RRITUAL SUPERFOODS INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Rritual Superfoods Inc.

Opinion

We have audited the accompanying consolidated financial statements of Rritual Superfoods Inc. (the "Company"), which comprise the consolidated balance sheet as at June 30, 2021 and 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$6,141,698 during the year ended June 30, 2021. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dylan Connelly.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

October 28, 2021

RRITUAL SUPERFOODS INC.
CONSOLIDATED BALANCE SHEET
(Expressed in Canadian Dollars)

AS AT	***Note***	**June 30, 2021**	**June 30, 2020**
		$	$
ASSETS			
Current			
Cash		672,365	321,270
Receivables		174,781	
Sales tax receivable		118,395	-
Inventory	4	1,090,673	-
Prepaid expenses and inventory deposits	5	1,423,409	-
Total current assets		3,479,623	321,270
LIABILITIES			
Current			
Accounts payable and accrued liabilities	7	497,709	72,958
EQUITY			
Share capital	8	8,430,730	396,252
Share subscriptions received	8	-	13,000
Share subscriptions receivable	8	-	(20,000)
Reserves	8	878,006	20,376
Accumulated other comprehensive loss		(23,816)	-
Deficit		(6,303,006)	(161,316)
Total equity		2,981,914	248,312
Total liabilities and equity		3,479,623	321,270

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 15)
Subsequent events (Note 16)

Approved on behalf of the Board of Directors and authorized for issuance on October 28, 2021:

"Warren Spence"	*"Scott Eldridge"*
Warren Spence, Director	Scott Eldridge, Director

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

RRITUAL SUPERFOODS INC.
CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	**Year ended June 30, 2021**	**Year ended June 30, 2020**
		$	$
Revenue		196,761	-
Cost of goods sold		250,032	-
Gross margin		(53,271)	-
Expenses			
General and administrative		350,888	10,848
Amortization expense	6	30,000	-
Marketing and promotion		2,326,312	-
Consulting	10	2,413,538	111,570
Professional fees		284,707	18,522
Share-based compensation	8 & 10	682,982	20,376
Total expenses		6,088,427	161,316
Net loss		(6,141,698)	(161,316)
Other comprehensive (loss) income			
Foreign currency translation gain		23,816	-
Total other comprehensive income		23,816	-
Net and comprehensive loss		(6,117,882)	(161,316)
Loss per share			
Basic and diluted		(0.15)	(0.33)
Weighted average number of common shares			
Basic and diluted		42,237,347	486,542

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

RRITUAL SUPERFOODS INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Number of common shares	Share Capital	Share subscriptions received	Share subscriptions receivable	Equity Portion of Convertible Notes	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total equity
		$	$	$	$	$	$	$	$
Balance, June 30, 2019	200	2	-	-	-	-	-	-	2
Common shares issued for cash	17,750,000	355,000	13,000	(20,000)	-	-	-	-	348,000
Share issuance costs	-	(8,750)	-	-	-	-	-	-	(8,750)
Common shares issued for services pursuant to debt settlement	2,500,000	50,000	-	-	-	-	-	-	50,000
Share-based compensation	-	-	-	-	-	20,376	-	-	20,376
Net loss and other comprehensive loss for the year	-	-	-	-	-	-	-	(161,316)	(161,316)
Balance, June 30, 2020	20,250,200	396,252	13,000	(20,000)	-	20,376	-	(161,316)	248,312
Common shares issued - private placements	12,275,000	951,500	(13,000)	20,000	-	-	-	-	958,500
Common shares issued - IPO	20,000,000	6,000,000	-	-	-	-	-	-	6,000,000
Common shares issued - corporate finance fee	1,000,000	300,000	-	-	-	-	-	-	300,000
Share issue costs - corporate finance fee	-	(300,000)	-	-	-	-	-	-	(300,000)
Share issue costs - fair value of broker warrants	-	(216,398)	-	-	-	216,398	-	-	-
Share issue costs - cash	-	(832,853)	-	-	-	-	-	-	(832,853)
Common shares issued for services	1,380,000	138,000	-	-	-	-	-	-	138,000
Common shares issued for asset acquisition	1,500,000	30,000	-	-	-	-	-	-	30,000
Cancellation of common shares	(200)	(8)	-	-	-	-	-	8	-
Exercise of options	755,000	162,750	-	-	-	(23,750)	-	-	139,000
Exercise of warrants	134,264	80,558	-	-	-	-	-	-	80,558
Conversion of RSUs	1,750,000	766,000	-	-	-	(18,000)	-	-	748,000
Issuance of convertible promissory notes	-	-	-	-	950,402	-	-	-	950,402
Conversion of promissory notes	3,183,083	954,929	-	-	(950,402)	-	-	-	4,527
Share-based compensation	-	-	-	-	-	682,982	-	-	682,982
Translation adjustment	-	-	-	-	-	-	(23,816)	-	(23,816)
Net loss loss for the year	-	-	-	-	-	-	-	(6,141,698)	(6,141,698)
Balance, June 30, 2021	62,227,347	8,430,730	-	-	-	878,006	(23,816)	(6,303,006)	2,981,914

