

**RRITUAL SUPERFOODS INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)

**For the three months ended September 30, 2021**

(Expressed in Canadian Dollars)

**RRITUAL SUPERFOODS INC.**  
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**  
(Unaudited - Expressed in Canadian Dollars)

AS AT	<i>Note</i>	September 30 2021	June 30, 2021
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 2,177,074	\$ 672,365
Receivables		43,109	174,781
Sales tax receivable		162,601	118,395
Inventory	4	3,282,929	1,090,673
Prepaid expenses and inventory deposits	5	491,913	1,423,409
<b>Total current assets</b>		<b>\$ 6,157,626</b>	<b>\$ 3,479,623</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	7	\$ 619,689	\$ 497,709
<b>EQUITY</b>			
Share capital	8	12,649,643	8,430,730
Reserves	8	974,398	878,006
Accumulated other comprehensive loss		53,537	(23,816)
Deficit		(8,139,641)	(6,303,006)
<b>Total equity</b>		<b>5,537,937</b>	<b>2,981,914</b>
<b>Total liabilities and equity</b>		<b>\$ 6,157,626</b>	<b>\$ 3,479,623</b>

**Nature and continuance of operations** (Note 1)  
**Commitments and contingencies** (Note 14)  
**Subsequent event** (Note 15)

Approved on behalf of the Board of Directors and authorized for issuance on November 26, 2021:

“Warren Spence”  
Warren Spence, Director

“Scott Eldridge”  
Scott Eldridge, Director

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

**RRITUAL SUPERFOODS INC.****CONDENSED CONSOLIDATED INTERIM STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian Dollars)

		<b>Three months ended</b>	
	<i>Note</i>	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Revenue		\$ 51,271	\$ -
Cost of goods sold		62,842	-
Gross margin		(11,571)	-
<b>Expenses</b>			
General and administrative		86,992	15,313
Marketing and promotion		680,837	283,751
Consulting and wages	10	811,662	388,911
Professional fees		67,779	10,866
Share-based compensation	8 & 10	153,978	486
Total expenses		1,801,248	699,327
<b>Net loss</b>		(1,812,819)	(699,327)
Other comprehensive (loss) income			
Foreign currency translation gain		(53,537)	1,860
Total other comprehensive income		(53,537)	1,860
<b>Net and comprehensive loss</b>		\$ (1,866,356)	\$ (697,467)
Loss per share			
Basic and diluted		\$ (0.03)	\$ (0.02)
Weighted average number of common shares			
Basic and diluted		65,393,162	28,759,277

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

**RRITUAL SUPERFOODS INC.****CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited - 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
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, June 30, 2020</b>	20,250,200	396,252	13,000	(20,000)	-	20,376	-	(161,316)	248,312
Common shares issued for cash	12,275,000	951,500	(13,000)	-	-	-	-	-	938,500
Share issuance costs	-	(69,169)	-	-	-	-	-	-	(69,169)
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
Issuance of convertible promissory notes	-	-	-	-	950,402	-	-	-	950,402
Share-based compensation	-	-	-	-	-	486	-	-	486
Net loss and other comprehensive loss	-	-	-	-	-	-	1,860	(699,327)	(697,467)
<b>Balance, September 30, 2020</b>	<b>35,405,200</b>	<b>1,446,583</b>	<b>-</b>	<b>(20,000)</b>	<b>950,402</b>	<b>20,862</b>	<b>1,860</b>	<b>(860,643)</b>	<b>1,539,064</b>
<b>Balance, June 30, 2021</b>	62,227,347	8,430,730	-	-	-	878,006	(23,816)	(6,303,006)	2,981,914
Common shares issued - Bought Deal	8,000,000	4,000,000	-	-	-	-	-	-	4,000,000
Share issue costs - cash	-	(421,423)	-	-	-	-	-	-	(421,423)
Share issue costs - non cash	-	(62,273)	-	-	-	62,273	-	-	-
Exercise of options	1,830,000	668,859	-	-	-	(119,859)	-	-	549,000
Exercise of warrants	75,000	33,750	-	-	-	-	-	-	33,750
Share-based compensation	-	-	-	-	-	153,978	-	-	153,978
Translation adjustment	-	-	-	-	-	-	77,353	-	77,353
Net loss loss for the period	-	-	-	-	-	-	-	(1,836,635)	(1,836,635)
<b>Balance, September 30, 2021</b>	<b>72,132,347</b>	<b>12,649,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>974,398</b>	<b>53,537</b>	<b>(8,139,641)</b>	<b>5,537,937</b>

