ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth in "Part I – Item 1A. Risk Factors."

Business Overview

We were incorporated on September 22, 1978, under the *Business Corporations Act (Ontario)*, and, until 2016, operated predominantly as a mining and energy company. In 2016, we divested our mining and energy assets and began operating as a digital media and technology company.

In 2018, we, together with Grown Rogue Canada, an Ontario corporation, and Grown Rogue Unlimited, LLC, an Oregon limited liability company and our wholly-owned subsidiary ("GR Unlimited"), completed a reverse triangular merger (the "Merger"). Following completion of the Merger, we changed our name to Grown Rogue International Inc. and began operating as a fully integrated, seed to experience cannabis brand with a focus on user experience.

We manage 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 we believe consumers' desire. In 2021, we expanded into Michigan by obtaining an interest in an operating company with an indoor grow facility. In 2024, we expanded into New Jersey by obtaining an interest in an operating company with an indoor grow facility. We have also recently entered the Illinois and Minnesota markets with plans to expand.

The Grown Rogue portfolio of brands have a diverse cannabis product suite that includes premium flower (indoor and sungrown) and flower pre-rolls. We are 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 our best-in-class production methods, low-cost cultivation, award winning product, and geographic location in the famed Emerald Triangle, we believe Grown Rogue is well positioned to execute on becoming a leader in flower production in the cannabis sector.

We, through our subsidiaries, have direct involvement in the cultivation, manufacture, possession, sale, and distribution of marijuana in the United States. We 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). Through our subsidiaries we produce recreational marijuana and distribute it to dispensaries throughout Oregon, Michigan, and New Jersey.

Results of Operations

Comparison of the Years Ended December 31, 2025 and 2024

Significant items contributing to the generation of net income are summarized in the table below:

Years ended December 31:	**2025**	**2024**	**Variance**	**Variance**
	$	**$**	**$**	**%**
Total revenues	**32,427,936**	26,622,324	5,805,612	22%
Cost of revenues	**(18,281,254)**	(13,379,346)	(4,901,908)	37%
Amortization of property and equipment	**702,258**	993,379	(291,121)	29%
General and administrative	**11,643,917**	10,580,794	1,063,123	10%
Share-based compensation	**2,393,994**	1,608,823	785,171	49%
Interest expense	**(150,331)**	(77,513)	(72,818)	94%
Accretion expense	**(1,234,423)**	(1,836,440)	602,017	(33)%
Other income (expense)	**932,730**	1,090,649	(157,919)	(14)%
Interest income	**179,731**	350,656	(170,925)	(49)%
Unrealized loss on derivative liability	**44,917**	(7,754,402)	7,799,319	(101)%
Realized gain (loss) on derivative liability	**5,859,744**	(5,049,209)	10,908,953	(216)%
Unrealized gain on warrant asset	**247,477**	3,094,413	(2,846,936)	(92)%
Realized loss on warrant liability	**-**	(1,741,710)	1,741,710	(100)%
Loss on equity investment in associate	**(452,962)**	(251,230)	(201,732)	80%
Income tax	**(1,603,439)**	(3,864,547)	2,261,108	(59)%
Net income (loss)	**3,229,957**	(15,979,351)	19,209,308	(120)%

Total Revenues

The following table summarizes the components of revenues for the years ended December 31, 2025 and 2024:

Years ended December 31:	**2025**	**2024**	**Variance**	**Variance**
	$	**$**	**$**	**%**
Revenue from Grown Rogue production	**32,427,936**	25,364,193	7,063,743	28%
Revenue from services	**-**	1,258,131	(1,258,131)	(100)%
Total revenue	**32,427,936**	26,622,324	5,805,612	22%

Revenue From Grown Rogue Production

The following table summarizes revenues from Grown Rogue production for the years ended December 31, 2025 and 2024:

Years ended December 31:	**2025**	**2024**	**Variance**	**Variance**
	$	**$**	**$**	**%**
Indoor	**24,724,109**	18,389,480	6,334,629	34%
Outdoor	**2,550,095**	2,841,940	(291,845)	(10)%
Pre-rolls	**5,162,268**	3,280,915	1,881,353	57%
Trim & other	**(8,536)**	851,858	(860,394)	(101)%
Revenue from product sales	**32,427,936**	25,364,193	7,063,743	28%

Revenues for the years ended December 31, 2025 and 2024, were $32,427,936 and $25,364,193, respectively. We sold 12,064 or 36% more pounds during the year ended December 31, 2025, as compared to the year ended December 31, 2024, while average selling prices decreased by approximately $45 or 6% per pound.

The following table summarizes pounds sold.

Years ended December 31:	2025 pounds	2024 pounds	Variance pounds	Variance %
Indoor flower	**29,415**	20,845	8,570	41%
Outdoor flower	**10,183**	8,132	2,051	25%
Pre-rolls	**5,981**	4,538	1,443	32%
Total	**45,579**	33,515	12,064	36%

The following table summarizes average selling price per pound sold.

Years ended December 31:	2025 $	2024 $	Variance $	Variance %
Indoor flower	**841**	882	(42)	(5)%
Outdoor flower	**250**	349	(99)	(28)%
Pre-rolls	**863**	723	140	19%
Average	**711**	757	(45)	(6)%

Service Revenues

Service revenues for the year ended December 31, 2025, decreased to $nil, as compared to $1,258,131 for the year ended December 31, 2024, following our termination, on October 11, 2024, of a consulting agreement (the "Consulting Agreement") between GR Unlimited and Vireo Growth Inc. (formerly Goodness Growth Holdings, Inc., "Vireo Growth").