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

RRITUAL SUPERFOODS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended June 30, 2021	Year ended June 30, 2020
	$	$
Operating activities		
Net loss for the year	(6,141,698)	(161,316)
Adjusted for:		
Share-based compensation	682,982	20,376
Shares issued for service	138,000	50,000
Shares issued for interest	4,527	-
Amortization expense	30,000	-
Changes in non-cash working capital:		
Accounts receivable	(181,355)	-
Sales tax receivable	(118,395)	-
Inventory	(1,128,425)	-
Prepaid expenses and deposits	(701,388)	-
Accounts payable and accrued liabilities	429,685	64,208
Cash flows - operating activities	(6,986,067)	(26,732)
Financing activities		
Common shares issued for cash	7,908,902	335,002
Share issue costs	(832,853)	-
Common shares issued on exercise of options and warrants	219,558	-
Subscriptions received in advance	-	13,000
Cash flows - financing activities	7,295,607	348,002
Effect of foreign exchange on cash	41,555	-
Change in cash	351,095	321,270
Cash, beginning of year	321,270	-
Cash, end of year	672,365	321,270
Supplemental cash flow disclosure:		
Share issue costs included in accounts payable	-	8,750
Fair value of broker warrants	216,398	-
Intangible assets acquired for common shares	30,000	-

No cash was paid for interest or income taxes for the period presented.

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Rritual Superfoods Inc. (the "Company") was incorporated pursuant to the provisions of the British Columbia Business Corporations Act as 1207645 BC Ltd. on May 6, 2019. On April 3, 2020, it changed its name to Rritual Mushrooms Inc and on November 5, 2020, it changed its name to Rritual Superfoods Inc. The Company's registered and records office address is 900 – 855 West Georgia Street, Vancouver, BC, V6C 3H1. The Company's head office address is 151 West Hasting Street, Vancouver BC, V6B 1H4.

The Company is engaged in the business of development, marketing, sales, and distribution of proprietary dietary and nutritional supplements and beverages containing herbs and other extracts such as fruits, roots, fungi, and vegetables. The Company's initial product launches are focused on plant-based products incorporating mushroom based adaptogens. The Company sells its suite of products through an omni-channel business strategy direct to consumer and, through distribution partners, to brick-and-mortar retailers.

On February 26, 2021, the Company completed its initial public offering (the "IPO") of 20,000,000 units. Each unit consisted of one common share and one-half share purchase warrant. The Company listed its common shares on the CSE effective March 5, 2021, under the trading symbol RSF. The IPO warrants are listed on the CSE under the trading symbol RSF-WT.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The Company has incurred a net loss of $6,141,698 during the year ended June 30, 2021, and the Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, obtain the necessary financing to meet its near-term obligations such that it can repay its liabilities when they become due. The inability to achieve these objectives may cast significant doubt about the Company's ability to continue as a going concern. Subsequently, the Company raised an additional $4,000,000 in a bought deal public offering (Note 16).

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Company's operations. As of October 28, 2021, the extent of the impact of this outbreak and related containment measures on the Company's operations cannot be reliably estimated.

2. BASIS OF PRESENTATION, USE OF ESTIMATES, ASSUMPTIONS, AND JUDGEMENTS

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. BASIS OF PRESENTATION (Continued)

Use of estimates, assumptions, and Judgements

The preparation of financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in these consolidated financial statements and related notes. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having given regard to previous experience, but actual results may differ materially from the amounts included in the financial statements.