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

**RRITUAL SUPERFOODS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
(Unaudited - Expressed in Canadian Dollars)

	<b>Three months ended September 30, 2021</b>	<b>Three months ended September 30, 2020</b>
<b>Operating activities</b>		
Net loss for the year	\$ (1,836,635)	\$ (699,327)
Adjusted for:		
Share-based compensation	153,978	486
Shares issued for service	-	138,000
Changes in non-cash working capital:		
Accounts receivable	131,590	-
Sales tax receivable	(44,206)	(20,099)
Inventory	(2,202,047)	-
Prepaid expenses and deposits	928,775	(373,042)
Deferred financing costs	-	(43,421)
Accounts payable and accrued liabilities	122,930	67,461
Cash flows - operating activities	(2,745,615)	(929,942)
<b>Financing activities</b>		
Common shares issued for cash	4,000,000	869,331
Share issue costs	(421,423)	-
Common shares issued on exercise of options and warrants	582,750	-
Convertible notes issued	-	950,402
Cash flows - financing activities	4,161,327	1,819,733
Effect of foreign exchange on cash	88,997	-
Change in cash	1,504,709	889,791
Cash, beginning of year	672,365	321,270
Cash, end of year	\$ 2,177,074	\$ 1,211,061
<b>Supplemental cash flow disclosure:</b>		
Fair value of broker warrants	\$ 62,273	-

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

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

**RRITUAL SUPERFOODS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**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 condensed consolidated interim 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 \$1,812,248 for the three months ended September 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.

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 November 26, 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") in accordance with International Accounting Standards 34, "*Interim Financial Reporting*" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee ("IFRIC").

**RRITUAL SUPERFOODS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**2. BASIS OF PRESENTATION (Continued)****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.

**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.

<b>Name of subsidiary</b>	<b>Abbreviation</b>	<b>Country of Incorporation</b>	<b>Percentage Ownership</b>	<b>Functional Currency</b>	<b>Principal Activity</b>
Ritual USA Inc.	Ritual USA	USA	100%	USD	Dietary Supplements

**RRITUAL SUPERFOODS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**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.



**RRITUAL SUPERFOODS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**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 three months ended September 30, 2021. 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.

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**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.

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**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, 2021. Many of these updates are not currently relevant to the Company and are therefore not discussed herein.

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**4. INVENTORY**

	<b>September 30, 2021</b>	<b>June 30, 2021</b>
Raw materials	\$ 1,234,413	\$ 80,350
Finished goods	2,048,516	1,010,323
<b>Total</b>	<b>\$ 3,282,929</b>	<b>\$ 1,090,673</b>

During the three months ended September 30, 2021, inventory expensed to cost of goods sold was \$Nil (2021 - \$Nil).

**5. PREPAID EXPENSES AND INVENTORY DEPOSITS**

	<b>September 30, 2021</b>	<b>June 30, 2021</b>
Prepaid expenses	\$ 491,913	\$ 745,928
Deposits for inventory	-	677,481
<b>Total</b>	<b>\$ 491,913</b>	<b>\$ 1,423,409</b>

During the 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 three months ended September 30, 2021, the Company recognized \$188,537 in related consulting services.

**6. INTANGIBLE ASSETS**

	<b>September 30, 2021</b>	<b>June 30, 2021</b>
Opening Balance	\$ -	\$ -
Additions - product formulations	-	30,000
Amortization	-	(30,000)
<b>Balance, September 30, 2021</b>	<b>\$ -</b>	<b>\$ -</b>

The following is a continuity schedule of intangible assets:

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>September 30, 2021</b>	<b>June 30, 2021</b>
Trade payables	\$ 596,547	\$ 434,236
Accrued liabilities	23,142	63,473
<b>Total</b>	<b>\$ 619,689</b>	<b>\$ 497,709</b>

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited - Expressed in Canadian Dollars)

**8. SHARE CAPITAL AND RESERVES****Authorized**

Unlimited common shares with no par value. As of September 30, 2021, there were 72,132,347 common shares outstanding.

