

**RRITUAL SUPERFOODS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended June 30, 2022, and 2021**

(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, 2022 and 2021, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficiency), 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, 2022 and 2021, 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 audit 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 \$12,083,359 during the year ended June 30, 2022. 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.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

October 28, 2022

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

<b>AS AT</b>	<b>Note</b>	<b>June 30 2022</b>	<b>June 30 2021</b>
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 3,620	\$ 672,365
Receivables		-	174,781
Sales tax receivable		14,328	118,395
Inventory	4	-	1,090,673
Prepaid expenses and deposits	5	19,427	1,423,409
<b>Total current assets</b>		<b>\$ 37,375</b>	<b>\$ 3,479,623</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	7	\$ 1,622,308	\$ 497,709
<b>EQUITY</b>			
Share capital	8	14,510,468	8,430,730
Reserves	8	2,307,396	878,006
Accumulated other comprehensive loss		(16,432)	(23,816)
Deficit		(18,386,365)	(6,303,006)
<b>Total equity (deficiency)</b>		<b>(1,584,933)</b>	<b>2,981,914</b>
<b>Total liabilities and equity (deficit)</b>		<b>\$ 37,375</b>	<b>\$ 3,479,623</b>

**Nature and continuance of operations** (Note 1)

**Commitments and contingencies** (Note 14)

**Subsequent events** (Note 16)

Approved on behalf of the Board of Directors and authorized for issuance on October 28, 2022:

“Warren Spence”  
Warren Spence, Director

“Nathan Nowak”  
Nathan Nowak, Director

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

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

	Note	Year Ended	
		June 30, 2022	June 30, 2021
Revenue		\$ 94,339	\$ 196,761
Cost of goods sold		462,770	250,032
Gross margin		(368,431)	(53,271)
<b>Expenses</b>			
General and administrative		396,727	350,888
Amortization expense		-	30,000
Marketing and promotion		1,601,319	2,326,312
Consulting	10	2,224,976	2,413,538
Professional fees		327,972	284,707
Share-based compensation	8 & 10	651,237	682,982
Impairment - goodwill	6	2,645,207	-
Impairment - inventory	4	3,867,490	-
Total expenses		11,714,928	6,088,427
<b>Net loss</b>		<b>(12,083,359)</b>	<b>(6,141,698)</b>
Other comprehensive (loss) income			
Foreign currency translation		(7,384)	23,816
Total other comprehensive (loss) income		(7,384)	23,816
<b>Net and comprehensive loss</b>		<b>\$ (12,090,743)</b>	<b>\$ (6,117,882)</b>
Loss per share			
Basic and diluted		\$ (0.15)	\$ (0.15)
Weighted average number of common shares			
Basic and diluted		82,718,600	42,237,347

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

**RRITUAL SUPERFOODS INC.**
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(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 - 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 for the year	-	-	-	-	-	-	-	(6,141,698)	(6,141,698)
<b>Balance, June 30, 2021</b>	62,227,347	\$ 8,430,730	-	-	-	878,006	(23,816)	(6,303,006)	\$ 2,981,914
<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 for cash	8,000,000	3,160,000	-	-	-	840,000	-	-	4,000,000
Common shares issued for acquisition	33,000,000	2,475,000	-	-	-	224,889	-	-	2,699,889
Share issue costs - cash	-	(421,423)	-	-	-	-	-	-	(421,423)
Share issue costs - fair value of broker warrants	-	(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
Conversion of RSUs	420,000	225,825	-	-	-	(229,150)	-	-	(3,325)
Share-based compensation	-	-	-	-	-	651,237	-	-	651,237
Translation adjustment	-	-	-	-	-	-	7,384	-	7,384
Net loss for the year	-	-	-	-	-	-	-	(12,083,359)	(12,083,359)
<b>Balance, June 30, 2022</b>	105,552,347	\$ 14,510,468	-	-	-	2,307,396	(16,432)	(18,386,365)	\$ (1,584,933)

