

Gage Growth Corp.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2021 and 2020

(In United States Dollars)

Gage Growth Corp.

Condensed Interim Consolidated Statements of Financial Position As of June 30, 2021 and December 31, 2020

(Unaudited, expressed in United States Dollars, unless stated otherwise)

	Notes	June 30, 2021 \$	December 31, 2020 \$
Assets			
Current			
Cash and cash equivalents		32,805,441	45,455,583
Accounts receivable	3	3,503,943	252,377
Convertible debenture	4	822,871	379,145
Prepays		2,398,848	1,045,922
Biological assets	5	2,196,364	1,988,606
Inventory	6	7,940,998	8,527,999
Other		769,966	665,188
		50,438,431	58,314,820
Non-current assets			
Property, plant and equipment	7	35,557,439	24,335,988
Right of use assets	8	11,927,011	13,036,064
Deposits		1,800,254	739,041
Intangible assets		131,112	137,449
Investments	9	7,890,667	9,174,357
		57,306,483	47,422,899
		107,744,914	105,737,719
Liabilities			
Current			
Accounts payable and accrued liabilities	12	18,275,093	13,237,101
Current tax payable	18	1,779,115	1,324,114
Lease liability	8	1,082,932	919,528
Lease assignment payable	8	-	100,000
Property purchase payable	13	1,571,599	-
Note payable		1,196,597	766,301
Debentures payable	14	2,927,774	2,626,906
Other		495,977	395,866
		27,329,087	19,369,816
Non-current liabilities			
Lease liability	8	11,435,197	11,983,252
Property purchase payable	13	2,154,257	-
Note payable		2,381,771	2,789,638
Warrant liability	15	21,862,048	21,734,596
Deferred tax liabilities	18	1,411,666	1,117,087
		39,244,939	37,624,573
		66,574,026	56,994,389
Shareholders' Equity			
Share capital	15	100,520,599	89,669,811
Reserve for warrants	15	3,318,902	2,907,608
Reserve for share-based payments	15	6,270,272	4,569,505
Reserve for share exchange	15	58,969,446	58,969,446
Accumulated other comprehensive income		1,455,775	1,771,779
Deficit		(81,359,584)	(72,684,693)
		89,175,410	85,203,456
Non-controlling interest	17	(48,004,522)	(36,460,126)
Equity attributable to shareholders		41,170,888	48,743,330
		107,744,914	105,737,719
Incorporation and Nature of Business	1		
Commitments and contingencies	19		
Subsequent events	24		

Approved by the Board of Directors on August 23, 2021

"Fabian Monaco"
Chief Executive Officer

"David Watza"
Chief Financial Officer

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

Gage Growth Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2021 and 2020

(Unaudited, expressed In United States Dollars, unless stated otherwise)

		Three months ended June 30,		Six months ended June 30,	
	Note	2021	2020	2021	2020
			\$		\$
Revenue		26,408,291	11,471,375	44,022,977	16,986,108
Cost of sales		(17,372,526)	(6,187,076)	(30,386,258)	(10,064,313)
		9,035,765	5,284,299	13,636,719	6,921,795
Fair value adjustment on sale of inventory	5	(810,396)	(2,488,481)	(873,987)	(2,498,100)
Fair value adjustment on growth of biological assets	5	584,078	2,626,807	1,081,745	2,808,822
Gross Profit		8,809,447	5,422,625	13,844,477	7,232,517
Operating expenses					
General administration	10	10,729,631	5,072,120	18,172,571	8,482,346
Sales and marketing	11	1,811,632	556,656	3,310,375	1,036,039
Depreciation and amortization	7,8	785,386	312,082	1,687,896	932,498
Share-based payments	15	1,479,938	2,666,672	5,105,960	3,992,874
Impairment loss	7,8	-	-	145,690	-
		14,806,587	8,607,530	28,422,492	14,443,757
Loss from operations		(5,997,140)	(3,184,905)	(14,578,015)	(7,211,240)
Other (income) expenses					
Interest expense	8	814,504	49,883	1,524,810	192,156
(Gain) loss on foreign exchange		(402,261)	(2,151,263)	(165,279)	(3,017,624)
Change in fair value of investments	9	1,735,992	602,874	1,375,225	(185,281)
(Gain) loss on financial instruments	14,15	(566,234)	3,043	(89,554)	3,043
Loss before taxes		(7,579,141)	(1,689,442)	(17,223,217)	(4,203,534)
Income tax expense (recovery)					
Current	18	1,846,282	998,335	2,705,000	1,038,500
Deferred	18	(2,172)	255,213	291,070	776,406
Net loss for the period		(9,423,251)	(2,942,990)	(20,219,287)	(6,018,440)
Net loss attributable to subordinate shareholders		(3,853,254)	(4,262,815)	(8,674,891)	(5,004,200)
Net loss attributable to non-controlling interest	17	(5,569,997)	1,319,825	(11,544,396)	(1,014,240)
		(9,423,251)	(2,942,990)	(20,219,287)	(6,018,440)
Other comprehensive (loss) income ("OCI")					
Items that may be reclassified to profit or loss					
Unrealized gain (loss) on marketable securities	3	(45,950)	18,426	(28,259)	(113,351)
Items that will not be reclassified to profit or loss					
Unrealized foreign currency translation loss		(261,309)	(1,935,971)	(287,745)	(3,066,854)
		(307,259)	(1,917,545)	(316,004)	(3,180,205)
Net loss and comprehensive loss for the period		(9,730,510)	(4,860,535)	(20,535,291)	(9,198,645)
Net loss and comprehensive loss attributable to subordinate shareholders of the Company		(4,160,513)	(6,180,360)	(8,990,895)	(8,184,405)
Net loss and comprehensive loss attributable to non-controlling interest	17	(5,569,997)	1,319,825	(11,544,396)	(1,014,240)
		(9,730,510)	(4,860,535)	(20,535,291)	(9,198,645)
Basic and Diluted net loss per share	21	(0.07)	(0.03)	(0.15)	(0.06)
Weighted-average number of shares outstanding - basic and diluted		138,099,555	105,948,886	137,378,192	105,787,634

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

Gage Growth Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity For the six months ended June 30, 2021 and 2020

(Unaudited, expressed in United States Dollars, unless stated otherwise)