**Escrow shares**

The Company has shares subject to trading restrictions and escrow which are released in tranches through 2022. As of September 30, 2021, a total of 22,521,667 common shares were subject to these escrow restrictions.

**Issued and Outstanding – Common Shares Fiscal 2022:**

During the three months ended September 30, 2021, the Company issued common shares as follows:

- a) 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. The Underwriters was granted 480,000 broker warrants exercisable into units at a price of \$0.50 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 \$62,273 using the Black-Scholes valuation model with the following assumptions: expected life – 2.48 years; volatility 80%; dividend yield of 0%; and risk-free rate – 0.41%.
- b) 1,830,000 common shares were issued pursuant to the exercise of stock options for gross proceeds of \$549,000. In relation to the exercises of stock options the Company reallocated \$119,859 from reserves to share capital.
- c) 75,000 common shares were issued pursuant to the exercise of warrant options for gross proceeds of \$33,750.

**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.

**RRITUAL SUPERFOODS INC.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

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**8. SHARE CAPITAL AND RESERVES (Continued)**

**Issued and Outstanding – Common Shares Fiscal 2021 (Continued):**

- 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.
- 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.

**RRITUAL SUPERFOODS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**8. SHARE CAPITAL AND RESERVES (Continued)****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.

A summary of stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price \$
<b>Balance at June 30, 2020</b>	5,300,000	0.10
Cancelled	(1,750,000)	0.14
Exercised	(525,000)	0.18
Granted	4,500,000	0.35
<b>Balance at June 30, 2021</b>	7,525,000	0.28
Exercised	(1,830,000)	0.30
<b>Balance at September 30, 2021</b>	5,695,000	0.28

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

Expiry date	Number of Options	Number of Exercisable Options	Weighted Average	Weighted Average Remaining Years
June 23, 2025	1,812,500	1,812,500	0.10	3.73
June 23, 2025	450,000	450,000	0.30	3.73
October 8, 2025	1,450,000	1,087,500	0.30	4.02
November 24, 2025	445,000	222,500	0.30	4.15
February 1, 2026	512,500	256,250	0.30	4.34
	<b>5,695,000</b>	<b>4,341,250</b>	<b>0.28</b>	<b>4.02</b>

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**8. SHARE CAPITAL AND RESERVES (Continued)**

Share-based compensation expense recognized during the three months of \$89,121 related to options vested during the three months ended September 30, 2021. The Option Pricing Model used the following weighted average assumptions:

	<b>September 30, 2021</b>	<b>June 30, 2021</b>
Risk-free interest rate	0.50%	0.50%
Expected life of options	4	4
Expected forfeitures	10%	10%
Annualized volatility	80%	80%
Dividend rate	0%	0%
Weighted average fair value per option	\$0.01	\$0.01

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

**Restricted Share Units ("RSUs")**

A summary of restricted shares unit activity is as follows:

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

Share-based compensation expense recognized during the three months of \$64,857 related to Restricted Shares Units. All RSUs outstanding as at September 30, 2021 vest on January 1, 2022.



**RRITUAL SUPERFOODS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**8. SHARE CAPITAL AND RESERVES (Continued)****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:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price \$</b>
<b>Balance at June 30, 2020</b>	-	-
Granted	16,504,033	0.56
Exercised	(134,264)	0.60
<b>Balance at June 30, 2021</b>	16,369,769	0.56
Granted	4,000,000	0.60
Exercised	(75,000)	0.45
<b>Balance at September 30, 2021</b>	20,294,769	0.56

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

<b>Expiry date</b>	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price \$</b>	<b>Weighted Average Remaining Years</b>
August 18, 2022	3,512,500	0.45	0.88
August 28, 2022	275,000	0.45	0.91
September 2, 2022	500,000	0.45	0.92
September 18, 2022	50,000	0.45	0.97
September 30, 2022*	1,549,669	0.60	1.00
March 5, 2024	14,407,600	0.60	2.43
	20,294,769	0.57	1.99

