abhilash Patel	Officer/Director	754,971	0.36%
Stephen Gledhill	Director	44,386	0.02%
Sean Conacher	Director	485,000	0.23%
All officers and directors as a group (6 persons)		40,832,724	19.61%

(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 208,250,743 shares of common stock outstanding as of April 29, 2024.

(2) Mr. Strickler beneficially owns options to acquire 1,500,000 common shares at an exercise price of CAD\$0.15 per common share, in which the options expire on January 10, 2027.

(3) Mr. Kee owns options to acquire 1,000,000 common shares at an exercise price of CAD\$0.15 per common share, in which 250,000 of these options expire on July 9, 2024, and the remaining 750,000 expire on January 10, 2027.

(4) Mr. August exercised his options to acquire 1,500,000 common shares at an exercise price of CAD\$0.15 per common share, in which 750,000 of these options expire on July 9, 2024, and the remaining 750,000 expire on January 10, 2027. Mr. August acquired convertible debentures with a principal amount of \$50,000 with a maturity date of December 2, 2025, and converted the principal amount to 336,775 common shares at a conversion price of CAD\$0.20 per common share. Mr. August also exercised his warrants to acquire 167,912 common shares at an exercise price of CAD\$0.25 per common share.

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

F. DISCLOSURE OF REGISTRANT'S ACTION TO RECOVER ERRONEOUSLY AWARDED COMPENSATION

Not applicable.

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

There were 208,250,743 issued and outstanding shares of our common stock as of April 29, 2024. As of April 29, 2024, to the best of our knowledge, Mr. Strickler, Bengal Catalyst Fund, LP and Aaron Edelheit were the only persons who held directly or indirectly or exercised control or direction over, shares of our common stock carrying 5% or more of the voting rights attached to all issued and outstanding shares of the common stock except as stated under Item 6.E above or set out in the table below. The shares of our common stock, owned by our major shareholders have identical voting rights as those owned by our other shareholders.

Name	Amount and Nature of Beneficial Ownership of Common		
	Stock	Note	Percentage
J. Obie Strickler	34,194,416	1	16.42%
Bengal Catalyst Fund, LP	24,365,000	2	11.70%
Aaron Edelheit	26,258,303	3	12.61%

- (1) Mr. Strickler owns options to acquire 1,500,000 shares of common stock. During the years ended October 31, 2022 and 2021, Mr. Strickler acquired 1,771,500 shares and 5,395,150 shares of common stock, respectively.
- (2) During the years ended October 31, 2023 and 2022, Bengal Catalyst Fund, LP acquired 13,473,000 shares and 10,892,000 shares of common stock, respectively.
- (3) Mr. Edelheit holds his respective shares of common stock as the general partner of the following funds: Mindset Value Fund and Mindset Value Wellness Fund. During the year ended October 31, 2023, Mr. Edelheit acquired 16,893,553 shares of common stock. During calendar year 2024 and through the date of this Transition Report, Mr. Edelheit acquired 9,364,750 shares of common stock.

Based on a review of the information provided to us by our transfer agent, as of April 29, 2024, there were 1,170 registered holders of record of our common shares, of which 79, holding approximately 13% of our common shares, had a registered addresses in the United States. These numbers are not representative of the number of beneficial holders of our common shares nor are they representative of where such beneficial holders reside, since many of these common shares were held of record by brokers or other nominees (including The Canadian Depository for Securities), which held approximately 66% of our outstanding common shares as of such date.

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.

Property and Equipment Leases

J. Obie Strickler, CEO, owns the Trails End Property that is one of the facility properties leased to GRUP. Beginning with the 2019 outdoor harvest and through December 31, 2021, 2.5% of gross sales achieved from this property were payable in cash to Mr. Strickler. During the transition period ended December 31, 2023, rent charged was \$12,000 (years ended October 31, 2023, and 2022 - \$72,000 and \$72,000, respectively). The lease liability for Trails End at December 31, 2023, was \$129,401 (October 31, 2023 - \$139,014; October 31, 2022 - \$193,312).

J. Obie Strickler, our CEO, beneficially owns the Lars Property which was leased to GR Gardens during the year ended October 31, 2021, and is located in Medford, Oregon with a term through June 30, 2026. Lease charges of \$31,827 were incurred for the transition period ended December 31, 2023 (years ended October 31, 2023 - \$190,035; October 31, 2022 - \$184,500). The lease liability for Lars at December 31, 2023, was \$470,134 (October 31, 2023 - \$470,134; October 31, 2022 - \$607,900).

[Table of Contents](#)

During the year ended October 31, 2021, Mr. Strickler leased two pieces of mobile equipment to the Company. During the year ended October 31, 2023, total aggregate payments of \$9,971 were made (October 31, 2022 - \$28,871). Both leases were fully paid as at October 31, 2023 and at the end of the transition period on December 31, 2023.

Through its subsidiary, Golden Harvests, the Company leased Morton, owned by David Pleitner, the Company's Michigan General Manager ("GM"). Morton is located in Michigan, with a lease term through January 2026. Lease charges of \$32,000 (years ended October 31, 2023 - \$180,000; October 31, 2022 - \$152,000) were incurred during the transition period ended December 31, 2023. The lease liability of Morton at December 31, 2023 was \$350,668 (October 31, 2023 - \$377,043; October 31, 2022 - \$428,476).

Through its subsidiary, Golden Harvests, the Company also leased Morton Annex located in Michigan, which is owned by David Pleitner, the Company's GM. The lease term was extended during the transition period ended December 31, 2023, through November 2024. Lease charges of \$330,000 (years ended October 31, 2023 - \$740,000; October 31, 2022 - \$330,000) were incurred during the transition period ended December 31, 2023. The lease liability of Morton Annex at December 31, 2023, was \$239,871 (October 31, 2023 - \$29,774; October 31, 2022 - \$211,991).

Financing Transactions

On February 5, 2021, the Company completed the February 2021 Private Placement 2nd Tranche, comprised of 8,200,000 units (the "Units") at CAD\$0.16 per Unit for proceeds of CAD\$1,312,000 (U.S.\$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. Related party subscribers include the following: J. Obie Strickler, our CEO, subscribed to 1,600,000 Units; Ryan Kee, CFO of GR Unlimited, subscribed to 2,000,000 Units; a key Company operations manager subscribed to 1,000,000 Units; and PBIC subscribed to 2,000,000 Units.

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

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

On December 5, 2022, the Company announced that it had closed the December Convertible Debentures with an aggregate principal amount of \$2,000,000. They bear interest at 9% per year, paid quarterly, and mature thirty-six months from the date of issue. The December Convertible Debentures are convertible into common shares of the Company at a conversion price of CAD\$0.20 CAD per common share. Additionally, on closing, the Company issued to the purchasers of the December Convertible Debentures, an aggregate of 6,716,499 December Warrants, that represent 50% coverage of each debenture investment. The Warrants are exercisable for a period of three years from issuance into common shares at an exercise price of CAD\$0.25 per common share. The Company has the right to accelerate the warrants if the closing share price of the common shares on the CSE is CAD\$0.40 or higher for a period of ten consecutive trading days. Adam August, the Senior VP of GR Unlimited, purchased December Convertible Debentures with a principal balance of \$50,000 and was issued 167,912 December Warrants.

The following transactions with individuals related to the Company which 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:

	December 31, 2023	October 31, 2023	October 31, 2022
Short term employee benefits	\$ 240,105	\$ 880,195	\$ 1,118,694
Equity-based compensation	32,894	161,422	33,125
	<u>\$ 272,999</u>	<u>\$ 1,041,617</u>	<u>\$ 1,151,819</u>

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

	December 31, 2023	October 31, 2023	October 31, 2022
Short term employee benefits and reimbursables payable to key managers	\$ 65,160	\$ 102,798	\$ 136,588
Lease liabilities	1,165,648	1,015,965	1,451,112
Total	<u>\$ 1,230,808</u>	<u>\$ 1,118,763</u>	<u>\$ 1,587,700</u>

During the transition period ended December 31, 2023, the Company incurred compensation expense of \$24,039 (years ended October 31, 2023 - \$98,846; October 31, 2022 - \$60,000), for employment services from the spouse of the CEO (“Ms. Strickler”).

During the transition period ended December 31, 2023, no options were granted to key management personnel. During the year ended October 31, 2023, 1,500,000 options were granted to J. Obie Strickler, our CEO; 750,000 options were granted to Ryan Kee, our CFO; 750,000 options were granted to Adam August, the Senior VP; and 175,000 options to David Pleitner, the GM. During the year ended October 31, 2022, no options to purchase common shares were granted to key management personnel.

During the year ended October 31, 2023, 1,250,000 options were granted to three members of the Board of Directors.

During the year ended October 31, 2023, the SVP purchased December 2022 Convertible Debentures with a principal balance of \$50,000 and was issued 167,912 December Warrants.

During the year ended October 31, 2023, the Company issued 200,000 shares to the GM, which represented a portion of consideration for the acquisition of Golden Harvests.

Compensation to Board of Directors during the transition period ended December 31, 2023, was \$3,000 (years ended October 31, 2023 - \$18,000; October 31, 2022 – fees of \$18,000 and issuance of 273,750 common shares with a fair value of \$20,562).

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 transition period ended December 31, 2023, and the fiscal years ended October 31, 2023, 2022, and 2021, and the notes thereto required as part of this Transition 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 financial statements included with this Transition Report except as disclosed in this Transition 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 182,005,886 were issued and outstanding as of December 31, 2023. 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 December 31, 2023.

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

A. OFFER AND LISTING DETAILS

Our common stock is quoted for trading on the OTC Markets under the symbol "GRUSF" and listed on the CSE, under the symbol "GRIN". During the past three years, there have been two suspensions of trading for failure to timely file financial reports: trading of our common stock ceased over the OTC Markets in March 2020 and the CSE ceased trading of our common stock in March 2020, both associated with the same filing delay. On March 24, 2020, the Company rectified the default situation that gave rise to the suspension of trading, and trading on the CSE and OTC Markets resumed. The SEC amendments to Rule 15c2-11 went into effect September 28, 2021, and on that date, quotations on the OTC Markets were no longer publishable due to lack of current information about the Company. Quotations on the OTC Markets resumed after the filing of delinquent disclosures.

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

B. PLAN OF DISTRIBUTION

Not Applicable.

C. MARKETS

See Item 9.A.

D. SELLING SHAREHOLDERS

Not Applicable.

E. DILUTION

Not Applicable.

F. EXPENSES OF THE ISSUE

Not Applicable.

ITEM 10 ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Certificate of Incorporation

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

Articles of Amendment dated January 14, 1985

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

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

The following special provisions shall be applicable to the Company:

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

- (i) borrow money on the credit of the Company;

[Table of Contents](#)

- (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.

[Table of Contents](#)

- (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 “Bylaws”) in order to reflect the current circumstances and practices of the Company and certain amendments to the Business Corporations Act (Ontario) (the “OBCA”), which came into force on August 1, 2007.

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

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

[Table of Contents](#)

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

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

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

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

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

Articles of Amendment dated effective August 25, 2014

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

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

Articles of Amendment dated effective February 1, 2016

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

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

Articles of Amendment dated effective February 29, 2016

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

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

Share Provisions

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

1. DIVIDENDS

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

2. DISSOLUTION

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

3. VOTING RIGHTS

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

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

1. DIRECTORS' AUTHORITY TO ISSUE ONE OR MORE SERIES

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

2. RANKING OF PREFERENCE SHARES

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

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

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

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

3. RESTRICTIONS ON DIVIDENDS AND REDEMPTIONS, ETC.

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

4. VOTING RIGHTS

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

5. SPECIFIC MATTERS REQUIRING APPROVAL

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

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

6. APPROVAL OF THE HOLDERS OF THE PREFERENCE SHARES

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

Articles of Amendment dated effective May 26, 2017

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

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

Articles of Amendment dated effective November 1, 2018

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

Other Provisions

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

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

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

C. MATERIAL CONTRACTS

During the two year period preceding the filing date of this Report, we entered into the following material contracts:

The Company leases approximately 35 acres of real property, with an option to purchase, in Jackson County, Oregon, commonly known as 2888 Ross Lane, Central Point, Oregon, through that certain Commercial Lease Agreement, dated December 20, 2022, between Lender Capital, LLC, and GR Gardens.

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

On May 1, 2021, 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 \$158,181 and cash payments of \$849,536. Consideration remaining to be paid at the date of these financial statements included cash payments of \$360,000. During the year ended October 31, 2023, 200,000 common shares issuable since May 1, 2021, with an aggregate fair value of \$35,806, were issued. On December 1, 2021, the Company and the seller of the 60% controlling interest in Golden Harvests agreed to extend the due date of the cash portion of business acquisition consideration payable until December 31, 2024, in exchange for monthly payments at a rate of 18% per annum. The Company may pay all or part of the cash portion of the business acquisition consideration payable prior to December 31, 2024.

On April 14, 2022, the Company purchased indoor growing assets from HSCP (Note 6.1). Purchase consideration included a secured promissory note payable with a principal sum of \$1,250,000, of which \$500,000 was due on August 1, 2022 and \$750,000 was due on May 1, 2023, before amendment of the agreement, which is described below. The collateral for the secured promissory note payable is comprised of the assets purchased.

On August 1, 2022, the terms of the secured promissory note between GR Distribution and HSCP, were amended (the "First Amendment"). As amended, the secured promissory note will be fully settled by two principal amounts of \$500,000 (the "First Principal Payment") and \$750,000 due on May 1, 2023. Beginning on August 1, 2022, and continuing until repaid in full, the unpaid portion of the First Principal Amount will accrue simple interest at a rate per annum of 12.5%, payable monthly. In the event the Company raises capital, principal payments shall be made as follows. If the capital raise is less than or equal to \$2 million, then 25% of the capital raise shall be paid against the First Principal Payment; if the capital raise is greater than \$2 million and less than or equal to \$3 million, then \$250,000 shall be paid against the First Principal Payment; and if the capital raise is greater than \$3 million, then \$500,000 shall be paid against the First Principal Payment.

[Table of Contents](#)

On December 5, 2022, the Company announced the closing of a non-brokered private placement of the December Convertible Debentures with an aggregate principal amount of \$2,000,000. The December Convertible Debentures accrue interest at 9% per year, paid quarterly, and mature 36 months from the date of issue. The December Convertible Debentures are convertible into common shares of the Company at a conversion price of CAD\$0.20 per common share. Additionally, on closing, the Company issued to the purchasers of the December Convertible Debentures an aggregate of 6,716,499 Warrants, that represents 50% coverage of each Purchaser's Convertible Debenture investment. The December Warrants are exercisable for a period of three years from issuance into common shares at an exercise price of \$0.25 CAD per common share. The Company has the right to accelerate the warrants if the closing share price of the common shares on the CSE is CAD\$0.40 or higher for a period of 10 consecutive trading days. The December Convertible Debentures and December Warrants issued pursuant to the private placement (and the underlying common shares) were subject to a statutory hold period of four months and one day from the closing date.

During the year ended October 31, 2023, purchasers of the December Convertible Debentures converted an aggregate total of convertible debenture principal of \$1,040,662 and \$133,977 at CAD\$0.20 per share into 10,151,250 and 1,022,025 common shares respectively.

On May 1, 2023, the terms of the secured promissory note between GR Distribution and HSCP were amended for a second time (the "Second Amendment"). Under the Second Amendment, the secured promissory note will be fully settled in two principal amounts. On May 1, 2023, the \$500,000 principal payment plus all accrued but unpaid interest under the First Amendment was due and payable. The remaining principal balance of \$500,000 (the "Second Principal Amount"), which bears no interest, is due and payable as follows: \$150,000 due and payable on August 1, 2023; \$150,000 due and payable on November 1, 2023; and \$200,000 due and payable on December 31, 2023. The Company paid \$900,000 during the year ended October 31, 2023. During the transition period ended December 31, 2023, the Company paid \$350,000 which fully settled the debt.

On July 13, 2023, the Company announced the closing of a non-brokered private placement of the July Convertible Debentures with an aggregate principal amount of \$5,000,000. The July Convertible Debentures accrue interest at 9% per year, paid quarterly, and mature 48 months from the date of issue. The July Convertible Debentures are convertible into common shares of the Company at a conversion price of CAD\$0.24 per common share, at any time on or prior to the maturity date. Additionally, on closing, the Company issued to the subscribers of the July Convertible Debentures an aggregate of 13,737,500 July Warrants, that represents one-half of one warrant for each CAD\$0.24 of principal amount subscribed. The July Warrants are exercisable for a period of three years from issuance into common shares at an exercise price of CAD\$0.28 per common share. The Company has the right to accelerate the warrants if the closing share price of the common shares on the CSE is CAD\$0.40 or higher for a period of 10 consecutive trading days. The July Warrants' expiry date will be accelerated to 90 days following notice of the acceleration.

On August 17, 2023, the Company announced that it had closed the second and final tranche of a non-brokered private placement of the August Convertible Debentures for gross proceeds of \$1,000,000, for a total aggregate principal amount under both tranches of \$6,000,000 with the July Convertible Debentures. Additionally, on closing, the Company issued to subscribers under the second tranche an aggregate of 2,816,250 common share purchase warrants. The terms of the August Convertible Debentures and August Warrants issued as part of this second tranche are the same as those issued in the July Convertible Debentures and July Warrants.

Agreements pertaining to various equity financing arrangements are described in *Item 4(A) History and Development of the Company*, and the details of equity and debt and debenture financing agreements through October 31, 2023, are described in the notes to the financial statements in *Item 18 Financial Statements*.

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.

[Table of Contents](#)

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 CAD \$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 CAD \$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 CAD \$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 U.S. investors and other foreign investors acquiring control of a Canadian business from US investors has been raised from CAD \$5 million to CAD \$150 million of gross assets, and indirect acquisitions are not reviewable.

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

E. TAXATION

Certain Canadian Federal Income Tax Consequences

The following discussion describes the principal Canadian federal income tax consequences applicable to a holder of shares of our common stock which are quoted on the OTC Markets, who, at all material times, is a resident of the United States for purposes of the Canada-United States Income Tax Convention (the “Treaty”) entitled to the full benefit of the Treaty and is not a resident, or deemed to be a resident, of Canada, deals at arm’s length and is not affiliated with the Company, did not acquire shares of our common stock by virtue of employment, is not a financial institution, specified financial institution, registered non-resident insurer, authorized foreign bank, partnership or a trust as defined in the 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.

[Table of Contents](#)

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

U.S. Holders

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

Distributions on shares of our Common Stock

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

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

Disposition of Shares of our Common Stock

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

U.S. “Anti-Deferral” Rules

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

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

Foreign Tax Credit

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

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

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

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

Backup Withholding

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting requirement and to backup withholding unless the 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 US 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. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

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

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are a “smaller reporting company” as defined by Rule 12b-2 of the Exchange Act, and as such, we are not required to provide the information required under this Item.

ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. DEBT SECURITIES

Not applicable.

B. WARRANTS AND RIGHTS

Not applicable.

C. OTHER SECURITIES

Not applicable.

D. AMERICAN DEPOSITORY SHARES

Not applicable.

PART II

ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

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

Not applicable.

ITEM 15 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Management’s Annual Report on Internal Control over Financial Reporting

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

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023 based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, management concluded that, as of December 31, 2023, our internal controls over financial reporting were effective.

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

Limitations on Effectiveness of Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the transition period ending December 31, 2023, and the year ended October 31, 2023 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 16 [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Stephen Gledhill is an “audit committee financial expert”, as defined in Item 16A of Form 20-F, and is “independent,” as that term is defined in Rule 5605(a)(2) of the NASDAQ Global Market. Stephen Gledhill is the Chairman of the Audit Committee. Please see Item 6.A – Directors and Senior Management for Mr. Gledhill’s biographical information.

ITEM 16B. CODE OF ETHICS

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

[Table of Contents](#)

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 of Directors 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 of Directors' mandate requires that directors and executive officers disclose any interest and the extent, no matter how small, of their interest in any transaction or agreement with us, and that directors excuse themselves from both board deliberations and voting in respect of transactions in which they have an interest. By taking these steps the board strives to ensure that directors exercise independent judgment, unclouded by the relationships of the directors and executive officers to each other and us, in considering transactions and agreements in respect of which directors and executive officers have an interest. Our Code applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions of the Company. There have been no waivers of our Code granted to our principal executive officer, principal financial officer, principal accounting officer or controller, or similar persons during the period covered by this Report.

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

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

During fiscal 2023 and 2022, there were no hours performed by any person other than the primary accountant's fulltime permanent employees.

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

External Auditor Service Fees (By Category)

The aggregate fees billed or accrued for professional fees rendered by Turner, Stone & Company, L.L.P. for two transition period ended December 31, 2023 and years ended October 31, 2023 and 2022 are as follows:

Nature of Services	Fees Paid to Auditor for two months ended December 31, 2023	Fees Paid to Auditor for year ended October 31, 2023	Fees Paid to Auditor for year ended October 31, 2022
Audit Fees ⁽¹⁾	\$ 25,000	\$ 75,000	\$ 75,000
Audit-Related Fees ⁽²⁾	NIL	NIL	NIL
Tax Fees ⁽³⁾	NIL	NIL	NIL
All Other Fees ⁽⁴⁾	NIL	NIL	NIL
TOTALS	\$ 25,000	\$ 75,000	\$ 75,000

Notes:

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

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

Not applicable.

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

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Appointment of DMCL LLP

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

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

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

Resignation of DMCL LLP

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

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

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

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

Appointment of Turner, Stone and Company, L.L.P.

Effective December 6, 2021, directors of the Company approved the appointment of Turner, Stone & Company, L.L.P. (“Turner”) as successor auditors for the year ended October 31, 2021. Turner also audited the financial statements of GR Unlimited for the year ended October 31, 2018 and the period from October 31, 2016 to October 31, 2017.