	Note	Share Capital		Reserve for warrants	Reserve for share-based payments	Reserve for share exchange	Accumulated OCI (loss)	Accumulated Deficit	Attributable to subordinate shareholders	Non-controlling interest	Total
		Number of Subordinate Voting Shares	Share Capital								
Balance at December 31, 2020		131,649,944	\$89,669,811	2,907,608	4,569,505	58,969,446	1,771,779	(72,684,693)	85,203,456	(36,460,126)	\$48,743,330
Share-based payments	15	1,595,000	2,807,701	-	171,242	-	-	-	2,978,943	-	2,978,943
Vesting of options	15	-	-	-	1,715,723	-	-	-	1,715,723	-	1,715,723
Vesting of warrants	14,15	-	-	411,294	-	-	-	-	411,294	-	411,294
Change in value of Marketable Securities	3	-	-	-	-	-	(28,259)	-	(28,259)	-	(28,259)
Cumulative translation adjustment		-	-	-	-	-	(287,745)	-	(287,745)	-	(287,745)
Exercise of share options	15	311,665	600,505	-	(186,198)	-	-	-	414,307	-	414,307
Reg. A Financing	15	4,614,255	8,116,089	-	-	-	-	-	8,116,089	-	8,116,089
Transaction costs deducted from Reg. A Financing Raise	15	-	(673,507)	-	-	-	-	-	(673,507)	-	(673,507)
Net loss for the period		-	-	-	-	-	-	(8,674,891)	(8,674,891)	(11,544,396)	(20,219,287)
Balance at June 30, 2021		138,170,864	100,520,599	3,318,902	6,270,272	58,969,446	1,455,775	(81,359,584)	89,175,410	(48,004,522)	41,170,888
Balance at December 31, 2019		105,622,799	67,097,910	829,082	1,545,624	58,969,446	865,377	(53,711,171)	75,596,268	(21,553,375)	54,042,893
Share-based payments	15	1,000,000	1,098,831	-	-	-	-	-	1,098,831	-	1,098,831
Vesting of options		-	-	-	1,647,206	-	-	-	1,647,206	-	1,647,206
Vesting of warrants	15	-	-	1,246,837	-	-	-	-	1,246,837	-	1,246,837
Change in value of Marketable Securities	3	-	-	-	-	-	(113,351)	-	(113,351)	-	(113,351)
Cumulative translation adjustment		-	-	-	-	-	(3,066,854)	-	(3,066,854)	-	(3,066,854)
Net loss for the period		-	-	-	-	-	-	(5,004,200)	(5,004,200)	(1,014,240)	(6,018,440)
Balance at June 30, 2020		106,622,799	68,196,741	2,075,919	3,192,830	58,969,446	(2,314,828)	(58,715,371)	71,404,737	(22,567,615)	48,837,122

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

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Condensed Interim Consolidated Statements of Cash Flows For the six months ended June 30, 2021 and 2020

(Unaudited, expressed in United States Dollars, unless stated otherwise)

		Six months ended June 30,	
	Note	2021 \$	2020 \$
Operating activities			
Net loss for the period		(20,219,287)	(6,018,440)
Adjustments for non-cash items:			
Fair value adjustment on sale of inventory	5	873,987	2,498,100
Fair value adjustment on growth of biological assets	5	(1,081,745)	(2,808,822)
Depreciation and amortization	7,8	1,687,896	932,498
Share-based payments	15	5,105,960	3,992,874
(Gain) loss on foreign exchange		(222,725)	23,887
Change in fair value of investments	9	1,375,225	(185,281)
Deferred tax expense	18	291,070	776,406
Interest expense	8,13	1,524,810	192,156
Impairment expense	7,8	145,690	-
(Gain) loss on financial instruments	14,15	(89,554)	3,043
Changes in working capital items:			
Accounts receivable		(3,251,566)	(231,219)
Interest receivable		92,635	35,788
Other receivables		(178,566)	(210,889)
Prepays		(1,345,890)	517,629
Inventory	6	587,001	(4,191,355)
Accounts payable and accrued liabilities	12	4,962,705	2,290,068
Deferred revenue		100,111	218,919
Current tax payable	18	455,000	1,038,500
Deposit for product supply agreement		(400,000)	-
Other		(414,861)	(7,895)
Net cash used in operating activities		(10,002,104)	(1,134,033)
Investing activities			
Change in deposits for property acquisition		(642,722)	(202,006)
Investment in convertible debentures		(413,394)	-
Redemption of term deposits	6	-	6,500,000
Addition of intangible assets		-	(274,166)
Purchase of property, plant, and equipment	7	(8,235,267)	(6,305,607)
Net cash used in investing activities		(9,291,383)	(281,779)
Financing activities			
Net proceeds from Reg. A financing	15	7,284,247	-
Share options exercised	15	380,101	-
Lease assignment payments		-	(900,000)
Lease liability payments	8	(1,264,135)	(237,234)
Payment made related to acquisition of membership interest		(375,000)	-
Repayments of property purchase payable		(96,043)	(102,070)
Net cash provided by (used in) financing activities		5,929,170	(1,239,304)
Decrease in cash and cash equivalents		(13,364,317)	(2,655,116)
Effect of exchange rate changes on cash and cash equivalents		714,175	(2,999,712)
Cash and cash equivalents, beginning of period		45,455,583	9,705,991
Cash and cash equivalents, end of period		32,805,441	4,051,163
Supplemental Cash Flow Information			
Cash held in Escrow at period-end ¹		43,439	-
Purchase of property, plant, and equipment included in accounts payable and accrued liabilities		650,662	733,363
Cash paid for interest		1,043,678	252,749
Cash paid for taxes		518,175	-

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

¹ - Cash held in escrow on June 30, 2021 relates to cash held relating to stock option exercises near the end of the period.

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Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020

(Unaudited, expressed in United States Dollars, unless stated otherwise)

1. INCORPORATION AND NATURE OF BUSINESS

Wolverine Partners Corp. (“Wolverine”) was incorporated on November 22, 2017, under the Ontario Business Corporations Act. On March 11, 2019, the Company filed an amendment to the Articles of Incorporation whereby the Company re-designated the existing class of common shares as subordinate voting shares (“Subordinate Voting Shares”) and is authorized to issue an unlimited number of super voting shares (“Super Voting Shares”) and proportionate voting shares (“Proportionate Voting Shares”) (Note 18). On October 9, 2020, Wolverine filed Articles of Amendment changing the name of the Corporation to Gage Growth Corp (“Gage”, the “Corporation”, or the “Company”). The principal activities of the Company are providing branding and crucial support services to affiliated licensed operators that produce, distribute, and sell cannabis and cannabis-related products in the State of Michigan.

The Company was listed on the Canadian Securities Exchange effective April 6, 2021, having the ticker symbol GAGE.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’. The Company followed the same accounting policies and methodologies as those disclosed within the audited annual financial statements for the year ended December 31, 2020, which were prepared in accordance with IFRS. These condensed interim consolidated financial statements should be read in conjunction with the Company’s December 31, 2020 audited annual consolidated financial statements.

These condensed interim consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on August 23, 2021.