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

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

	Note	Year Ended	
		June 30, 2022	June 30, 2021
<b>Operating activities</b>			
Net loss for the year		\$ (12,083,359)	\$ (6,141,698)
Adjusted for:			
Share-based compensation		651,237	682,982
Shares issued for service		-	138,000
Shares issued for interest		-	4,527
Amortization expense		-	30,000
Impairment - goodwill	6	2,645,207	-
Impairment - inventory		3,867,490	-
Changes in non-cash working capital:			
Receivables		178,842	(181,355)
Sales tax receivable		104,067	(118,395)
Inventory	4	(2,753,497)	(1,128,425)
Prepaid expenses and deposits		1,420,307	(701,388)
Accounts payable and accrued liabilities		1,082,687	429,685
Cash flows - operating activities		(4,887,019)	(6,986,067)
<b>Investing activities</b>			
Payment for RSUs		(3,325)	-
Cash acquired - Acquisition of JustGo	6	75,000	-
Cash flows - investment activities		71,675	-
<b>Financing activities</b>			
Common shares issued for cash		4,000,000	7,908,902
Share issue costs		(421,423)	(832,853)
Common shares issued on exercise of options and warrants		582,750	219,558
Cash flows - financing activities		4,161,327	7,295,607
Effect of foreign exchange on cash		(14,728)	41,555
Change in cash		(668,745)	351,095
Cash, beginning of year		672,365	321,270
Cash, end of year		\$ 3,620	\$ 672,365
<b>Supplemental cash flow disclosure:</b>			
Fair value of broker warrants		\$ 62,273	\$ 216,398
RSU - share conversion		\$ 198,350	\$ -
Exercise of options		\$ 119,859	\$ 30,000

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

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



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

Years ended June 30, 2022, and 2021

(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. 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 Canadian Securities Exchange (“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 consolidated 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 \$12,083,359 for the year ended June 30, 2022, 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 October 28, 2022, 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”).

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

Years ended June 30, 2022, and 2021

(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.

**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 subsidiaries 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>
Rritual USA Inc.	Rritual USA	USA	100%	USD	Dietary Supplements
JustGo Juice Nutrition Ltd.	JustGo	Canada	100%	CAD	Smoothie Mixes
JustGo Plant Nutrition Ltd.	JustGo Plant	Canada	100%	CAD	Smoothie Mixes

**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 consolidated financial statements.

**2. BASIS OF PRESENTATION (Continued)****Use of estimates, assumptions, and Judgements (Continued)***Business combinations*

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Management determines whether assets acquired, and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Management determines whether assets acquired, and liabilities assumed constitute a business. In examining processes and potential outputs, management considers the ability of the acquired and existing processes to adequately be capable of producing the potential outputs; where the processes are insufficient and/or incomplete to produce potential outputs, the Company considers the acquisition to be an asset acquisition.

The Company measures all the assets acquired, and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of the equity in the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred, and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquiree over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

*Determination of asset fair values and allocation of purchase consideration*

Significant asset acquisitions and business combinations require judgements and estimates to be made at the date of acquisition in relation to determining the relative fair value of property and equipment, as well as the allocation of the purchase consideration over the fair value of the assets. The information necessary to measure the fair values as at the acquisition date of assets acquired requires management to make certain judgements and estimates about future events, including but not limited to future production potential, and future market prices of products, and the ability to effectively distribute products. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. Provisional purchase price allocations are subject to review by management upon integration of the acquired businesses and will be adjusted as necessary where circumstances indicate it is appropriate to do so.

*Share-based compensation*

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.

The Performance Share Units ("PSUs") include the use of an estimate that revenue milestones are achieved by a specified date, which can affect the fair value estimate.

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended June 30, 2022, and 2021

(Expressed in Canadian Dollars)

**2. BASIS OF PRESENTATION (Continued)****Use of estimates, assumptions, and Judgements (Continued)***Carrying value of inventory*

The Company records valuation adjustments for inventory by comparing the inventory cost to its net realizable value. The process requires the use of estimates and assumptions related to future market demand, costs and prices. Such assumptions are reviewed and may have a significant impact on the valuation adjustments for inventory.

**3. SIGNIFICANT ACCOUNTING POLICIES****Consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries, which are 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 subsidiaries 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 subsidiaries 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 balance sheet. 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 loss as a translation adjustment.

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended June 30, 2022, and 2021

(Expressed in Canadian Dollars)

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Share-based payments**

The Company makes periodic grants of share-based awards to selected directors, officers, employees and others providing similar services under the Company's omnibus long-term incentive plan ("Plan").

