



RYU APPAREL INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS - UNAUDITED
JUNE 30, 2018
(Expressed in Canadian dollars)

RYU APPAREL INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian dollars)

As at

	June 30, 2018	December 31, 2017
ASSETS		
Current		
Cash	\$ 9,023,865	\$ 466,809
Accounts receivable (note 3)	406,478	169,439
Inventory (note 4)	3,492,924	2,359,681
Prepaid expenses and deposits (note 5)	2,228,452	978,151
	<u>15,151,719</u>	<u>3,974,080</u>
Non-current		
Deposits (note 5)	680,220	398,292
Property and equipment (note 6)	2,962,617	2,546,729
Intangible assets (note 7)	187,839	32,432
	<u>\$ 18,982,395</u>	<u>\$ 6,951,533</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable	\$ 468,879	\$ 1,178,126
Accrued liabilities	289,646	384,355
Current portion of finance lease (note 8)	21,541	14,068
Deferred revenue	154,511	121,750
	<u>934,577</u>	<u>1,698,299</u>
Non-current		
Finance lease (note 8)	61,764	45,070
	<u>996,341</u>	<u>1,743,369</u>
Equity		
Share capital (note 9)	73,453,680	53,008,315
Share subscriptions received in advance	-	355,000
Equity reserve (note 9)	10,031,019	7,469,620
Deficit	(65,565,739)	(55,691,865)
Accumulated other comprehensive income	67,094	67,094
	<u>17,986,054</u>	<u>5,208,164</u>
	<u>\$ 18,982,395</u>	<u>\$ 6,951,533</u>

Nature of operations and going concern (note 1)**Commitments** (note 8)**Subsequent events** (note 13)

Approved and authorized for issue by the Board of Directors on August 27, 2018.

"Martino Ciambrelli"

Director

"Maria Leone"

Director

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

RYU APPAREL INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian dollars)

For the three and six months ended June 30,

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Revenue (note 10)	\$ 1,142,574	\$ 641,231	\$ 2,050,487	\$ 1,108,234
Cost of sales	538,881	346,455	1,026,906	594,202
Gross profit	<u>603,691</u>	<u>294,776</u>	<u>1,023,581</u>	<u>514,032</u>
	53%	46%	50%	46%
Expenses				
Depreciation (notes 6, 7)	180,719	123,922	375,507	190,609
Foreign exchange (gain) loss	4,405	7,539	(22,299)	33,514
Interest and bank charges	26,435	6,151	56,419	36,317
Investor relations	209,610	81,663	265,628	135,111
Office and general (note 11)	1,012,499	579,337	1,711,435	1,036,505
Product creation	25,950	113,303	87,791	315,784
Professional fees (note 11)	411,246	165,604	736,975	188,004
Salaries and benefits (note 11)	1,567,476	906,320	2,744,787	1,660,789
Selling and marketing	807,275	374,578	2,298,503	859,622
Share-based payments (notes 9, 11)	229,918	52,686	2,487,385	255,768
Travel and entertainment	71,625	64,767	155,324	90,249
	<u>4,547,158</u>	<u>2,475,870</u>	<u>10,897,455</u>	<u>4,802,272</u>
Other items				
Recovery of warrant derivative liability	-	-	-	7,703
Comprehensive loss	\$ <u>(3,943,467)</u>	\$ <u>(2,181,094)</u>	\$ <u>(9,873,874)</u>	\$ <u>(4,280,537)</u>
Loss per share - Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	458,073,615	188,213,601	417,393,488	182,434,070

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

RYU APPAREL INC.**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

(Unaudited - Expressed in Canadian dollars)