Cost of Revenues

Years ended December 31:	2025 $	2024 $	Variance $	Variance %
Costs of Product sales	**(18,281,254)**	(13,172,677)	(5,108,577)	39%
Costs of service revenues	**-**	(206,669)	206,669	(100)%
Costs of goods sold	**(18,281,254)**	(13,379,346)	(4,901,908)	37%

Cost of goods sold includes the cost of finished cannabis inventory sold. Cost of service revenues includes the cost associated with the revenues derived from the Consulting Agreement.

During the year ended December 31, 2025, cost of finished cannabis inventory sold increased by $5,108,577 as compared to the year ended December 31, 2024. The increase in cost of cannabis finished goods inventory sold is primarily due to the increase in revenue from sale of cannabis inventory and a decrease in margins from 50% during the year ended December 31, 2024 to 43% during the year ended December 31, 2025 due to the 6% decline in average selling price per pound as noted above.

During the year ended December 31, 2025, cost of services revenues decreased to $nil, as compared to $206,669 for the year ended December 31, 2024, as we terminated the Consulting Agreement with Vireo Growth on October 11, 2024.

Amortization

Amortization expense relates to our property and equipment and was $702,258 for the year ended December 31, 2025 as compared to $993,379 for the year ended December 31, 2024. Total amortization of property and equipment was $2,842,952 for the year ended December 31, 2025, of which $2,140,694 was capitalized to inventory. Total amortization expense was $1,429,426 for the year ended December 31, 2024, of which $436,047 was capitalized to inventory.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2025 and 2024, were as follows.

Years ended December 31:	**2025**	**2024**	**Variance**	**Variance**
	$	**$**	**$**	**%**
Office, banking, travel, and overheads	**2,593,087**	3,025,609	(432,522)	(14)%
Professional services	**1,041,021**	742,239	298,782	40%
Salaries and benefits	**8,009,809**	6,812,946	1,196,863	18%
General and administrative expenses	**11,643,917**	10,580,794	1,062,123	10%

General and administrative costs for the year ended December 31, 2025 increased by $1,062,123 in comparison to the costs for the year ended December 31, 2024, in support of our growth and increased sales volumes.

Share-based Compensation

During the year ended December 31, 2025, we granted, or committed to grant, SV Shares, stock options and restricted share units ("RSUs") as compensation to employees and service providers. The SV Share issuances, share options and RSUs (measured at fair value using the Black-Scholes pricing model) resulted in total expense recognition of $2,393,994 during the year ended December 31, 2025, as compared to $1,608,823 for the year ended December 31, 2024. The expense increased as a result of the issuance of 2,330,000 stock options and 1,234,375 RSU's combined with vesting expense related to stock option and RSU awards issued during the year ended December 31, 2024.

Interest Expense

Interest expense reflects the increase in long-term debt due to the new issued long-term debt (see "—Cash Flows—Indebtedness" below for a detailed discussion of our long-term debt) which was partially offset by a decrease due to settlement of the outstanding convertible debentures during the year ended December 31, 2024.

Accretion Expense

Accretion expense for the year ended December 31, 2025 decreased by $602,017, in comparison to the accretion expense for the year ended December 31, 2024, as result of the settlement of outstanding convertible debentures during the year ended December 31, 2024 along with a reduction in accretion expense related to consideration payable on acquisitions as the balances are repaid in accordance with the terms of the respective Canopy and Golden Harvests agreements.

Other Income

Other income for the year ended December 31, 2025 decreased by $157,979, in comparison to other income for the year ended December 31 2024, as the year ended December 31, 2024 included an $800,000 termination fee related to the termination of the Consulting Agreement with Vireo Growth. This decrease was partially offset by a federal tax credit received during the year ended December 31, 2025 of $547,000.

Interest Income

Interest income for the year ended December 31, 2025 decreased by $170,925, in comparison to interest income for the year ended December 31, 2024, as a result of lower interest earned on cash balances.

Unrealized Gain On Derivative Liability

Unrealized gain on derivative liability for the year ended December 31, 2025 decreased by $7,799,319, in comparison to unrealized gain on derivative liability for the year ended December 31, 2024, as a result of the settlement of the conversion feature related to the convertible debentures during the year ended December 31, 2025. The derivative liability balance as at December 31, 2025 relates to interest rate swaps transactions with Western Alliance Bank.

Realized (Gain) Loss On Derivative Liability

Realized gain (loss) on derivative liability for the year ended December 31, 2025 increased by $10,908,953, in comparison to realized gain (loss) on derivative liability for the year ended December 31, 2024, as a result of a realized gain on settlement of the conversion feature due to a decrease in our SV Share price during the period as compared to a realized loss on settlement of the conversion feature during the year ended December 31, 2024 due to an increase in our SV Share price during the period.

Unrealized Gain On Warrant Asset

Unrealized gain on warrant asset for the year ended December 31, 2025 decreased by $2,846,936, in comparison to unrealized gain on warrant asset for the year ended December 31, 2024. The gain decreased as the Vireo Growth share price remained relatively consistent during the year ended December 31, 2025 while it increased significantly during the year ended December 31, 2024. The Vireo Growth share price impacts the Black-Scholes model used by the Company to determine the fair value of the Vireo Growth warrants held.