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

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

ITEM 16G. CORPORATE GOVERNANCE

Not applicable.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

Not applicable.

ITEM 16K. CYBERSECURITY

Not applicable.

PART III

ITEM 17 FINANCIAL STATEMENTS

Not applicable.

ITEM 18 FINANCIAL STATEMENTS

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

1. Audited Consolidated Financial Statements of Grown Rogue International Inc. for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022 and 2021, comprised of the following:
 - (a) Report of Independent Registered Public Accounting Firm, Turner, Stone & Company, L.L.P., Certified Public Accountants for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021;
 - (b) Consolidated Statements of Financial Position as of December 31, 2023, October 31, 2023, and 2022;
 - (c) Consolidated Statements of Comprehensive Income (Loss) for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021;
 - (d) Consolidated Statements of Changes in Equity for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021;
 - (e) Consolidated Statements of Cash Flows for the transition period ended December 31, 2023, and the year ended October 31, 2023, 2022 and 2021;
 - (f) Notes to the Consolidated Financial Statements.

[Table of Contents](#)

ITEM 19 EXHIBITS

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

Exhibit #	Description
1.1	Certificate of Incorporation dated September 22, 1978 (1)
1.2	Articles of Amendment dated January 14, 1985 (1)
1.3	Articles of Amendment dated August 16, 2000 (1)
1.4	Bylaw No 1 (1)
1.5	Special By-Law No 1 (1)
1.6	Articles of Amalgamation dated November 30, 2009 (2)
1.7	Code of Business Conduct and Ethics (1)
1.8	Compensation Committee Charter (1)
1.9	Amended Audit Committee Charter (1)
1.10	By-Law No. 1, February 24, 2012 (3)
1.11	Articles of Amendment, effective March 16, 2012 (4)
1.12	Articles of Amendment, effective August 25, 2014 (5)
1.13	Articles of Amendment, effective February 1, 2016 (6)
1.14	Articles of Amendment, effective February 29, 2016 (7)
1.15	Articles of Amendment, effective May 26, 2017 (8)
1.16	Articles of Amendment, effective November 1, 2018 (10)
2.1	Description of Securities (9)
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 (13)
4.2	Unsecured Promissory Note of \$150,000, dated December 2, 2020 (9)
4.3	Morton Lease, dated February 1, 2020 (9)
4.4	Trail Lease, dated January 1, 2021 (9)
4.5	Unsecured Promissory Note of \$250,000, dated January 14, 2021 (9)
4.6	Definitive Securities Purchase Agreement, dated January 19, 2021 (9)
4.7	Unsecured Promissory Note of \$250,000, dated January 27, 2021 (9)
4.8	Option Agreement, dated February 4, 2021, with Canopy Management, LLC (9)
4.9	Option Agreement, dated February 4, 2021, with Grown Rogue Unlimited, LLC (9)
4.10	Definitive Securities Purchase Agreement, dated February 5, 2021 (9)
4.11	Definitive Agreement, dated February 5, 2021, with HSCP, LLC (9)
4.12	Management Services Agreement dated February 8, 2021, with HSCP, LLC (9)
4.13	Special Warrant Indenture, dated March 5, 2021 (9)
4.14	Definitive Agreement, dated May 1, 2021, with Canopy Management, LLC (9)
4.15	Lars Lease, dated July 1, 2021 (9)
4.16	Unsecured Non-Convertible Promissory Note of \$800,000, dated September 14, 2021, with Plant-Based Investment Corp. (9)
4.17	Addendum to Option Agreement and Definitive Agreement, dated December 1, 2021, with Canopy Management, LLC (9)
4.18	Lars Lease Amendment, dated December 20, 2021 (9)
4.19	Morton Annex Amendment, dated December 21, 2021 (9)
4.20	Definitive Agreement, dated June 20, 2022 (9)
4.21	Subscription Agreement - Debentures and Warrants, dated December 5, 2022, with Mindset Value Fund (9)
4.22	Debentures Certificate, dated December 5, 2022, with Mindset Value Fund (9)
4.23	Warrants Certificate, dated December 5, 2022, with Mindset Value Fund (9)
4.24	Subscription Agreement - Debentures and Warrants, dated December 5, 2022, with Mindset Value Wellness Fund (9)
4.25	Debentures Certificate, dated December 5, 2022, with Mindset Value Wellness Fund (9)
4.26	Warrants Certificate, dated December 5, 2022, with Mindset Wellness Value Fund (9)
4.27	Ross Lane Lease and Option Purchase, dated December 20, 2022 (9)

Table of Contents

4.28	Option Agreement Exercise, dated January 13, 2023, with Grown Rogue Unlimited, LLC (9)
4.29	Consulting Agreement, dated May 25, 2023, with Goodness Growth Holdings, Inc. (9)
4.30	Subscription Agreement - Debentures and Warrants, dated July 13, 2023, with Mindset Value Fund (9)
4.31	Debentures Certificate, dated July 13, 2023, with Mindset Value Fund (9)
4.32	Warrants Certificate, dated July 13, 2023, with Mindset Value Fund (9)
4.33	Subscription Agreement - Debentures and Warrants, dated August 17, 2023, with Mindset Value Fund (9)
4.34	Debentures Certificate, dated August 17, 2023, with Mindset Value Fund (9)
4.35	Warrants Certificate, dated August 17, 2023, with Mindset Value Fund (9)
4.36	Subscription Agreement - Debentures and Warrants, dated August 17, 2023, with Mindset Value Wellness Fund (9)
4.37	Debentures Certificate, dated August 17, 2023, with Mindset Value Wellness Fund (9)
4.38	Warrants Certificate, dated August 17, 2023, with Mindset Wellness Value Fund (9)
4.39	First Amendment to Consulting Agreement, dated September 20, 2023, with Goodness Growth Holdings, Inc. (9)
4.40	Secured Drawn Down Promissory Note, dated October 3, 2023 (9)
4.41	Definitive Option Agreement (21%), dated October 3, 2023, to acquire ABCO Garden State, LLC (9)
4.42	Definitive Option Agreement (49%), dated October 3, 2023, to acquire ABCO Garden State, LLC (9)
4.43	Goodness Growth Holdings, Inc. Warrant Certificate dated October 5, 2023 (9)
4.44	Grown Rogue International Inc. Warrant Certificate dated October 5, 2023 (9)
4.45	Equity purchase agreement, dated April 18, 2024 (14)
4.46	Definitive Securities Purchase Agreement, dated April 24, 2024 (14)
4.47	Guaranty Agreement, dated April 24, 2024 (14)
8.1	Subsidiaries of Grown Rogue International Inc. (9)
12.1	Section 302 Certification of Chief Executive Officer (14)
12.2	Section 302 Certification of Chief Financial Officer (14)
13.1	Section 906 Certification of Chief Executive Officer (14)
13.2	Section 906 Certification of Chief Financial Officer (14)
15.1	First Notice of Change of Auditor dated December 7, 2021; the resignation of DMCL effective November 16, 2021; and the acceptance of appointment of auditors from Turner dated December 6, 2020 (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 February 1, 2012
(4)	Previously filed by Registrant on Form 6-K on March 9, 2012
(5)	Previously filed by Registrant on Form 6-K on August 20, 2014
(6)	Previously filed by Registrant on Form 6-K on February 4, 2016
(7)	Previously filed by Registrant on Form 6-K on March 9, 2016
(8)	Previously filed by Registrant on Form 6-K on December 29, 2016
(9)	Previously filed by Registrant on Form 20-F on March 13, 2024
(10)	Previously filed by Registrant on Form 6-K on December 2, 2020
(11)	Previously filed by Registrant on Form 6-K on January 22, 2021
(12)	Previously filed by Registrant on Form 6-K on December 7, 2021
(13)	Previously filed by Registrant on Form 6-K on November 15, 2018
(14)	Filed as an Exhibit hereto

[Table of Contents](#)

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 Transition Report on its behalf.

Grown Rogue International Inc.

By: /s/ J. Obie Strickler

Name: J. Obie Strickler

Title: President & Chief Executive Officer

Date: April 29, 2024

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements of Grown Rogue International Inc. for the two months ended December 31, 2023 and the years ended October 31, 2023, 2022 and 2021, comprised of the following:

(a)	Report of Independent Registered Public Accounting Firm, Turner, Stone & Company, L.L.P., Certified Public Accountants for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021;	F-2
(b)	Consolidated Statements of Financial Position as of December 31, 2023, October 31, 2023, and 2022;	F-4
(c)	Consolidated Statements of Comprehensive Income (Loss) for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021;	F-5
(d)	Consolidated Statements of Changes in Equity for the transition period ended December 31, 2023, and years ended October 31, 2023, 2022, and 2021;	F-6
(e)	Consolidated Statements of Cash Flows for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021;	F-8
(f)	Notes to the Consolidated Financial Statements.	F-9



GROWN ROGUE INTERNATIONAL INC.

**Consolidated Financial Statements
For the Two months ended December 31, 2023
and the Years ended October 31, 2023, 2022 and 2021
Expressed in United States Dollars**

Table of Contents

<u>Consolidated Statements of Financial Position</u>	F-4
<u>Consolidated Statements of Comprehensive Income (Loss)</u>	F-5
<u>Consolidated Statements of Changes in Equity</u>	F-6
<u>Consolidated Statements of Cash Flows</u>	F-8
<u>Notes to the Consolidated Financial Statements</u>	F-9
1. <u>Corporate Information and Defined Terms</u>	F-9
2. <u>Significant Accounting Policies and Significant Judgments</u>	F-12
3. <u>Biological Assets</u>	F-21
4. <u>Inventory</u>	F-22
5. <u>Business Combinations</u>	F-22
6. <u>Other Investments, Purchase Deposits and Notes Receivable</u>	F-23
7. <u>Leases</u>	F-24
8. <u>Property and Equipment</u>	F-25
9. <u>Intangible Assets and Goodwill</u>	F-26
10. <u>Long Term Debt</u>	F-26
11. <u>Convertible Debentures</u>	F-28
12. <u>Share Capital and Shares Issuable</u>	F-30
13. <u>Warrants</u>	F-32
14. <u>Stock Options</u>	F-34
15. <u>Changes in Non-Cash Working Capital</u>	F-36
16. <u>Supplemental Cash Flow Disclosure</u>	F-37
17. <u>Related Party Transactions</u>	F-37
18. <u>Financial Instruments</u>	F-40
19. <u>General and Administrative Expenses</u>	F-44
20. <u>Income Taxes</u>	F-44
21. <u>Capital Disclosures</u>	F-47
22. <u>Segment Reporting</u>	F-47
23. <u>Non-controlling Interests</u>	F-48
24. <u>Legal Matters</u>	F-49
25. <u>Transition Period Comparative Data</u>	F-49
26. <u>Subsequent Events</u>	F-54

Your Vision Our Focus



Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
Grown Rogue International Inc.

Opinion on the Consolidated Financial Statements

We have audited the consolidated statements of financial position of Grown Rogue International Inc. (the “Company”) as of December 31, 2023, and October 31, 2023 and 2022, and the related consolidated statements of comprehensive income (loss), changes in equity and cash flows for the two months ended December 31, 2023 and each of the three years in the period ended October 31, 2023, and the related notes (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 of December 31, 2023, and October 31, 2023 and 2022, and the consolidated results of its operations and its cash flows for the two months ended December 31, 2023, and each of the three years in the period ended October 31, 2023, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Turner, Stone & Company, L.L.P.
Accountants and Consultants
12700 Park Central Drive, Suite 1400
Dallas, Texas 75251
Telephone: 972-239-1660 / Facsimile: 972-239-1665
Toll Free: 877-853-4195
Web site: turnerstone.com



[Table of Contents](#)

- *Measurement of fair value of biological assets* – as discussed in Note 3 of notes to the consolidated financial statements, the Company measures biological assets at fair value less costs to sell in accordance with IAS 41, *Agriculture*, which we identified as a critical audit matter. The Company uses an income approach to determine the fair value less costs to sell at a specific measurement date, based on the existing cannabis plant’s stage of completion up to the point of harvest.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested calculations, including the assumptions used, to determine the fair value of the biological assets. We tested allocation of indirect costs, which formed part of standard cost per unit to complete production, by assessing the allocation method, recalculating the allocations and on a selection basis comparing the underlying allocation to source documents.

- *Stock Based Compensation* – as discussed in Note 2.14 of the notes to the consolidated financial statements, the Company states that transactions with non-employees that are settled in equity instruments are measured at the fair value of the goods or services rendered utilizing the Black-Sholes option pricing model.

The following are the primary procedures we performed to address this critical audit matter. We compared the listing of the provided share-based payment areas, in equity, options, and warrants to the underlying share-based agreements that reflected the amount of consideration being provided. Utilizing the Black-Sholes option pricing model, we recalculated the remaining lives, expense allocations, forfeitures, and cancellations of the share-based transactions during the year.

- *Derivative Liability* – as discussed in Note 11 of the notes to the consolidated financial statements, the Company uses the Black-Scholes option pricing model to estimate the fair value of its derivative liabilities which result from the variable conversion terms of their convertible notes payable. The Black-Scholes option pricing model involves the use of several significant estimates such as the expected life of the underlying convertible note payable, expected share price volatility, dividend yield, and risk-free interest rate. Given the significant estimates involved in estimating the fair value of its derivative liabilities, the related audit effort in evaluating management’s estimates in determining the fair value of derivative liabilities required a high degree of auditor judgment. We obtained an understanding over the Company’s process to estimate the fair value of derivative liabilities, including how the Company develops each of the estimates required to utilize the Black-Scholes option-pricing model. We applied the following audit procedures related to testing the Company’s estimates utilized in the Black-Scholes option pricing model:

- We reviewed the Company’s dividend history noting the Company has not issued dividends historically and management indicated that no future dividends were currently anticipated.
- We compared the Company’s risk-free interest rate used to the comparable Canadian three-year bond yield for a term comparable to the expected term of the convertible notes payable.
- We recalculated the Company’s historical share price volatility for a term comparable to the expected term of the convertible notes payable.
- We recalculated the expected term of underlying convertible note agreement using the simplified method.

Turner, Stone & Company, L.L.P.

We have served as Grown Rogue International Inc.’s auditor since 2021.

Dallas, Texas
April 29, 2024

Turner, Stone & Company, L.L.P.
Accountants and Consultants
12700 Park Central Drive, Suite 1400
Dallas, Texas 75251
Telephone: 972-239-1660 / Facsimile: 972-239-1665
Toll Free: 877-853-4195
Web site: turnerstone.com



INTERNATIONAL ASSOCIATION OF ACCOUNTANTS AND AUDITORS

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

	December 31, 2023	October 31, 2023	October 31, 2022
	\$	\$	\$
ASSETS			
Current assets			
Cash	6,804,579	8,858,247	1,582,384
Accounts receivable (Note 18)	1,642,990	2,109,424	1,643,959
Biological assets (Note 3)	1,723,342	1,566,822	1,199,519
Inventory (Note 4)	5,021,290	4,494,257	3,131,877
Prepaid expenses and other assets	420,336	392,787	352,274
Total current assets	15,612,537	17,421,537	7,910,013
Property and equipment (Note 8)	8,820,897	8,753,266	7,734,901
Notes receivable (Notes 6.2.1 and 6.2.2)	2,449,122	1,430,526	-
Warrants asset (Note 13.2)	1,761,382	1,361,366	-
Intangible assets and goodwill (Note 9)	725,668	725,668	725,668
Deferred tax assets (Note 20)	246,294	470,358	-
TOTAL ASSETS	29,615,900	30,162,721	16,370,582
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	1,358,962	2,359,750	1,821,875
Current portion of lease liabilities (Note 7)	925,976	824,271	1,025,373
Current portion of long-term debt (Note 10)	780,358	1,285,604	1,769,600
Business acquisition consideration payable (Note 5)	360,000	360,000	360,000
Unearned revenue	-	-	28,024
Derivative liability (Notes 11.1.1, 11.2 and 11.2.1)	7,471,519	7,808,500	-
Income tax payable	873,388	366,056	311,032
Total current liabilities	11,770,203	13,004,181	5,315,904
Lease liabilities (Note 7)	1,972,082	2,094,412	1,275,756
Long-term debt (Note 10)	82,346	102,913	839,222
Convertible debentures (Notes 11.1, 11.2 and 11.2.1)	2,459,924	2,412,762	-
TOTAL LIABILITIES	16,284,555	17,614,268	7,430,882
EQUITY			
Share capital (Note 12)	24,593,422	24,539,422	21,858,827
Shares issuable (Note 12)	-	-	35,806
Contributed surplus (Notes 13 and 14)	8,186,297	8,081,938	6,505,092
Accumulated other comprehensive loss	(108,069)	(114,175)	(109,613)
Accumulated deficit	(20,353,629)	(20,996,449)	(21,356,891)
Equity attributable to shareholders	12,318,021	11,564,736	6,933,221
Non-controlling interest (Note 23)	1,013,324	983,717	2,006,479
TOTAL EQUITY	13,331,345	12,548,453	8,939,700
TOTAL LIABILITIES AND EQUITY	29,615,900	30,162,721	16,370,582

Commitments and contingencies (Note 24)

Subsequent events (Note 26)

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

Grown Rogue International Inc.
Consolidated Statements of Comprehensive Income (Loss)
Expressed in United States Dollars

	Two months ended			
	December 31,	Years ended October 31,		
	2023	2023	2022	2021
	\$	\$	\$	\$
Revenue				
Product sales (Note 2.6.1)	3,542,037	22,424,169	17,757,283	9,034,618
Service revenue (Note 2.6.2)	96,050	929,016	-	344,055
Total revenue	3,638,087	23,353,185	17,757,283	9,378,673
Cost of goods sold				
Cost of finished cannabis inventory sold	(1,404,323)	(11,155,676)	(9,227,439)	(3,997,617)
Cost of service revenues	(89,210)	(308,641)	-	(154,353)
Gross profit, excluding fair value items	2,144,554	11,888,868	8,529,844	5,226,703
Realized fair value loss amounts in inventory sold	(460,647)	(2,573,151)	(3,685,338)	(950,461)
Unrealized fair value gain on growth of biological assets	686,867	3,355,797	3,278,572	1,824,226
Gross profit	2,370,774	12,671,514	8,123,078	6,100,468
Expenses				
Accretion expense	216,493	1,026,732	491,781	949,811
Amortization of property and equipment	186,415	578,641	750,916	180,015
General and administrative	1,437,353	6,465,877	5,852,236	3,983,250
Share-based compensation	104,359	346,113	70,996	280,819
Total expenses	1,944,620	8,417,363	7,165,929	5,398,892
Income from operations	426,154	4,254,151	957,149	701,576
Other income and (expense)				
Interest expense	(69,164)	(370,616)	(402,239)	(197,632)
Other income (expense)	49,678	441,487	(3,432)	(17,072)
Gain on debt settlement	-	-	453,858	141,180
Loss on settlement on non-controlling interest	-	-	-	(189,816)
Unrealized loss on marketable securities	-	-	(333,777)	(35,902)
Unrealized gain (loss) on derivative liability	336,981	(4,563,498)	-	(1,258,996)
Unrealized gain on warrants asset	400,016	129,113	-	-
Loss on disposal of property and equipment	(87,699)	(182,025)	(6,250)	(7,542)
Total other expense, net	629,812	(4,545,539)	(291,840)	(1,565,780)
Income (loss) from operations before taxes	1,055,966	(291,388)	665,309	(864,204)
Income tax (Note 20)	(383,539)	(370,932)	(245,358)	(150,543)
Net income (loss)	672,427	(662,320)	419,951	(1,014,747)
Other comprehensive income (items that may be subsequently reclassified to profit and loss):				
Currency translation gain (loss)	6,106	(4,562)	(19,235)	(78,181)
Total comprehensive income (loss)	678,533	(666,882)	400,716	(1,092,928)
Gain (loss) per share attributable to shareholders – basic	0.00	(0.00)	0.00	(0.02)
Weighted average shares outstanding – basic	182,005,886	172,708,792	169,193,812	135,231,802
Gain (loss) per share attributable to shareholders – diluted	0.00	(0.00)	0.00	(0.02)
Weighted average shares outstanding – diluted	214,046,728	172,708,792	169,193,812	135,231,802
Net income (loss) for the year attributable to:				
Non-controlling interest	29,607	(129,279)	(27,507)	1,395,558
Shareholders	642,820	(533,041)	447,458	(2,410,305)
Net income (loss)	672,427	(662,320)	419,951	(1,014,747)
Comprehensive income (loss) for the year attributable to:				
Non-controlling interest	29,607	(129,279)	(27,507)	1,395,558
Shareholders	648,926	(537,603)	428,223	(2,488,486)
Total comprehensive income (loss)	678,533	(666,882)	400,716	(1,092,928)

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

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

	Number of common shares	Share capital	Shares issuable	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Non- controlling interests	Total equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance - October 31, 2023	182,005,886	24,593,422	-	8,081,938	(114,175)	(20,996,449)	983,717	12,548,453
Stock option vesting expense	-	-	-	104,359	-	-	-	104,359
Currency translation gain	-	-	-	-	6,106	-	-	6,106
Net income	-	-	-	-	-	642,820	29,607	672,427
Balance – December 31, 2023	182,005,886	24,593,422	-	8,186,297	(108,069)	(20,353,629)	1,013,324	13,331,345