Principles of consolidation

These condensed consolidated financial statements include the accounts of the Company and its controlled subsidiaries. For financial reporting purposes, the Company is considered to control a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and can affect those returns through its power over the subsidiary. Controlled subsidiaries are included in the condensed consolidated financial statements from the date control is obtained until the date control ceases. Where the Company’s equity interest in a subsidiary is less than 100%, the Company recognizes non-controlling interests. All intercompany balances, transactions, income, expenses, profits, and losses, including unrealized gains and losses, have been eliminated upon consolidation.

The accounts of the controlled subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The table below lists the Company, its controlled subsidiaries and the ownership interests in each during the three and six months ended June 30, 2021 and June 30, 2020.

Name of Company	Place of Incorporation / Operation	Functional Currency	Ownership %
Gage Growth Corp.	Canada	CAD	100%
Gage Innovations Corp.	Canada	CAD	100%
Cookies Retail Canada Corp.	Canada	CAD	80%
Rivers Innovation, Inc.	United States	USD	100%
Rivers Innovations US South LLC	United States	USD	100%
RI SPE LLC	United States	USD	100%
Spartan Partners Corporation	United States	USD	100%
Spartan Partners Holdings, LLC	United States	USD	51.3%
Spartan Partners Services LLC	United States	USD	51.3%
Spartan Partners, Properties LLC	United States	USD	51.3%
Spartan Partners Licensing LLC	United States	USD	51.3%
Mayde US, LLC	United States	USD	51.3%
AEY Holdings, LLC*	United States	USD	0%
AEY Thrive, LLC*	United States	USD	0%
AEY Capital, LLC*	United States	USD	0%
3 State Park, LLC*	United States	USD	0%

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Pure Releaf SP Drive, LLC*	United States	USD	0%
Buena Vista Real Estate, LLC*	United States	USD	0%

Effective February 11, 2021, Spartan Services terminated its services agreement, its license agreement and its membership interest transfer restriction and succession agreement with Buena Vista Real Estate LLC ("Buena Vista"). At the time of such termination, Buena Vista held a local permit for a non-operational provisioning center in Buena Vista, Michigan.

*The Company through its subsidiaries, entered into Membership Interest Transfer Restriction and Succession Agreement and Services Agreements with its affiliated licensing companies which prevent the licensing companies from taking certain actions or omitting to take certain actions where to do so would be contrary to the expected economic benefits that the Company expects to derive from the relationship with the licensing companies. The Company includes these entities in its consolidation but has allocated their net loss and comprehensive loss in the Company's condensed consolidated statements of loss and comprehensive loss to net loss attributable to non-controlling interest.

Use of significant estimates and judgments

In preparing the condensed consolidated financial statements, the Company is required to use certain critical accounting estimates and apply judgment in applying the Company's accounting policies. The judgments and assumptions utilized by management are based on historical experience and various other factors that management believes to be reasonable under the circumstances.

The accounts requiring a greater use of estimates, assumptions, or management judgment are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2020.

Significant accounting policies

The Company has applied the same accounting policies in preparing the condensed consolidated financial statements as those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2020.

3. ACCOUNTS RECEIVABLES

Accounts receivable represents receivables arising under the normal course of business. Trade receivables arise when the Company sells product on wholesale, or when the Company recognizes revenue through a royalty agreement. The Company does not generate receivables from the sale of product through its retail stores.

	June 30, 2021	December 31, 2020
Trade receivables	3,651,221	399,655
Allowance for doubtful accounts	(147,278)	(147,278)
Ending Balance	3,503,943	252,377

4. CONVERTIBLE DEBENTURE RECEIVABLE

On November 22, 2019, the Company and Radicle Cannabis Holdings Inc. ("Radicle") entered into a credit facility in the form of a 12% secured convertible debenture agreement in the principal amount of CAD \$500,000. The maximum principal allowed under the facility is CAD \$1,000,000. On June 9, 2021, the Company invested an additional CAD \$500,000 into the facility, reaching the maximum under the existing facility. The debenture bears interest at 12% per annum on outstanding principal and is payable semi-annually in arrears. The debenture matures on November 22, 2022, however, it can be converted into fully paid common shares at a conversion price of CAD \$0.60 per common share. The convertible debenture is secured against all of Radicle's personal property, and all of the proceeds thereof.

Below is the movement in this convertible debenture:

	June 30, 2021	December 31, 2020
	\$	\$
Opening Balance	379,145	363,962
Advanced during the period	413,394	-
Changes in fair market value of convertible debentures	24,314	6,543
Foreign exchange gain (loss)	6,018	8,640
Ending Balance	822,871	379,145

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The convertible debenture being a compound financial instrument has been designated as investment at fair value through profit or loss (FVTPL) and has been fair valued on initial recognition and subsequently at year end.

The debentures were fair valued using discounted cash flows at a discount rate of 12%, with fair value changes included in the 'Loss on financial instruments' line of the condensed consolidated statements of loss and comprehensive loss. During the three months ended June 30, 2021, the Company recognized a change in fair value of investments of \$1,257 (3 months ended June 30, 2020 – \$3,043) and an unrealized foreign exchange gain (loss) of (\$2,639) (3 months ended June 30, 2020 – \$9,079) on the debenture. During the six months ended June 30, 2021, the Company recognized a change in fair value of investments of \$24,314 (6 months ended June 30, 2020 – \$3,043) and an unrealized foreign exchange gain (loss) of \$6,018 (6 months ended June 30, 2020 – \$11,231)) on the debenture.

5. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

	June 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period	1,988,606	524,649
- Unrealized gain on changes in fair value of biological assets	1,081,745	2,308,139
- Increase in biological assets due to capitalized costs	844,863	2,829,388
- Transferred to inventory upon harvest	(1,718,850)	(3,673,570)
Balance, end of period	2,196,364	1,988,606

The Company measured its biological assets at fair value less costs to complete and to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price less costs to complete and to sell per gram.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

The significant assumptions used in determining the fair value of biological assets include the standard cost incurred in each stage of the plant growth, the stage of completion in the production process, including estimates of harvest dates and the following:

	June 30, 2021	December 31, 2020
Estimated selling price per gram net of costs to sell	\$7.54	\$8.55
Average yield per plant	104g	206g
Attrition rate	6.9%	14.1%
Standard cost per gram	\$3.44	\$4.20

As of June 30, 2021, the weighted-average estimated selling price per gram net of costs to complete and sell of dried cannabis was \$5.77 (December 31, 2020 - \$6.52). It is expected that the Company's biological assets on hand at June 30, 2021 will yield approximately 936,422 grams (December 31, 2020 – 762,208 grams) of medical and adult-use cannabis when harvested. The estimated growing period is approximately 92 days.

During the six months ended June 30, 2021, the Company's biological assets produced 1,105,654 grams (six months ended June 30, 2020 – 383,155) of dried cannabis. During the three months ended June 30, 2021, the Company's biological assets produced 609,350 (three months ended June 30, 2020 – 294,476).