	Number of common shares	Share capital	Share subscriptions received in advance	Equity reserve	Accumulated other comprehensive income	Deficit	Total equity (deficiency)
Balance, January 1, 2017	160,554,395	\$ 42,230,355	\$ -	\$ 6,927,354	\$ 67,094	\$ (46,491,009)	\$ 2,733,794
Issuance of common stock for cash (note 9)	49,927,841	5,987,282	-	-	-	-	5,987,282
Issuance of common stock for services (note 9)	375,531	35,481	-	-	-	-	35,481
Exercise of warrants (note 9)	44,000	8,800	-	-	-	-	8,800
Share issuance costs (note 9)	416,666	(782,818)	-	98,869	-	-	(683,949)
Share-based payments (note 9)	-	-	-	255,768	-	-	255,768
Comprehensive loss	-	-	-	-	-	(4,280,537)	(4,280,537)
Balance, June 30, 2017	211,318,433	\$ 47,479,100	\$ -	\$ 7,281,991	\$ 67,094	\$ (50,771,546)	\$ 4,056,639
Balance, January 1, 2018	286,528,487	\$ 53,008,315	\$ 355,000	\$ 7,469,620	\$ 67,094	\$ (55,691,865)	\$ 5,208,164
Issuance of common stock for cash (note 9)	114,057,138	9,649,753	(355,000)	-	-	-	9,294,753
Share issuance costs (note 9)	1,104,167	(536,026)	-	300,747	-	-	(235,279)
Exercise of warrants (note 9)	59,215,115	11,103,208	-	(41,428)	-	-	11,061,780
Exercise of stock options (note 9)	287,500	58,073	-	(14,948)	-	-	43,125
Release of RSUs (note 9)	642,856	170,357	-	(170,357)	-	-	-
Share-based payments (note 9)	-	-	-	2,487,385	-	-	2,487,385
Comprehensive loss	-	-	-	-	-	(9,873,874)	(9,873,874)
Balance, June 30, 2018	461,835,263	\$ 73,453,680	\$ -	\$ 10,031,019	\$ 67,094	\$ (65,565,739)	\$ 17,986,054

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

RYU APPAREL INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in Canadian dollars)

For the six months ended June 30,

	2018	2017
Cash flows from operating activities		
Net loss	\$ (9,873,874)	\$ (4,280,537)
Items not affecting cash:		
Depreciation	375,507	190,609
Share-based payments	2,487,385	255,768
Accrued interest	2,008	-
Recovery of warrant derivative liability	-	(7,703)
Changes in non-cash working capital		
Accounts receivable	(237,039)	(16,070)
Inventory	(1,133,243)	(648,770)
Prepaid expenses and deposits	(1,532,228)	(396,314)
Accounts payable and accrued liabilities	(559,946)	169,733
Deferred revenue	32,761	6,943
Interest paid	(4,708)	-
Net cash flows used in operating activities	<u>(10,443,377)</u>	<u>(4,726,341)</u>
Cash flows from investing activities		
Property and equipment	(981,951)	(463,235)
Intangible assets	<u>(171,866)</u>	<u>-</u>
Net cash flows used in investing activities	<u>(1,153,817)</u>	<u>(463,235)</u>
Cash flows from financing activities		
Issuance of common shares	9,294,753	5,987,282
Share issuance costs	(235,279)	(683,949)
Exercise of warrants	11,061,780	8,800
Exercise of stock options	43,125	-
Short-term loans received	-	154,000
Repayment of short-term loans	-	(154,000)
Finance lease	<u>(10,129)</u>	<u>(7,309)</u>
Net cash flows provided by financing activities	<u>20,154,250</u>	<u>5,304,824</u>
Change in cash	8,557,056	115,248
Cash - beginning	<u>466,809</u>	<u>767,263</u>
Cash - end	\$ 9,023,865	\$ 882,511
Supplemental cash flow disclosure		
Finder warrants issued for share issuance costs	\$ -	\$ 98,869
Common shares issued for services	\$ -	\$ 35,481
Unpaid intangible asset additions	\$ 16,459	\$ -
Unpaid property and equipment additions	<u>\$ 190,557</u>	<u>\$ 86,087</u>

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

RYU APPAREL INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian dollars)

June 30, 2018

1. NATURE OF OPERATIONS AND GOING CONCERN

RYU Apparel Inc. (the "Company") is an urban athletic apparel brand that engages in the development, marketing, and distribution of apparel, bags and accessories. The Company's products are engineered for the fitness, training and performance of the multi-discipline athlete. The Company's products are designed, developed and tested at the Company's corporate headquarters in Vancouver, British Columbia, Canada. Production takes place in factories located in North America and Asia and the Company's products are sold through retail, e-commerce and wholesale channels.

The Company was incorporated in the Province of British Columbia ("BC"), Canada on December 4, 2014 and its registered address is 1672 West 2nd Ave, Vancouver, BC, V6J 1H4, Canada. The Company's shares are listed on the TSX-Venture Exchange ("TSX-V") under the symbol "RYU.V" and on the Frankfurt Stock Exchange under the symbol "RYA".

The Company has incurred losses and has had negative cash flows from operations from inception that have primarily been funded through financing activities. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand and through the private placement of common shares.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. ACCOUNTING POLICIES

Basis of presentation and statement of compliance

These condensed consolidated interim 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 International Financial Reporting Issues Committee ("IFRIC") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions occurring since the Company's last fiscal year end and they do not include all of the information required in the Company's most recent annual consolidated financial statements. Except as noted below, these condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company's annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS as issued by IASB. There have been no significant changes in judgement or estimates from those disclosed in the consolidated financial statements for the year ended December 31, 2017.