	Number of common shares	Share capital	Shares issuable	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Non- controlling interests	Total equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance - October 31, 2022	170,632,611	21,858,827	35,806	6,505,092	(109,613)	(21,356,891)	2,006,479	8,939,700
Issuance of shares underlying shares issuable (Note 12.1)	200,000	35,806	(35,806)	-	-	-	-	-
Stock option vesting expense	-	-	-	344,593	-	-	-	344,593
Currency translation loss	-	-	-	-	(4,562)	-	-	(4,562)
Exercise of option to acquire 87% of Canopy membership units	-	-	-	-	-	893,483	(893,483)	-
Goodness Growth warrants swap	-	-	-	1,232,253	-	-	-	1,232,253
Settlement of convertible debentures for common shares (Note 11.1.1)	11,173,275	2,698,789	-	-	-	-	-	2,698,789
Net loss	-	-	-	-	-	(533,041)	(129,279)	(662,320)
Balance – October 31, 2023	182,005,886	24,593,422	-	8,081,938	(114,175)	(20,996,449)	983,717	12,548,453

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

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

	Number of common shares	Share capital	Shares issuable	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Non- controlling interests	Total equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance - October 31, 2021	156,936,876	20,499,031	74,338	6,407,935	(90,378)	(21,804,349)	2,033,986	7,120,563
Shares issued for employment, director, and consulting services (Note 12.4)	529,335	59,796	(38,532)	-	-	-	-	21,264
Private placement of shares (Note 12.5)	13,166,400	1,300,000	-	-	-	-	-	1,300,000
Stock option vesting	-	-	-	97,157	-	-	-	97,157
Currency translation loss	-	-	-	-	(19,235)	-	-	(19,235)
Net income (loss)	-	-	-	-	-	447,458	(27,507)	419,951
Balance - October 31, 2022	170,632,611	21,858,827	35,806	6,505,092	(109,613)	(21,356,891)	2,006,479	8,939,700

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

	Number of common shares	Share capital	Shares issuable	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Non- controlling interests	Total equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance - October 31, 2020	107,782,397	14,424,341	-	4,070,264	(12,197)	(19,394,044)	(33,383)	(945,019)
Shares issued for employment, director, and consulting services (Note 12.6)	534,294	95,294	-	-	-	-	-	95,294
Shares issuable for employment, director and consulting services	-	-	38,532	-	-	-	-	38,532
Shares issued pursuant to private placement (Notes 12.7)	10,231,784	1,225,000	-	-	-	-	-	1,225,000
Expenses of non-brokered private placement (Note 12.7)	-	(15,148)	-	-	-	-	-	(15,148)
Shares issued to extend payment due date (Note 12.8)	25,000	2,103	-	-	-	-	-	2,103
Shares payments towards acquisition of Golden Harvests and extend due date (Note 12.10)	600,000	107,461	-	-	-	-	-	107,461
Shares issuable for consideration for acquisition of Golden Harvests (Note 5)	-	-	35,806	-	-	-	-	35,806
Shares issued to partner creditor (Note 12.9)	400,000	36,310	-	-	-	-	-	36,310
Shares and warrants issued pursuant to brokered private placement of Special Warrants (Notes 12.11)	23,162,579	3,738,564	-	-	-	-	-	3,738,564
Expenses of brokered private placement of Special Warrants (Note 12.11)	-	(485,722)	-	-	-	-	-	(485,722)
Broker and advisory warrants issued pursuant to Special Warrant financing (Notes 12.11)	-	(210,278)	-	210,278	-	-	-	-
Settlement of convertible debentures for cash and common shares (Note 12.12)	10,488,884	916,290	-	1,883,731	-	-	-	2,800,021
Issuance of non-controlling interest in subsidiary for cash	-	-	-	(475,000)	-	-	475,000	-
Purchase of non-controlling interest in subsidiary	3,711,938	664,816	-	475,000	-	-	(475,000)	664,816
Change in ownership interests in subsidiaries	-	-	-	-	-	-	671,811	671,811
Stock option vesting expense	-	-	-	243,662	-	-	-	243,662
Currency translation adjustment	-	-	-	-	(78,181)	-	-	(78,181)
Net income (loss)	-	-	-	-	-	(2,410,305)	1,395,558	(1,014,747)
Balance - October 31, 2021	156,936,876	20,499,031	74,338	6,407,935	(90,378)	(21,804,349)	2,033,986	7,120,563

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

	Two months ended December 31,	Years ended October 31,		
	2023	2023	2022	2021
	\$	\$	\$	\$
Operating activities				
Net income (loss)	672,427	(662,320)	419,951	(1,014,747)
Adjustments for non-cash items in net income (loss)				
Amortization of property and equipment	186,415	578,641	750,916	180,015
Amortization of property and equipment included in costs of inventory sold	209,985	1,757,672	1,102,688	733,655
Amortization of intangible assets	-	-	-	4,997
Unrealized fair value gain on growth of biological assets	(686,867)	(3,355,797)	(3,278,572)	(1,824,226)
Realized fair value loss amounts in inventory sold	460,647	2,573,151	3,685,338	950,461
Deferred income taxes	224,064	(470,358)	-	-
Share-based compensation	-	-	21,264	170,136
Stock option expense	104,359	344,593	96,649	243,662
Accretion expense	216,493	1,026,732	491,781	949,811
Gain on debt settlement	-	-	(455,674)	-
Loss on disposal of property and equipment	87,699	182,025	6,250	7,542
Unrealized loss on marketable securities	-	-	333,777	35,902
Unrealized (gain) loss on fair value of derivative liability	(336,981)	4,563,498	-	1,258,996
Unrealized gain on warrants asset	(400,016)	(129,113)	-	-
Loss on acquisition of non-controlling interest paid in shares	-	-	-	189,816
Currency translation gain (loss)	6,106	(2,210)	918	7,233
	744,331	6,406,514	3,175,286	1,893,253
Changes in non-cash working capital (Note 15)	(513,222)	(677,163)	(1,171,111)	(2,131,714)
Net cash provided by (used in) operating activities	231,109	5,729,351	2,004,175	(238,461)
Investing activities				
Purchase of property and equipment and intangibles	(126,690)	(1,456,782)	(1,111,283)	(2,047,136)
Net cash acquired	-	-	-	76,128
Payment of acquisition payable	-	-	(2,000)	(6,000)
Other investment	-	-	-	(750,000)
Cash advances and loans made to other parties	(1,018,596)	(1,430,526)	-	-
Net cash used in investing activities	(1,145,286)	(2,887,308)	(1,113,283)	(2,727,008)
Financing activities				
Third party investment in subsidiary	-	-	-	475,000
Proceeds from convertible debentures	-	8,000,000	-	-
Proceeds from long-term debt	-	-	100,000	1,125,000
Proceeds from private placement	-	-	1,300,000	1,225,000
Proceeds from brokered private placement	-	-	-	3,738,564
Payment of equity and debenture issuance costs	-	-	-	(500,870)
Repayment of long-term debt	(568,166)	(1,631,830)	(732,803)	(507,715)
Repayment of convertible debentures	(126,978)	(261,006)	-	(1,312,722)
Payments of lease principal	(444,347)	(1,673,344)	(1,089,738)	(380,543)
Net cash provided by (used in) financing activities	(1,139,491)	4,433,820	(422,541)	3,861,714
Change in cash	(2,053,668)	7,275,863	468,351	896,245
Cash, beginning	8,858,247	1,582,384	1,114,033	217,788
Cash, ending	6,804,579	8,858,247	1,582,384	1,114,033

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

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

1. CORPORATE INFORMATION AND DEFINED TERMS**1.1 Corporate Information**

These consolidated financial statements for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021, include the accounts of Grown Rogue International Inc. and its subsidiaries. The registered office is located at 40 King St W Suite 5800, Toronto, ON M5H 3S1.

Grown Rogue International Inc.'s subsidiaries and ownership thereof are summarized in the table below.

Company	Ownership	Defined Term
Grown Rogue International Inc.	100% owner of GR Unlimited	The "Company"
Grown Rogue Unlimited, LLC	100% by the Company	"GR Unlimited"
Grown Rogue Gardens, LLC	100% by GR Unlimited	"GR Gardens"
GRU Properties, LLC	100% by GR Unlimited	"GRU Properties"
GRIP, LLC	100% by GR Unlimited	"GRIP"
Grown Rogue Distribution, LLC	100% by GR Unlimited	"GR Distribution"
GR Michigan, LLC	87% by GR Unlimited	"GR Michigan"
Canopy Management, LLC	87% by GR Unlimited	"Canopy"
Golden Harvests LLC	60% by Canopy	"Golden Harvests"

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

1.2 Defined Terms

Term	Defined Term	Reference
General terms:		
International Financial Reporting Standards	"IFRS"	
International Accounting Standards	"IAS"	
International Accounting Standards Board	"IASB"	
International Financial Reporting Interpretations Committee	"IFRIC"	
United States	"U.S."	
United States dollar	"U.S. dollar"	
Fair value less costs to sell	"FVLCTS"	
Fair value through profit or loss	"FVTPL"	
Fair value through other comprehensive income	"FVOCI"	
Other comprehensive income	"OCI"	
Solely payments of principal and interest	"SPPI"	
Expected credit loss	"ECL"	
Cash generating unit	"CGU"	
Internal Revenue Code	"IRC"	
U.S. Securities and Exchange Commission	"SEC"	
Securities Exchange Act of 1934	"1934 Act"	
Federal Deposit Insurance Corporation	"FDIC"	

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

Term	Defined Term	Reference
Terms related to the Company's locations:		
Outdoor grow property located in Trail, Oregon leased from CEO	"Trail"	
Outdoor post-harvest facility located in Medford, Oregon leased from CEO	"Lars"	
Terms related to officers and directors of the Company:		
President & Chief Executive Officer	"CEO"	
Chief Financial Officer	"CFO"	
Senior Vice President of GR Unlimited	"SVP"	
Chief Operating Officer (position eliminated in December 2021)	"COO"	
Michigan General Manager	"GM"	
Terms related to transactions with High Street Capital Partners, LLC:		
High Street Capital Partners, LLC	"HSCP"	Note 6.1
Agreement of the Company to acquire substantially all of the assets of the growing and retail operations of HSCP	"HSCP Transaction"	Note 6.1
Management Services Agreement with HSCP	"HSCP MSA"	Note 6.1
Secured promissory note payable with a principal sum of \$1,250,000	"Secured Promissory Note"	Notes 6.1, 10.1
Principal Payment of \$500,000 due to HSCP on May 1, 2023	"First Principal Payment"	Note 10.1
Terms related to transactions with Plant-Based Investment Corp.:		
Plant-Based Investment Corp., formerly related party	"PBIC"	
Unsecured promissory note agreement with PBIC of September 9, 2021	"PBIC Note"	Note 10.2
The Company's sun-grown A-flower 2021 harvest, defined in the PBIC Note	"Harvest"	Note 10.2
The Company's former ownership of 2,362,204 shares of PBIC	"PBIC Shares"	Note 10.2
2766923 Ontario Inc., receiver of PBIC Shares from the Company as part of the settlement of the PBIC Note	"Creditor"	Note 10.2
Terms related to Convertible Debentures issued in December 2022:		
Convertible debentures with aggregate principal amount of \$2,000,000 issued in December 2022	"December Convertible Debentures"	Note 11.1
Purchasers of Convertible Debentures	"Purchasers"	Note 11.1
6,716,499 warrants issued to the Purchasers	"December Warrants"	Note 11.1
Terms related to Convertible Debentures issued in July 2023:		
Convertible debentures with aggregate principal amount of \$5,000,000 issued in July 2023	"July Convertible Debentures"	Note 11.2
Subscribers of Convertible Debentures	"Subscribers"	Note 11.2
13,737,500 warrants issued to the Subscribers	"July Warrants"	Note 11.2
Terms related to Convertible Debentures issued in August 2023:		
Convertible debentures with aggregate principal amount of \$1,000,000 issued in August 2023	"August Convertible Debentures"	Note 11.2.1
Subscribers of Convertible Debentures	"Subscribers"	Note 11.2.1

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

Term	Defined Term	Reference
Terms related to December 2021 non-brokered private placement of common shares:		
Non-brokered private placement of common shares (“Private Placement”) for total gross proceeds of \$1,300,000	“Private Placement”	Note 12.3
Terms related to March 2021 brokered private placement of special warrants:		
Agent for March 2021 brokered private placement of special warrants	“Agent”	Note 13.1
March 2021 brokered private placement of special warrants	“Offering”	
An aggregate of 1,127,758 broker warrants of the Company	“Broker Warrants”	Note 13.1
Compensation options, resulting from exercise of Broker Warrants	“Compensation Options”	Note 13.1
Warrants for consideration of advisory services issued to the Agent	“Advisory Warrants”	Note 13.1
The Broker Warrants and Advisory Warrants referred to collectively	“Agent Warrants”	Note 13.1
One unit of the Company resulting from exercise of a Compensation Option, comprised of one common share and one common share purchase warrant	“Compensation Unit”	Note 13.1
Warrant resulting from Compensation Option	“Compensation Warrant”	Note 13.1
Terms related to consulting agreement with Goodness Growth		
Goodness Growth Holdings, Inc. (CSE: GDNS; OTCQX: GDNSF)	“Goodness Growth”	Note 13.2
The consulting agreement under which the Company provides services to Goodness Growth	“Consulting Agreement”	Note 13.2
Volume weighted average price	“VWAP”	Note 13.2
Terms related to Iron Flag, LLC secured draw down promissory note		
Iron Flag, LLC	“Iron Flag”	Note 6.2.1
ABCO Garden State, LLC	“ABCO”	Note 6.2.1
New Jersey Cannabis Regulatory Commission	“CRC”	Note 6.2.1
Secured draw down promissory note	“Iron Flag Promissory Note”	Note 6.2.1

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

2. SIGNIFICANT ACCOUNTING POLICIES AND JUDGMENTS

2.1 Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRIC. These consolidated financials are filed on the system for electronic document analysis and retrieval (SEDAR+).

The Board of Directors authorized the issuance of these consolidated financial statements on April 29, 2024.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set forth below.

2.2 Basis of Consolidation

The subsidiaries are those companies 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 and rights pertaining to the subsidiaries. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date control ceases. All intercompany balances and transactions have been eliminated upon consolidation.

2.3 Basis of Measurement

These 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.

2.4 Change in Fiscal Year End

On January 29, 2024, the Company's Board of Directors approved a change in the Company's fiscal year end from October 31 to December 31, effective immediately. As a result of this change, the Company is filing this Transition Report on Form 20-F ("Transition Report") for the two month transition period ended December 31, 2023.

2.5 Functional and Presentation Currency

The Company's functional currency is the Canadian dollar, and the functional currency of its subsidiaries is the United States dollar. These consolidated financial statements are presented in U.S. dollars.

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

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

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

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

2.6 Revenue

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied, which is upon the transfer of control of the contracted goods or provision of contracted services. Control of goods is transferred when title and physical possession of the contracted goods have been transferred to the customer, which is determined by the shipping terms and certain additional considerations. The Company does not have performance obligations subsequent to the transfer of title and physical possession of the contracted goods.

2.6.1 Revenues From Sales of Goods

Revenues from sales of goods are recognized when the transfer of ownership to the customer has occurred and the customer has accepted the product.

2.6.2 Service Revenue

Revenues from services are recognized when services have been provided, the income is determinable, and collectability is reasonably assured. The Company's contract terms do not include a provision for significant post-service delivery obligations. On May 24, 2023, GR Unlimited entered into the Consulting Agreement with Goodness Growth. Under the Consulting Agreement, GR Unlimited supports Goodness Growth in the optimization of its cannabis flower products, with a particular focus on improving the quality and yield of top-grade "A" cannabis flower across its various operating markets, starting with Maryland and Minnesota. The Consulting Agreement and amendments to the Consulting Agreement provide for service revenue earned to be calculated beginning January 2023. Also see Note 13.2 for further discussion on the terms of the Consulting Agreement.

2.7 Inventory

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

2.8 Cost of Finished Cannabis Inventory Sold

Cost of finished cannabis inventory sold includes the value of inventory sold, excluding the fair value adjustment carried from biological assets into inventory. Cost of finished cannabis inventory sold also includes the value of inventory write downs.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

2.9 Biological Assets

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

2.10 Income (Loss) per Share

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

2.11 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.

2.12 Related Party Transactions

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

2.13 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.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

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

The Company capitalizes costs incurred to construct assets; when such assets are not available for use as intended by management, amortization expense is not recorded until constructed assets are placed into service.

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	1-40	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.

Right-of-use leased assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. Depreciation is recognized from the commencement date of the lease.

2.14 Impairment of Long-Lived Assets

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

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

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

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

2.15 Share-based Compensation

2.15.1 Share Based Payment Transactions

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

2.15.2 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 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.

2.14.3 Share Issuance Costs

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

2.16 Income Taxes

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

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

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

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

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

2.17 Financial Instruments

2.17.1 Financial Assets

Initial Recognition

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

Classification and measurement

Under *IFRS 9 - Financial Instruments*, financial assets are initially measured at fair value. In the case of a financial asset not categorized as FVTPL, transaction costs are included. Transaction costs of financial assets carried at FVTPL are expensed in net income (loss).

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

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

2.17.2 Financial Liabilities

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

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

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

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

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

Impairment

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

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

2.18 Business Combinations

A business combination is a transaction or event in which the acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair values. Goodwill represents the difference between total consideration paid and the fair value of the net identifiable assets acquired. Acquisition costs incurred are expensed within the consolidated statements of comprehensive income (loss).

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 *Financial Instruments* with the corresponding gain or loss recognized in profit or loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-out milestones are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Management exercises judgment in determining the entities that it controls for consolidation and associated non-controlling interests. For financial reporting purposes, an entity is considered controlled when the Company has power over an entity and its ability to affect its economic return from the entity. The Company has power over an entity when it has existing rights that give it the ability to direct the relevant activities which can significantly affect the investee's returns. Such power can result from contractual arrangements. However, certain contractual arrangements contain rights that are designed to protect the Company's interest, without direct equity ownership in the entity, in which case non-controlling interests are recognized.

2.19 Intangible Assets and Goodwill

Intangible assets are recorded at cost less accumulated amortization and any impairment losses. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is calculated on a straight-line basis over their estimated useful lives.

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the CGU or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually at year-end, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment.

Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is tested for impairment based on the level at which it is monitored by management, and not at a level higher than an operating segment. The Company's goodwill is allocated to the cannabis operating segment and the U.S. cannabis and hemp-derived market CGU. The allocation of goodwill to the CGUs or group of CGUs requires the use of judgment.

An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amounts of the CGUs' assets are determined based on either fair value less costs of disposal or value-in-use method. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill, and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the assets of the CGU on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior period. Impairment losses on goodwill are not subsequently reversed.

2.20 Adoption of New Accounting Pronouncements

Amendments to IAS 41: Agriculture

As part of its 2018-2020 annual improvements to the standards process of IFRS, the IASB issued amendments to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flow when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13 *Fair Value Measurement*. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The Company adopted the Amendments to IAS 41 effective November 1, 2022, which did not have a material impact to the Company's consolidated financial statements.

Amendments to IFRS 9: Financial Instruments

As part of its 2018-2020 annual improvements to the standards process of IFRS, the IASB issued amendments to IFRS 9 *Financial Instruments*. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company adopted the Amendments to IFRS 9 effective November 1, 2022, which did not have a material impact to the Company's consolidated financial statements.

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company adopted the amendments to IAS 37 effective November 1, 2022, which did not have a material impact to the Company’s consolidated financial statements.

2.21 New Accounting Pronouncements**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2024. The Company is currently evaluating the potential impact of these amendments on the Company’s consolidated financial statements.

IFRS 17 – Insurance Contracts

IFRS 17 *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The standard is effective for annual periods beginning on or after January 1, 2023. The Company is evaluating the potential impact of this standard on the Company’s consolidated financial statements.

3. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants, which reflect measurement at FVLCTS. changes in the carrying amounts of biological assets at December 31, 2023, and October 31, 2023, and 2022 are as follows:

	December 31, 2023	October 31, 2023	October 31, 2022
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Beginning balance	1,566,822	1,199,519	1,188,552
Increase in biological assets due to capitalized costs	1,057,764	6,792,298	5,630,863
Change in FVLCTS due to biological transformation	686,867	3,355,797	3,278,572
Transferred to inventory upon harvest	(1,588,111)	(9,780,792)	(8,898,468)
Ending balance	<u>1,723,342</u>	<u>1,566,822</u>	<u>1,199,519</u>

FVLCTS is determined using a model which estimates the expected harvest yield for plants currently being cultivated, and then adjusts that amount for the expected selling price and also for any additional costs to be incurred, such as post-harvest costs.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

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

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

	December 31, 2023	October 31, 2023	Impact of 20% change	
			December 31, 2023	October 31, 2023
Estimated selling price per pound (\$/pound)	\$ 938	\$ 945	\$ 335,193	\$ 340,390
Estimated stage of growth (%)	55%	51%	\$ 285,243	\$ 280,663
Estimated flower yield per harvest (pound)	2,972	3,283	\$ 285,243	\$ 280,663

4. INVENTORY

The Company's inventory composition is as follows:

	December 31, 2023	October 31, 2023	October 31, 2022
	\$	\$	\$
Raw materials	503,216	501,433	134,926
Work in process	3,979,335	3,677,502	2,735,000
Finished goods	538,739	315,322	261,951
Ending balance	5,021,290	4,494,257	3,131,877

The cost of inventories, excluding changes in fair value, included as an expense and included in cost of goods sold for the transition period ended December 31, 2023, was \$1,404,323 (October 31, 2023 - \$11,155,676; October 31, 2022 - \$9,227,439, October 31, 2021 - \$3,997,617).

5. BUSINESS COMBINATIONS

5.1 Golden Harvests LLC

On May 1, 2021, 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 \$158,181 and cash payments of \$849,536. Consideration remaining to be paid at the date of these consolidated financial statements included cash payments of \$360,000.

	Common shares	\$
Total consideration		
Cash paid	-	479,000
Cash payable	-	370,537
Common shares issued	825,000	122,376
Common shares issued	200,000	35,806
Total	1,025,000	1,007,719

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

During the year ended October 31, 2023, 200,000 common shares with an aggregate fair value of \$35,806 were issued.