Management has quantified the sensitivity of the inputs and determined the following:

- Selling price per gram – a decrease in the average selling price per gram by 5% would result in the June 30, 2021 biological asset value decreasing by \$156,887 in value.
- Harvest yield per plant – a decrease in the harvest yield per plant of 5% would result in the June 30, 2021 biological asset value decreasing by \$145,017 in value.
- Standard cost per gram – an increase of the cost per gram of 5% would result in the June 30, 2021 biological asset value decreasing by \$51,813 in value.

The Company's estimates are, by their nature, subject to change, and differences from the assumptions above including selling prices, costs to complete and to sell, anticipated yield per plant, and attrition rate will be reflected in the gain or loss on biological assets in future periods.

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6. INVENTORY

Inventory consists of domestically grown and produced medicinal and adult-use cannabis, concentrates, edibles, vaporizers, and merchandise for distribution. During the six months ended June 30, 2021, the Company expensed \$30,198,566 (2020 – \$9,860,932) associated with inventory purchases and production during the year. During the three months ended June 30, 2021, the Company expensed \$17,274,394 (2020 - \$6,187,076) in costs associated with inventory purchases and production during the year. This includes both costs to directly purchase from third parties as well as the costs of internally completed production and packaging. During the six months ended June 30, 2021, the Company expensed \$187,692 (2020 – 203,381) associated with the costs of excess and obsolete inventory. During the three months ended June 30, 2021, the Company expensed \$99,132 (2020 – 203,381) associated with the costs of excess and obsolete inventory. As of June 30, 2021, the Company has inventory of \$7,940,998 (December 31, 2020 - \$8,527,999) comprised of the following:

	June 30, 2021	December 31, 2020
	\$	\$
Supplies and work-in-process	2,155,670	458,146
Finished goods	5,785,328	8,069,853
Total inventory	7,940,998	8,527,999

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Leasehold improvements	Machinery and equipment	Office furniture and equipment	Computer and software	Construction in progress	Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
At December 31, 2020	1,464,732	6,494,721	5,670,855	4,334,657	572,672	787,738	6,068,007	57,727	25,451,109
Transfer to capital assets	-	-	-	-	-	-	(1,958,605)	-	(1,958,605)
Additions	603,500	523,668	451,012	470,320	428,035	366,446	11,047,716	-	13,890,697
Impairment	-	-	-	-	-	-	(108,795)	-	(108,795)
Impact of Foreign Currency	-	-	-	-	-	-	50,632	-	50,632
At June 30, 2021	2,068,232	7,018,389	6,121,867	4,804,977	1,000,707	1,154,184	15,098,955	57,727	37,325,038
Accumulated depreciation									
At December 31, 2020	-	166,291	118,130	517,627	77,463	223,094	-	12,516	1,115,121
Impairment	-	-	-	-	-	-	-	-	-
Depreciation expense	-	87,312	112,388	286,953	50,086	109,961	-	5,778	652,478
At June 30, 2021	-	253,603	230,518	804,580	127,549	333,055	-	18,294	1,767,599
Carrying value									
At December 31, 2020	1,464,732	6,328,430	5,552,725	3,817,030	495,209	564,644	6,068,007	45,211	24,335,988
At June 30, 2021	2,068,232	6,764,786	5,891,349	4,000,397	873,158	821,129	15,098,955	39,433	35,557,439

During the first quarter of 2021, the Company terminated its services agreement, license agreement, and membership interest transfer restriction and succession agreement with Buena Vista Real Estate, LLC (Buena Vista), a consolidated entity. Consequently, the Company determined that property, plant, and equipment held associated with Buena Vista should be fully impaired. The Company recorded \$108,795 of expense associated with the impairment specific to property, plant, and equipment.

8. RIGHT-OF-USE LEASE ASSETS AND LIABILITY

The Company's leased assets only include buildings.

For leases initiated during 2020, the Company discounted lease payments using incremental borrowing rates of 13-15%. The Company did not initiate new leases through the first six months of 2021.

Right-of-use-asset	June 30, 2021	December 31, 2020
	\$	\$
Beginning of year	13,036,064	3,626,267
Building lease additions	-	10,511,331
Depreciation recognized	(1,025,245)	(1,101,534)
Impairment recognized	(36,895)	-
Other	(46,913)	-
Balance, end of period	11,927,011	13,036,064

Lease liability	June 30, 2021	December 31, 2020
	\$	\$
Beginning of year	13,002,780	3,011,726
Building lease additions	-	11,645,982
Lease Interest	886,098	714,935
Lease payments	(1,264,552)	(2,369,863)

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Other	(106,197)	-
Balance, end of period	12,518,129	13,002,780
Less: Current portion	(1,082,932)	(919,528)
Less: Lease assignment payable	-	(100,000)
Non-current portion	11,435,197	11,983,252

Lease assignment payable pertains to an amount due to a related party relating to an initial lease assignment fee for two properties. As of June 30, 2021, \$nil (December 31, 2020- \$100,000) was outstanding. 'Other' impacts to lease asset and lease liability in the tables above relate to either foreign currency impact or lease modifications.

As discussed in note 7, the Company determined that it would not continue its relationship with licensed entity Buena Vista. Consequently, the Company incurred an impairment expense of \$36,895 associated with the right-of-use assets related to Buena Vista during the period.

9. INVESTMENTS

(a) Mass2Media, LLC

On October 8, 2019, pursuant to the acquisition of Rivers Innovations Inc., the Company acquired a 13% ownership (on a fully diluted basis) in a private company Mass2Media, LLC, doing business as PX2 Holdings, LLC. The fair value at the date of acquisition was \$11,900,000. The fair value measurement for this investment has been categorized as Level 3 fair value based on the inputs to the valuation technique used.

On June 28th, 2021, Mass2Media LLC entered into a Contribution and Exchange Agreement with Cascade Sciences, LLC, to create a new entity "Sinclair Scientific LLC". The existing shareholders of Mass2Media LLC and Cascade Sciences, LLC became the shareholders in the newly created entity. Consequently, Gage became an 8% holder of Cascade Sciences, LLC.

The Company determined the fair value of this investment based on quoted prices. During the six months ended June 30, 2021, the Company recognized a loss on fair value of investment of \$1,391,534 (2020 – \$291,051). During the three months ended June 30, 2021, the Company recognized a loss on fair value of investment of \$1,760,834 (2020 –\$1,254,051).