Share-based payments

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of warrants and stock options granted to directors, officers, employees, consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the Share-based compensation calculation value, however the most significant estimate is volatility. The Company estimated volatility based on historic share prices of companies operating in the regulated cannabis industry as it presented a reasonable analogy of an emerging consumer product segment. Historical volatility is not necessarily indicative of future volatility.

Presentation and functional currency

The consolidated financial statements of the Company are presented in Canadian dollars.

The functional currency of the Company is the Canadian dollar. The functional currency of the Company's wholly owned subsidiary is detailed below.

Name of subsidiary	Abbreviation	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
Rritual USA Inc.	Rritual USA	USA	100%	USD	Dietary Supplements

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary, which is controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. All intercompany transactions are eliminated upon the preparation of these consolidated financial statements.

Foreign currencies

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary was determined by conducting an analysis of the consideration factors identified in IAS 21, *"The Effects of Changes in Foreign Exchange Rates"* ("IAS 21"). The functional currency of the Company and its subsidiary is included within Note 2.

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

Translation of the functional currency into the presentation currency

The results of operations which have a different presentation currency than the Company are translated to Canadian dollars at appropriate average rates of exchange during the period. The assets and liabilities of these operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of these operations to Canadian dollars at period end are recognized in accumulated other comprehensive income as a translation adjustment.

Share-based payments

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

3. ACCOUNTING POLICIES (Continued)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI, are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is classified on the statement of financial position at FVTPL. Receivables are recorded on an amortized cost basis.

3. ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities is classified on the statement of financial position at amortized cost.

Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and other equity instruments are recognized as a deduction from shareholders' equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Intangible Assets

Other intangible assets, comprising product formulations that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over the estimated useful lives and is recognized in profit or loss. The amortization of product formulations begins when the Company starts to generate revenue from the asset. Acquired formulations are amortized on a straight-line basis over a period of one year.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. ACCOUNTING POLICIES (Continued)

Inventory

The Company defines inventory as all purchased raw materials and finished goods for resale, consumable supplies, and accessories.

Raw materials and finished goods are initially recognized at cost and subsequently valued at the lower of average cost and net realizable value ("NRV"). The Company reviews for obsolescence, redundancy and slow turnover and any such inventory are written down to net realizable value.

Revenue

The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the sale of dietary supplements is recognized when the risks and rewards of the products have been substantially transferred to the customer (usually on delivery of the goods), which is the Corporation's sole performance obligation. The Corporation to date has experienced few product returns and, accordingly, records an estimated 5% provision obligation for estimated returns. Collection of the Corporation's invoices typically occurs within 90 days of the sale.

Marketing programs provided to customers and operators, including volume rebates, cooperative advertising and other trade marketing programs, are all customer-specific programs to promote the Company's products. Consequently, sales are recorded net of these estimated marketing costs at the time of sale. All other non-customer-specific marketing costs (general advertising, etc.) are expensed as incurred as selling, general and administrative expenses.

Certain customers require payment of one-time listing allowances (or "product listing fees") to obtain space for a new product in their stores. These fees are considered incremental costs of obtaining a contract and, if recovery is expected through sales to the customer in future periods, are capitalized as product listing fees (included in prepaid expenses and deferred costs) and amortized to contra-revenue over the estimated recovery period. Product listing fees that are insignificant or are not estimated to have future economic benefit are recorded to contra-revenue in the period incurred.

New accounting policies

The Company has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date later than July 1, 2020. Many of these updates are not currently relevant to the Company and are therefore not discussed herein.

(Expressed in Canadian Dollars)

4. INVENTORY

	June 30, 2021	June 30, 2020
	$	$
Raw materials	80,350	-
Finished goods	1,010,323	-
Total	1,090,673	-

During year ended June 30, 2021, inventory expensed to cost of goods sold was $190,918 (2020 - $nil).

5. PREPAID EXPENSES AND INVENTORY DEPOSITS

	June 30, 2021	June 30, 2020
	$	$
Prepaid expenses	745,928	-
Deposits for inventory	677,481	-
Total	1,423,409	-

During year ended June 30, 2021, the Company issued $748,000 in RSU's which vested on grant for consulting services which are recorded as prepaid expenses and amortized over the life of the consulting contracts. During the year ended June 30, 2021, the Company recognized $176,241 in related consulting services.