Realized Loss On Warrant Liability

Realized loss on warrant liability for the year ended December 31, 2025 increased by $1,741,710, in comparison to realized loss on warrant liability for the year ended December 31, 2024, as the warrant liability was fully settled during the year ended December 31, 2024.

Loss On Equity Investment In Associate

On March 5, 2024, we formed Rogue EBC, LLC (“Rogue EBC”) as a joint venture with EBC Ventures (“EBC”) to enter the Illinois market. We initially owned 70% of Rogue EBC, while EBC owned the remaining 30%, however, on September 20, 2025 we entered into an agreement to acquire EBC’s interest in Rogue EBC with closing contingent on approval by the Illinois Department of Agriculture.

Loss on equity investment in associate for the year ended December 31, 2025 decreased by $201,732, in comparison to loss on equity investment in associate interest income for the year ended December 31, 2024, as a result of an increase in the net loss of Rouge EBC which has not yet commenced commercial production and will incur operating losses until commercial production commences.

Income Tax

During the year ended December 31, 2024, we recorded an uncertain tax liability of $3,812,372 for uncertain tax positions primarily related to the treatment of certain transactions and deductions under Section 280E of the Code based on legal interpretations that challenge our tax liability under Section 280E of the Code. We recorded additional uncertain tax liability of $3,513,910 for uncertain tax positions for the year ended December 31, 2025. These uncertain tax positions, inclusive of penalties and interest, are included in other non-current liabilities on the consolidated balance sheets.

The following table summarizes the uncertain tax position recognized net of certain deferred tax assets in the consolidated financial statements for the years ended December 31, 2025 and 2024.

Uncertain tax position inclusive of penalties and interest:	
	$
Balance, December 31, 2023	2,128,057
Additions based on tax positions related to the current year	3,562,881
Interest and penalties recorded in income tax expense	249,491
Balance, December 31, 2024	5,940,429
Additions based on tax positions related to the current year	3,078,881
Interest and penalties recorded in income tax expense	435,030
Balance, December 31, 2025	9,454,340

Segment Reporting

We operate in the states of Oregon, Michigan, New Jersey in the United States, and we recently began providing consulting services. The following tables summarize performance by segment for the years ended December 31, 2025 and 2024.

Segments	**Oregon**	**Michigan**	**New Jersey**	**Services**	**Total**
	$	**$**	**$**	**$**	**$**
Non-current assets other than financial instruments:					
As at December 31, 2025	5,712,897	3,853,192	13,949,466	11,638,995	35,154,550
As at December 31, 2024	6,170,295	4,933,394	14,506,946	1,855,922	27,466,557
Year ended December 31, 2025:					
Net revenue	11,059,993	10,032,271	11,335,672	-	32,427,936
Gross profit	3,155,508	4,927,354	6,063,820	-	14,146,682
Net income (loss)	480,531	2,418,707	4,510,506	(4,179,787)	3,229,957
Year ended December 31, 2024:					
Net revenue	12,093,606	12,936,028	334,559	1,258,131	26,622,324
Gross profit	4,913,965	7,228,158	49,393	1,051,462	13,242,978
Net income (loss)	2,067,908	4,072,961	(1,393,572)	(20,726,648)	(15,979,351)

Non-GAAP Financial Measures (EBITDA and Adjusted EBITDA)

In addition to providing financial measures based on accounting principles generally accepted in the United States of America (“GAAP”), we provide “EBITDA” and “Adjusted EBITDA” which are non-GAAP financial measures used by management to understand and compare our operating results across accounting periods, for financial and operational decision-making, for planning and forecasting purposes and to evaluate our financial performance. Non-GAAP financial measures do not have any defined meaning under GAAP and may not be comparable to similar measures presented by other companies.

We define "EBITDA" as net income or loss for a period, as reported, before interest, taxes, depreciation and amortization, and as further adjusted to remove transaction costs, share-based compensation expense, accretion expense, gain (loss) on derecognition of derivative liabilities, as well as other non-cash items and items not representative of operational performance as reported in net income (loss).

We define "Adjusted EBITDA" as EBITDA adjusted for the impact of various significant or unusual transactions. We believe that Adjusted EBITDA is a useful metric to evaluate our operating performance and that it may increase comparability with companies in the cannabis industry by adjusting for variability resulting from differences in capital structures, resource allocations and investments, the impact of fair value adjustments on biological assets and inventory and financial statements, which may be volatile and fluctuate significantly from period to period. However, other companies may also calculate these measures differently, which would limit their usefulness as a comparative measure.

Adjusted EBITDA is intended to provide a proxy for our operating cash flow before changes in non-cash working capital, which was $5,385,640 (for the year ended December 31, 2024 - $3,762,446).