	June 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of the period	5,900,000	10,800,000
Changes in fair value	(1,391,534)	(4,787,393)
Impact of currency translation	91,535	(112,607)
Balance, end of period	4,600,001	5,900,000

(b) Cookies Creative Consulting & Promotions, LLC

On February 20, 2019, the Company, through one of its Michigan subsidiaries, entered into a convertible promissory note purchase agreement with a California Limited Liability Company (CLLC) - Cookies Creative Consulting & Promotions, LLC. The Company, through a purchase of convertible debt, invested \$1 Million in exchange for a convertible promissory note with the principal amount of same bearing interest at 2.55% per annum with a two-year maturity date. Upon a liquidity event, the Company at its sole discretion, may convert the note, together with all unpaid accrued interest thereon, into Membership Units, on such terms as the Company and the Holder reasonably agree, at a conversion price equal to the Qualified Financing Cap (equal to \$100 million dollars) divided by the aggregate number of outstanding shares of Common Stock immediately prior to such Maturity Date, on a Fully Diluted Basis.

This investment was fair valued using discounted cash flows at a discount rate of 12%, with gain (loss) in fair value for the six months ended June 30, 2021 of \$15,749 (6 months ended June 30, 2020 –\$36,368), and the three months ended June 30, 2021 of \$20,266 (3 months ended June 30, 2020 – \$18,206) recorded in the condensed consolidated statements of loss and comprehensive loss. Below is the movement in this convertible promissory note:

	June 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period	987,797	914,000
Changes in fair value	15,749	73,797
Balance, end of period	1,003,546	987,797

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(c) Mesh Ventures, LLC

On February 20, 2019, the Company, through one of its Michigan subsidiaries entered into a Subscription Agreement to purchase Class A Common Units and /or Class B Common Units of a Delaware limited liability company – Mesh Ventures LLC, by making a capital investment of \$1,500,000. We have valued our investment by assessing the valuation of specific investments within this fund, using the latest imputed valuation based on capital raises or sales multiples based on comparable companies in the industry. We have categorized these as level 3 inputs. Below is the movement of the investment.

	June 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period	2,286,560	615,330
Changes in fair value	560	1,671,230
Balance, end of period	2,287,120	2,286,560

10. GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended June 30, general and administrative expenses consist of the following:

	Three months ended June 30, 2021	Three months ended June 30, 2020
	\$	\$
Salaries and benefits	5,095,438	2,393,709
Professional fees	2,087,388	372,173
Facility, office, and administrative	1,385,300	1,035,318
Consulting fees	880,046	614,849
Insurance	487,461	185,649
Licenses	406,424	226,015
Repairs and maintenance	140,229	82,735
Travel and entertainment	115,192	106,353
Property taxes	79,119	49,373
Dues and subscriptions	16,041	2,426
Research and development	15,825	-
Other	21,168	3,520
Total general and administration expenses	10,729,631	5,072,120

For the six months ended June 30, general and administrative expenses consist of the following:

	Six months ended June 30, 2021	Six months ended June 30, 2020
	\$	\$
Salaries and benefits	8,542,337	3,812,644
Professional fees	3,462,725	949,796
Facility, office, and administrative	2,555,454	1,563,916
Consulting fees	1,521,891	1,019,249
Insurance	585,542	407,276
Licenses	701,126	295,582
Repairs and maintenance	332,462	193,740
Travel and entertainment	249,538	160,746
Property taxes	132,225	65,482
Dues and subscriptions	41,998	9,745
Research and development	15,825	-
Other	31,448	4,169
Total general and administration expenses	18,172,571	8,482,345

11. SALES AND MARKETING EXPENSES

For the three months ended June 30, sales and marketing expenses consist of the following:

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	Three months ended June 30, 2021	Three months ended June 30, 2020
	\$	\$
Royalty and commission	791,163	201,855
Marketing service	507,352	135,381
Advertising	491,251	150,435
Packaging	21,866	65,834
Public relations	-	3,151
Total sales and marketing expenses	1,811,632	556,656

For the six months ended June 30, sales and marketing expenses consist of the following:

	Six months ended June 30, 2021	Six months ended June 30, 2020
	\$	\$
Royalty and commission	1,194,572	353,877
Marketing service	1,168,217	284,258
Advertising	842,860	267,682
Packaging	57,688	97,930
Public relations	47,038	27,050
Sponsorship	-	5,242
Total sales and marketing expenses	3,310,375	1,036,039

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised of:

	June 30, 2021	December 31, 2020
	\$	\$
Trade payables	12,641,724	7,272,007
Accrued liabilities	2,917,884	4,310,861
Accrued payroll	1,169,811	1,061,580
Sales tax payable	1,545,674	592,653
	18,275,093	13,237,101

13. PROPERTY PURCHASE PAYABLE

	June 30, 2021	December 31, 2020
	\$	\$
Opening balance	-	2,597,804
Additions	3,740,534	-
Interest	81,366	67,464
Payments	(96,044)	(2,665,268)
Ending balance	3,725,856	-
Less: current portion	(1,571,599)	-
Non-current balance	2,154,257	-

The opening balance of Property purchase payable in 2020 represented the balance due on purchase of Land and Building in accordance with purchase of the Ferndale property on September 6, 2019. The total sale price of the property (land and building) was \$3,593,528 of which \$1,000,000 was paid at closing and the remaining \$2,593,528 debt carried an interest rate of 11% per annum. The balance was relieved as part of a non-cash transaction associated with the closing of the sale leaseback related to the Ferndale location during the fourth quarter of 2020.

On March 25, 2021, the Company purchased a property in Harrison, Michigan. The total stated sales price of the property (land and building) was \$2,000,000, of which \$650,000 was paid at closing. The remaining \$1,350,000 was payable through a land contract. The stated interest rate on the land contract was 7%. The land contract is payable over five years, with monthly payments ranging from \$3,500 to \$5,000 during the first year of the contract, and monthly payments of \$21,884 over the remaining life of the contract. At the end date of the contract (April 1, 2026), the Company will owe the remaining principal

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balance of \$666,398.

On April 9, 2021, the Company purchased a property in Kalamazoo, Michigan. The total stated sales price of the property (land and building) was \$294,000, of which \$70,000 was paid at closing. The remaining \$224,000 was payable through a land contract. There was no interest on the contract. The land contract is payable over ten months, with monthly payments ranging of \$22,400.

On April 13, 2021, the Company purchased a property in River Rouge, Michigan. The total stated sales price of the property (land and building) was \$1,995,000, of which \$500,000 was paid at closing. The remaining \$1,495,000 was payable through a land contract. The stated interest rate on the land contract was 7%. The land contract is payable over three years, with monthly payments of \$46,451.

On June 10, 2021, the Company purchased a property in Jackson, Michigan. The total stated sales price of the property (land and building) was \$2,300,000, of which \$1,300,000 was paid at closing. The remaining \$1,000,000 was payable through a land contract. The stated interest rate on the land contract was 5%. The land contract is payable over one year, with the amount of monthly payments at the option of the Company.