6. INTANGIBLE ASSETS

The following is a continuity schedule of intangible assets:

	June 30, 2021	June 30, 2020
	$	$
Balance, June 30, 2020	-	-
Additions - product formulations	30,000	-
Amortization	(30,000)	-
Balance, June 30, 2021	-	-

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2021	June 30, 2020
	$	$
Trade payables	434,236	72,958
Accrued liabilities	63,473	-
Total	497,709	72,958

8. SHARE CAPITAL AND RESERVES

Authorized

Unlimited common shares with no par value. As of June 30, 2021, there were 62,227,347 common shares outstanding.

Escrow shares

The Company has shares subject to trading restrictions and escrow which are released in tranches through 2022. As of June 30, 2021, a total of 24,600,000 common shares were subject to these escrow restrictions.

Issued and Outstanding – Common Shares Fiscal 2021:

During the year ended June 30, 2021, the Company issued common shares as follows:

a) The Company completed a private placement of 3,450,000 common shares at a price of $0.02 per share for gross proceeds of $69,000.

b) The Company issued 1,500,000 common shares of the Company at a price of $0.02 per share pursuant to an asset purchase agreement to acquire product formulations for an aggregate fair value of $30,000. Of the 1,500,000 shares issued, 1,375,000 were issued to directors of the Company.

c) The Company completed a private placement of 8,825,000 units at a price of $0.10 per unit for gross proceeds of $882,500. Each unit consists of one common share and one-half common share purchase warrant exercisable at a price of $0.45 for a period of two years from closing. The Company incurred share issuance costs of $69,169 in relation to the private placement.

d) The Company issued 1,380,000 common shares for services at a fair value of $0.10 per share for total consideration of $138,000. Of the shares issued 1,300,000 were issued to directors and officers of the Company.

e) The Company issued 755,000 common shares pursuant to the exercise of options in exchange for consideration of $139,000 and the reallocation of $23,750 of reserves from previously recognized share-based compensation expense.

f) The Company cancelled 200 common shares. In relation to the cancellation the Company recorded a charge to deficit of $8.

g) On February 26, 2021, the Company completed its initial public offering (the "IPO") of 20,000,000 units at a price of $0.30 per unit for gross proceeds of $6,000,000. Each unit consisted of one common share and one-half share purchase warrant with each full warrant being exercisable at price of $0.60 for a period of thirty-six months. The Company paid cash commission equal to 7% of the aggregate gross proceeds of $420,000 and incurred share issue costs $343,684 for total cash-based share issuance costs of $763,684. The Co-lead underwriters were granted 1,400,000 broker warrants exercisable into units at a price of $0.30 expiring March 5, 2024. Each broker warrant unit consists of one common share and one-half common share purchase warrant with each full warrant exercisable at $0.60 expiring March 5, 2024. The grant date fair value of the broker warrants was $216,398 using the Black-Scholes valuation model with the following assumptions: expected life – 3 years; volatility 80%; dividend yield of 0%; and risk-free rate – 0.5%. The Company also issued 1,000,000 corporate finance fee units at a value of $0.30 which was recorded as non-cash share issue cost totaling $300,000. Each corporate finance fee unit consists of one common share and one-half common share purchase warrant with each full warrant (500,000 in aggregate) exercisable at a price of $0.60 per share expiring March 5, 2024.

8. SHARE CAPITAL AND RESERVES (Continued)

h) On April 5, 2021, the Company granted an aggregate of 1,140,000 RSUs to certain consultants, directors, and officers of the Company pursuant to the Plan. Each RSU represents the right to receive, once vested, one common share in the capital of the Company. All of the RSUs granted to consultants of the Company vested immediately upon grant and all of the RSUs granted to directors and officers of the Company will vest on January 1, 2022.

i) On April 5, 2021, amended the vesting of 720,000 RSUs which were to vest between April 1, 2021, and January 1, 2022, to vest fully on April 5, 2021.

j) On April 5, 2021, 1,750,000 common shares were issued pursuant to the conversion of RSUs.

k) 134,264 common shares were issued pursuant to the exercise of warrants for gross proceeds of $80,558.