The following table provides a reconciliation of our net income (loss), as reported, to Adjusted EBITDA (non-GAAP) for the years ended December 31, 2025 and 2024:

Years ended December 31:	**2025**	**2024**
	$	**$**
Adjusted EBITDA Reconciliation		
Net income (loss)	3,229,957	(15,979,351)
Add back amortization of property and equipment included in cost of sales	2,690,658	765,004
Add back interest and interest accretion expense	1,384,754	1,913,953
Add back amortization of property and equipment	702,258	993,379
Add back loss on equity investment in associate	452,962	251,230
Add back income tax expense	1,603,439	3,864,547
Deduct unrealized gain / add back unrealized loss on derivative liability	(5,904,661)	14,545,321
Deduct interest expense and accretion expense	(1,112,461)	(1,441,305)
Deduct unrealized gain on warrants asset	(247,477)	(3,094,413)
EBITDA	2,799,429	1,818,365
Compliance costs[1]		
Add back share-based compensation	2,393,994	1,608,823
Add back costs associated with acquisition of Golden Harvests[1]	120,000	603,000
Add back new production location startup costs[2]	72,217	783,720
Deduct non-recurring services revenue[3]	-	(1,051,462)
Adjusted EBITDA	5,385,640	3,762,446

1 Costs associated with the Company's acquisition of the Michigan assets.

2 During the years ended December 31, 2025 and 2024, we incurred $72,217 and $783,720, respectively in pre-opening operating costs associated with the investments Minnesota and New Jersey, respectively.

3 On May 24, 2023, GR Unlimited entered into an independent contractor Consulting Agreement with Vireo Growth which was amended on September 20, 2023, pursuant to which GR Unlimited agreed to support Vireo Growth in the optimization of its cannabis flower products. On October 11, 2024, we terminated Consulting Agreement.

Segmented Adjusted EBITDA – Year ended December 31, 2025	Oregon	Michigan	New Jersey	Corporate	Consolidated
	$	$	$	$	$
Revenue	11,059,993	10,032,271	11,335,672	-	32,427,936
Costs of revenue	(7,904,485)	(5,104,917)	(5,271,852)	-	(18,281,254)
Gross profit	3,155,508	4,927,354	6,063,820	-	14,146,682
Operating expenses:					
General and administration	2,570,592	2,389,021	1,320,605	5,363,699	11,643,917
Depreciation and amortization	213,066	185,361	243,760	60,071	702,258
Share-based compensation	-	-	-	2,393,994	2,393,994
Other income and expense:					
Interest and accretion	(10,004)	(14,126)	(129,917)	(1,230,707)	(1,384,754)
Interest and other income (expense)	118,685	(24,427)	259,747	758,456	1,112,461
Unrealized loss on derivative liability	-	-	-	44,917	44,917
Realized loss on derivative liability	-	-	-	5,859,744	5,859,744
Unrealized loss on warrants asset	-	-	-	247,477	247,477
Loss on equity method investment in associate	-	-	-	(452,962)	(452,962)
Net income (loss) before income tax	480,531	2,314,419	4,629,286	(2,590,840)	4,833,396
Income tax	-	104,288	(118,780)	(1,588,947)	(1,603,439)
Net income (loss) after income tax	480,531	2,418,707	4,510,506	(4,179,787)	3,229,957
Amortization of property and equipment included in cost of sales	573,545	842,566	1,274,547	-	2,690,658
Interest and accretion	10,004	14,126	129,917	1,230,707	1,384,754
Amortization of property and equipment	213,066	185,361	243,760	60,071	702,258
Loss on equity method investment in associate	-	-	-	452,962	452,962
Income tax	-	(104,288)	118,780	1,588,947	1,603,439
Change in fair value of derivative liability	-	-	-	(5,904,661)	(5,904,661)
Interest and other income (expense)	(118,685)	24,427	(259,747)	(758,456)	(1,112,461)
Unrealized loss on warrant asset	-	-	-	(247,477)	(247,477)
EBITDA before one-time adjustments	1,158,641	3,380,899	6,017,762	(7,757,693)	2,799,429
Add back to EBITDA:					
Share-based compensation	-	-	-	2,393,994	2,393,994
Costs associated with acquisition of Golden Harvests	-	-	-	120,000	120,000
Add back new production location startup costs	-	-	-	72,217	72,217
Adjusted EBITDA	1,158,641	3,380,899	6,017,762	(5,171,482)	5,385,640

Liquidity and Capital Resources

Sources of Liquidity

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 operating cash flows from sales of cannabis products which generate margin that contribute to coverage of other operating costs. 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, and to strategically expand the business.

We raised gross proceeds of $13,037,289 from long-term debt and exercise of share options during the year ended December 31, 2025. We raised proceeds of $5,419,535 from the exercise of warrants and share options and sale of membership units in a subsidiary during the year ended December 31, 2024.

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.

We believe that our cash on-hand, projected cash flows from current and future anticipated sales of finished goods, and net proceeds from any current and anticipated financing activities, will be sufficient to meet our liquidity and capital resource requirements for the next 12 months from the date of issuance of this Annual Report.

Working Capital

At December 31, 2025 and 2024, we had a working capital of $16,590,979 and $6,695,789, respectively, as follows:

As of:	**December 31, 2025**	**December 31, 2024**
	$	**$**
Cash	**11,371,834**	4,917,708
Current assets excluding cash	**10,806,880**	8,198,038
Total current assets	**22,178,714**	13,115,746
Current liabilities excluding convertible debentures and derivative liability	**5,587,735**	6,419,957
Working capital	**16,590,979**	6,695,789

Working capital increased by $9,895,190 from December 31, 2024 to December 31, 2025, primarily due to proceeds from a new credit facility with Western Alliance Bank (see section titled *Indebtedness*). The current liabilities included to derive working capital exclude the current portion of convertible debt which has a maturity greater than one year but is classified as current liabilities. The current liabilities also exclude the derivative liability balance related to convertible debentures which are now settled and an interest rate swap with Western Alliance Bank.