In-line with IFRS 9 guidance, the Company valued all land contracts initiated during 2021 using a market interest rate of 12%.

14. DEBENTURE PAYABLE

On September 30, 2020, the Company issued the following debentures:

- a) 2,300 units at CAD 1,000 per unit ("CAD Unit"). Each CAD Unit comprised of one (1) CAD 1,000 debenture and 67 share purchase warrants. Each warrant entitles the holder to purchase one Subordinate Voting Share at a price of CAD 1.50 for a period of 18 months following a liquidity event as defined under the warrant certificate.
- b) 750 units at USD 1,000 per unit ("USD Unit"). Each USD Unit comprised of one (1) USD 1,000 debenture and 87 share purchase warrants. Each warrant entitles the holder to purchase one Subordinate Voting Share at a price of USD 1.15 for a period of 18 months following a liquidity event as defined under the warrant certificate.

The debentures are unsecured and carry a coupon rate of 13.5% with a term of 12 months. The CAD debentures were valued using a market interest rate of 15%, with the remaining value assigned to the share purchase warrants. The USD share purchase warrants were valued using an expected remaining life of approximately 18 months and an annualized volatility of 81.4%, and a share price valuation of 1.75 USD with the remaining value assigned to the debenture. Period-over-period changes to the valuation of the warrants are included in the 'Loss on financial instruments' line of the condensed consolidated statements of loss and comprehensive loss. CAD warrants are classified within the 'Reserve for warrants' portion of the statement of changes of financial position. CAD debentures, USD debentures, and USD warrants are classified within the 'Debentures payable' portion of the condensed consolidated statements of financial position.

On April 6, 2021, a liquidity event occurred when the Company became publicly listed on the Canadian Securities Exchange ("CSE"). This triggered the start of the exercise period for both the USD and CAD warrants as described above.

	\$
Balance, December 31, 2020	2,626,906
Interest	212,713
Fair value change of liability-classified warrants	40,650
Impact of foreign currency	47,505
Balance, June 30, 2021	2,927,774

15. SHARE CAPITAL

As of June 30, 2021, the Company's share capital consisted of:

- a. An unlimited number of Subordinate Voting Shares of which 138,170,864 shares are issued;
- b. An unlimited number of Super Voting Shares of which 1,500,000 shares are issued; and
- c. 1,500,000 Exchangeable Units issued by Spartan Partners Holding, LLC, which are exchangeable for either 75,000,000 Subordinate Voting Shares or 1,500,000 Proportionate Voting Shares of the Company.

The Company recorded \$5,105,960 of expense associated with share-based payments during the six months ended June 30, 2020. (2020 - \$3,992,874). The Company recorded \$1,479,938 of expense associated with share-based payments during the three months ended June 30, 2021. (2020 - \$2,666,672)

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Subordinate Voting Shares

The following were activities pertaining to Subordinate Voting Shares during the six months ended June 30, 2021.

	Number of Subordinate Voting Shares	
	#	\$
Balance, December 31, 2020	131,649,944	89,669,811
Shares issued in accordance with Reg. A offering	4,614,255	7,442,582
Shares issued to employees	1,100,000	1,990,951
Shares issued to service providers	495,000	882,701
Shares issued on exercise of options	311,665	600,505
Balance, June 30, 2021	138,170,864	100,586,550

On December 14, 2020, December 30, 2020, and January 27, 2021, the Company closed its offering (the "Reg A Offering") of Subordinate Voting Shares pursuant to Regulation A, Tier 2, of the U.S. Securities Act. As part of this offering, the Company issued a total of 28,571,400 Subordinate Voting Shares. The offering was at \$1.75 USD per share. As part of the offering, the Company also issued 23,757,145 warrants to its largest subscriber. All warrants were issued during December of 2020. These warrants allowed the subscriber to purchase shares at \$2.60 USD at any point within three years of the issue date. The Company split the equity raised between the warrant liability and share capital. The warrants were classified as liabilities as the Holder has the option to obligate the Company to remit shares based on the difference between the current market price and the strike price. Further, the Company also reduced share capital by \$1,001,032 associated with transaction costs directly attributable to the offering. To value the warrant liability, the Company utilized a volatility of 107% and a stock price of \$1.75. The change in value between the issue date and the current value is included in the Loss on financial instruments line of the condensed consolidated statement of loss and comprehensive loss. The Company recorded a \$263,293 gain associated with the change in warrant valuation during the six months ended June 30, 2021, and a \$735,945 gain associated with the change in warrant valuation during the three months ended June 30, 2021.

An increase in volatility of 10% would increase the value of the Reg A warrant liability by \$2.3 million. A decrease in volatility of 10% would decrease the value of the Reg A warrant liability by \$2.4 million.

An increase in the Company's share price of 10% would increase the value of the Reg A warrant liability by \$3.4 million. A decrease in the share price of 10% would decrease the value of the Reg A warrant liability by \$3.3 million.

On February 19, 2021, the Company issued 100,000 Subordinate Voting Shares at a fair value of USD\$1.75 per share for a value of \$175,000. The shares vested immediately upon issuance and the Company recorded a share-based expense of \$175,000.

On March 9, 2021, the Company issued 425,000 Subordinate Voting Shares to contractors of the Company at a fair value of USD\$1.75 per share for a value of \$743,750. The shares vested immediately upon issuance and the Company recorded a share-based expense of \$743,750. The shares were valued based on the equity value as it was not feasible to estimate the fair value of services rendered.

On April 6th, 2021, the Company issued 1,000,000 shares to the CEO at a fair value of \$1.75 per share for a fair value of \$1,750,000.

Stock option plan

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees, and consultants of the Company non-transferable options to purchase common shares, provided that the number of Subordinate Voting Shares reserved for issuance under the Stock Option Plan shall not exceed fifteen percent (15%) of the issued and outstanding Subordinate Voting Shares. The options are exercisable for a period of up to ten (10) years.