During the period ended June 30, 2020, the Company issued common shares as follows:

a) The Company completed a non-brokered private placement of $335,000 by the issuance of 17,750,000 common shares at a price of $0.02 per share. An additional $13,000 was received in advance of a second closing on the same terms. Subsequently the Company issued 650,000 common shares in relation to the $13,000 in subscriptions received in advance. $20,000 of the private placement was recorded as subscriptions receivable and was received after period end.

b) The Company issued 2,500,000 common shares to directors of the Company at a price of $0.02 per share pursuant to debt settlement agreements for total consideration of $50,000. The consideration consisted of $40,685 in unpaid consulting fees and $9,315 of costs incurred on behalf of the Company.

Stock options

The Company has adopted a long-term incentive plan (the "Plan") for its directors, officers, employees, and consultants to acquire common shares of the Company. The plan provides a framework for the Company to grant Stock Options, Restricted Share Units, Performance Share Units, and Deferred Share Units. The aggregate number of Stock options and Units granted shall not exceed 25% of the issued and outstanding common shares of the Company with no one individual director or officer being granted options or units to acquire more than 10% of the issued and outstanding common shares. In addition, the exercise price of stock options granted under the plan shall not be lower than the market price on the date of grant. The maximum term of an option award under the plan is 10 years.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (Continued)

A summary of stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price $
Balance at June 30, 2019	-	-
Granted	5,300,000	0.10
Balance at June 30, 2020	5,300,000	0.10
Cancelled	(1,750,000)	0.14
Exercised	(755,000)	0.18
Granted	4,500,000	0.35
Balance at June 30, 2021	7,295,000	0.28

The following table summarizes stock options outstanding and exercisable as of June 30, 2021:

Expiry date	Number of Options	Number of Exercisable Options	Weighted Average Exercise Price $	Weighted Average Remaining Years
June 23, 2025	1,812,500	1,812,500	0.10	3.98
June 23, 2025	1,475,000	1,475,000	0.30	3.98
October 8, 2025	1,770,000	1,327,500	0.30	4.28
November 24, 2025	700,000	350,000	0.30	4.41
February 1, 2026	512,500	128,125	0.30	4.59
March 8, 2026	1,025,000	256,250	0.54	4.69
	7,295,000	5,349,375	0.28	4.24

Share-based compensation expense recognized during the year of $592,736 related to options vested during the year. The Option Pricing Model used the following weighted average assumptions:

	June 30, 2021	June 30, 2020
Risk-free interest rate	0.50%	0.50%
Expected life of options	4	4
Expected forfeitures	10%	10%
Annualized volatility	81%	80%
Dividend rate	0%	0%
Weighted average fair value per option	$0.17	$0.01

Expected annualized volatility was determined using the historic volatility of established comparable publicly traded companies.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (Continued)

Restricted Share Units ("RSUs")

A summary of restricted shares unit activity is as follows:

	Number of RSU's	Share price on grant date
		$
Balance at June 30, 2020	900,000	0.02
Granted	1,140,000	0.88
Exercised	(1,750,000)	-
Balance at June 30, 2021	290,000	0.88

Share-based compensation expense recognized during the year of $90,246 related to Restricted Shares Units. All RSUs outstanding as at June 30, 2021 vest on January 1, 2022.

Share Purchase Warrants

The Company enters into agreements for various services for which all or partial consideration is comprised of warrants. As the fair value of the provision of services is difficult to measure, the Company measures the fair value of services received or to be received by reference to the fair value of warrants granted using the Black-Scholes Model as described in the Company's Financial Statements.

A summary of warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price $
Balance at June 30, 2020	-	-
Granted	16,504,033	0.56
Exercised	(134,264)	0.60
Balance at June 30, 2021	16,369,769	0.56

The following table summarizes the warrants outstanding as of June 30, 2021:

Expiry date	Number of Warrants	Weighted Average Exercise Price $	Weighted Average Remaining Years
August 18, 2022	3,587,500	0.45	1.13
August 28, 2022	275,000	0.45	1.16
September 2, 2022	500,000	0.45	1.18
September 18, 2022	50,000	0.45	1.22
September 30, 2022*	1,549,669	0.60	1.25
March 5, 2024	9,907,600	0.60	2.68
March 5, 2024	500,000	0.60	2.68
	16,369,769	0.56	2.13

** Warrants relate to convertible promissory note (Note 9)

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (Continued)

Broker Warrants

A summary of broker warrants outstanding is as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance at June 30, 2020	-	-
Granted	1,400,000	0.30
Balance at June 30, 2021	1,400,000	-

Each broker warrant is exercisable at a price of $0.30 into units which consist of one common share and one-half common share purchase warrant exercisable until March 5, 2024. Upon conversion each full warrant shall be exercisable at a price of $0.60 expiring on March 5, 2024.