We expect significant ongoing fluctuations in working capital over time, as we continue to expand strategically and with efficient capital allocation. We have historically raised debt with principal due on maturity which result in large one time repayments, and despite recently securing a credit facility with more regular repayment schedules we have plans to invest for increased output at ABCO Garden State, LLC ("ABCO") and the initial build out of Rogue EBC which will require significant cash investment. 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.

Cash Flows

Comparison of the Year Ended December 31, 2025 and 2024

The following table summarizes our results of operations for the periods indicated:

Years ended December 31:	**2025**	**2024**
	$	**$**
Net income (loss)	**3,229,957**	(15,979,351)
Net cash provided by operating activities	**3,569,795**	2,614,980
Net cash used in investing activities	**(6,870,393)**	(8,969,235)
Net cash provided by financing activities	**9,750,700**	4,485,245
Effect of foreign exchange on cash and cash equivalents	**4,024**	(17,861)
Net increase in cash and cash equivalents	**6,454,126**	(1,886,871)
Cash and cash equivalents, beginning	**4,917,708**	6,804,579
Cash and cash equivalents, ending	**11,371,834**	4,917,708

Operating Activities

During the year ended December 31, 2025, cash provided by operating activities was $3,569,795 (year ended December 31, 2024 - $2,614,980). This number was derived by adjusting net income (loss) for non-cash items, including the following significant adjustments:

- Deduction of $5,904,611 (year ended December 31, 2024 - addition of $12,803,611) from the change in fair value of derivative liability and warrant liability;
- Addition of $2,140,694 (year ended December 31, 2024 - $436,047) from amortization expensed in costs of finished inventory sold;
- Addition of $549,964 (year ended December 31, 2024 - $328,957) from lease costs included in finished cannabis inventory sold;
- Addition of $2,393,994 (year ended December 31, 2024 - $1,608,823) in share-based compensation, share option and restricted share units vesting expense, including expense for option grants under our share option plan implemented during 2020, as well as shares issued directly as compensation for employees, directors, and service providers;
- Addition of $1,384,754 (year ended December 31, 2024 - $1,836,440) in accretion and interest expense on debt and convertible debentures outstanding;
- Addition of $702,258 (year ended December 31, 2024 - $993,379) in amortization of property and equipment;
- Addition of $452,962 (year ended December 31, 2024 - $251,230) from the loss on investment in associate;
- Addition of $12,897 (year ended December 31, 2024 - $1,850,802) from changes in non-cash working capital;
- Deduction of $247,477 (year ended December 31, 2024 - $3,094,413) from the unrealized loss on warrants asset;
- Deduction of $314,892 (year ended December 31, 2024 - $nil) from other income including interest income; and
- Deduction of $830,655 (year ended December 31, 2024 - $112,198) from deferred income taxes.

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

Years ended December 31:	2025	2024
	$	$
Accounts receivable	**(1,351,145)**	85,865
Inventory	**1,000,948**	(3,007,952)
Prepaid expenses	**35,450**	(364,496)
Accounts payable and accrued liabilities	**(1,428,388)**	1,548,570
Income tax payable	**(1,620,708)**	1,043,338
Uncertain tax position liability	**3,376,740**	2,545,477
Total	**12,897**	1,850,802

Changes in accounts receivable are due to the timing and collection of sales. Changes in inventory 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 year ended December 31, 2025, we expended cash flows of $4,659,006 (year ended December 31, 2024 - $4,082,154) for property and equipment additions.

We also expended $250,000 (year ended December 31, 2024 - $1,547,678) as cash advances and loans to other parties during the year ended December 31, 2025. Repayment of $nil was received during the year ended December 31, 2025 (year ended December 31, 2024 - $266,417).

During the year ended December 31, 2025, $610,532 was expended towards acquisition of Canopy Management and Golden Harvests (year ended December 31, 2024 - $271,438). Dividends paid to a minority owner from Golden Harvests was $115,000 (year ended December 31, 2024 - $530,000).

During the year ended December 31, 2025, $nil was expended towards the acquisition of ABCO (year ended December 31, 2024 - $1,980,000) and $1,235,855 was expended towards equity investment in Rogue EBC (year ended December 31, 2024 - $827,197). The acquisition of ABCO resulting in the acquisition of $nil in cash (year ended December 31, 2024 - $2,815).

Financing Activities

Net cash flows provided by financing activities during the year ended December 31, 2025, were $9,750,700 (year ended December 31, 2024 - $4,485,245).

Significant financing activities for the year ended December 31, 2025, included the following:

- Proceeds of $406,944 from exercise of share options;
- Proceeds of $12,630,345 from the issuance of debt;
- Payment of $739,313 for long-term debt issue costs;
- Repayments of $2,467,521 of long-term debt; and
- Repayments of $79,755 of convertible debentures.

Significant financing activities for the year ended December 31, 2024, included the following:

- Proceeds of $359,958 from exercise of stock options;
- Proceeds of $4,609,577 from exercise of warrants;
- Proceeds of $450,000 from the issuance of long-term debt;
- Proceeds of $787,500 from sales of membership units;
- Repayments of $1,141,437 of long-term debt;
- Payment of $126,914 of debt and equity issuance costs; and
- Repayments of $453,439 of convertible debentures.