On December 1, 2021, the Company and the seller of the 60% controlling interest in Golden Harvests agreed to extend the due date of the cash portion of business acquisition consideration payable until December 31, 2024, in exchange for monthly payments at a rate of 18% per annum. The Company may pay all or part of the cash portion of the business acquisition consideration payable prior to December 31, 2024. The following table summarizes the movement in business acquisition consideration payable.

Business acquisition consideration payable	\$
Acquisition date fair value	370,537
Payments	(8,000)
Application of prepayments	(4,000)
Accretion	1,463
Balance – December 31, 2023, October 31, 2023, and 2022	360,000

6. OTHER INVESTMENTS, PURCHASE DEPOSITS AND NOTES RECEIVABLE

6.1 Investment in Assets Sold by HSCP

On February 5, 2021, the Company agreed to acquire substantially all of the assets of the growing and retail operations pursuant to the HSCP Transaction, for an aggregate total of \$3,000,000 in consideration, payable in a series of tranches, subject to receipt of all necessary regulatory and other approvals. A payment of \$250,000 was to be due at closing and the payment of the remaining purchase price was to depend on the timing of the closing. The Company also executed the HSCP MSA, a management services agreement, pursuant to which the Company agreed to pay \$21,500 per month as consideration for services rendered thereunder, until the completion of the HSCP Transaction. In accordance with the MSA, the Company owned all production from the growing assets derived from the growing operations of HSCP, and the Company operated the growing facility of HSCP under the MSA until receipt of the necessary regulatory approvals relating to the acquisition by the Company of HSCP's growing assets. The Company had no involvement with the retail operations contemplated in the agreement until the HSCP Transaction was completed.

On April 14, 2022, the HSCP Transaction closed with modifications to the original terms: the retail 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 promissory note payable with a principal sum of \$1,250,000, which was fully paid during the transition period ended December 31, 2023.

6.2 Notes Receivable

Changes in notes receivable	Note		Total \$
	6.2.1	6.2.2	
Balance - October 31, 2022	-	-	-
Advances	1,170,101	250,000	1,420,101
Accrued interest	8,758	1,667	10,425
Balance - October 31, 2023	1,178,859	251,667	1,430,526
Advances	982,758	-	982,758
Accrued interest	30,755	5,083	35,838
Balance – December 31, 2023	2,192,372	256,750	2,449,122
<i>Current portion</i>	-	-	-
<i>Non-current portion</i>	2,192,372	256,750	2,449,122

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

6.2.1 Iron Flag Draw Down Promissory Note

On October 4, 2023, the Company announced that it signed a definitive agreement with an option to acquire 70% of ABCO, pending regulatory approval from the CRC. ABCO was granted a conditional cultivation and manufacturing license by the CRC and will receive its annual cultivation license soon. GR Unlimited executed the Iron Flag Promissory Note with ABCO's affiliate, Iron Flag, to fund tenant improvements and for general working capital at the 50,000 square foot facility leased by ABCO for use in ABCO's cannabis cultivation operations under construction and estimated to be completed in the second quarter of 2024.

Pursuant to the Iron Flag Promissory Note, GR Unlimited shall make the maximum amount available to Iron Flag, LLC in one or more advances in an aggregate amount not to exceed \$4,000,000. Interest on the outstanding principal borrowed shall accrue at a rate of 12.5% per annum commencing with respect to each advance and accruing until the date the standing advances and all accrued interest is paid in full.

As at December 31, 2023, the outstanding balance of the Iron Flag Promissory Note was \$2,152,859 (October 31, 2023 - \$1,170,101), and the accrued interest receivable was \$39,513 (October 31, 2023 - \$8,758).

6.2.2 New Jersey Retail Promissory Note

On October 3, 2023, GR Unlimited executed a promissory note and advanced \$250,000 to an individual representing the principal amount of the note (the "NJ Retail Promissory Note"). Pursuant to the NJ Retail Promissory Note agreement, interest on the outstanding principal borrowed shall accrue at a rate of 12% per annum provided that, if the extended maturity date of the note is triggered, interest shall accrue on the outstanding balance commencing on the maturity date and ending on the extending maturity date of the promissory note.

As at December 31, 2023, the outstanding balance of the NJ Retail Promissory Note was \$250,000 (October 31, 2023 - \$250,000), and the accrued interest receivable was \$6,750 (October 31, 2023 - \$1,667).

Subsequent to the transition period ended December 31, 2023, the Company signed a related definitive agreement on January 16, 2024, to invest in the development of an adult-use dispensary in West New York, New Jersey. Also see subsequent event in note 26.2.

7. LEASES

The following is a continuity schedule of lease liabilities:

Lease liabilities	December 31, 2023	October 31, 2023	October 31, 2022
	\$	\$	\$
Balance - beginning	2,918,683	2,301,129	2,360,438
Additions	528,980	2,583,661	1,030,429
Disposals	(105,258)	(292,763)	-
Interest expense on lease liabilities	58,361	272,521	243,360
Payments	(502,708)	(1,945,865)	(1,333,098)
Balance - ending	2,898,058	2,918,683	2,301,129
Current portion	925,976	824,271	1,025,373
Non-current portion	1,972,082	2,094,412	1,275,756

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

Set out below are undiscounted minimum future lease payments after December 31, 2023:

	Total future minimum lease payments (\$)
Less than one year	982,881
Between one and five years	2,449,475
Total minimum lease payments	3,432,356
Less amount representing interest	(534,298)
Total	2,898,058

8. PROPERTY AND EQUIPMENT

	Computer and Office Equipment	Production Equipment and Other	Leasehold Improvements	Right-of- use Assets	Total
	\$	\$	\$	\$	\$
COST					
Balance - October 31, 2021	16,283	511,167	4,978,088	3,328,032	8,833,570
Additions	-	34,690	3,014,807	951,377	4,000,874
Disposals	-	(2,825)	(10,375)	-	(13,200)
Balance - October 31, 2022	16,283	543,032	7,982,520	4,279,409	12,821,244
Additions	-	434,736	990,469	2,583,661	4,008,866
Disposals	-	(3,339)	(3,862)	(599,707)	(606,908)
Balance - October 31, 2023	16,283	974,429	8,969,127	6,263,363	16,223,202
Additions	-	14,109	226,921	528,980	770,010
Disposals	-	(70,198)	(131,646)	(185,826)	(387,670)
Balance - December 31, 2023	16,283	918,340	9,064,402	6,606,517	16,605,542
ACCUMULATED AMORTIZATION					
Balance - October 31, 2021	16,283	196,103	2,017,029	861,571	3,090,986
Amortization for the period	-	114,197	706,567	1,181,543	2,002,307
Disposals	-	(895)	(6,055)	-	(6,950)
Balance - October 31, 2022	16,283	309,405	2,717,541	2,043,114	5,086,343
Amortization for the period	-	94,518	1,108,228	1,312,968	2,515,714
Disposals	-	(2,584)	(802)	(128,735)	(132,121)
Balance - October 31, 2023	16,283	401,339	3,824,967	3,227,347	7,469,936
Amortization for the period	-	26,866	197,164	285,392	509,422
Disposals	-	(54,726)	(47,038)	(92,949)	(194,713)
Balance - December 31, 2023	-	373,479	3,975,093	3,419,790	7,784,645
NET BOOK VALUE					
Balance - October 31, 2022	-	233,627	5,264,979	2,236,295	7,734,901
Balance - October 31, 2023	-	573,090	5,144,160	3,036,016	8,753,266
Balance – December 31, 2023	-	544,861	5,089,309	3,186,727	8,820,897

For the transition period ended December 31, 2023, amortization capitalized into inventory was \$323,007 (years ended October 31, 2023 - \$1,937,073; October 31, 2022 - \$1,251,391) and expensed amortization was \$186,415 (years ended October 31, 2023 - \$578,641; October 31, 2022 - \$750,916; October 31, 2021 - \$180,015).

Grown Rogue International Inc.
Notes to the Consolidated Financial Statements
For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

9. INTANGIBLE ASSETS AND GOODWILL

Indefinite lived intangible assets and goodwill	December 31, 2023	October 31, 2023	October 31, 2022
	\$	\$	\$
Balance – beginning	725,668	725,668	399,338
Additions – grower licenses	-	-	326,330
Balance – ending	725,668	725,668	725,668

Additions during the year ended October 31, 2022, resulted from the HSCP Transaction (Note 6.1).

10. LONG-TERM DEBT

Transactions related to the Company’s long-term debt during the transition period ended December 31, 2023, and the years ended October 31, 2023 and 2022, include the following:

Movement in long-term debt	Note							Total \$
	10.1	10.2	10.3	10.4	10.5	10.6	10.7	
Balance - October 31, 2021	-	600,572	249,064	280,567	150,000	142,997	786,461	2,209,661
Additions to debt	1,250,000	-	-	-	-	-	-	1,350,000
Settlement of debt	-	(706,352)	-	-	-	-	-	(706,352)
Interest accretion	-	5,780	79,046	71,443	-	36,594	295,453	488,316
Debt payments	-	-	(25,000)	(25,000)	(150,000)	(12,500)	(520,303)	(732,803)
Balance - October 31, 2022	1,250,000	-	303,110	327,010	-	167,091	561,611	2,608,822
Interest accretion	-	-	96,985	83,752	-	43,006	187,782	411,525
Debt payments	(900,000)	-	(25,000)	(25,000)	-	(12,500)	(669,330)	(1,631,830)
Balance - October 31, 2023	350,000	-	375,095	385,762	-	197,597	80,063	1,388,517
Interest accretion	-	-	18,355	15,418	-	3,811	4,769	42,353
Debt payments	(350,000)	-	(4,167)	(4,167)	-	(125,000)	(84,832)	(568,166)
Balance - December 31, 2023	-	-	389,283	397,013	-	76,408	-	862,704
<i>Current portion</i>	-	-	348,581	353,369	-	76,408	-	780,358
<i>Non-current portion</i>	-	-	40,702	41,644	-	-	-	82,346

10.1 0% Stated Rate Note Payable to PBIC with Original Principal Amount of \$800,000 and Harvest-based Payments (Settled)

On April 14, 2022, the Company purchased indoor growing assets from HSCP (Note 6.1). Purchase consideration included a Secured Promissory Note payable with a principal sum of \$1,250,000, of which \$500,000 was due on August 1, 2022 and \$750,000 was due on May 1, 2023, before amendment of the agreement, which is described below. Collateral for the Secured Promissory Note payable is comprised of the assets purchased.

On August 1, 2022, the terms of the Secured Promissory Note between GR Distribution and HSCP, were amended. As amended, the Secured Promissory Note will be fully settled by two principal amounts of \$500,000 and \$750,000 due on May 1, 2023. Beginning on August 1, 2022, and continuing until repaid in full, the unpaid portion of the First Principal Amount will accrue simple interest at a rate per annum of 12.5%, payable monthly. In the event the Company raises capital, principal payments shall be made as follows. If the capital raise is less than or equal to \$2 million, then 25% of the capital raise shall be paid against the First Principal Payment; if the capital raise is greater than \$2 million and less than or equal to \$3 million, then \$250,000 shall be paid against the First Principal Payment; and if the capital raise is greater than \$3 million, then \$500,000 shall be paid against the First Principal Payment.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

On May 1, 2023, the terms of the Secured Promissory Note were amended for a second. Under the second amendment, the Secured Promissory Note will be fully settled in two principal amounts. On May 1, 2023, the \$500,000 principal payment plus all accrued but unpaid interest under the first amendment was due and payable. The remaining principal balance of \$500,000, which bears no interest, is due and payable as follows: \$150,000 due and payable on August 1, 2023; \$150,000 due and payable on November 1, 2023; and \$200,000 due and payable on December 31, 2023. The balance was fully paid during the transition period ended December 31, 2023.

10.2 0% Stated Rate Note Payable to PBIC with Original Principal Amount of \$800,000 and Harvest-based Payments (Settled)

On September 9, 2021, the Company entered into the PBIC Note, an unsecured promissory note agreement with PBIC, a formerly related party, in the amount of \$800,000, which was to be fully advanced by September 30, 2021. During the year ended October 31, 2022, \$100,000 was received (through October 31, 2021 - \$600,000). The PBIC Note was to mature on December 15, 2022, with payments commencing January 15, 2022, and continuing through and including December 15, 2022. The terms required the Company to make certain participation payments to the lender based on a percentage monthly sales of cannabis flower sold from the Company's Harvest (sun-grown A-flower 2021 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, proportionate to principal proceeds. A portion of these payments were to be used to pay down the outstanding principal on a monthly basis. The PBIC Note would have automatically terminated when the full amount of any outstanding principal plus the applicable participation payments were paid prior to the maturity date. Should the participation payments have fully repaid the principal amount prior to the maturity date then the PBIC Note would have automatically terminated. The PBIC Note bore no stated rate of interest, and in the event of default, would have born interest at 15% per annum. The PBIC Note was reported at amortized cost using an effective interest rate of approximately 1.9%.

On June 20, 2022, the Company announced the settlement of the PBIC Note, which had a principal balance owing of \$700,000. The Company agreed to transfer its PBIC Shares (the Company's ownership of 2,362,204 common shares of PBIC), to the Creditor (2766923 Ontario Inc.), to which PBIC sold and assigned the PBIC Note. In exchange, the Creditor provided forgiveness and settlement of all amounts owing in connection with the PBIC Note. The Company reported a gain on debt settlement of \$449,684 as a result of the settlement.

10.3 10% Note Payable Owed by Golden Harvests with Original Principal Amount of \$250,000

On May 1, 2021, the Company assumed a note payable owed by Golden Harvests (Note 5) with a carrying value of \$227,056. The note is for a principal amount of \$250,000, interest paid monthly at 10% per annum, and a maturity date of January 14, 2024. After the maturity date, additional interest payments are due quarterly, at amounts that cause total interest paid over the life of the debt to equal \$250,000. The note is reported at amortized cost using an effective interest rate of approximately 33%. During the transition period ended December 31, 2023, the Company made principal payments of \$4,167 (years ended October 31, 2023, and 2022 - \$25,000 each).

10.4 10% Note Payable Owed by GR Distribution with Original Principal Amount of \$250,000

On January 27, 2021, debt was issued by GR Distribution with a principal amount of \$250,000, interest paid monthly at 10% per annum, and a maturity date of January 27, 2024. After the maturity date, additional interest payments are due quarterly, at amounts that cause total interest paid over the life of the debt to equal \$250,000. The note is reported at amortized cost using an effective interest rate of approximately 27%. During the transition period ended December 31, 2023, the Company made principal payments of \$4,167 (years ended October 31, 2023, and 2022 - \$25,000 each).

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

10.5 10% Note Payable Owed by GR Gardens with Original Principal Amount of \$150,000 (SETTLED)

On December 2, 2020, debt was issued by GR Gardens with a principal amount of \$150,000, interest accrued at 10% per annum, and a maturity date of December 31, 2021. Interest and principal are payable upon maturity. The maturity date was extended by six-months for a fee of \$1,000 per \$10,000 of principal extended, which was \$75,000. The balance was fully paid during the year ended October 31, 2022.

10.6 10% Note Payable Owed by GR Distribution with Original Principal Amount of \$125,000

On November 23, 2020, debt was issued by GR Distribution with a principal amount of \$125,000, interest paid monthly at 10% per annum, and a maturity date of November 23, 2023. After the maturity date, additional interest payments are due quarterly, at amounts that cause total interest paid over the life of the debt to equal \$125,000. The note is reported at amortized cost using an effective interest rate of approximately 27%. During the transition period ended December 31, 2023, the Company made principal payments of \$125,000 (years ended October 31, 2023, and 2022 - \$12,500 each).

10.7 0% Stated Rate Note Payable by Canopy with Original Principal Amount of \$60,000 and Royalty Payments to Lenders

On March 20, 2020, debt with a principal amount of \$600,000 was received under a secured debt investment of \$600,000. It carries a two-year term, with monthly payments of principal commencing June 15, 2020, and with payments calculated at 1% of cash sales receipts of Golden Harvests. Once the principal is repaid, each investor receives a monthly royalty of 1% per \$100,000 invested of cash receipts for sales by Golden Harvests. The royalty commenced in December 2021, at which time principal was repaid, and is payable monthly a period of two years. The royalty maximum is two times the amount of principal invested, and the royalty minimum is equal to the principal loaned. The Company has the right, but not the obligation, to terminate royalty payments from any lender by paying an amount equal to the original principal invested by such lender. The debt is reported at the carrying value of the probability-weighted estimated future cash flows of all payments under the agreement at amortized cost using the effective interest method, at an effective interest rate of approximately 73%. A portion of this debt is due to related parties (Note 17.4). During the years ended October 31, 2023, and 2022, the Company made principal payments of \$669,330 and \$520,303, respectively. During the transition period ended December 31, 2023, the balance was fully paid.

10.8 Accrued Interest Payable

Accrued interest payable on long-term debt at December 31, 2023 was \$Nil (October 31, 2023 and 2022 - \$Nil).

11. CONVERTIBLE DEBENTURES

	\$	\$	\$
	Note 11.1	Note 11.2	Total
Movement in convertible debt			
Balance - October 31, 2022	-	-	-
Additions to debt	2,000,000	6,000,000	8,000,000
Derivative liability recognition	(783,856)	(3,982,944)	(4,766,800)
Debt settlement through conversion of shares (Note 11.1.1)	(1,174,639)	-	(1,174,639)
Interest accretion	343,556	271,651	615,207
Debt payments	(137,745)	(123,261)	(261,006)
Balance - October 31, 2023	247,316	2,165,446	2,412,762
Interest accretion	11,672	162,468	174,140
Debt payments	(7,875)	(119,103)	(126,978)
Balance - December 31, 2023	251,113	\$ 2,208,811	\$ 2,459,924
Current portion	-	-	-
Non-current portion	251,113	2,208,811	2,459,924

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

11.1 9% Convertible Debentures with Original Principal Amount of \$2,000,000

On December 5, 2022, the Company announced the closing of a non-brokered private placement of the December Convertible Debentures with an aggregate principal amount of \$2,000,000. The December Convertible Debentures accrue interest at 9% per year, paid quarterly, and mature 36 months from the date of issue. The December Convertible Debentures are convertible into common shares of the Company at a conversion price of CAD\$0.20 per common share. Additionally, on closing, the Company issued to the Purchasers of the December Convertible Debentures an aggregate of 6,716,499 Warrants, that represents 50% coverage of each Purchaser's Convertible Debenture investment. The December Warrants are exercisable for a period of three years from issuance into common shares at an exercise price of \$0.25 CAD per common share. The Company has the right to accelerate the warrants if the closing share price of the common shares on the CSE is CAD\$0.40 or higher for a period of 10 consecutive trading days. Subsequent to the consolidated statements of financial position dated December 31, 2023, the Company issued the notice of acceleration dated March 1, 2024, required by the warrant certificates governing the December Warrants, which accelerated the expiry date to 90 days from the date of note. See subsequent event in note 26.3.

11.1.1 Debt Settlement Through Conversion of Shares

During the year ended October 31, 2023, Purchasers of the December Convertible Debentures converted an aggregate total of convertible debenture principal of \$1,040,662 and \$133,977 at CAD\$0.20 per share into 10,151,250 and 1,022,025 common shares respectively.

The conversion feature of the December Convertible Debentures gives rise to the derivative liability reported on the statements of financial position at December 31, 2023. The derivative liability is remeasured at fair value through profit and loss at each reporting period using the Black-Scholes option pricing model. The fair value of the derivative liability at December 31, 2023, was estimated to be \$439,860 (October 31, 2023 - \$490,195; October 31, 2022 - \$Nil) using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	3.91%
Expected life	1.92 years
Expected volatility	94%

11.2 9% Convertible Debentures with Original Principal Amount of \$5,000,000

On July 13, 2023, the Company announced the closing of a non-brokered private placement of unsecured the July Convertible Debentures with an aggregate principal amount of \$5,000,000. The Convertible Debentures accrue interest at 9% per year, paid quarterly, and mature 48 months from the date of issue. The July Convertible Debentures are convertible into common shares of the Company at a conversion price of CAD\$0.24 per common share, at any time on or prior to the maturity date. Additionally, on closing, the Company issued to the Subscribers of the July Convertible Debentures an aggregate of 13,737,500 July Warrants, that represents one-half of one warrant for each CAD\$0.24 of Principal amount subscribed. The July Warrants are exercisable for a period of three years from issuance into common shares at an exercise price of CAD\$0.28 per common share. The Company has the right to accelerate the warrants if the closing share price of the common shares on the CSE is CAD\$0.40 or higher for a period of 10 consecutive trading. Subsequent to the consolidated statements of financial position dated December 31, 2023, the Company issued the notice of acceleration dated March 1, 2024, required by the warrant certificates governing the July Warrants, which accelerated the expiry date to 90 days from the date of notice. See subsequent event in note 26.3.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

The conversion feature of the July Convertible Debentures gives rise to the derivative liability reported on the statements of financial position at December 31, 2023. The derivative liability is remeasured at fair value through profit and loss at each reporting period using the Black-Scholes option pricing model. The fair value of the derivative liability at December 31, 2023, was estimated to be \$5,824,496 (October 31, 2023 - \$6,053,927; October 31, 2022 - \$Nil) using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	3.25%
Expected life	3.53 years
Expected volatility	98%

11.2.1 9% Convertible Debentures with Original Principal Amount of \$1,000,000

On August 17, 2023, the Company announced that it had closed the second and final tranche of a non-brokered private placement of unsecured convertible debentures for gross proceeds of \$1,000,000 (the August Convertible Debentures), for a total aggregate principal amount under both tranches of \$6,000,000 with the July Convertible Debentures. Additionally, on closing, the Company issued to Subscribers under the second tranche an aggregate of 2,816,250 common share purchase warrants. The terms of the August Convertible Debentures and warrants issued as part of this second tranche are the same as those issued in the July Convertible Debentures and July Warrants.