9. CONVERTIBLE NOTES

On September 30, 2020, the Company completed a financing of Qualifying Convertible Notes in the aggregate Principal Amount of $950,402. The Qualifying Convertible Notes automatically convert into Convertible Note Units upon the earlier of: (i) the Company receiving a receipt for its final Prospectus from the securities regulatory authorities in each of the jurisdictions in which the Company files the Prospectus; or (ii) the Maturity Date of the Qualifying Convertible Notes being March 31, 2021. Upon conversion, each Convertible Note Unit will be comprised of one Convertible Note Unit Share and one-half of one non-transferable Convertible Note Unit Warrant. Each whole Convertible Note Unit Warrant entitles the holder thereof to purchase one additional Convertible Note Unit Warrant Share at an exercise price of $0.60 for a period of 24 months from the date of issuance. The Company did not receive any additional proceeds upon the automatic conversion of the Qualifying Convertible Notes upon the closing of its IPO. No commission or fee was paid by the Company with respect to the issue of the Qualifying Convertible Notes and no commission or fee was paid by the Company in connection with the issuance of the Convertible Note Units.

Upon closing of the IPO, the Qualifying Convertible Notes automatically converted into 3,183,083 units at a price of $0.30 per share. Each unit consists of one common share and one half of one common share purchase warrant (1,591,533 warrants in total). Each full warrant is exercisable at a price of $0.60 until September 30, 2022. Of the total shares issued, 3,167,993 related to the conversion of the principal balance 15,090 share were issued for $4,527 in accrued interest.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals.

During the year ended June 30, 2021, the Company entered the following key management transactions:

	June 30, 2021	**June 30, 2020**
	$	$
Consulting services - Warren Spence, CEO & Director	-	-
Consulting services - Robert Payment, CFO	60,000	-
Consulting services - David Kerbel, Former CEO, Director	98,841	6,935
Consulting services - Mike Hart, former President	22,500	-
Consulting services - Gurinder Sandhu, former Director	65,500	18,185
Consulting services - Amandeep Gill, former Director	62,500	22,500
Shares issued for service - Warren Spence	20,000	-
Shares issued for service - Robert Payment	10,000	-
Shares issued for service - David Kerbel	20,000	-
Shares issued for service - Gurinder Sandhu	40,000	-
Shares issued for service - Amandeep Gill	40,000	-
Total	439,341	47,620

Share-based compensation of $214,600 (2020 - $8,027) was related to directors, officers, and former directors and officers. $5,250 owing to Robert Payment was recorded as accounts payable on June 30, 2021.

11. FINANCIAL INSTRUMENTS

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash is carried at fair value using a level 1 fair value measurement. The recorded values of receivables, accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

11. FINANCIAL INSTRUMENTS (Continued)

Financial risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objective of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Credit risk

Credit risk is the risk of potential loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and trade receivables. Cash is held with reputable Canadian financial institutions, from which management believes the risk of loss is remote. As of June 30, 2021, the company had $189,933 trade receivables with reputable US retailers all of which has been collected subsequent to year end . The Company's maximum credit risk exposure is equivalent to the carrying value of cash and the trade receivables.

Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant by management.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of June 30, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities have contractual maturities within one year. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. An increase (decrease) of 10% in the foreign exchange rate between the USD and Canadian dollar will increase (decrease) net comprehensive income by $8,586. The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

(Expressed in Canadian Dollars)

12. CAPITAL MANAGEMENT

The Company defines capital as equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. As discussed in Note 1, the Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the period presented. The Company is not subject to externally imposed capital requirement.

13. SEGMENTED INFORMATION

The Company operates in one reportable business segment, the marketing and distribution of dietary supplements containing functional mushrooms. The Company defines its reportable segments based on geographical locations – Canada, and USA. Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance. All sales during the period occurred in the United States.