Pursuant to the Company's Plan the fair value of the equity-settled awards is determined at the date of the grant by using the Black-Scholes Option Pricing Model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of operations and comprehensive loss with a corresponding entry within equity, against the reserve for equity settled share-based transactions. No expense is recognized for awards that do not ultimately vest.

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.

The Company has other share-based compensation plans in the form of Deferred Share Units ("DSUs"), Restricted Share Units ("RSUs") and Performance Share Units ("PSUs"). Units granted under these share-based compensation plans are recorded at fair value on the grant date and are adjusted for changes in fair value each reporting period until settled. The expense, and any changes which arise from fluctuations in the fair value of the grants, is recognized in share-based compensation in the consolidated statement of operations and comprehensive loss.

**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 balance sheet 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.

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended June 30, 2022, and 2021

(Expressed in Canadian Dollars)

**3. ACCOUNTING POLICIES (Continued)****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 ended June 30, 2022. 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 balance sheet subsequent to inception and how changes in value are recorded. Cash is classified on the balance sheet at FVTPL. Receivables are recorded on an amortized cost basis.

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 balance sheet subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities is classified on the balance sheet at amortized cost.

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

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**3. ACCOUNTING POLICIES (Continued)****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.

**Impairment of non-financial assets**

The Company reviews the carrying amounts of its non-financial assets, including property and equipment and other non-current assets, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value are excluded from impairment analysis.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs of disposal is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net income. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(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.

**Goodwill and Intangible Assets**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Other intangible assets, comprising licenses, trademarks, technology, and 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. Goodwill is not amortized. The amortization of product formulations begins when the Company starts to generate revenue from the asset.

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

**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 Company's sole performance obligation. The Company records a provision obligation for estimated returns based on historical experience and market expectations. Collection of the Company'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 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 deposits) 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.



**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended June 30, 2022, and 2021

(Expressed in Canadian Dollars)

**3. ACCOUNTING POLICIES (Continued)****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.

**4. INVENTORY**

	<b>June 30 2022</b>	<b>June 30, 2021</b>
Raw materials	\$ -	\$ 80,350
Finished goods	-	1,010,323
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,090,673</b>

During the year ended June 30, 2022, inventory expensed to cost of goods sold was \$151,358 (2021 - \$190,918), and inventory impairment was \$3,867,490 (2021 - \$Nil).

**5. PREPAID EXPENSES AND DEPOSITS**

	<b>June 30 2022</b>	<b>June 30, 2021</b>
Prepaid expenses	\$ 8,253	\$ 745,928
Deposits for inventory	-	677,481
Deposits for others	11,174	-
<b>Total</b>	<b>\$ 19,427</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 year ended June 30, 2022, the Company recognized \$571,759 (June 30, 2021 - \$176,241) in related consulting services.

**6. ACQUISITION OF JUSTGO JUICE NUTRITION LTD.**

In February 2022 the Company completed the acquisition of JustGo Juice Nutrition Ltd. ("JustGo"), a Canadian based wholesaler of prepackaged frozen smoothies incorporating proprietary formulations. The acquisition aligned with the Company's strategy to build a diversified offering of superfood products.

The Company acquired 100% of the issued and outstanding shares of JustGo in exchange for 33,000,000 common shares and 16,875,000 warrants exercisable at a price of \$0.20 for one year. The value of the warrants was determined using the Black-Scholes valuation model with the following assumptions: expected life 1 year, volatility 112%, discount rate 1.5%, dividend yield 0%.

For accounting purposes, the acquisition of JustGo was considered a business combination and accounted for using the acquisition method. The results of operations from JustGo are included in the consolidated financial statements from the acquisition date.

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**6. ACQUISITION OF JUSTGO JUICE NUTRITION LTD. (Continued)**

The following table summarizes the consideration paid and the fair value of the identifiable assets acquired, and liabilities assumed as of the date of acquisition:

<b>Consideration</b>	
33,000,000 common shares with a fair value of \$0.75 per share	\$ 2,475,000
16,875,000 warrants with a fair value of \$0.013 per warrant	224,889
	<b>\$ 2,699,889</b>
<b>Net assets of JustGo Juice Nutrition Ltd.</b>	
Cash	\$ 75,000
Accounts payable	(20,318)
Goodwill	2,645,207
<b>Total</b>	<b>\$ 2,699,889</b>