Indebtedness

During the years ended December 31, 2025 and 2024 we had the following indebtedness.

Long-term debt

Note Payable Owed By Golden Harvests

On May 1, 2021, we assumed a note payable owed by Golden Harvests in the principal amount of $250,000, with interest payable 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 in our consolidated financial statements at amortized cost using an effective interest rate of approximately 33%. The note was fully repaid during the year ended December 31, 2025.

Notes Payable Owed By GR Distribution

On November 23, 2020, debt was issued by our indirect wholly owned subsidiary Grown Rogue Distribution, LLC ("GR Distribution") in the principal amount of $125,000, interest payable 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 in our consolidated financial statements at amortized cost using an effective interest rate of approximately 27%. The note was fully repaid during the year ended December 31, 2024.

On January 27, 2021, debt was issued by GR Distribution with a principal amount of $250,000, interest payable 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 in our consolidated financial statements at amortized cost using an effective interest rate of approximately 27%. The note was fully repaid during the year ended December 31, 2025.

Note Payable Owed By GRU Properties

On January 12, 2024, GRU Properties, LLC, our indirect wholly owned subsidiary, entered into a loan transaction with a third-party private lender for the principal amount of $1,285,000, secured by deed of trust of $1,285,000. Interest was payable at the higher of 5% or the London Interbank Offered Rate ("LIBOR") for the first twelve months. For the thirteenth month to the twenty-fourth month, interest is payable at the higher of 6% or the LIBOR, and for twenty-fifth month to the thirty-sixth month, interest is payable at the higher of 7% or the LIBOR. Interest is paid at the end of the month in arrears and is computed based on a 30-day month. The note has a maturity date of December 1, 2027, and is reported in our consolidated financial statements at amortized cost using an effective rate of approximately 7.2%.

Promissory Notes Payable Owed By ABCO

On March 15, 2024, ABCO entered into a loan agreement with PMW LLC (the "ABCO Lender") whereby ABCO may borrow up to $1,100,000 from the ABCO Lender in the form of secured promissory notes (the "Advances") of not less than $150,000 with a fixed interest rate set forth in the notes memorializing the Advances of 16% per annum. At any time after ABCO has paid twelve months' worth of interest on any Advance it may prepay such Advance in whole without penalty. To prepay an Advance before such time, ABCO must pay twelve months' worth of interest in addition to a payoff amount. The ABCO Lender has a first priority lien and security interest in favor of the assets of ABCO.

During the year ended December 31, 2025 ABCO borrowed $630,345 through a series of Advances. During the year ended December 31, 2025, we recorded interest expense of $65,124 related to the Advances in our consolidated financial statements.

During the year ended December 31, 2024 ABCO borrowed $662,251 through a series of Advances. During the year ended December 31, 2025, we recorded interest expense of $3,240 related to the Advances in our consolidated financial statements. The Advances in our consolidated financial statements plus accrued interest were paid in full during the year ended December 31, 2025.

Convertible Promissory Note Owed By ABCO

On October 17, 2024, debt was issued by ABCO with a principal amount of $450,000, accruing interest at 15% per annum, and a maturity date of October 17, 2027. The convertible promissory note is subject to an extension to October 17, 2028 if the CRC has not provided GR Unlimited its approval to exercise GR Unlimited's option to acquire up to a total of 70% of the issued and outstanding equity of Nile of NJ LLC and an additional extension to October 17, 2029 if GR Unlimited has not received CRC approval by October 17, 2028. Upon GR Unlimited receiving written notification of the CRC approval, the Nile of NJ LLC has the right and option to convert all or part of the outstanding principal and accrued and unpaid interest into equity of ABCO at a conversion rate equal to 1% of the equity of ABCO on a fully-diluted basis per $28,571 of principal and accrued interest unpaid at date of receipt of the conversion notice.

Western Alliance Credit Facility

On March 27, 2025, we entered into a senior secured credit facility with Bridge Bank, a division of Western Alliance Bank ("WAB"), which we amended and upsized on September 9, 2025 (the "Credit Facility"). The Credit Facility provides for maximum borrowings of up to $12,000,000, of which we have drawn down $12,000,000 as of the year ended December 31, 2025, has a term of four years, and bears interest at a rate equal to the greater of (i) the Secured Overnight Financing Rate ("SOFR") plus 4.9% and (ii) 9.0% per annum. The Credit Facility also contains negative covenants requiring that we maintain a fixed charge coverage ratio (as defined in the Credit Facility) of less than 1.5 to 1.0 and a leverage ratio (as defined in the Credit Facility) of no more than 2.0 to 1.0, as of the last day of any fiscal quarter. As of December 31, 2025, we were in compliance with all covenants.

We intend to use the proceeds of the Credit Facility to support our existing growth initiatives, as additional working capital, as well as refinancing a small amount of existing debt. The Credit Facility amortizes over a six-year period from the initial closing and there are no prepayment penalties. Interest will be paid on a monthly basis.

Our obligations under the Credit Facility are secured by a general security agreement, in which we and our subsidiaries have each granted the lender a security interest in the collateral pledged under the agreement. The collateral pledged includes all our assets; this includes accounts, inventory, equipment, investments, and property, including trademarks and mortgaged real property located in Oregon, unless otherwise agreed to by the parties to the agreement.