Subsequent to the consolidated statements of financial position dated December 31, 2023, the Company issued the notice of acceleration dated March 1, 2024 required by the warrant certificates governing the August Warrants, which accelerated the expiry date to 90 days from the date of notice. See subsequent event in note 26.3.

The conversion feature of the August Convertible Debentures gives rise to the derivative liability reported on the statements of financial position at December 31, 2023. The derivative liability is remeasured at fair value through profit and loss at each reporting period using the Black-Scholes option pricing model. The fair value of the derivative liability at December 31, 2023, was estimated to be \$1,264,378 (October 31, 2023 - \$1,264,378; October 31, 2022 - \$Nil) using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	3.25%
Expected life	3.63 years
Expected volatility	99%

12. SHARE CAPITAL AND SHARES ISSUABLE

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

During the transition period ended December 31, 2023, no share transactions occurred.

During the year ended October 31, 2023, the following share transactions occurred:

12.1 200,000 Common Shares Issued to Settle Shares Issuable

On January 10, 2023, the Company issued 200,000 common shares with an aggregate fair value of \$35,806, which was reported as issuable as at October 31, 2022, which represented a portion of consideration for the acquisition of Golden Harvests (Note 5).

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

12.2 10,151,250 Common Shares Issued to Settle Convertible Debentures

On July 13, 2023, the Company issued 10,151,250 common shares with an aggregate fair value of \$2,428,656, as holders opted to convert their convertible debentures (Note 11.1.1).

12.3 1,022,025 Common Shares Issued to Settle Convertible Debentures

On August 30, 2023, the Company issued 1,022,025 common shares with an aggregate fair value of \$270,133, as holders opted to convert their convertible debentures.

During the year ended October 31, 2022, the following share transactions occurred:

12.4 529,335 Common Shares Issued to Employees, Directors, and/or Consultants

The Company issued 529,335 common shares with a fair value of \$59,796 for employment compensation, director services and consulting services.

12.5 13,166,400 Common Shares Issued in Private Placement for Proceeds of \$1,300,000

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

During the year ended October 31, 2021, the following share transactions occurred:

12.6 The Company issued 534,294 common shares with a fair value of \$95,294 for employment compensation, director services and consulting services.

12.7 On February 5, 2021, the Company closed a non-brokered private placement of an aggregate total of 10,231,784 common shares with a fair value of \$1,225,000. The private placement was raised in two tranches. In the first tranche, 2,031,784 common shares were issued for proceeds of \$200,000. In the second tranche, 8,200,000 common shares and 8,200,000 warrants to purchase one common share were issued for proceeds of \$1,025,000. All proceeds of the private placement were allocated to share capital, and costs of \$15,148 incurred for this private placement were allocated to share capital.

12.8 The Company issued 25,000 shares with a fair value of \$2,103 in order to extend an option payment as part of the Company's acquisition of Golden Harvests (Note 8).

12.9 On January 14, 2021, the Company agreed to issue 400,000 shares with a fair value of \$36,310 to a lender of Golden Harvests to support Golden Harvests' business development.

12.10 The Company issued 600,000 common shares with an aggregate fair value of \$107,461 to make payments towards the acquisition of Golden Harvests. Of the 600,000 common shares issued, 400,000 common shares were issued to satisfy milestone payments, and 200,000 common shares were issued to extend the due date of a milestone payment.

12.11 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"), before the adjustment to 23,162,579 Special Warrants described below, at a price of CAD\$0.225 (the "Issue Price") per Special Warrant for aggregate gross proceeds of approximately \$3,738,564 (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.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

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 \$485,722 were allocated to share capital; also allocated to share capital were the expenses for fair value of Agent Warrants of \$210,278.

12.12 The 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. The value of derivative liabilities settled with the conversions allocated to equity was \$1,833,731.

13. WARRANTS

The following table summarizes the warrant activities for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022 and 2021:

	Number	Weighted Average Exercise Price (CAD\$)
Balance - October 31, 2020	44,158,331	0.33
Issuance pursuant to private placement	8,200,000	0.20
Issuance pursuant to the Offering	23,162,579	0.30
Expiration of broker warrants	(757,125)	0.44)
Expiration of warrants	(17,843,998)	0.55
Balance - October 31, 2021	56,919,787	0.22
Expiration of warrants pursuant to convertible debt deemed re-issuance	(8,409,091)	0.16
Expiration of warrants issued pursuant to private placement to PBIC	(15,000,000)	0.13
Balance - October 31, 2022	33,510,696	0.28
Issuance pursuant to the December Convertible Debentures (Note 11.1)	6,716,499	0.25
Issuance pursuant to the July Convertible Debentures (Note 11.2)	13,737,500	0.28
Issuance pursuant to the August Convertible Debentures (Note 11.2.1)	2,816,250	0.28
Issued pursuant to the Consulting Agreement with Goodness Growth (Note 13.2)	8,500,000	0.33
Expiration of warrants pursuant to Feb 2021 subscription	(8,200,000)	0.20
Expiration of warrants pursuant to the Offering (Special warrant issue)	(23,162,579)	0.30
Expiration of warrants pursuant to terminate purchase agreement	(2,148,117)	0.44
Balance - December 31, and October 31, 2023	31,770,249	0.29

At December 31, 2023, the following warrants were issued and outstanding:

Exercise price (CAD\$)	Warrants outstanding	Life (years)	Expiry date
0.25	6,716,499	1.92	December 2, 2025
0.28	13,737,500	2.53	July 13, 2026
0.28	2,816,250	2.63	August 17, 2026
0.33	8,500,000	4.77	October 05, 2028
0.29	31,770,249	3.01	

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

13.1 Agent Warrants

On March 5, 2021, as consideration for the services rendered by the agent (the “Agent”) to a brokered placement of special warrants (the “Offering”), the Company issued to the Agent an aggregate of 1,127,758 broker warrants of the Company (the “Broker Warrants”) exercisable to acquire 1,127,758 compensation options (the “Compensation Options”) for no additional consideration. As consideration for certain advisory services provided in connection with the Offering, the Company issued to the Agent an aggregate of 113,500 advisory warrants (the “Advisory Warrants”) exercisable to acquire 113,500 Compensation Options for no additional consideration. The Broker Warrants and Advisory Warrants are collectively referred to as the “Agent Warrants.”

Each Compensation Option entitles the holder thereof to purchase one unit of the Company (a “Compensation Unit”) at the Issue Price of CAD\$0.225 for a period of twenty-four (24) months. Each Compensation Unit is comprised of one common share and one common share purchase warrant of the Company (a “Compensation Warrant”). Each Compensation Warrant shall entitle the holder thereof to purchase one common share in the capital of the Company at a price of CAD\$0.30 for twenty-four (24) months. The Agent Warrants expired on March 5, 2023.

13.2 Goodness Growth Consulting Agreement

The Consulting Agreement with Goodness Growth was executed as of May 24, 2023, whereby GR Unlimited will support Goodness Growth in the optimization of its cannabis flower products, with a particular focus on improving the quality and yield of top-grade “A” cannabis flower across its various operating markets, starting with Maryland and Minnesota (Note 2.5.1).

As part of this strategic agreement, Goodness Growth is obligated to issue 10,000,000 warrants to purchase 10,000,000 subordinate voting shares of Goodness Growth to the Company, with a strike price equal to CAD\$0.317 (U.S.\$0.233), being a 25.0 percent premium to the 10-day VWAP of Goodness Growth’s subordinate voting shares prior to the effective date of the Consulting Agreement. Similarly, the Company will issue 8,500,000 warrants to purchase 8,500,000 common shares of the Company to Goodness Growth, with a strike price equal to CAD\$0.225 (U.S.\$0.166), being a 25.0 percent premium to the 10-day VWAP of the Company’s common shares prior to the effective date of the Consulting Agreement.

The Company first measured and recognized the fair value (\$1,232,253) of the warrants using a Black-Scholes option pricing model as of the warrants’ deemed issuance date, which was the effective date of the Consulting Agreement (May 24, 2023). The Company and Goodness Growth issued and exchanged the warrants on October 5, 2023, at which time the carrying value (\$1,232,253) of the warrants issued and received was recorded to equity and Warrants Asset, respectively.

The Warrants Asset is remeasured at fair value through profit and loss at each reporting period using the Black-Scholes option pricing model. The fair value of the Warrants Asset at December 31, 2023, was estimated to be \$1,761,382 (October 31, 2023 - \$1,361,366; October 31, 2022 - \$Nil) using the following assumptions:

Expected (strike) price	0.317
Risk-free interest rate	3.25%
Expected life	4.77 years
Expected volatility	99%

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

14. STOCK OPTIONS

The following table summarizes the stock option movements for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021:

	Number	Exercise price (CAD\$)
Balance - October 31, 2020	3,720,000	0.19
Granted to employees	3,085,000	0.20
Forfeitures by services providers	(65,000)	0.15
Forfeitures by employees	(965,000)	0.15
Forfeitures by employees	(10,000)	0.22
Balance - October 31, 2021	5,765,000	0.20
Granted to employees	605,000	0.15
Forfeitures by service provider	(500,000)	0.44
Forfeitures by employees	(960,000)	0.15
Balance - October 31, 2022	4,910,000	0.18
Granted to employees	3,650,000	0.15
Granted to employees	400,000	0.30
Granted to service providers	2,750,000	0.15
Expiration of options to employees	(430,000)	0.15
Expiration of options to employees	(75,000)	0.22
Balance - October 31, 2023	11,205,000	0.17
Granted to employees	100,000	0.39
Granted to service providers	500,000	0.39
Expiration of options to employees	(5,000)	0.15
Balance - December 31, 2023	11,800,000	0.18

14.1 During the transition period ended December 31, 2023, 600,000 options were granted to employees and service providers.

The fair value of the options granted during the transition period ended December 31, 2023, was approximately \$112,078 (CAD\$148,466), which was estimated at the grant dates based on the Black-Scholes option pricing model, using the following assumptions:

Expected dividend yield	Nil%
Risk-free interest rate	4.56%
Expected life	4.0 years
Expected volatility	86%

The vesting terms of options granted during the transition period ended December 31, 2023, are set out in the table below:

Vesting terms	
Number Granted	Description
100,000	50% on one year anniversary of grant date, 50% on second anniversary of grant date
500,000	Monthly over a year
600,000	

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**Expressed in United States Dollars, unless otherwise indicated

14.2 During the year ended October 31, 2023, 6,800,000 options were granted to employees.

The fair value of the options granted during the year ended October 31, 2023, was approximately \$450,325 (CAD\$611,439), which was estimated at the grant dates based on the Black-Scholes option pricing model, using the following assumptions:

Expected dividend yield	Nil%
Risk-free interest rate	3.89%
Expected life	4.0 years
Expected volatility	86%

The vesting terms of options granted during the year ended October 31, 2023, are set out in the table below:

Vesting terms	
Number Granted	Description
200,000	1/3 on each anniversary of grant date
200,000	50% on one year anniversary of grant date, 50% on second anniversary of grant date
400,000	Fully vested on grant date
6,000,000	Vest on one year anniversary of grant date
6,800,000	

14.3 During the year ended October 31, 2022, 605,000 options were granted to employees.

The fair value of the options granted during the year ended October 31, 2022, was approximately \$23,260 (CAD\$29,924) which was estimated at the grant dates based on the Black-Scholes option pricing model, using the following assumptions:

Expected dividend yield	Nil%
Risk-free interest rate	2.2%
Expected life	4.0 years
Expected volatility	86%

The vesting terms of options granted during the year ended October 31, 2022, are set out in the table below:

Vesting terms	
Number Granted	Description
300,000	50% on one year anniversary of grant date, 50% on second anniversary of grant date
100,000	Fully vested on grant date
205,000	Vest on one year anniversary of grant date
605,000	

14.4 During the year ended October 31, 2021, 3,805,000 options were granted to employees.

The fair value of the options granted during the year ended October 31, 2021, was approximately \$272,918 (CAD\$343,034) which was estimated at the grant dates based on the Black-Scholes option pricing model, using the following assumptions:

Expected dividend yield	Nil%
Risk-free interest rate	2.2%
Expected life	4.0 years
Expected volatility	86%

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

The vesting terms of options granted during the year ended October 31, 2021, are set out in the table below:

Vesting terms	
Number Granted	Description
500,000	½ on grant date, ½ on first anniversary of grant date
1,000,000	½ on grant date, ½ seven months after grant date
500,000	½ six months after grant date, ½ on first anniversary of grant date
450,000	½ on each anniversary of grant date
400,000	½ on first anniversary of grant date, ½ of anniversary of grant date
235,000	On first anniversary of grant date
3,085,000	

At December 31, 2023, the following Stock Options were issued and outstanding:

Exercise price (CAD\$)	Options outstanding	Number exercisable	Remaining Contractual Life (years)	Expiry period
0.15	1,840,000	1,777,500	0.5	July 2024
0.15	200,000	200,000	0.9	November 2024
0.30	1,000,000	850,000	1.3	April 2025
0.16	1,150,000	1,150,000	1.4	May 2025
0.15	85,000	85,000	1.8	November 2025
0.15	300,000	150,000	2.3	April 2026
0.15	6,225,000	400,000	3.0	January 2027
0.30	400,000	-	3.7	September 2027
0.39	600,000	41,666	3.9	November 2027
0.18	11,800,000	4,654,166	2.3	

15. CHANGES IN NON-CASH WORKING CAPITAL

The changes to the Company's non-cash working capital for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021 are as follows:

	December 31, 2023	October 31, 2023	October 31, 2022	October 31, 2021
	\$	\$	\$	\$
Accounts receivable	466,434	(465,465)	(904,711)	(412,060)
Inventory and biological assets	(344,311)	(767,636)	(94,595)	(1,359,567)
Prepaid expenses and other assets	(27,549)	(40,513)	5,267	(196,261)
Accounts payable and accrued liabilities	(1,115,128)	569,451	(124,334)	(294,846)
Interest payable	-	-	(13,750)	4,383
Unearned revenue	-	(28,024)	(95,389)	-
Deferred rent	-	-	-	(10,494)
Income taxes payable	507,332	55,024	56,401	137,131
Total	(513,222)	(677,163)	(1,171,111)	(2,131,714)

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

16. SUPPLEMENTAL CASH FLOW DISCLOSURE

	December 31, 2023	October 31, 2023	October 31, 2022	October 31, 2021
	\$	\$	\$	\$
Interest paid	69,164	358,154	400,630	168,924
Fair value of common shares issued and issuable for services	-	-	59,796	133,826
Fair value of common shares issued to Golden Harvests	-	-	-	109,564
Fair value of common shares issued to Golden Harvests creditor	-	-	-	36,310
Right-of-use assets acquired through leases (Note 7)	528,980	2,583,660	1,030,429	2,642,588
Conversion of debenture into common shares	2,698,789	2,698,789	-	916,290
Derivative liability recognized as contributed surplus upon debenture conversion	-	-	-	1,833,731
Note payable to HSCP used to acquire assets (Note 10.1)	350,000	350,000	1,250,000	-

17. RELATED PARTY TRANSACTIONS

During the transition period ended December 31, 2023 and the years ended October 31, 2023, 2022, and 2021, the Company incurred the following related party transactions:

17.1 Transactions with the CEO

Through its wholly owned subsidiary, GRU Properties, LLC, the Company leased a property located in Trail, Oregon (“Trail”) owned by the Company’s President and CEO. The lease was extended during the year ended October 31, 2021, with a term through December 31, 2025. Lease charges of \$24,000 were incurred for the transition period ended December 31, 2023 (October 31, 2023 - \$72,000; October 31, 2022 - \$72,000; October 31, 2021 - \$72,000). The lease liability balance for Trail at December 31, 2023, was \$129,401 (October 31, 2023 - \$139,014; October 31, 2022 - \$193,312).

During the year ended October 31, 2021, the Company leased a property which is beneficially owned by the CEO and is located in Medford, Oregon (“Lars”) with a term through June 30, 2026. Lease charges of \$31,827 (October 31, 2023 - \$190,035; October 31, 2022 - \$184,500; October 31, 2021 - \$60,000) were incurred for the transition period ended December 31, 2023. The lease liability for Lars at December 31, 2023, was \$445,708 (October 31, 2023 - \$470,134; October 31, 2022 - \$607,900).

During the year ended October 31, 2021, the CEO leased equipment to the Company, which had a balance due of \$nil at December 31, 2023 (October 31, 2023 - \$nil). Payments of \$nil were made against the equipment leases during the year ended October 31, 2023 (October 31, 2023 - \$9,971; October 31, 2022 - \$28,871; October 31, 2021 - \$17,802).

Leases liabilities payable to the CEO were \$575,109 in aggregate at December 31, 2023 (October 31, 2023 - \$609,148; October 31, 2022 - \$810,645).

The CEO earns a royalty of 2.5% of sales of flower produced at Trail through December 31, 2021, at which time the royalty terminated. The CEO earned royalties of \$nil during the transition period ended December 31, 2023 and the year ended October 31, 2023 (October 31, 2022 - \$305; October 31, 2021 - \$19,035).

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

During the year ended October 31, 2022, the Company settled \$62,900 in long-term liabilities due to the CEO as part of the CEO's total \$300,000 subscription to a non-brokered private placement of common shares (Note 12.3). During the year ended October 31, 2021, the Company settled \$162,899 in long-term accrued liabilities due to the CEO by way of a payment of \$62,899 and \$100,000 attributed to the CEO's subscription to a non-brokered private placement on February 5, 2021.

During the year ended October 31, 2023, the Company, through GR Unlimited, acquired 87% of the membership units of Canopy from the CEO. All payments necessary for GR Unlimited to exercise its option to acquire 87% of Canopy were equal to payments made by Canopy to purchase a controlling 60% interest of Golden Harvests.

17.2 Transactions with Spouse of the CEO

During the transition period ended December 31, 2023, the Company incurred expenses of \$24,039 (October 31, 2023 - \$98,846; October 31, 2022 - \$60,000; October 31, 2021 - \$58,020) for salary paid to the spouse of the CEO. At December 31, 2023, accounts and accrued liabilities payable to this individual were \$3,846 (October 31, 2023 - \$2,692; October 31, 2022 - \$1,154). The spouse of the CEO was granted 500,000 options during the year ended October 31, 2023.

17.3 Transactions with Key Management Personnel

Key management personnel consists of the President and CEO; the Senior Vice President of GR Unlimited (formerly the CFO of GR Unlimited); the former Chief Market Officer ("CMO"); the former Chief Operating Officer ("COO");* the Chief Accounting Officer ("CAO")**; the Michigan General Manager ("GM"); and the CFO of the Company. The compensation to key management is presented in the following table:

	December 31, 2023	October 31, 2023	October 31, 2022	October 31, 2021
	\$	\$	\$	\$
Salaries and consulting fees	240,105	880,195	1,118,694	875,058
Share-based compensation	-	-	13,043	70,040
Stock option expense	32,894	161,422	20,082	64,436
Total	272,999	1,041,617	1,151,819	1,009,534

* COO was appointed subsequent to April 30, 2021, and was paid and compensated prior to appointment; compensation for the year ended October 31, 2021, is included in the table above for comparability to past and ongoing expenses. COO's final date of employment was December 27, 2021.

** CAO was promoted to CFO in September 2021.

Stock options granted to key management personnel and close family members of key management personnel include the following. During the transition period ended December 31, 2023, no options were granted to key management personnel. During the year ended October 31, 2023, 1,500,000 options were granted to the CEO; 750,000 options were granted to the CFO; 750,000 options were granted to the SVP; and 175,000 options to the GM. During the year ended October 31, 2022, no options were granted to key management personnel. During the year ended October 31, 2021: 500,000 options were granted to the COO, which expired following the COO's resignation. Subsequent to the two months ended December 31, 2023, options of 1,500,000 were exercised into common shares by the SVP.

During the year ended October 31, 2023, 1,250,000 stock options were granted to three Board of Directors.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

During the year ended October 31, 2023, the SVP purchased December Convertible Debentures with a principal balance of \$50,000 and was issued 167,912 December Warrants. Subsequent to the two months ended December 31, 2023, the SVP converted the \$50,000 convertible debentures and exercised the 167,912 December Warrants. This resulted in the issuance of 336,775 common shares at a price of CAD\$0.20 per share in accordance with the December Convertible Debenture, in addition to the issuance of 167,912 common shares at an exercise price of \$0.25 CAD per common share upon the exercise of the December Warrants.

During the year ended October 31, 2023, the Company issued 200,000 shares to the GM, which represented a portion of consideration for the acquisition of Golden Harvests (Note 5 and 12.1).

Compensation to the Board of Directors during the transition period ended December 31, 2023 was \$3,000 (October 31, 2023 - \$18,000; October 31, 2022 - \$18,000 and common share issuances of 273,750 common shares with a fair value of \$20,562; October 31, 2021 - fees of \$18,000 and common share issuances of 100,908 common shares with a fair value of \$14,187).

Through its subsidiary, Golden Harvests, the Company leased Morton, owned by the Company's GM, and is located in Michigan, with a lease term through January 2026. Lease charges of \$32,000 (October 31, 2023 - \$180,000; October 31, 2022 - \$152,000) were incurred during the transition period ended December 31, 2023. The lease liability of Morton at December 31, 2023 was \$350,668 (October 31, 2023 - \$377,043; October 31, 2022 - \$428,476).

Through its subsidiary, Golden Harvests, the Company also leased Morton Annex, located in Michigan, which is owned by the Company's GM. The lease term was extended during the year ended October 31, 2023, through November 2023. Lease charges of \$330,000 (October 31, 2023 - \$740,000; October 31, 2022 - \$330,000) were incurred during the transition period ended December 31, 2023. The lease liability of Morton Annex at December 31, 2023, was \$239,871 (October 31, 2023 - \$29,774; October 31, 2022 - \$211,991).