The Board of Directors determines the price per Subordinate Voting share and the number of Subordinate Voting Shares that may be allocated to each director, officer, employee, and consultant and all other terms and conditions of the option. The following is the option activity for the six months ended June 30, 2021 and the year ended December 31, 2020:

	June 30, 2021		December 31, 2020	
	Number of options #	Weighted-average exercise price CAD\$	Number of options #	Weighted-average exercise price CAD\$
Balance, beginning of period	13,621,827	0.90	13,238,440	0.89

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Granted	2,581,400	2.20	1,356,700	1.11
Exercised	(311,665)	1.50	-	-
Forfeited	(99,101)	1.50	(973,313)	1.32
Balance, end of period	15,792,461	1.11	13,621,827	0.90

The fair value of the stock options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2021	2020
Expected dividend yield	0%	0%
Expected volatility	90-108%	170% - 173%
Risk-free interest rate	0.25 %	0.39%- 1.39%
Expected life	5	5
Forfeiture percentage	10%-15%	-

The following summarizes the stock options outstanding at June 30, 2021:

Options Granted	Options Forfeited	Options Exercised	Options Exercisable	Exercise Price	Weighted-Average Remaining Contractual Life of Outstanding Options
#	#	#	#	\$	Years
3,650,000	-	-	3,650,000	0.08 (C\$0.10)	1.78
4,000,000	-	-	2,666,662	0.59 (C\$0.75)	2.59
277,834	(35,000)	-	277,834	1.18 (C\$1.50)	2.93
4,500,000	(276,665)	(271,668)	1,300,000	1.18 (C\$1.50)	3.26
58,960	-	-	29,480	1.14 (C\$1.45)	3.16
6,700	-	-	6,700	1.18 (C\$1.50)	3.63
250,000	-	-	83,333	1.18 (C\$1.50)	3.92
500,000	-	-	500,000	1.18 (C\$1.50)	3.92
400,000	-	-	-	1.18 (C\$1.50)	4.17
200,000	-	-	-	1.18 (C\$1.50)	4.17
1,088,900	-	(39,100)	-	1.75 (C\$2.20)	4.60
1,482,500	-	(10,000)	-	1.75 (C\$2.20)	4.60
10,000	-	-	-	1.75 (C\$2.20)	4.73
16,424,894	(311,665)	(320,768)	8,514,009		3.03

16. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. 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.

The Corporation's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Corporation. Key management personnel include members of the Board of Directors, Chief Executive Officer/President and Chief Financial Officer. Compensation of key management personnel may include short-term and long-term benefits. Short-term benefits include salaries and bonuses. Share-based compensation include warrants and stock options vested during the year.

Compensation provided to key management for the three and six months ended June 30, 2021 and June 30, 2020 is as follows:

	Three months ended	
	June 30, 2021	June 30, 2020
Salaries and benefits	223,720	189,038
Share-based payments	459,152	2,046,914
Total	682,872	2,235,952

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	Six months ended	
	June 30, 2021	June 30, 2020
Salaries and benefits	434,737	321,174
Share-based payments	2,600,489	2,371,782
Total	3,035,226	2,692,956

17. NON-CONTROLLING INTEREST

Non-controlling interest ("NCI") represents equity interests in consolidated entities that are owned by parties that are not shareholders of the ultimate parent. Non-controlling interest is to be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

Effective February 11, 2021, Spartan Services terminated its services agreement, its license agreement and its membership interest transfer restriction and succession agreement with Buena Vista.

As of June 30, 2021, and for the three and six months then ended, non-controlling interest included the following amounts before intercompany eliminations:

	Cookies Retail Canada	Spartan Services LLC	Spartan Licensing LLC	Spartan Properties LLC	Spartan Holdings LLC	AEY Capital LLC	Thrive Enterprises	3 State Park LLC	Buena Vista Real Estate	AEY Holdings, LLC	Total
Total Assets	755,480	36,612,190	3,290,667	36,571,046	-	15,601,857	3,037,144	-	-	1,351,561	97,219,945
Total Liabilities	(944,932)	(37,826,009)	(2,571,259)	(36,633,836)	-	(39,948,606)	(10,404,385)	(997,486)	(423,472)	(4,257,073)	(134,007,058)
Net Assets	(189,452)	(1,213,819)	719,408	(62,790)	-	(24,346,749)	(7,367,241)	(997,486)	(423,472)	(2,905,512)	(36,787,113)
Net Assets attributable to NCI	(37,890)	(591,130)	350,352	(30,579)	-	(24,346,749)	(7,367,241)	(997,486)	(423,472)	(2,905,512)	(36,349,707)
For six months ended June 30, 2021											
Revenue	-	21,687,014	1,490,000	1,165,040	-	46,965,669	10,338,745	-	-	3,295,539	84,942,007
Net Income (loss)	(161,577)	393,536	72,990	652,565	-	(8,906,105)	(1,811,753)	(150,680)	(30,996)	(1,157,545)	(11,039,565)
Net Income (loss) attributable to NCI	(32,315)	191,652	35,546	317,799	-	(8,906,105)	(1,811,753)	(150,680)	(30,996)	(1,157,544)	(11,544,396)
For three months ended June 30, 2021											
Revenue	-	10,615,040	745,000	582,520	-	28,933,413	5,715,666	-	-	1,728,621	48,320,260
Net Income (loss)	(64,382)	(325,438)	56,603	747,770	-	(4,369,307)	(826,232)	(136,134)	2,056	(460,747)	(5,375,811)
Net Income (loss) attributable to NCI	(12,876)	(158,488)	27,566	364,164	-	(4,369,307)	(826,232)	(136,134)	2,056	(460,746)	(5,569,937)
NCI percentage at June 30, 2021	20.00%	48.70%	48.70%	48.70%	48.70%	100%	100%	100%	100%	100%	

As of June 30, 2020, and for the three and six months then ended, non-controlling interest included the following amounts before intercompany eliminations:

	Spartan Services LLC	Spartan Licensing LLC	Spartan Properties LLC	Spartan Holdings LLC	AEY Capital LLC	Thrive Enterprises	3 State Park LLC	Buena Vista Real Estate	AEY Holdings, LLC	Total
Total Assets	9,229,887	1,447,761	29,661,473	-	7,292,419	1,217,442	-	-	587,488	49,436,470
Total Liabilities	(12,646,033)	(2,649,031)	(29,473,049)	-	(13,005,548)	(3,662,294)	(233,030)	(315,094)	(575,565)	(62,559,644)
Net Assets	(3,416,146)	(1,201,270)	188,424	-	(5,713,129)	(2,444,852)	(233,030)	(315,094)	11,923	(13,123,174)
Net Assets attributable to NCI	(1,663,663)	(585,018)	91,762	-	(5,713,129)	(2,444,852)	(233,030)	(315,094)	11,923	(10,851,101)
For six months ended June 30, 2020										
Revenue	67,891	150,000	614,513	-	16,756,927	4,686,249	-	-	1,328,579	23,604,158
Net Income (loss)	(772,136)	164,613	326,996	-	(200,237)	(435,779)	(200,128)	(53,122)	11,923	(1,157,870)
Net Income (loss) attributable to NCI	(376,150)	80,045	159,208	-	(200,237)	(435,779)	(200,128)	(53,122)	11,923	(1,014,240)
For three months ended June 30, 2020										
Revenue	(4,688,809)	75,000	230,388	-	10,083,565	3,332,497	-	-	1,328,579	10,361,220
Net Income (loss)	(1,035,439)	264,797	32,349	-	1,639,550	87,059	(138,098)	(30,437)	121,580	941,361
Net Income (loss) attributable to NCI	(504,379)	128,835	15,715	-	1,639,550	87,059	(138,098)	(30,437)	121,580	1,319,825
NCI percentage at June 30, 2021	48.70%	48.70%	48.70%	48.70%	100%	100%	100%	100%	100%	100%

18. INCOME TAXES

There have been no material changes to income tax matters in connection with normal course operations during the three months ended June 30, 2021. The Company is subject to federal and state income tax of Michigan. During the most recent period ended and fiscal year to date, there were no material changes to the statutory income tax rates in either jurisdiction.