On May 13, 2025 and September 15, 2025 we entered into interest rate swap agreements for each of the $7,000,000 first tranche and $5,000,000 second tranche, resulting in a blended interest rate of 7.84%.

Consideration Payable on Business Acquisitions

Canopy Management, LLC Acquisition

On May 3, 2021, Canopy Management, LLC (“Canopy”), an entity controlled by our Chief Executive Officer, Obie Strickler, acquired an option to purchase a 60% interest in Golden Harvests, LLC (“Golden Harvests”), a fully licensed and operating cultivation company located in Bay City, Michigan, for aggregate consideration of $1,007,719 comprised of 1,025,000 SV Shares with a fair value of $158,183 and cash payments of $849,536. Simultaneously Canopy provided GR Unlimited with an option to acquire a majority interest in Canopy (the “Canopy Option”) pending its receipt of state and regulatory approvals.

On December 1, 2021, Canopy and the seller of the 60% controlling interest in Golden Harvests agreed to extend the due date of the cash portion of consideration payable until December 31, 2024, in exchange for monthly payments at a rate of 18% interest. During the year ended October 31, 2023, 200,000 of the SV Shares issuable since May 3, 2021, with an aggregate fair value of $35,806, were issued to the seller. Consideration remaining to be paid as of December 31, 2025, included cash consideration of $300,000.

In January 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 for aggregate consideration of $1,007,719 comprised of 1,025,000 subordinate voting shares of the Company with a fair value of $158,183 and cash payments of $849,536. 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.

On April 24, 2024, we entered into a Membership Interest Purchase agreement to acquire an additional 20% interest in Golden Harvests for aggregate consideration of $2,342,207 comprised of deferred cash payments of $2,000,0000 (the “Initial Purchase Price”) plus true-up amounts (the “Additional Purchase Price”). The Initial Purchase Price is to be paid for in thirteen quarterly installments beginning on January 1, 2025. We may pay all or part of the cash portion of the consideration payable after January 1, 2025. The Initial Purchase Price remaining to be paid at December 31, 2025 included cash payments of $1,900,000.

The Additional Purchase Price is calculated on a distribution equivalent basis whereby the seller receives a true-up payment pro-rata based on the proportion of remaining Initial Purchase Price balance at the time of the distribution payment made to us. If distribution equivalent amounts in any quarter are in excess of the minimum interest amounts, then no minimum interest amount is due. The distribution equivalent is reduced pro-rata in accordance with amounts paid down against sellers Initial Purchase Price.

Convertible debentures

9% Convertible Debentures With Original Principal Amount of $2,000,000

On December 5, 2022, we closed a non-brokered private placement of unsecured convertible debentures with an aggregate principal amount of $2,000,000 (the “December Convertible Debentures”). The December Convertible Debentures accrue interest at a rate of 9% per annum, paid quarterly, and were to mature on December 5, 2025. The December Convertible Debentures are convertible into SV Shares at a conversion price of $0.15 (CAD$0.20) per SV Share. Additionally, on closing, we issued the purchasers of the December Convertible Debentures an aggregate of 6,716,499 warrants, representing 50% warrant coverage (the “December Warrants”). The December Warrants were initially exercisable through December 5, 2025 into SV Shares at an exercise price of $0.15 (CAD$0.25) per SV Share, however, we had the right to accelerate the December Warrants if the closing share price of our SV Shares on the CSE was $0.30 (CAD$0.40) or higher for a period of 10 consecutive trading days.

On May 1, 2024 we issued a notice of acceleration, which accelerated the expiry date of the December Warrants to July 30, 2024.

During the years ended December 31, 2024 and 2023, holders of the full $2,000,000 aggregate principal value of the December Convertible Debentures exercised their conversion options resulting in the issuance of 13,586,800 SV Shares.

9% Convertible Debentures With Original Principal Amount of $5,000,000

On July 13, 2023, we closed the first tranche of a non-brokered private placement of unsecured convertible debentures with an aggregate principal amount of $5,000,000 (the "July Convertible Debentures"). The July Convertible Debentures accrue interest at 9% per annum, paid quarterly, and matured on July 13, 2025. The July Convertible Debentures are convertible into SV Shares at a conversion price of $0.17(CAD$0.24) per SV Share. Additionally, on closing, we issued the purchasers of the July Convertible Debentures an aggregate of 13,737,500 warrants, representing one-half of one warrant for each $0.17 (CAD$0.24) of principal amount of July Convertible Debentures purchased (the "July Warrants"). The July Warrants were initially through July 13, 2026 into SV Shares at an exercise price of $0.21 (CAD$0.28) per SV Share, however, we had the right to accelerate the July Warrants if the closing share price of our SV Shares on the CSE was $0.30 (CAD$0.40) or higher for a period of 10 consecutive trading days.

On March 1, 2024 we issued a notice of acceleration, which accelerated the expiry date of the July Warrants to May 30, 2024.

During the year ended December 31, 2024, the holders of $950,000 in aggregate principal value of the July Convertible Debentures exercised their conversion options resulting in the issuance of 2,413,525 SV Shares.