Revenues from two of the Company's customers represent approximately 99% of the Company's total revenues.

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	June 30 2021 $	June 30 2020 $
Net loss for the year	(6,141,698)	(161,316)
Expected income recovery	(1,658,000)	(44,000)
Change in statutory, foreign tax, foreign exchange rates and other	87,000	-
Permanent difference	186,000	5,000
Share issuance costs	(306,000)	(2,000)
Adjustment to prior years provision versus statutory tax returns	(5,000)	-
Change in unrecognized deductible temporary differences	1,696,000	41,000
Total income tax expense (recovery)	-	-

(Expressed in Canadian Dollars)

14. INCOME TAXES (Continued)

The significant components of the Company's deferred tax assets and liabilities that have not been included in the consolidated statement of financial position are as follows:

	June 30 2021 $	June 30 2020 $
Deferred tax assets		
Share issue costs	246,000	2,000
Non-capital losses	1,491,000	39,000

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	30 June 2021	Expiry Date Range	30 June 2020	Expiry Date Range
Temporary Differences	$		$	
Share issue costs	912,000	2042-2045	7,000	2041-2044
Non-capital losses	5,798,000	No expiry date	143,000	No expiry date
Canada	4,553,000	2040-2041	143,000	2040
USA	1,245,000	No expiry date	-	NA

Tax attributes are subject to review, and potential adjustment by tax authorities.

15. COMMITMENTS AND CONTINGENCIES

Litigation Claim

On July 26, 2021, Force One Marketing Corporation and Force One Capital (together, "Force One"), filed a Statement of Claim against the Company in Ontario with respect to an alleged breach of a stock option agreement granting Force One 1,000,000 stock options exercisable at $0.02. Force One alleges that it was a former consultant of the Company, and says the stock options were granted to it for capital raising and corporate advisory services. Force One is seeking an order for delivery of 1,000,000 Common Shares of the Company and general damages against the Company in the amount of $2,500,000. The Company views the Force One's claim as largely devoid of merit and the Company will vigorously defend it. The Company has not yet filed a Statement of Defense and no court dates have been set.

Although management believes that the claim by Force One is without merit, defending the claim may be costly. If Force One's action is successful against the Company, it could result in the Company's business, operating results and financial condition being materially adversely affected.

Trademark Dispute

The Company received a letter from a natural health products company in the United States (the "Claimant") requesting the Company cease and desist from using the RRitual Trademark and the U.S. Trademark Application for "MENTAL FITNESS IS A DAILY RRITUAL" (Serial No. 90138515) on the basis of claims that it would cause consumer confusion with respect to products of the Claimant. Management is consulting with legal counsel regarding a response to the Claimant and intends to vigorously defend its intellectual property rights.

15. COMMITMENTS AND CONTINGENCIES (Continued)

Although management believes that the trademark claims are without merit, the claims may be time-consuming and costly to defend and divert management's attention and resources away from the business. These claims of intellectual property infringement also might require Rritual to redesign affected products, enter into costly settlement or license agreements (if such licenses can be obtained on commercially reasonable terms, or at all) or pay costly damage awards, or face a temporary or permanent injunction prohibiting the marketing or selling certain of our products, which could result in the Company's business, operating results and financial condition being materially adversely affected.

16. SUBSEQUENT EVENTS

Subsequent to June 30, 2021, the Company completed the following transactions:

a) September 10, 2021 – the Company has closed its $4,000,000 "bought deal" public offering (the "Offering") with net proceeds of $3,650,475. The Offering was underwritten by Clarus Securities Inc. (the "Underwriter"). Each Unit consists of one common share of Rritual (a "Common Share") and one-half Common Share purchase warrant. Each whole warrant (a "Warrant") entitles the holder to purchase one Common Share of Rritual at a price of $0.60 per Common Share until March 5, 2024, subject to an acceleration provision. Pursuant to the Offering, Rritual issued an aggregate of 8,000,000 Units at a price of $0.50 per Unit, for total gross proceeds of $4,000,000.

b) 1,830,000 common shares were issued pursuant to the exercise of stock options for gross proceeds of $549,000.

c) 75,000 common shares were issued pursuant to the exercise of warrant options for gross proceeds of $33,750.