During the year ended June 30, 2022, the \$2,645,207 goodwill was impaired. The Company conducted an impairment analysis of the acquired goodwill and determined there was significant uncertainty as to whether the recorded goodwill would be recoverable through the normal course of operations. Given the Company's working capital deficiency of \$1,584,933 there is significant uncertainty regarding the Company's ability to further pursue this business segment. The Company is currently investigating the feasibility of launching a re-branded line of JustGo smoothie products into the British Columbia market subject to available financing.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Accounts payable	\$ 1,570,850	\$ 434,236
Accrued liabilities	51,458	63,473
<b>Total</b>	<b>\$ 1,622,308</b>	<b>\$ 497,709</b>

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

Unlimited common shares with no par value. As of June 30, 2022, there were 105,552,347 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, 2022, a total of 6,843,334 common shares were subject to these escrow restrictions.

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**8. SHARE CAPITAL AND RESERVES (Continued)****Issued and Outstanding – Common Shares Fiscal 2022:**

During the year ended June 30, 2022, the Company issued common shares as follows:

- a) The Company issued 33,000,000 shares with a fair value of \$2,475,000 to complete the acquisition of JustGo (Note 6). As additional consideration, the Company issued 16,875,000 warrants to the JustGo shareholders exercisable at a price of \$0.20 for one year from closing. The fair value of the warrants was determined to be \$224,889 and was calculated using the Black-Scholes valuation model with the following assumptions: volatility – 112%, expected life – 1 year, discount rate 1.5%, dividend yield 0%.
- b) The Company closed a \$4,000,000 “bought deal” public offering (the “Offering”) with net proceeds of \$3,578,577. Each Unit consists of one common share of the Company (a “Common Share”) and one-half Common Share purchase warrant. Each whole warrant (a “Warrant”) entitles the holder to purchase one Common Share of the Company 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 gross proceeds were allocated to shares and warrants on the basis of \$0.395 per share and \$0.105 per whole Warrant. The Company paid a cash commission of \$240,000 and issued 480,000 brokers warrants with an exercise price of \$0.60 and a term of two years. The broker warrants were valued at \$62,273 based on the following Black Scholes assumptions: 0% dividend yield, 80% expected volatility, 0.92% expected interest and a 2.5-year expected life. The Company also incurred cash share issuance costs of \$181,423 in connection with the Offering.
- c) 420,000 common shares were issued pursuant to the conversion of RSUs.
- d) 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.
- e) 75,000 common shares were issued pursuant to the exercise of warrants 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 CONSOLIDATED FINANCIAL STATEMENTS

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(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 CONSOLIDATED FINANCIAL STATEMENTS**

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**8. SHARE CAPITAL AND RESERVES (Continued)****Long Term Incentive Plan**

The Company has adopted a 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, RSUs, PSUs, and DSUs. The aggregate number of stock options and other 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. Stock options and other units vest at the discretion of the board of directors.

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	(755,000)	0.18
Granted	4,500,000	0.35
<b>Balance at June 30, 2021</b>	7,295,000	0.28
Exercised	(1,830,000)	0.30
Granted	4,200,000	0.35
<b>Balance at June 30, 2022</b>	9,665,000	0.31

The following table summarizes stock options outstanding and exercisable as of June 30, 2022:

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	2.98
June 23, 2025	300,000	300,000	0.30	2.98
October 8, 2025	1,370,000	1,370,000	0.30	3.28
November 24, 2025	445,000	445,000	0.30	3.41
February 1, 2026	512,500	512,500	0.30	3.59
March 8, 2026	1,025,000	1,025,000	0.54	3.69
November 8, 2026	4,200,000	1,350,000	0.35	4.36
	<b>9,665,000</b>	<b>6,815,000</b>	<b>0.31</b>	<b>3.75</b>

**RRITUAL SUPERFOODS INC.**

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

Share-based compensation expense recognized during the year of \$380,290 (2021 - \$572,736) related to options vested during the year ended June 30, 2022. The Option Pricing Model used the following weighted average assumptions:

	<b>June 30 2022</b>	<b>June 30, 2021</b>
Risk-free interest rate	0.92%	0.50%
Expected life of options	4	4
Expected forfeitures	10%	10%
Annualized volatility	91%	80%
Dividend rate	0%	0%
Weighted average fair value per option	\$0.10	\$0.17

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

**Restricted Share Units**

A summary of restricted shares unit activity is as follows:

	<b>Number of RSU's</b>	<b>Share price on grant date</b>
		\$
<b>Balance at June 30, 2020</b>	900,000	NA
Granted	1,140,000	0.88
Exercised	(1,750,000)	NA
<b>Balance at June 30, 2021</b>	290,000	NA
Redeemed for cash	(35,000)	0.88
Cancelled	(50,000)	0.88
Exercised	(420,000)	0.88
Granted	1,000,000	0.20
<b>Balance at June 30, 2022</b>	<b>785,000</b>	<b>NA</b>

Share-based compensation expense recognized during the year of \$270,947 (2021 - \$90,246) related to Restricted Shares Units.

The following table summarizes RSU's outstanding and vested as of June 30, 2022:

<b>Grant date</b>	<b>Number of RSUs</b>	<b>Number of Vested RSUs</b>
April 5, 2021	35,000	35,000
November 8, 2021	750,000	-
	<b>785,000</b>	<b>35,000</b>

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**8. SHARE CAPITAL AND RESERVES (Continued)****Performance Stock Units**

During the year ended June 30, 2022, the company granted 2,000,000 PSUs to an officer of the Company, each PSU representing the right to receive, once vested, and in accordance with the applicable PSU award milestones, one common share in the capital of the Company. During the year ended June 30, 2022, share-based compensation expense recognized was \$NIL related to PSUs.

## Milestones:

- 500,000 vested upon Company achieving \$3,500,000 in cumulative revenue;
- 500,000 vested upon Company achieving \$5,000,000 in cumulative revenue;
- 500,000 vested upon Company achieving \$7,500,000 in cumulative revenue; and
- 500,000 vested upon Company achieving \$10,000,000 in cumulative revenue.

**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 \$
<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	20,875,000	0.28
Exercised	(75,000)	0.45
<b>Balance at June 30, 2022</b>	37,169,769	0.40

The following table summarizes the warrants outstanding as of June 30, 2022:

Expiry date	Number of Warrants	Weighted Average	Weighted Average Remaining Years
August 18, 2022 (i)	3,512,500	0.45	0.13
August 28, 2022 (i)	275,000	0.45	0.16
September 2, 2022 (i)	500,000	0.45	0.18
September 18, 2022 (i)	50,000	0.45	0.22
September 30, 2022 (i) (ii)	1,549,669	0.60	0.25
February 14, 2023 (iii)	16,875,000	0.20	0.61
March 5, 2024	14,407,600	0.60	1.68
	37,169,769	0.40	0.96

- (i) Expired subsequent to year end unexercised
- (ii) Warrants relate to convertible notes (Note 9)
- (iii) Warrants related to JustGo acquisition (Note 6)

**RRITUAL SUPERFOODS INC.**

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

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, 2021 and 2020</b>	1,400,000	0.30
Granted	480,000	0.60
<b>Balance at June 30, 2022</b>	1,880,000	0.38

The following table summarizes the broker warrants outstanding as of June 30, 2022:

<b>Expiry date</b>	<b>Number of Warrants</b>	<b>Weighted Average</b>	<b>Weighted Average Remaining Years</b>
March 5, 2024	1,400,000	0.30	1.68
March 5, 2024	480,000	0.60	1.68
	1,880,000	0.38	1.68

Each broker warrant is exercisable 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.



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**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, 2022, the Company entered the following key management transactions:

	<b>June 30</b>	<b>June 30</b>
	<b>2022</b>	<b>2021</b>
Consulting services - David Kerbel, former CEO	\$ 60,763	\$ 98,841
Consulting services - Mike Hart, former President	-	22,500
Consulting services - Gurinder Sandhu, former Director	-	65,500
Consulting services - Amandeep Gill, former Director	-	62,500
Consulting services - Robert Payment, CFO	76,250	60,000
Consulting services - Company with common Director, Robert Payment	120,000	-
Consulting services - Greg McCauley, COO	177,226	-
Salaries - Warren Spence, CEO	84,000	-
Consulting services (director fees) - Scott Eldridge	37,500	-
Consulting services (director fees) - David Lubotta	37,500	-
Consulting services (director fees) - Warren Spence	37,500	-
Shares issued for services - David Kerbel, former CEO	-	20,000
Shares issued for services - Robert Payment, CFO	-	10,000
Shares issued for services - Warren Spence, Director	-	20,000
Shares issued for services - Gurinder Sandhu, Director	-	40,000
Shares issued for services - Amandeep Gill, Director	-	40,000
<b>Total</b>	<b>\$ 630,739</b>	<b>\$ 439,341</b>