9% Convertible Debentures With Original Principal Amount of $1,000,000

On August 17, 2023, we closed a second and final tranche of a non-brokered private placement of unsecured convertible debentures with an aggregate principal amount of $1,000,000 (the "August Convertible Debentures"), for a total aggregate principal amount under both the July Convertible Debentures and August Convertible Debentures of $6,000,000. Additionally, on closing, we issued the purchasers of the August Convertible Debentures an aggregate of 2,816,250 warrants. The terms of the August Convertible Debentures and August Warrants are the same as the July Convertible Debentures and July Warrants.

On March 1, 2024 we issued a notice of acceleration, which accelerated the expiry date of the August Warrants to May 30, 2024.

During the year ended December 31, 2024, holders of $1,000,000 aggregate principal value of the August Convertible Debentures exercised their conversion options resulting in the issuance of 5,682,083 SV Shares.

Contractual Obligations and Commitments

Set out below are undiscounted minimum future lease payments after December 31, 2025.

	Total future minimum lease payments
	$
Less than one year	2,648,059
Between one and five years	9,925,576
Thereafter	15,265,790
Total minimum lease payments	27,839,425
Less amount representing interest and discounts	(13,763,712)
Present value of minimum lease payments	14,075,713

We have four lease contracts with eleven extension options remaining after December 31, 2025, which were negotiated by management to provide flexibility in managing business needs.

The contractual maturities of our accounts payable and accrued liabilities, debt, leases, long-term debt and business acquisition consideration payable occur over the next five years are as follows:

	Year 1	Over 1 Year – 3 Years	Over 3 Years
	$	$	$
Accounts payable and accrued liabilities	1,262,519	-	-
Operating lease liabilities	2,468,059	4,998,303	20,119,189
Finance lease liabilities	180,000	73,874	-
Long-term debt	3,731,547	6,091,283	5,876,974
Consideration payable of business acquisitions	455,844	1,611,637	-
Total	**8,097,969**	**12,775,097**	**25,996,163**

Off-Balance Sheet Arrangements

During the periods presented we did not have, nor do we currently have, any off-balance sheet arrangements as defined in the rules and regulations of the SEC.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our audited consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these audited consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the audited consolidated financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in the notes to our audited consolidated financial statements included elsewhere in this Annual Report, we believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Inventory valuation

Inventory is valued at the lower of cost and net realizable value. The valuation of our inventory balances involves calculating the estimated net realizable value of our inventory and assessing it against the cost. A component of this analysis therefore involves determining whether there is excess, slow-moving or obsolete inventory on hand. When determining whether there is excess, slow-moving or obsolete inventory, management makes assumptions around future demand and production forecasts, which are then compared to current inventory levels. Management also makes assumptions around future pricing, and considers historical experience and the application of the specific identification method for identifying obsolete inventory. If the assumptions around future demand for our inventory are more optimistic than actual future results, the net realizable value calculated using these assumptions may be overstated, resulting in an overstatement of the inventory balance.

Impairment of property, plant and equipment

Property, plant and equipment need to be assessed for impairment when an indicator of impairment exists. If an indicator of impairment exists, further judgement and assumptions will be required in determining the recoverable amount. When determining whether an impairment indicator exists, judgement is required in considering the facts and circumstances surrounding these long-lived assets. Management considers whether events such as a change in strategic direction, changes in business climate, or changes in technology would indicate that a long-lived asset may be impaired. When an impairment indicator does exist, judgement and assumptions are required to estimate the future cash flows used in assessing the recoverable amount of the long-lived asset. If impairment indicators exist and are not identified, or judgement and assumptions used in assessing the recoverable amount change, the carrying value of long-lived assets can exceed the recoverable amount.

Impairment of indefinite lived intangible assets

Indefinite lived intangible assets need to be tested for impairment annually or sooner, if events or circumstances indicate that the carrying amount of an asset may not be recoverable. An entity may first perform a qualitative assessment of impairment, and a quantitative assessment is only required if the qualitative assessment determines that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. When performing a qualitative assessment, judgment is required when considering relevant events and circumstances that could affect the fair value of the indefinite lived intangible asset. Management considers whether events and circumstances such as a change in strategic direction and changes in business climate would impact the fair value of the indefinite lived intangible asset. If a quantitative analysis is required, assumptions are required to estimate the fair value to compare against the carrying value.

Share-Based Payments

We use the Black-Scholes option pricing model to calculate our share-based compensation expense. The option pricing model relies on key inputs such as rate of forfeiture, expected life of the option, the volatility of our share price, and the risk-free interest rate used. If key inputs differ, the fair value of options will be impacted. A higher fair value of the options will result in higher share-based compensation expense over the vesting period of the option.

Income taxes

Many of our normal course transactions may have uncertain tax consequences. We use judgment to determine income for tax purposes and this may impact the recognized amount of assets or liabilities, the disclosure of contingent liabilities or the reported amount of revenue or expense and may result in an unrealized tax benefit for transactions that have not yet been reviewed by tax authorities and that may in the future be under discussion, audit, dispute or appeal. We use historical experience, current and expected future outcomes, third-party evaluations and various other assumptions believed to be reasonable in making judgements. An unrealized tax benefit will be recognized when we determine that it is more likely than not that the tax position is sustainable based on its technical merits. In any case, if the final outcome is different from our estimate this will impact our income taxes and cash flow.

Recently Adopted Accounting Pronouncements

See the section titled "*Notes to Consolidated Financial Statements — Note 3*" included elsewhere in this Annual Report for additional information.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K, as a result we are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of the Company and the notes thereto are attached to this report following the signature page and Certifications.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.