Accounts payable, accrued liabilities, and lease liabilities due to key management at October 31, 2023, totaled \$1,230,808 (October 31, 2023 - \$1,118,763; October 31, 2022 - \$1,587,700).

17.4 Debt balances and movements with related parties

The following table sets out portions of debt pertaining to related parties:

	CEO	Senior VP - GR Unlimited LLC	Director	COO	GM	Total
	\$	\$	\$	\$	\$	\$
Balance - October 31, 2021	65,539	131,078	196,617	163,750	358,537	915,521
Interest	24,621	49,242	73,863	1,250	62,863	211,839
Payments	(43,361)	(86,717)	(130,076)	(165,000)	(61,400)	(486,554)
Balance - October 31, 2022	46,799	93,603	140,404	-	360,000	640,806
Interest	15,649	31,297	46,947	-	64,800	158,693
Payments	(55,778)	(111,555)	(167,333)	-	(64,800)	(399,466)
Balance - October 31, 2023	6,670	13,345	20,018	-	360,000	400,033
Interest	399	794	1,190	-	10,800	13,183
Payments	(7,069)	(14,139)	(21,208)	-	(10,800)	(53,216)
Balance - December 31, 2023	-	-	-	-	360,000	360,000

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

Pursuant to the loan and related agreements transacted during the year ended October 31, 2020, the CEO, CFO of GR Unlimited LLC, and a director obtained 5.5%; 1%; and 2.5% ownership interests in GR Michigan LLC, respectively; third parties obtained 4% as part of the agreements, such that GR Michigan has a 13% non-controlling interest (Note 23.2). These parties, except the CEO, obtained the same interests in Canopy; the CEO obtained 92.5% of Canopy (Note 23.3); all payments necessary for the Company to exercise its option to acquire 87% of Canopy were equal to payments made by Canopy to purchase a controlling 60% interest of Golden Harvests. Interest payments of \$10,800 were made on the business acquisition consideration payable of \$360,000 for the two months ended December 31, 2023 (\$59,400 for the year ended October 31, 2023). (Also see Note 5.1).

17.5 On November 23, 2020, a director, prior to his directorship, purchased 6.25 newly issued equity units of Grown Rogue Distribution, LLC for \$250,000, out of the total of 11.875 such units issued during the year ended October 31, 2021. On April 30, 2021, the Company purchased these units for consideration of 1,953,125 common shares with a fair value of \$349,809.

17.6 Related party subscriptions to February 5, 2021, non-brokered private placement

The following table sets out related party subscriptions to the February 5, 2021, non-brokered private placement:

	Subscription amount (\$)	Shares	Warrants
Chief Operating Officer	125,000	1,000,000	1,000,000
Chief Financial Officer of GR Unlimited	250,000	2,000,000	2,000,000
Chief Executive Officer	200,000	1,600,000	1,600,000
PBIC	250,000	2,000,000	2,000,000
Total	825,000	6,600,000	6,600,000

17.7 On March 5, 2021, under the Offering, PBIC invested proceeds of \$394,546 which resulted in the issuance to PBIC of 2,444,444 common shares and 2,444,444 warrants to purchase common shares. Each warrant is exercisable at CAD\$0.30 for a period of two years.

18. FINANCIAL INSTRUMENTS**18.1 Market Risk (Including Interest Rate Risk and Currency Risk)**

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

18.1.1 Interest Rate Risk

At December 31, and October 31, 2023, 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.

18.1.2 Currency Risk

At December 31, 2023, the Company had accounts payable and accrued liabilities of CAD\$155,679 (October 31, 2023 – CAD\$190,169; October 31, 2022 - CAD\$616,345). The Company is exposed to the risk of fluctuation in the rate of exchange between the Canadian Dollar and the United States Dollar.

18.1.3 Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk and a change in the price of cannabis. The Company is not exposed to significant other price risk.

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

18.2 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.

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

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the FDIC up to \$250,000. At December 31, and October 31, 2023, the Company had \$6,054,579 and \$8,108,247 in excess of the FDIC insured limit, respectively.

Accounts receivable primarily consist of trade accounts receivable and sales tax receivable. The Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Credit risk is assessed on a case-by-case basis and a provision is recorded where required.

The carrying amount of cash, accounts receivable, and other receivables represent the Company's maximum exposure to credit risk; the balances of these accounts are summarized in the following table:

	December 31, 2023	October 31, 2023	October 31, 2022
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cash	6,804,579	8,858,247	1,582,384
Accounts Receivable	1,642,990	2,109,424	1,643,959
Notes Receivable	2,449,122	1,430,526	-
Total	<u>10,896,691</u>	<u>12,398,197</u>	<u>3,226,343</u>

The allowance for doubtful accounts at December 31, 2023, was \$373,393 (October 31, 2023 - \$165,347).

At December 31, 2023 and October 31, 2023 and 2022, the Company's trade accounts receivable and other receivable were aged as follows:

	December 31, 2023	October 31, 2023	October 31, 2022
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Current	604,920	1,079,657	872,100
1-30 days	568,445	475,909	336,149
31 days-older	732,981	616,574	614,022
Total trade accounts receivable	<u>1,906,346</u>	<u>2,172,140</u>	<u>1,822,271</u>
GST /HST	110,037	102,631	86,407
Provision for bad debts	(373,393)	(165,347)	(264,719)
Total accounts receivable	<u>1,642,990</u>	<u>2,109,424</u>	<u>1,643,959</u>

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

Major customers are defined as customers that each individually account for greater than 10% of the Company's annual revenues. During the transition period ended December 31, 2023, there was no major customer that accounted for greater than 10% of revenues (October 31, 2023 – no major customer accounted for over 10% of revenues; October 31, 2022 – one major customer accounted for 14% of revenues). There was one customer with an accounts receivable balance greater than 10% at December 31, 2023, in which the balance of the customer comprised 11% of the total accounts receivable balance (October 31, 2023 and 2022 – nil).

18.3 Liquidity Risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. At December 31, 2023, and October 31, 2023 and 2022, the Company's working capital accounts were as follows:

	December 31, 2023	October 31, 2023	October 31, 2022
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cash	6,804,579	8,858,247	1,582,384
Current assets excluding cash	8,807,958	8,563,290	6,327,629
Total current assets	<u>15,612,537</u>	<u>17,421,537</u>	<u>7,910,013</u>
Current liabilities	(11,770,203)	(13,004,181)	(5,315,904)
Working capital	<u>3,842,334</u>	<u>4,417,356</u>	<u>2,594,109</u>

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

	Year 1	Over 1 Year - 3 Years	Over 3 Years - 5 Years
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Accounts payable and accrued liabilities	1,358,962	-	-
Lease liabilities	925,976	1,041,614	930,468
Convertible debentures	-	-	2,459,924
Debt	780,358	82,346	-
Business acquisition consideration payable	360,000	-	-
Total	<u>3,425,296</u>	<u>1,123,960</u>	<u>3,390,392</u>

18.4 Fair Values

The carrying amounts for the Company's cash, accounts receivable, accounts payable and accrued liabilities, amounts due to employee/director, promissory notes and convertible promissory notes approximate their fair values because of the short-term nature of these items.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

18.5 Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair value for both financial and nonfinancial assets and liabilities. The Company has an established framework, which includes team members who have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. The Company regularly assesses significant unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; or

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of the financial instruments at December 31, 2023 are summarized in the following table:

	Level in fair value hierarchy	Amortized Cost	FVTPL
Financial Assets			
Cash	Level 1	\$ 6,804,579	\$ -
Accounts receivable	Level 2	1,642,990	-
Warrants asset	Level 1	-	1,761,382
Financial Liabilities			
Accounts payable and accrued liabilities	Level 2	\$ 1,358,962	\$ -
Debt	Level 2	862,704	-
Convertible debentures	Level 2	2,459,924	-
Business acquisition consideration payable	Level 2	360,000	-
Derivative liability	Level 2	-	7,471,519

The carrying values of the financial instruments at October 31, 2023 are summarized in the following table:

	Level in fair value hierarchy	Amortized Cost	FVTPL
Financial Assets			
Cash	Level 1	\$ 8,858,247	\$ -
Accounts receivable	Level 2	2,109,424	-
Warrants asset	Level 1	-	1,361,366
Financial Liabilities			
Accounts payable and accrued liabilities	Level 2	\$ 2,359,750	\$ -
Debt	Level 2	1,388,517	-
Convertible debentures	Level 2	2,412,762	-
Business acquisition consideration payable	Level 2	360,000	-
Derivative liability	Level 2	-	7,808,500

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

The carrying values of the financial instruments at October 31, 2022 are summarized in the following table:

	Level in fair value hierarchy	Amortized Cost	FVTPL
Financial Assets			
Cash	Level 1	\$ 1,582,384	\$ -
Accounts receivable	Level 2	1,643,959	-
Financial Liabilities			
Accounts payable and accrued liabilities	Level 2	\$ 1,821,875	\$ -
Debt	Level 2	2,608,822	-
Business acquisition consideration payable	Level 2	360,000	-

During the transition period ended December 31, 2023, and the years ended October 31, 2023 and 2022, there were no transfers of amounts between levels.

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021, are as follows:

	December 31, 2023	October 31, 2023	October 31, 2022	October 31, 2021
	\$	\$	\$	\$
Office, banking, travel, and overheads	470,821	1,960,696	1,929,385	1,158,975
Professional services	59,701	585,342	456,532	767,050
Salaries and benefits	906,831	3,919,839	3,466,319	2,057,225
Total	1,437,353	6,465,877	5,852,236	3,983,250

20. INCOME TAXES

As the Company operates in the legal cannabis industry, certain subsidiaries of the Company are subject to the limits of IRC Section 280E for U.S. federal income tax purposes. Under IRC Section 280E, these subsidiaries are generally only allowed to deduct expenses directly related to the Cost of Goods Sold. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss recognized for financial reporting purposes.

The Company is treated as a U.S. corporation for U.S. federal income tax purposes under IRC Section 7874 and is subject to U.S. federal income tax on its worldwide income. However, for Canadian tax purposes, the Company, regardless of any application of IRC Section 7874, is treated as a Canadian resident company for Canadian income tax purposes as defined in the ITA. As a result, the Company is subject to taxation both in Canada and the United States. The Company is also subject to state income taxation in various state jurisdictions in the United States. The Company's income tax is accounted for in accordance with IAS 12 *Income Taxes*.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022 and 2021, income tax expense consisted of:

	Two months ended December 31, 2023	Year ended October 31, 2023	Year ended October 31, 2022	Year ended October 31, 2021
	\$	\$	\$	\$
Current expense:				
Federal	122,714	498,435	217,571	113,699
State	29,933	68,861	27,787	36,844
Adjustment to prior years provision versus statutory tax returns	6,827	273,994	-	-
Total current expense:	159,474	841,290	245,358	150,543
Deferred expense (benefit):				
Federal	184,510	(1,354,696)	(990,452)	(1,288,637)
State	39,554	(389,828)	(350,374)	(322,400)
Change in unrecognized deductible temporary differences	-	1,274,166	1,340,826	1,611,037
Total deferred (benefit):	224,064	(470,358)	-	-
Total income tax expense:	383,539	370,932	245,359	150,543

The difference between the income tax expense for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021, and the expected income taxes based on the statutory tax rate applied to gain (loss) from operations before taxes are as follows:

	Two months ended December 31, 2023	Year ended October 31, 2023	Year ended October 31, 2022	Year ended October 31, 2021
	\$	\$	\$	\$
Gain (Loss) from operations before taxes	1,055,966	(291,388)	665,309	(864,202)
Statutory tax rates	27.37%	24.46%	27.25%	27.25%
Expected income tax (recovery)	289,056	(71,275)	181,297	(235,495)
Change in statutory tax rates and FX rates	(2,030)	21,890	92,662	84,952
Nondeductible expenses	(180,803)	1,069,536	38,802	(42,264)
Deferral adjustments	224,064	(1,189,931)	(1,374,372)	(1,260,938)
Change in unrecognized deductible temporary differences	-	1,274,166	1,340,826	1,611,038
Net operating loss	46,425	(1,323,949)	-	-
Fiscal year to calendar year adjustment	-	316,501	(33,856)	(6,749)
Adjustment to prior years provision versus statutory tax returns	6,827	273,994	-	-
Total income tax expense:	383,539	370,932	245,358	150,543

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

The following tax assets arising from temporary differences and non-capital losses have been recognized in the consolidated financial statements for the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021:

	Two months ended December 31, 2023	Year ended October 31, 2023	Year ended October 31, 2022	Year ended October 31, 2021
	\$	\$	\$	\$
Property, plant and equipment	8,061	127,305	-	-
Inventory	129,573	127,846	-	-
ROU Leases	(168,327)	(108,206)	-	-
Net Operating Loss Carryforward (federal)	274,831	318,614	-	-
Net Operating Loss Carryforward (state)	2,156	4,799	-	-
Net deferred tax assets:	246,294	470,358	-	-

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 taxable until future periods. Deferred income tax assets result primarily from operating tax loss carry forwards and temporary differences related to property, plant and equipment and inventory, and have been offset against deferred income tax liabilities. As of December 31, 2023, the Company has estimated Canadian non-capital losses of CAD\$9,000,490. These Canadian non-capital losses are available to be carried forward, to be applied against the Company's taxable income earned in Canada over the next 20 years and expire between 2030 and 2042. The deferred tax benefit of these Canadian tax losses has not been set up as an asset as it is not probable that sufficient taxable profits will be available for Canadian tax purposes to realize the carryforward of unused tax losses. Additionally, the deferred tax benefit of capitalized transaction costs and startup costs have not been setup as a deferred tax asset since it is not probable that the Company would be able to realize these deductible temporary differences for U.S. tax purposes.

The Company operates in various U.S. state tax jurisdictions and is subject to examination of its income tax returns by tax authorities in those jurisdictions who may challenge any item on these returns. Because the tax matters challenged by tax authorities are typically complex, the ultimate outcome of these challenges is uncertain. In accordance with IAS 12, the Company recognizes the benefits of uncertain tax positions in our financial statements only after determining that it is more likely than not that the uncertain tax positions will be sustained. For the transition period ended December 31, 2023, and the years ended October 31, 2023, and 2022, the Company did not record an accrual for uncertain tax positions.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. There are no positions for which it is reasonably possible that the uncertain tax benefit will significantly increase or decrease within twelve months. The Company files income tax returns in the United States, including various state jurisdictions, and in Canada, which remain open to examination by the respective jurisdictions for the 2018 tax year to the present.

U.S. Federal and state tax laws impose restrictions on net operating loss carryforwards in the event of a change in ownership of the Company, as defined by the IRC Section 382. The Company does not believe that a change in ownership, as defined by IRC Section 382, has occurred but a formal study has not been completed.

U.S. Congress passed the Inflation Reduction Act in August 2022. The Company does not anticipate any impact to its income tax provision as a result of the new U.S. legislation.

Grown Rogue International Inc.**Notes to the Consolidated Financial Statements****For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021**

Expressed in United States Dollars, unless otherwise indicated

21. CAPITAL DISCLOSURES

The Company includes equity, comprised of share capital, contributed surplus (including the fair value of equity instruments to be issued), equity component of convertible promissory notes and deficit, in the definition of capital.

The Company's objectives when managing capital are as follows:

- to safeguard the Company's assets and ensure the Company's ability to continue as a going concern;
- to raise sufficient capital to finance the construction of its production facility and obtain license to produce recreational marijuana; and
- to raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives.

The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

The Company does not have any externally imposed capital requirements.

22. SEGMENT REPORTING

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

Geographical segments	Oregon	Michigan	Other	Services	Total
	\$	\$	\$	\$	\$
Non-current assets other than financial instruments					
At December 31, 2023	8,187,649	4,054,332	1,761,382	-	14,003,363
At October 31, 2023	7,362,957	4,016,861	1,361,366	-	12,74,184
At October 31, 2022	4,719,260	3,741,309	-	-	8,460,569
Two months ended December 31, 2023					
Net revenue	1,529,088	2,012,949	-	96,050	3,638,087
Gross profit	766,291	1,597,643	-	6,840	2,370,774
Gross profit before fair value adjustment	902,603	1,235,111	-	6,840	2,144,554
Year ended October 31, 2023					
Net revenue	11,001,261	11,422,908	-	929,016	23,353,185
Gross profit	5,259,439	6,791,700	-	620,375	12,671,514
Gross profit before fair value adjustment	4,615,259	6,653,234	-	620,375	11,888,868
Year ended October 31, 2022					
Net revenue	8,852,104	8,905,179	-	-	17,757,283
Gross profit	3,039,159	5,083,919	-	-	8,123,078
Year ended October 31, 2021					
Net revenue	5,152,286	3,882,332	344,055	-	9,378,673
Gross profit	2,325,304	3,585,462	189,702	-	6,100,468

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

23. NON-CONTROLLING INTERESTS

The changes to the non-controlling interest for the two months ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021, and are as follows:

	<u>December 31,</u> <u>2023</u>	<u>October 31,</u> <u>2023</u>	<u>October 31,</u> <u>2022</u>	<u>October 31,</u> <u>2021</u>
	\$	\$	\$	\$
Balance, beginning of year	983,717	2,006,479	2,033,986	(33,383)
Non-controlling interest's 13% share of GR Michigan	-	-	-	5,743
Non-controlling interest's 100% share of Canopy	29,607	(129,279)	(27,507)	2,065,718
Acquisition of 87% of Canopy	-	(893,483)	-	-
Balance, end of year	1,013,324	983,717	2,006,479	2,033,986

23.1 Non-controlling interest in GR Michigan

The following is summarized financial information for GR Michigan:

	<u>December 31,</u> <u>2023</u>	<u>October 31,</u> <u>2023</u>	<u>October 31,</u> <u>2022</u>	<u>October 31,</u> <u>2021</u>
	\$	\$	\$	\$
Current assets	-	-	-	1,453
Non-current assets	-	-	-	-
Current liabilities	-	-	-	-
Non-current liabilities	-	-	-	-
Net loss for the year	-	-	-	48,867

Nine percent (9%) of GR Michigan is owned by officers and directors of the Company; this ownership is pursuant to an agreement that included their loans made to GR Michigan (Note 17.4), and 4% of GR Michigan owned by a third party. The total non-controlling ownership, including ownership by officers and directors, is 13%.

23.2 Non-controlling interest in Canopy

The following is summarized financial information for Canopy, reflecting consolidation of Golden Harvests, of which Canopy is a 60% owner:

	<u>December 31,</u> <u>2023</u>	<u>October 31,</u> <u>2023</u>	<u>October 31,</u> <u>2022</u>	<u>October 31,</u> <u>2021</u>
	\$	\$	\$	\$
Current assets	4,521,194	4,192,902	3,200,701	3,093,330
Non-current assets	4,390,297	4,016,860	3,741,309	4,023,521
Current liabilities	2,275,147	2,048,167	2,337,695	1,708,330
Non-current liabilities	560,425	253,340	715,461	1,225,804
Advances due to parent	-	-	-	530,020
Net income (loss) for the year	29,607	(129,279)	(27,507)	2,196,479

In January of 2023, GR Unlimited exercised its option to acquire 87% of the membership units of Canopy from the CEO. Prior to this, ninety-six percent (96%) of Canopy was owned by officers and directors of the Company, and four percent (4%) was owned by a third party. Ownership by officers and directors, excluding the CEO, was pursuant to agreements which caused their ownership of Canopy to be equal to their ownership in GR Michigan (Note 23.2), which total 3.5%. The CEO owned 92.5% of Canopy, which was analogous to the CEO's 5.5% ownership of GR Michigan, and an additional 87% of Canopy, which was and is equal to the Company's 87% ownership of GR Michigan. Following GR Unlimited's acquisition of 87% of the membership units of Canopy in January of 2023, Canopy became owned 87% by GR Unlimited; 7.5% by officers and directors; and 5.5% by the CEO.

Grown Rogue International Inc.

Notes to the Consolidated Financial Statements

For the transition period ended December 31, 2023, and the years ended October 31, 2023, 2022, and 2021

Expressed in United States Dollars, unless otherwise indicated

24. LEGAL MATTERS

On September 22, 2022, the SEC issued an Order Instituting Proceedings pursuant to Section 12(j) of the 1934 Act, against the Company alleging violations of the 1934 Act, as amended, and the rules promulgated thereunder, by failing to timely file periodic reports. Section 12(j) authorizes the SEC as it deems necessary or appropriate for the protection of investors to suspend for a period not exceeding 12 months, or to revoke, the registration of a security if the SEC finds, on the record after notice and opportunity for hearing, that the issuer of such security has failed to comply with any provision of the 1934 Act, as amended, or the rules promulgated thereunder. The Company has filed an answer to the Order Instituting Proceedings and is seeking a hearing in the matter. The Company is currently fully compliant with all of their filings, is vigorously defending itself in the matter, and is preparing to re-register its security if necessary.