Stock based compensation - David Kerbel, former CEO	-	16,937
Stock based compensation - Mike Hart, Former President	-	2,270
Stock based compensation - Amadeep Gill, former Director	-	64,879
Stock based compensation - Gurinder Sandhu, former Director	-	64,879
Stock based compensation - Warren Spence, CEO	104,920	12,790
Stock based compensation - Robert Payment, CFO	39,307	28,897
Stock based compensation - Scott Eldridge, Director	135,217	11,411
Stock based compensation - David Lubotta, Director	135,217	12,537
<b>Total</b>	<b>\$ 414,661</b>	<b>214,600</b>

	<b>June 30</b>	<b>June 30</b>
	<b>2022</b>	<b>2021</b>
Accounts payable or accrued liabilities owing to related parties		
Companies which Robert Payment is a common director	\$ 102,988	\$ 5,250
Company which Warren Spence is a common director	37,700	-
Director Fees - Scott Eldridge	12,500	-
Director Fees - David Lubotta	12,500	-
Director Fees - Warren Spence	12,500	-
<b>Total</b>	<b>\$ 178,188</b>	<b>\$ 5,250</b>

**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. 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, 2022, 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 CONSOLIDATED FINANCIAL STATEMENTS**

Years ended June 30, 2022, and 2021

(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 \$71,131. 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 requirements.

**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.

In the prior year revenues from two of the Company's customers represent approximately 99% of the Company's total revenues. In the current year there was no sales concentration.

The following is a summary of the Company's disaggregated revenue by sales channel:

	Wholesale	Ecommerce	Total
Revenue - June 30, 2021	\$ -	\$ 94,339	\$ 94,339
Revenue - June 30, 2022	\$ 189,662	\$ 7,099	\$ 196,761

**RRITUAL SUPERFOODS INC.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended June 30, 2022, and 2021

(Expressed in Canadian Dollars)

**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 \$3,500,000. The Company views the Force One's claim as largely devoid of merit and the Company will vigorously defend it. The Company has filed a Statement of Defense however 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. During the year ended June 30, 2022 there has been no further communication regarding the matter from the party who sent the cease and desist letter.

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 the Company 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.

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

Years ended June 30, 2022, and 2021

(Expressed in Canadian Dollars)

**15. INCOME TAXES**

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

	June 30, 2022	June 30, 2021
Loss for the year	\$ (12,083,359)	\$ (6,141,698)
Expected income tax (recovery)	\$ (3,263,000)	\$ (1,658,000)
Change in statutory, foreign tax, foreign exchange rates and other	275,000	87,000
Permanent differences	181,000	186,000
Share issue costs	(131,000)	(306,000)
Adjustment to prior years provision versus statutory tax returns	(61,000)	(5,000)
Change in unrecognized deductible temporary differences	2,999,000	1,696,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

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

	June 30, 2022	June 30, 2021
Deferred tax assets (liabilities)		
Share issue costs	289,000	246,000
Non-capital losses available for future period	4,396,000	1,491,000
	4,685,000	1,737,000
Unrecognized deferred tax assets	(4,685,000)	(1,737,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

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

	June 30 2022	Expiry Date Range	June 30 2021	Expiry Date Range
<b>Temporary Differences</b>	<b>\$</b>		<b>\$</b>	
Share issue costs	1,070,000	2042 to 2045	912,000	2042 to 2045
Non-capital losses available for future periods	17,918,000	No expiry date	5,798,000	No expiry date
Canada	10,551,000	2040 to 2042	4,553,000	2040 to 2041
USA	7,366,000	No expiry date	1,245,000	No expiry date

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

**16. SUBSEQUENT EVENTS**

Subsequent to June 30, 2022, the Company completed the following transaction:

- September 21, 2022, the Company issued 5,104,893 common shares of the Company at \$0.01 per common share, to reduce an aggregate of \$51,049 in indebtedness of the Company.
- October 5, 2022, the Company entered a \$100,000 unsecured short-term loan agreement with a British Columbia corporation with 5% interest per annum. The loan and the accrued interest will be paid in full on December 1, 2022.