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

A summary of broker warrants outstanding is as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price \$</b>
<b>Balance at June 30, 2020</b>	-	-
Granted	1,400,000	0.30
<b>Balance at June 30, 2021</b>	1,400,000	0.30
Granted	480,000	0.60
<b>Balance at September 30, 2021</b>	1,880,000	0.38

Each broker warrant consists of one common share and one-half common share purchase warrant exercisable until March 5, 2024. Upon conversion each full warrant shall be expiring on March 5, 2024.

**RRITUAL SUPERFOODS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**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.

**RRITUAL SUPERFOODS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - 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 three months ended September 30, 2021, the Company entered the following key management transactions:

	September 30, 2021	September 30, 2020
Consulting services - David Kerbel, former CEO	\$ 61,339	\$ 20,000
Consulting services - Robert Payment, CFO	15,000	-
Consulting services - Company with common Director, Robert Payment	30,000	-
Director Fees - Scott Eldridge	25,000	-
Director Fees - David Lubotta	25,000	-
Director Fees - Warren Spence	25,000	-
Stock Based Compensation - David Kerbel, former CEO	11,090	20,000
Stock Based Compensation - Warren Spence, CEO	7,763	20,000
Stock Based Compensation - Robert Payment, CFO	7,763	10,000
Stock Based Compensation - Scott Eldridge, Director	7,763	-
Stock Based Compensation - David Lubotta, Director	7,763	-
<b>Total</b>	<b>\$ 223,481</b>	<b>\$ 70,000</b>

**Amounts payable owing to related Parties**

Warren Spence	\$ 25,000	\$ -
David Lubotta	25,000	-
David Kerbel	24,000	-
Robert Payment	5,000	-
Company which Robert Payment is a common Director	10,000	-
<b>Total</b>	<b>\$ 89,000</b>	<b>\$ 70,000</b>

Share-based compensation of \$ 42,142 (2020 - \$50,000) was related to directors, officers, and former directors and officers.

**RRITUAL SUPERFOODS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**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.

**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 September 30, 2021, the company had \$8,649 trade receivables with reputable US retailers all of which has been collected subsequent to quarter 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 September 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.

**RRITUAL SUPERFOODS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**11. FINANCIAL INSTRUMENTS (Continued)***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.

**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 ecommerce platforms represent approximately 100% of the Company's total revenues.

**14. 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.

**RRITUAL SUPERFOODS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended September 30, 2021

(Unaudited - Expressed in Canadian Dollars)

**14. COMMITMENTS AND CONTINGENCIES (continued)**

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.

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.

**15. SUBSEQUENT EVENT**

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

- a) The Company granted a number of equity incentive awards (the "Securities") to certain directors, officers, and consultants of the Company. In particular, an aggregate of 1,000,000 restricted share units (each, a "RSU") were granted to certain directors of the Company pursuant to the Company's Omnibus Equity Incentive Plan (the "Plan"). Each RSU represents the right to receive, once vested, one common share in the capital of the Company (each, a "Share"). The RSUs will vest as to the first 25% on the date which is six months from the date of grant and 25% every six months thereafter until fully vested. In addition, the Company granted 2,000,000 performance share units (each, a "PSU") to officers of the Company pursuant to the Plan. Each PSU represents the right to receive, once vested, one Share. The PSUs will vest in accordance with certain milestones based on the revenues of the Company. Finally, the Company granted an aggregate of 4,200,000 stock options (each an "Option") to certain directors, officers, and consultants of the Company. Each Option is each exercisable for the purchase of one Share at an exercise price of \$0.35 per Share until the date which is five years from the date of issuance. An aggregate of 400,000 of the Options issued to certain officers and consultants of the Company shall vest immediately on the date of the issuance. An aggregate of 3,800,000 of the Options granted to certain directors and consultants of the Company shall vest as to the first 25% on the date which is six months from the date of grant and 25% every six months thereafter until fully vested.