25. TRANSITION PERIOD COMPARATIVE DATA

As discussed in Note 2.4, the Company's Transition Report includes financial information for the two months ended December 31, 2023, and the years ended October 31, 2023, 2022 and 2021. The consolidated statements of financial position, the consolidated statements of comprehensive income (loss), the consolidated statements of changes in equity and the consolidated statements of cash flows for the two months ended December 31, 2023, and 2022, are summarized below. All data for the two months ended December 31, 2022, was derived from the Company's unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	December 31,	December 31,
	2023	2022
	\$	\$
ASSETS		
Current assets		
Cash	6,804,579	2,863,597
Accounts receivable	1,642,990	1,411,368
Biological assets	1,723,342	1,361,273
Inventory	5,021,290	3,490,591
Prepaid expenses and other assets	420,336	359,230
Total current assets	15,612,537	9,486,059
Property and equipment	8,820,897	7,469,962
Notes receivable	2,449,122	-
Warrants asset	1,761,382	-
Intangible assets and goodwill	725,668	725,668
Deferred tax assets	246,294	-
TOTAL ASSETS	29,615,900	17,681,689
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,358,962	1,434,536
Current portion of lease liabilities	925,976	633,716
Current portion of long-term debt	780,358	1,113,525
Business acquisition consideration payable	360,000	360,000
Unearned revenue	-	24,285
Derivative liability	7,471,519	783,854
Income tax payable	873,388	344,366
Total current liabilities	11,770,203	4,694,282
Lease liabilities	1,972,082	1,379,374
Long-term debt	82,346	1,198,336
Convertible debentures	2,459,924	1,228,104
TOTAL LIABILITIES	16,284,555	8,500,096
EQUITY		
Share capital	24,593,422	21,858,827
Shares issuable	-	35,806
Contributed surplus	8,186,297	6,505,092
Accumulated other comprehensive loss	(108,069)	(109,613)
Accumulated deficit	(20,353,629)	(21,114,998)
Equity attributable to shareholders	12,318,021	7,175,114
Non-controlling interest	1,013,324	2,006,479
TOTAL EQUITY	13,331,345	9,181,593
TOTAL LIABILITIES AND EQUITY	29,615,900	17,681,689

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)	Two months ended	
	December 31,	
	2023	2022
	\$	\$
Revenue		
Product sales	3,542,037	2,782,125
Service revenue	96,050	-
Total revenue	3,638,087	2,782,125
Cost of goods sold		
Cost of finished cannabis inventory sold	(1,404,323)	(1,264,131)
Cost of service revenues	(89,210)	-
Gross profit, excluding fair value items	2,144,554	1,517,994
Realized fair value loss amounts in inventory sold	(460,647)	(395,201)
Unrealized fair value gain on growth of biological assets	686,867	435,897
Gross profit	2,370,774	1,558,690
Expenses		
Accretion expense	216,493	94,411
Amortization of property and equipment	186,415	89,735
General and administrative	1,437,353	1,009,355
Share-based compensation	104,359	-
Total expenses	1,944,620	1,193,501
Income from operations	426,154	365,189
Other income and (expense)		
Interest expense	(69,164)	(70,262)
Other income	49,678	1,777
Gain on debt settlement	-	-
Unrealized loss on marketable securities	-	-
Unrealized gain on derivative liability	336,981	-
Unrealized gain on warrants asset	400,016	-
Loss on disposal of property and equipment	(87,699)	-
Total other income (expense), net	629,812	(68,485)
Income from operations before taxes	1,055,966	296,704
Income tax (Note 20)	(383,539)	(54,811)
Net income	672,427	241,893
Other comprehensive income (items that may be subsequently reclassified to profit and loss):		
Currency translation gain	6,106	-
Total comprehensive income	678,533	241,893
Gain per share attributable to shareholders – basic and diluted	0.00	0.00
Weighted average shares outstanding – basic and diluted	182,005,886	169,193,812
Net income for the year attributable to:		
Non-controlling interest	29,607	-
Shareholders	642,820	241,893
Net income	672,427	241,893
Comprehensive income for the year attributable to:		
Non-controlling interest	29,607	-
Shareholders	648,926	241,893
Total comprehensive income	678,533	241,893

[Table of Contents](#)

STATEMENT OF CHANGES IN EQUITY	Number of common shares	Share capital	Shares issuable	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Non- controlling interests	Total equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance - October 31, 2023	182,005,886	24,593,422	-	8,081,938	(114,175)	(20,996,449)	983,717	12,548,453
Stock option vesting expense	-	-	-	104,359	-	-	-	104,359
Currency translation gain	-	-	-	-	6,106	-	-	6,106
Net income	-	-	-	-	-	642,820	29,607	672,427
Balance – December 31, 2023	182,005,886	24,593,422	-	8,186,297	(108,069)	(20,353,629)	1,013,324	13,331,345

STATEMENT OF CHANGES IN EQUITY	Number of common shares	Share capital	Shares issuable	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Non- controlling interests	Total equity
	#	\$	\$	\$	\$	\$	\$	\$
Balance - October 31, 2022	170,632,611	21,858,827	35,806	6,505,092	(109,613)	(21,356,891)	2,006,479	8,939,700
Net loss	-	-	-	-	-	241,893	-	241,893
Balance – December 31, 2022	170,632,611	21,858,827	35,806	6,505,092	(109,613)	(21,114,998)	2,006,479	9,181,593

CONSOLIDATED STATEMENTS OF CASH FLOWS	Two months ended	
	December 31,	
	2023	2022
	\$	\$
Operating activities		
Net income	672,427	241,893
Adjustments for non-cash items in net income:		
Amortization of property and equipment	186,415	89,735
Amortization of property and equipment included in costs of inventory sold	209,985	168,139
Amortization of intangible assets	-	-
Unrealized fair value gain on growth of biological assets	(686,867)	(435,897)
Realized fair value loss amounts in inventory sold	460,647	395,201
Deferred income taxes	224,064	-
Stock option expense	104,359	-
Accretion expense	216,493	94,411
Loss on disposal of property and equipment	87,699	-
Unrealized gain on fair value of derivative liability	(336,981)	-
Unrealized gain on warrants asset	(400,016)	-
Currency translation gain	6,610	-
	744,331	553,482
Changes in non-cash working capital	(513,222)	(503,647)
Net cash provided by operating activities	231,109	49,835
Investing activities		
Purchase of property and equipment and intangibles	(126,690)	(101,169)
Cash advances and loans made to other parties	(1,018,596)	-
Net cash used in investing activities	(1,145,286)	(101,169)
Financing activities		
Proceeds from convertible debentures	-	2,000,000
Proceeds from long-term debt	-	-
Proceeds from private placement	-	-
Repayment of long-term debt	(568,166)	(364,414)
Repayment of convertible debentures	(126,978)	(15,000)
Payments of lease principal	(444,347)	(288,039)
Net cash provided by (used in) financing activities	(1,139,491)	1,332,547
Change in cash	(2,053,668)	1,281,213
Cash, beginning	8,858,247	1,582,384
Cash, ending	6,804,579	2,863,597

26. SUBSEQUENT EVENTS

26.1 Purchase of Ross Lane, Oregon Farm Property

On January 12, 2024, the Company executed the option to purchase the Ross Lane property located in Central Point, Oregon for total consideration of \$1,525,000.

26.2 New Jersey Retail Investment

On January 17, 2024, the Company announced that it formed Grown Rogue Retail Ventures LLC and signed a definitive agreement on January 16, 2024, to invest in and support Nile of NJ LLC, a company that is developing an adult-use dispensary in West New York, New Jersey. The investment is in the form of a secured note, in which the Company advanced \$500,000 pursuant to this secured note on February 13, 2024. These retail operations will be supported with products from a cultivation facility under development.

26.3 Warrants Acceleration

On March 1, 2024, the Company announced it has accelerated the expiry date of an aggregate of 23,270,249 common share purchase warrants comprised of the December Warrants, July Warrants and August Warrants. The Company issued the notice of acceleration required by the warrant certificates governing these warrants on March 1, 2024, thereby accelerating the expiry date to 90 days from the date of notice. As of April 10, 2024, all 23,270,249 common share purchase warrants were exercised for an aggregate of 23,270,249 common shares for aggregate gross proceeds of approximately US\$4.7 million.

26.4 Illinois Expansion

On March 5, 2024, the Company announced it signed a definitive agreement to form Rogue EBC, LLC, a joint venture with EBC Ventures. The joint venture has entered into a definitive agreement to acquire 100% of CannEquality, LLC, which holds a craft growers license with the Illinois Department of Agriculture. Grown Rogue will own 70% of the joint venture and has agreed to contribute up to US\$6,000,000 to support the development of the facility. The joint venture agreement includes multiple purchase options, which ultimately give Grown Rogue the ability to acquire 100% of the membership interests of the joint venture.

26.5 Grown Rogue Increases Ownership of Michigan Operations

On April 25, 2024, the Company announced that it has increased ownership in its Michigan operations from 52.2% to 80% in two transactions for total consideration of US\$2.8M, with US\$0.2M paid in cash and US\$2.6M paid by way of 4 year sellers' notes. Grown Rogue increased its ownership in Golden Harvests, the entity that controls its Michigan operations, operating out of an 80,000 sq ft facility that contains approximately 15,000 square feet of flowering bench space. We purchased the total remaining minority interest in Canopy for US\$0.8M, which includes a 20% down payment in cash and monthly payments for a period of 4 years with an interest rate of 5.2% per annum. Additionally, the Company purchased 20% of the minority interest in Golden Harvests for US\$2.0M, which includes minimum quarterly payments in cash for a period of 4 years. The transaction provides for a valuation of Golden Harvests at US\$10.0M. All payments owing to the sellers are expected to be completed with cash on hand and cash generated from operations. The Company retains the option to acquire the remaining 20% of Golden Harvests at a fair market valuation.

EQUITY PURCHASE AGREEMENT

This Equity Purchase Agreement (this "Agreement"), dated April 24, 2024 (the "Effective Date"), is between Grown Rogue Unlimited, LLC, an Oregon limited liability company ("Buyer"), and J. Obie Strickler, an individual and resident of the State of Oregon ("Seller"). Buyer and Seller are referred to in this Agreement each as a "Party" and, collectively, as the "Parties."

RECITALS

A. Canopy Management, LLC, a Michigan limited liability company ("Canopy"), Seller, and the other Members of Canopy entered into that certain Amended and Restated Operating Agreement of Canopy dated January 11, 2023 (the "Operating Agreement"). Capitalized terms used but not defined in this Agreement have the meanings given to them in the Operating Agreement.

B. Seller owns 5.5 Company Units (the "Purchased Units") of Canopy, which Purchased Units represent a 5.5% Company Interest (together with the Purchased Units, the "Purchased Equity").

C. Buyer wishes to purchase from Seller, and Seller wishes to sell to Buyer, the Purchased Equity, on the terms and subject to the conditions set forth in this Agreement.

The Parties agree as follows:

AGREEMENT

1. Purchase and Sale of Purchased Equity.

1.1 Purchase and Sale of Purchased Equity. On the terms and subject to the conditions set forth in this Agreement, at the Closing (as defined below), Seller hereby sells and transfers to Buyer, and Buyer hereby purchases from Seller, all of Seller's right, title, and interest in and to the Purchased Equity, including, without limitation, all rights associated with the Purchased Equity, free and clear of any mortgage, pledge, lien, charge, security interest, claim, or other encumbrance ("Encumbrance"), for the consideration set forth in Section 1.2.

1.2 Purchase Price and Payment. In full consideration for the Purchased Equity, Buyer will pay to Seller \$60,000 per Purchased Unit, for an aggregate purchase price of \$330,000 (the "Purchase Price"). Buyer will pay the Purchase Price to Seller as follows:

(a) At the Closing, Buyer will pay to Seller an amount equal to \$66,000 (the "Upfront Consideration") in cash by wire transfer of immediately available funds in accordance with the wire transfer instructions provided by Seller to Buyer in writing.

(b) Buyer will pay the remaining portion of the Purchase Price, being \$264,000 (the “Deferred Consideration”), in 48 equal monthly installments, inclusive of interest thereon at the rate of 5.21%, of \$6,104.88 each (each, a “Deferred Payment”). The first Deferred Payment will be due on May 1, 2024, and subsequent Deferred Payments will be due on the first business day of each month thereafter until the Deferred Consideration, including interest thereon at the interest rate set forth above, has been paid in full. Seller acknowledges and agrees that: (i) the Deferred Consideration is solely an unsecured contractual obligation of Buyer, and (ii) Seller’s right to receive the Deferred Consideration shall not be represented by any form of certificate or other instrument, is not transferable, and does not constitute an equity or ownership interest in Canopy or Buyer.

2. Closing; Closing Deliverables.

2.1 Closing. The closing (the “Closing”) of the transactions contemplated by this Agreement (the “Transactions”) will take place simultaneously with the execution of this Agreement on Effective Date remotely by exchange of documents and signatures (or their electronic counterparts). The consummation of the Transactions will be deemed to occur at 12:01 a.m. on the Effective Date.

2.2 Closing Deliverables. At the Closing: (a) Buyer shall deliver to Seller the Upfront Consideration pursuant to Section 1.2(a), and (b) Seller shall deliver to Buyer the assignment of Company Units, in the form attached hereto as Exhibit A, duly executed by Seller.

3. Seller’s Representations and Warranties. Seller represents and warrants to Buyer that:

3.1 Enforceability. This Agreement has been duly authorized, executed, and delivered by Seller and, assuming due authorization, execution, and delivery by Buyer, constitutes a legal, valid, and binding obligation of Seller, enforceable against Seller in accordance with its terms.

3.2 No Conflict; Consents. Seller’s execution, delivery, and performance of this Agreement, and the consummation of the Transactions, do not and will not violate any law applicable to Seller or violate or constitute a breach of any agreement, contract, order, or judgment to which Seller is a party or by which the Purchased Equity is bound. Seller is not required to obtain any consent, approval, waiver, or authorization from any person or entity (including any governmental authority) in connection with Seller’s execution, delivery, and performance of this Agreement and the consummation of the Transactions.

3.3 Legal Proceedings. Seller is not a party to any Action and, to Seller’s knowledge, there is no Action threatened or pending against Seller, (a) relating to or affecting the Purchased Equity; or (b) that challenges or seeks to prevent, enjoin, or otherwise delay the Transactions.

3.4 Ownership of Purchased Equity.

(a) As of the Closing, (i) Seller is the sole legal, beneficial, and record owner of, and has good and marketable title to, the Purchased Equity, in each case, free and clear of all Encumbrances, and (ii) the Purchased Equity represents the entire equity interest that Seller owns, directly or indirectly, in Canopy. Immediately following the Closing, Buyer will have good and valid title to the Purchased Equity.

(b) Except for any restrictions under the Operating Agreement, all of which have been waived, Seller has the full and unrestricted right and authority to transfer the Purchased Equity to Buyer. Other than the Operating Agreement, Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of the Purchased Equity and no person has any right to receive, claim against, or interest in or to any of the Purchased Equity.

3.5 Independent Investigation. Other than the representations and warranties expressly made by Buyer in this Agreement or any Schedule, Seller is not relying on any representation or warranty made by or on behalf of Buyer with respect to the Transactions, including with respect to the value of the Purchased Equity. Seller has had the opportunity to investigate, and is familiar with, the financial condition of Canopy. Notwithstanding anything to the contrary in the Operating Agreement, Seller expressly confirms that the Purchase Price (a) constitutes fair and adequate consideration for the Purchased Equity and (b) is, and shall be deemed to be, based on the “Agreed Value” of Canopy. Seller shall not assert, and hereby waives, any claim Seller may have based on the determination of the Purchase Price, including the valuation of Canopy upon which the Purchase Price was based.

4. Representations and Warranties of Buyer. Buyer represents and warrants to Seller that:

4.1 Enforceability. This Agreement has been duly authorized, executed, and delivered by Buyer and, assuming due authorization, execution, and delivery by Seller, constitutes a legal, valid, and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

4.2 No Conflict; Consents. Buyer’s execution, delivery, and performance of this Agreement, and the consummation of the Transactions, do not and will not violate any law applicable to Buyer or violate or constitute a breach of any agreement, contract, order, or judgment to which Buyer is a party. Buyer is not required to obtain any consent, approval, waiver, or authorization from any person or entity (including any governmental authority) in connection with Buyer’s execution, delivery, and performance of this Agreement or the consummation of the Transactions.

4.3 Legal Proceedings. Buyer is not a party to any Action and, to Buyer’s knowledge, there is no Action threatened or pending against Buyer that challenges or seeks to prevent, enjoin, or otherwise delay the Transactions.

4.4 Investment Purposes. Buyer is acquiring the Purchased Equity solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. Buyer acknowledges that the Purchased Equity is not registered under the Securities Act of 1933, as amended (the “Securities Act ”), or any state securities laws, and that the Purchased Equity may not be transferred or sold except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom and subject to state securities laws and regulations, as applicable.

4.5 No Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder's, or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Buyer.

5. Other Matters.

5.1 Cessation of Membership. Effective as of the Closing, Seller will cease to be, and will have no further rights under the Operating Agreement or the Michigan Limited Liability Company Act as, a member of Canopy.

5.2 Release. Except for claims arising from or related to this Agreement, Seller hereby releases Canopy, Buyer, each of their affiliates, and each of their and their affiliates' shareholders, members, directors, managers, officers, employees, agents, and representatives (each, a "Buyer Released Party"), from any and all actions, suits, claims, demands, damages, liabilities and controversies of any kind whatever, known or unknown, suspected or unsuspected, fixed or contingent, which Seller now has, ever had, or may hereafter have or claim to have against a Buyer Released Party, including with respect to the valuation of the Purchased Equity. Additionally, Seller will not initiate any legal action against any Buyer Released Party with respect to any such released claim.

5.3 Future Cooperation. The Parties will: (a) furnish upon request to each other such further information, (b) execute and deliver to each other such other documents, and (c) do such other acts and things, in each case, as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement.

5.4 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses.

5.5 Survival. All representations, warranties, and covenants made in this Agreement will survive the execution of this Agreement and the consummation of the Transactions.

6. Miscellaneous.

6.1 Interpretation. Headings contained in this Agreement are for reference purposes only. The words "includes" and "including" will be deemed to be followed by the phrase "without limitation." Each Party has had the opportunity to have this Agreement reviewed by its attorney. Therefore, no rule of construction or interpretation that disfavors the Party drafting this Agreement or any of its provisions will apply to the interpretation of this Agreement. Instead, this Agreement will be interpreted according to the fair meaning of its terms.

6.2 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither Party may assign its rights or obligations under this Agreement without the written consent of the other Party. Nothing in this Agreement, express or implied, is intended to create any third-party beneficiary.

6.3 Governing Law. This Agreement will be interpreted under the laws of the State of Michigan, without regard to its conflicts of laws principles.

6.4 Invalidity. Should any provision of this Agreement be determined by any court or arbitrator to be illegal or invalid, the court or arbitrator will reform such provision to the least and narrowest extent necessary to render it legal and valid, and will then enforce such reformed provision.

6.5 Entire Agreement; Amendments. This Agreement sets forth the entire understanding of the Parties with respect to its subject matter and supersedes any and all prior understandings and agreements, whether written or oral, between the Parties with respect to its subject matter. This Agreement may be amended only in a writing executed and delivered by both Parties.

6.6 Waiver of Defense. Each Party agrees that this Agreement's invalidity for public policy reasons and/or its violation of federal cannabis laws is not a valid defense to any dispute or claim arising out of this Agreement. Each Party expressly waives the right to present any defense related to the federal illegality of cannabis and agrees that such defense shall not be asserted, and will not apply, in any dispute or claim arising out of this Agreement.

6.7 Counterparts; Delivery. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000), or other transmission method, and any counterpart so delivered will be deemed to have been duly and validly delivered and be valid and effective for all purposes.

[Signature page follows]

The Parties have executed this Agreement as of the Effective Date.

BUYER:

GROWN ROGUE UNLIMITED, LLC

By: J. Obie Strickler

J. Obie Strickler (Apr 24, 2024 12:20 PDT)

Name: J. Obie Strickler

Title: Manager

SELLER:

J. Obie Strickler

J. Obie Strickler (Apr 24, 2024 12:20 PDT)

J. Obie Strickler

Equity Purchase Agreement
Signature Page

EXHIBIT A

Form of Assignment of Company Units

ASSIGNMENT OF COMPANY UNITS

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, J. Obie Strickler ("Assignor"), hereby assigns and transfers to Grown Rogue Unlimited, LLC, an Oregon limited liability company ("Assignee"), any and all interest Assignor has in and to 5.5 Company Units (the "Units") of Canopy Management, LLC, a Michigan limited liability company ("Company"), including, without limitation, the Company Interest represented by, and all rights associated with, the Units, standing in Assignor's name on the books of the Company, and does hereby irrevocably constitute and appoint the Manager of the Company to transfer the Units on the books of the Company with full power of substitution in the premises.

Dated: April 24, 2024


J. Obie Strickler (Apr 24, 2024 12:20 PDT)

J. Obie Strickler

MIPA_Canopy_Strickler

Final Audit Report

2024-04-24

Created:	2024-04-24
By:	Jake Wooten (jakewooten@grownrogue.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAhM0BQVepD_J3XTfSURfTrGZOgWQBih2l

"MIPA_Canopy_Strickler" History

-  Document created by Jake Wooten (jakewooten@grownrogue.com)
2024-04-24 - 6:47:37 PM GMT
-  Document emailed to J. Obie Strickler (obie@grownrogue.com) for signature
2024-04-24 - 6:47:41 PM GMT
-  Email viewed by J. Obie Strickler (obie@grownrogue.com)
2024-04-24 - 7:18:43 PM GMT
-  Document e-signed by J. Obie Strickler (obie@grownrogue.com)
Signature Date: 2024-04-24 - 7:20:15 PM GMT - Time Source: server
-  Agreement completed.
2024-04-24 - 7:20:15 PM GMT

MEMBERSHIP INTEREST PURCHASE AGREEMENT

This Membership Interest Purchase Agreement (this “**Agreement**”), dated effective as of April 24, 2024 (the “**Effective Date**”), is between DAVID PLEITNER, an individual and resident of the State of Michigan (“**Seller**”), and CANOPY MANAGEMENT, LLC, a Michigan limited liability company (“**Buyer**”) (each, a “**Party**” and, together, the “**Parties**”).

BACKGROUND

A. Seller, Buyer, and Golden Harvests LLC, a Michigan limited liability company (the “**Company**”), are parties to the Amended and Restated Operating Agreement of the Company dated as of May 1, 2021 (the “**Operating Agreement**”). Capitalized terms used but not defined in this Agreement have the meanings given to them in the Operating Agreement.