Income tax (recovery) expense is recognized based on management's estimate of the weighted average effective annual tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As

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such, the effective tax rate in the condensed consolidated interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements. For the three months ended June 30, 2021, the Company recorded income tax expense of \$1,844,110 (2020 – income tax expense of \$1,253,548). For the six months ended June 30, 2021, the Company recorded income tax expense of \$2,996,070 (2020 – income tax expense of \$1,814,906).

19. COMMITMENTS AND CONTINGENCIES

Legal proceedings

In the normal course of business, the Company may become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material effect on the financial statements.

Contractual Construction Agreements

The Company has entered into construction contracts with two contractors for three locations under construction as of June 30, 2021. The sum of these contracts as of June 30 was \$6,728,503 (December 31, 2021 - \$6,534,913) and the sum owing totaled \$477,277 (December 31, 2020 - \$143,697)

Government regulations

Cannabis is categorized as a Schedule-1 controlled substance by the Drug Enforcement Agency. A Schedule-1 controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision, and a high potential for abuse. Although Federal law still categorizes cannabis as a Schedule-1 controlled substance and it is illegal to grow, possess and consume under Federal law and the United States Department of Justice, over thirty-three states and the District of Columbia have passed state laws that permit doctors to recommend prescribing cannabis for medical use, and over ten states and the District of Columbia have enacted laws that legalize the adult-use and recreational use of cannabis. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would likely result in the Company's inability to proceed with our business plans. In addition, the Company's assets, including real property, cash, equipment and other goods, could be subject to asset forfeiture because cannabis is still federally illegal.

20. SEGMENT INFORMATION

For the three and six month periods ended June 30, 2021 and 2020, the Company operates in one segment, which is the production and sale of medical and adult-use cannabis in Michigan, United States. All property, plant, and equipment and intangible assets are located in Michigan, United States. All revenue was generated in Michigan, United States.

21. NET LOSS PER SHARE

Basic loss per share is calculated by dividing profit or loss attributable to equity holders of the Company (the numerator) by the weighted average number of shares outstanding (the denominator) during the year. Potentially dilutive shares, such as warrants and options, were excluded from the calculations of diluted net loss per share for the three and six month periods ended June 30, 2021 and 2020 as they are antidilutive. Please reference footnotes 14 and 15 for a discussion of all potentially dilutive securities.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company, as part of its operations, carries financial instruments consisting of cash and cash equivalents, accounts receivable, other receivables, interest receivable, a promissory note, marketable securities, convertible debentures receivable, investments, accounts payable and accrued liabilities, debentures payable, lease liability, lease assignment payable, note payable, property purchase payable, and warrants payable. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The Company classifies the fair value of certain assets and liabilities according to the following hierarchy based on the number of observable inputs used to value the instrument as follows:

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Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents and marketable securities are determined on level 1 inputs. The fair value of the loan payable, the Cookies Creative note, the warrant liability, and the Mesh investment are determined on level 2 inputs. The Mass2Media investment is determined using level 3 inputs. The carrying amount of accounts receivable, promissory note, interest receivable, convertible debentures receivable, accounts payable and accrued liabilities, lease assignment payable, debenture payable, note payable, and property purchase payable approximates its fair value due to the short-term maturities of these items.

Financial instruments risk

The Company is exposed to varying degrees of financial instrument related risks. The Company mitigates these risks by assessing, monitoring, and approving the Company's risk management processes. A summary of the Company's risk exposures as it relates to financial instruments is as follows:

Interest rate risk

Interest rate risk relates to changes in interest rates which will affect the Company's income, or the value of the financial instruments held. The Company does not hold financial liabilities or financial assets with variable interest rates.

Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk from customers is minimal as most sales are cash sales from the retail stores. The Company is exposed to credit risk from cash and cash equivalents of \$32,805,441 (December 31, 2020 - \$45,455,583), accounts receivable of \$3,503,943 (December 31, 2020 - \$252,377), other receivables of \$178,566 (December 31, 2020 - nil), marketable securities of \$59,017 (December 31, 2020 - \$84,197), interest receivable of \$17,143 (December 31, 2020 - \$80,116), investments of \$10,790,667 (December 31, 2020 - \$9,174,357), and a convertible debenture of \$822,871 (December 31, 2020 - \$379,145). The risk exposure is limited to their carrying amounts at the consolidated statement of financial position date. The risk for cash and cash equivalents is mitigated by holding these instruments with highly rated financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. The Company typically settles its financial obligations in cash. The ability to settle obligations in cash is dependent on the Company raising financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

Undiscounted contractual obligations as of June 30, 2021 are as follows:

	Total	Less than 1 year	1 year - 3 years	3 years - 5 years	Over 5 years
Accounts payable and accrued liabilities	18,275,093	18,275,093	-	-	-
Lease liabilities	21,176,171	2,545,516	5,072,796	4,556,791	9,001,068
Note payable	4,319,192	1,379,004	2,940,188	-	-
Debentures payable	2,957,511	2,957,511	-	-	-
Property purchase payable	4,605,450	1,914,429	1,586,935	1,104,086	-
Total	51,333,417	27,071,553	9,599,919	5,660,877	9,001,068

23. CAPITAL MANAGEMENT

The Company's objective is to maintain a sufficient capital base to maintain investor, creditor and customer confidence, to sustain future development of the business and to provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable growth. The Company currently has not paid any dividends to its shareholders.

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As of June 30, 2021, total managed capital was comprised of shareholders' equity of \$41,170,888 (December 31, 2020 - \$48,743,330). There were no changes in the Company's approach to capital management during the period ended June 30, 2021.

As of June 30, 2021, the Company is not subject to externally imposed capital requirements.

24. SUBSEQUENT EVENTS

Subsequent events have been updated through August 23, 2021.

On July 2nd, the Company entered into an agreement with KKE Licensing MI, LLC, to allow Gage to utilize certain licensing and branding owned by KKE in their operations. As part of this agreement, the Company granted KKE a total of 780,727 warrants, with 390,364 vesting on the agreement date of July 2nd, 2021, and 390,363 warrants vesting on July 2nd, 2022. The warrants have an exercise price equal to the closing market price of the shares as of closing on the day prior to issuance, which was \$2.10 denominated in US dollars.