B. The Company is a Michigan limited liability company that has elected to be tax as a C corporation for federal and applicable state and local income tax purposes.

C. As of immediately before the Closing (as defined below), Seller owns a 40.0% Membership Interest in the Company (the “**Pleitner Interest**”), and Buyer owns the remaining 60% Membership Interest in the Company.

D. Seller wishes to sell to Buyer, and Buyer wishes to purchase from Seller, one-half of the Pleitner Interest (such one-half of the Pleitner Interest, the “**Purchased Interest**”), such that, immediately after the Closing, Seller will own a 20.0% Membership Interest in the Company and Buyer will own the remaining 80.0% Membership Interest in the Company, all as more fully described, and subject to the terms and conditions set forth, in this Agreement.

The Parties agree as follows:

**ARTICLE I
PURCHASE AND SALE**

Section 1.01 Purchase and Sale. On the terms, and subject to the conditions, set forth in this Agreement, at the Closing, Seller shall sell to Buyer, and Buyer shall purchase from Seller, all of Seller’s right, title, and interest in and to the Purchased Interest (including, without limitation, (a) Seller’s right to receive distributions from the Company attributable to the Purchased Interest, and (b) any and all voting and information rights attributable to the Purchased Interest), free and clear of any pledge, lien, charge, security interest, mortgage, claim, or other encumbrance or adverse interest of any kind (each, an “**Encumbrance**”), for the Purchase Price (as defined below).

Section 1.02 Purchase Price. The purchase price for the Purchased Interest shall be \$2,000,000 (the “**Initial Purchase Price**”) plus the Additional Purchase Price (as defined below) plus any True-Up Amount (as defined below), subject, in each case, to offset pursuant to Section 6.06.

(a) **Payment of Initial Purchase Price.** Buyer shall pay the Initial Purchase Price in thirteen equal quarterly installments of \$50,000 each (each, an “**IPP Installment**”), with the thirteenth and final installment including the remaining \$1,350,000 due. The first IPP Installment will be due on January 1, 2025, and subsequent IPP Installments will be due, with respect to each calendar quarter, on the first day of each following calendar quarter thereafter until the Initial Purchase Price has been paid in full. Buyer may, at any time following January 1, 2025 and from time to time, prepay all or any portion of the Initial Purchase Price without notice to, or the prior written consent of, Seller, provided that if the Buyer pays all of the Initial Purchase Price before the 18th month anniversary of the execution of this Agreement the Seller shall be entitled to an additional payment of \$100,000, due immediately.

(b) **Additional Purchase Price—Calculation and Payment.**

(i) With respect to each calendar quarter while any portion of the Initial Purchase Price remains outstanding, Buyer shall pay to Seller, as additional consideration for the Purchased Interest, an amount (the “**Additional Purchase Price**”) equal to the greater of (A) the Distribution Equivalent (as defined below) and (B) 1.42% of the average daily unpaid balance of the Initial Purchase Price during such calendar quarter. Each payment of Additional Purchase Price shall be paid within 30 days after payment of the related quarterly IPP Installment.

(ii) For purposes of this Section 1.02(b):

(A) “**Catch-Up Amount**” means, for each quarter while any portion of the Initial Purchase Price remains outstanding, the difference obtained by subtracting the amount calculated under subsection (B) of Section 1.02(b)(i) for such quarter from the amount calculated under subsection (A) of Section 1.02(b)(i) for such quarter, but in any event not less than zero.

(B) “**Distribution Equivalent**” means, for each calendar quarter while any portion of the Initial Purchase Price remains outstanding, an amount equal to (1) 1% for each \$100,000 (or, for any increment that is less than \$100,000, the percentage represented by the percentage such increment is of \$100,000 – e.g., if there is an increment of \$50,000, the percentage would be 0.5%) of then-unpaid Initial Purchase Price multiplied by (2) the aggregate amount of available cash the Company distributed to its members in such calendar quarter pursuant to Section 6.01(a) of the Operating Agreement.

(c) **True-Up.** Within 30 days after the payment of the final IPP Installment, Buyer shall pay to Seller the amount, if any, by which \$56,250 exceeds the aggregate Catch-Up Amounts (such amount, the “**True-Up Amount**”).

(d) **Acknowledgments.** The Parties acknowledge and agree that (i) none of the Initial Purchase Price, Additional Purchase Price, or True-Up Amount will bear interest and are solely an unsecured contractual obligation of Buyer; and (ii) the right to receive the Initial Purchase Price, the Additional Purchase Price, and the True-Up Amount (if any) shall not be represented by any form of certificate or other instrument, is not transferable, and does not constitute an equity or ownership interest in Buyer.

Section 1.03 Closing. The closing (the “**Closing**”) of the transactions contemplated by this Agreement (the “**Contemplated Transactions**”) shall take place simultaneously with the execution of this Agreement on the Effective Date remotely by exchange of documents and signatures (or their electronic counterparts). The consummation of the Contemplated Transactions shall be deemed to occur at 12:01 a.m. (Pacific Time) on the Effective Date.

Section 1.04 Transfer Taxes. Seller shall pay, and shall reimburse Buyer and the Company for, any sales, use, or transfer taxes, documentary charges, recording fees or similar taxes, charges, fees, or expenses, if any, that become due and payable as a result of the Contemplated Transactions.

Section 1.05 Withholding Taxes. Buyer shall be entitled to deduct and withhold from the Purchase Price all taxes that Buyer is required to deduct and withhold from such payment under applicable tax laws. Any amount so deducted and withheld shall be paid over to the appropriate governmental body and shall be treated as delivered to Seller hereunder.

ARTICLE II REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer that the statements contained in this ARTICLE II are true and correct as of the Closing.

Section 2.01 Authority of Seller; Enforceability. Seller is an individual and resident of the State of Michigan. Seller has all necessary power and authority to enter into this Agreement and the documents to be delivered by Seller hereunder, to carry out his obligations hereunder and thereunder, and to consummate the Contemplated Transactions. This Agreement and the documents to be delivered by Seller hereunder have been duly executed and delivered by Seller and (assuming Buyer’s due authorization, execution, and delivery of this Agreement) constitute Seller’s legal, valid, and binding obligations, enforceable against Seller in accordance with their respective terms, except as may be limited by any bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other similar laws affecting the enforcement of creditors’ rights generally or by general principles of equity.

Section 2.02 No Conflicts; Consents. Seller’s execution, delivery, and performance of this Agreement and the documents to be delivered by Seller hereunder, and the consummation of the Contemplated Transactions by Seller, do not and will not: (a) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule, or regulation applicable to Seller; or (b) conflict with or result in (with or without notice or lapse of time or both) any violation of, or default under, or give rise to a right of termination, acceleration, or modification of any obligation or loss of any benefit under any contract, oral or written, or other instrument to which Seller is a party or otherwise bound. No consent, approval, waiver, or authorization is required to be obtained by Seller from any person or entity (including any governmental authority) in connection with Seller’s execution, delivery, and performance of this Agreement and the consummation of the Contemplated Transactions.

Section 2.03 Legal Proceedings. Seller is not a party to any claim, action, suit, proceeding, or governmental investigation (“**Action**”) and, to Seller’s knowledge, there is no Action threatened or pending against Seller, or any event that has occurred or circumstance that exists that may give rise to, or serve as the basis for, any Action, in each case, (a) relating to or affecting the Purchased Interest or in which a charging order against the Purchased Interest has been sought or awarded; or (b) that challenges or seeks to prevent, enjoin, or otherwise delay the Contemplated Transactions.

Section 2.04 Ownership of Purchased Interest.

(a) Seller has good and valid title to the Purchased Interest, free and clear of all Encumbrances, other than those existing under the Operating Agreement.

(b) Except those set forth in the Operating Agreement, there are no voting trusts, proxies, or other agreements or understandings in effect with respect to the voting, transfer, or assignment of the Purchased Interest.

Section 2.05 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder’s, or other fee or commission in connection with the Contemplated Transactions based upon arrangements made by or on behalf of Seller.

Section 2.06 Non-Foreign Status. Seller is not a foreign person as such term is used in Section 1446(f) of the Internal Revenue Code or Treasury Regulations Section 1.1445-2.

**ARTICLE III
REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to Seller that the statements contained in this ARTICLE III are true and correct as of the Closing.

Section 3.01 Organization and Authority of Buyer; Enforceability. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the state of Michigan. Buyer has all necessary limited liability company power and authority to enter into this Agreement and the documents to be delivered by Buyer hereunder, to carry out its obligations hereunder and thereunder, and to consummate the Contemplated Transactions. Buyer’s execution, delivery, and performance of this Agreement and the documents to be delivered by Buyer hereunder and the consummation of the Contemplated Transactions have been duly authorized by all requisite limited liability company action on the part of Buyer. This Agreement and the documents to be delivered by Buyer hereunder have been duly executed and delivered by Buyer, and (assuming due authorization, execution, and delivery by Seller of this Agreement and the Assignment) constitute Buyer’s legal, valid, and binding obligations, enforceable against Buyer in accordance with their terms, except as may be limited by any bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other similar laws affecting the enforcement of creditors’ rights generally or by general principles of equity.

Section 3.02 No Conflicts; Consents. The execution, delivery, and performance by Buyer of this Agreement and the documents to be executed by Buyer hereunder, and the consummation of the Contemplated Transactions by Buyer, do not and will not (a) violate or conflict with the certificate of formation, operating agreement, or other organizational documents of Buyer; or (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule, or regulation applicable to Buyer. No consent, approval, waiver, or authorization is required to be obtained by Buyer from any person or entity (including any governmental authority) in connection with the execution, delivery, and performance by Buyer of this Agreement and the consummation of the Contemplated Transactions.

Section 3.03 Investment Purpose. Buyer is acquiring the Purchased Interest solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. Buyer acknowledges that the Purchased Interest is not registered under the Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities laws, and that the Purchased Interest may not be transferred or sold except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom and subject to state securities laws and regulations, as applicable.

Section 3.04 Legal Proceedings. Buyer is not a party to any Action and, to Buyer’s knowledge, there is no Action pending or threatened against Buyer, or any event that has occurred or circumstance that exists that may give rise to, or serve as the basis for, any Action, in each case, that challenges or seeks to prevent, enjoin, or otherwise delay the Contemplated Transactions.

Section 3.05 Brokers. No broker, finder, or investment banker is entitled to any brokerage, finder’s, or other fee or commission in connection with the Contemplated Transactions based upon arrangements made by or on behalf of Buyer.

ARTICLE IV CLOSING DELIVERABLES

Section 4.01 Closing Deliverables. At the Closing, Seller shall deliver to Buyer the assignment of membership interest, in the form attached hereto as Exhibit A (the “**Assignment**”), duly executed by Seller.

ARTICLE V OTHER MATTERS

Section 5.01 Approvals. Buyer and Seller, as the only Members of the Company, hereby: (a) expressly consent to the transfer of the Purchased Interest from Seller to Buyer, which Buyer and Seller acknowledge and agree constitutes the only consent required under the Operating Agreement with respect to such transfer, and (b) for the avoidance of any doubt, expressly waive any other notice, consent, or other action that is or may be required under the Operating Agreement in connection with such transfer.

Section 5.02 Publicity and Announcements. Neither Party shall (orally or in writing) publicly disclose or issue any press release, make any other public statement, or otherwise communicate with the media, concerning the existence of this Agreement, the transactions contemplated hereby, or the terms hereof, without the prior written approval of the other Party (which shall not be unreasonably withheld or delayed), except to the extent that such Party (based on the reasonable advice of counsel) is required to make any public disclosure or filing regarding the subject matter of this Agreement (a) by applicable law; or (b) in connection with enforcing its rights under this Agreement.

Section 5.03 Further Assurances. Following the Closing, each of the Parties shall, and shall cause their respective affiliates to, execute and deliver such additional documents, instruments, conveyances, and assurances, and take such further actions, in each case, as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement.

ARTICLE VI INDEMNIFICATION

Section 6.01 Survival. The representations, warranties, covenants, and agreements contained in this Agreement and all related rights to indemnification shall survive the Closing.

Section 6.02 Indemnification by Seller. Subject to the other terms and conditions of this ARTICLE VI, Seller shall defend, indemnify, and hold harmless Buyer, its affiliates, and their respective members, shareholders, managers, directors, officers, and employees from and against:

(a) all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees, and the costs of enforcing any right to indemnification under this Agreement (collectively, "Losses"), arising from or relating to any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement; or

(b) any Loss arising from or relating to any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Seller pursuant to this Agreement.

Section 6.03 Indemnification by Buyer. Subject to the other terms and conditions of this ARTICLE VI, Buyer shall defend, indemnify, and hold harmless Seller and its affiliates from and against all Losses arising from or relating to:

(a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement; or

(b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Company pursuant to this Agreement.

Section 6.04 Indemnification Procedures. Whenever any claim shall arise for indemnification hereunder, the Party entitled to indemnification (the “**Indemnified Party**”) shall promptly provide written notice of such claim to the other Party (the “**Indemnifying Party**”). The failure to give prompt notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. In connection with any claim giving rise to indemnity under this Agreement resulting from or arising out of any Action by a person or entity who is not a Party, the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume the defense of any such Action with its counsel. The Indemnified Party shall be entitled to participate in the defense of any such Action, with its counsel and at its own cost and expense, subject to the Indemnifying Party’s right to control the defense thereof. If the Indemnifying Party does not assume the defense of any such Action, the Indemnified Party may, but shall not be obligated to, defend against such Action in such manner as it may deem appropriate, including, but not limited to, settling such Action, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate and no action by the Indemnified Party in accordance with such defense and settlement shall relieve the Indemnifying Party of its indemnification obligations under this Agreement. The Indemnifying Party shall not settle any Action without the Indemnified Party’s prior written consent, which consent shall not be unreasonably withheld or delayed.

Section 6.05 Payments. Once a Loss is agreed to by the Indemnifying Party or finally adjudicated to be payable pursuant to this ARTICLE VI, the Indemnifying Party shall satisfy its obligations within 15 business days of such agreement or final, non-appealable adjudication by wire transfer of immediately available funds. The Parties agree that should an Indemnifying Party not make full payment of any such obligations within such 15 business day period, any amount payable shall accrue interest from and including the date of agreement of the Indemnifying Party or final, non-appealable adjudication to and including the date such payment has been made at a rate per annum equal to 12%. Such interest shall be calculated daily on the basis of a 365 day year and the actual number of days elapsed.

Section 6.06 Offset Right. If Buyer is entitled to indemnification for any Losses under this ARTICLE VI, then Buyer may, but will have no obligation to, offset all or any part of such Losses against the unpaid portion of the Initial Purchase Price, the Additional Purchase Price and/or the True-Up Amount, and, in such event, the amount set off shall be deemed paid to Seller and reduce the amount otherwise payable by Buyer to Seller under Section 1.02 on a dollar-for-dollar basis.

Section 6.07 Tax Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the Parties as an adjustment to the Purchase Price for tax purposes, unless otherwise required by applicable law.

Section 6.08 Cumulative Remedies. The rights and remedies provided in this ARTICLE VI are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise.

**ARTICLE VII
MISCELLANEOUS**

Section 7.01 Expenses. Except as otherwise provided in Section 1.04, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses.

Section 7.02 Notices. All notices, requests, consents, claims, demands, waivers, and other communications under this Agreement shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or email of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective Party at the address for such Party on file with the Company (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 7.02).

Section 7.03 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 7.04 Severability. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon a determination that any term or other provision is invalid, illegal, or unenforceable, the Parties shall negotiate in good faith to modify the Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 7.05 Entire Agreement. This Agreement and the documents to be delivered hereunder constitute the sole and entire agreement of the Parties with respect to the subject matter contained herein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the terms and provisions in the body of this Agreement and those in the documents delivered in connection herewith, the terms and provisions in this body of this Agreement shall control.

Section 7.06 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. Neither Party may assign its rights or obligations hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning Party of any of its obligations hereunder.

Section 7.07 No Third-Party Beneficiaries. Except as provided in ARTICLE VI, this Agreement is for the sole benefit of the Parties and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement.

Section 7.08 Amendment and Modification. This Agreement may only be amended, modified, or supplemented by an agreement in writing signed by each Party.

Section 7.09 Waiver. No waiver by any Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. No waiver by any Party shall operate or be construed as a waiver in respect of any failure, breach, or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power, or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege.

Section 7.10 Governing Law. All matters arising out of or relating to this Agreement or the transactions contemplated hereby shall be governed by and construed in accordance with the internal laws of Michigan without giving effect to any choice or conflict of law provision or rule (whether of the State of Michigan or any other jurisdiction).

Section 7.11 Submission to Jurisdiction. Any legal suit, action, proceeding, or dispute arising out of or related to this Agreement or the transactions contemplated hereby may be instituted in the courts of the State of Michigan located in Bay County, Michigan, and each Party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action, proceeding, or dispute.

Section 7.12 Waiver of Jury Trial. MAKER AND HOLDER EACH HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING INVOLVING THIS NOTE. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES TO ENTER INTO THE CONTEMPLATED TRANSACTION.

Section 7.13 Specific Performance. The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity. Each Party (a) agrees that it shall not oppose the granting of such specific performance or relief and (b) hereby irrevocably waives any requirements for the security or posting of any bond in connection with such relief.

Section 7.14 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email, or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 7.15 Waiver of Defense. Each Party agrees that this Agreement's invalidity for public policy reasons and/or its violation of federal cannabis laws is not a valid defense to any dispute or claim arising out of this Agreement. Each Party expressly waives the right to present any defense related to the federal illegality of cannabis and agrees that such defense shall not be asserted, and will not apply, in any dispute or claim arising out of this Agreement.

Section 7.16 Agreement Prepared by Company Counsel. Seller has read this Agreement and acknowledges that:

- (a) counsel for Buyer prepared this Agreement on behalf of Buyer and not on behalf of Seller or the Company;
- (b) Seller has been advised that a conflict exists between its interests and the interests of Buyer;
- (c) this Agreement and the Contemplated Transactions may have significant legal, tax, financial, and other consequences to Seller;
- (d) Seller has sought, or has had the full opportunity to seek, the advice of independent legal and tax counsel and/or financial and tax advisors of its choosing regarding such consequences; and
- (e) counsel for Buyer has made no representations to Seller regarding such consequences.

[Signatures on following page]

The Parties have caused this Agreement to be executed as of the Effective Date by their respective officers thereunto duly authorized.

SELLER:

/s/ David Pleitner

David Pleitner

BUYER:

CANOPY MANAGEMENT, LLC, a Michigan limited liability company

By: /s/ J. Obie Strickler

Name: J. Obie Strickler

Title: Manager

[Signature Page to Membership Interest Purchase Agreement]

EXHIBIT A

Form of Assignment of Membership Interest

See attached.

GUARANTY AGREEMENT

This Guaranty Agreement is made on 4/24, 2024, by DAVID PLEITNER (“Creditor”), GROWN ROGUE UNLIMITED, LLC, and GROWN ROGUE INTERNATIONAL, INC., (“Guarantors”), and CANOPY MANAGEMENT, LLC, (“Payor”).

Recitals

- A. Payor has agreed to pay to Creditor the amount of Two Million Dollars (\$2,000,000.00), as evidenced by a Membership Interest Purchase Agreement (the “Agreement”) to be executed on this date; provided, however, that as security for the performance of the Payor’s obligations, the undersigned, as Guarantors, have agreed to guaranty the performance and payment of all obligations of Payor pursuant to the Agreement and any additional security for the performance and payment of the Payor’s obligations.
- B. Guarantors acknowledge the performance and payment of the obligations is of genuine and material value to the sole and separate estate of Guarantors.

Agreement

Guarantors, with full knowledge of Creditor’s reliance on this Guaranty, and in consideration of the execution of the Agreement, does guaranty to Creditor, including Creditor’s successors, administrators, personal representatives, and assigns, the prompt payment of Payor’s obligations and the full payment of Payor’s obligations (all in accordance with the terms of the Agreement and any related documents, including any security).

This Guaranty shall be a continuing guaranty until all of the terms of the Agreement and any related documents, including any security, shall be fully paid, satisfied, and discharged. The liability of Guarantors shall be direct and not conditional or contingent on the pursuit of any remedies made against Payor by Creditor.

The undersigned has caused this Guaranty to be executed on the date set forth below.

Dated: <u>4/24/2024</u>	<u>/s/ David Pleitner</u> DAVID PLEITNER, Creditor
Dated: <u>4/24/2024</u>	GUARANTORS GROWN ROGUE INTERNATIONAL, INC. By: <u>/s/ J. Obie Strickler</u> Its: CEO
Dated: <u>4/24/2024</u>	GROWN ROGUE UNLIMITED, LLC By: <u>/s/ J. Obie Strickler</u> Its: Member
Dated: <u>4/24/2024</u>	PAYOR CANOPY MANAGEMENT, LLC By: <u>/s/ J. Obie Strickler</u> Its: Member

CERTIFICATIONS

I, J. Obie Strickler, certify that:

1. I have reviewed this Transition Report on Form 20-F of Grown Rogue International Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2024

By: /s/ J. Obie Strickler
J. Obie Strickler
President & Chief Executive Officer

CERTIFICATIONS

I, Ryan Kee, certify that:

1. I have reviewed this Transition Report on Form 20-F of Grown Rogue International Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2024

By: /s/ Ryan Kee
Ryan Kee
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Transition Report of Grown Rogue International Inc. (the "Company") on Form 20-F for the two months ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Obie Strickler, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Transition Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ J. Obie Strickler

Name: J. Obie Strickler

Title: President & Chief Executive Officer

Date: April 29, 2024

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Transition Report of Grown Rogue International Inc. (the "Company") on Form 20-F for the two months ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ryan Kee, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

- (1) The Transition Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Ryan Kee

Name: Ryan Kee

Title: Chief Financial Officer

Date: April 29, 2024