This is the first set of the condensed consolidated interim financial statements where IFRS 15 and IFRS 9 have been applied.

New standard IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15") effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018.

IFRS 15 supersedes IAS 18- Revenue, IAS 11 - Construction Contracts, and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using the following five steps:

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2. ACCOUNTING POLICIES (CONTINUED)**New standard IFRS 15 Revenue from Contracts with Customers (continued)**

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company has concluded that the recognition and measurement of the sale of products in all contracts is consistent with the current revenue recognition practice and therefore does not expect any transitional adjustment.

New standard IFRS 9 Financial Instruments

The Company has adopted IFRS 9, Financial Instruments (IFRS 9) effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018. IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's condensed consolidated interim financial statements and did not result in a transitional adjustment.

The Company has no hedges on its condensed consolidated interim financial statements for the reporting period.

The Company has concluded that the adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Company's financial assets and financial liabilities.

3. ACCOUNTS RECEIVABLE

	June 30, 2018	December 31, 2017
Trade accounts receivable	\$ 209,429	\$ 71,479
GST Input tax credits	197,049	97,960
	<u>\$ 406,478</u>	<u>\$ 169,439</u>

4. INVENTORY

Inventory consisted primarily of ready to wear clothing, bags and accessories, which were either at retail locations or in either of the two third party logistics warehouses and raw materials.

	June 30, 2018	December 31, 2017
Finished goods	\$ 3,246,168	\$ 2,151,472
Raw materials	246,756	208,209
	<u>\$ 3,492,924</u>	<u>\$ 2,359,681</u>

RYU APPAREL INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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4. INVENTORY (CONTINUED)

During the six months ended June 30, 2018, \$1,026,906 (2017 - \$594,202) of inventory was sold and recognized in cost of sales, and \$409,404 (2017 - \$211,030) of inventory was used for promotional purposes and recognized in other expense categories, such as selling and marketing and investor relations.

5. PREPAID EXPENSES AND DEPOSITS

	June 30, 2018	December 31, 2017
Prepaid expenses	\$ 988,328	\$ 216,903
Deposits and other current assets	1,240,124	761,248
	<u>2,228,452</u>	<u>978,151</u>
Long-term rent deposits	680,220	398,292
	<u>\$ 2,908,672</u>	<u>\$ 1,376,443</u>

6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and Equipment	Computers and Software	Vehicles	Total
Cost					
Balance at January 1, 2017	\$ 1,718,646	\$ 18,789	\$ 47,741	\$ -	\$ 1,785,176
Additions	1,494,676	27,368	33,772	-	1,555,816
Balance at December 31, 2017	<u>3,213,322</u>	<u>46,157</u>	<u>81,513</u>	<u>-</u>	<u>3,340,992</u>
Additions	724,527	19,758	16,351	30,759	791,395
Balance at June 30, 2018	<u>\$ 3,937,849</u>	<u>\$ 65,915</u>	<u>\$ 97,864</u>	<u>\$ 30,759</u>	<u>\$ 4,132,387</u>
Accumulated depreciation					
Balance at January 1, 2017	\$ 298,819	\$ 9,817	\$ 37,040	\$ -	\$ 345,676
Depreciation	431,450	9,838	7,299	-	448,587
Balance at December 31, 2017	<u>730,269</u>	<u>19,655</u>	<u>44,339</u>	<u>-</u>	<u>794,263</u>
Depreciation	354,717	7,807	9,779	3,204	375,507
Balance at June 30, 2018	<u>\$ 1,084,986</u>	<u>\$ 27,462</u>	<u>\$ 54,118</u>	<u>\$ 3,204</u>	<u>\$ 1,169,770</u>
Net book value					
December 31, 2017	\$ 2,483,053	\$ 26,502	\$ 37,174	\$ -	\$ 2,546,729
June 30, 2018	<u>\$ 2,852,863</u>	<u>\$ 38,453</u>	<u>\$ 43,746</u>	<u>\$ 27,555</u>	<u>\$ 2,962,617</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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7. INTANGIBLE ASSETS

	Website Costs	Patents	Total
Cost			
Balance at January 1, 2017	\$ -	\$ 32,608	\$ 32,608
Additions	32,432	-	32,432
Balance at December 31, 2017	32,432	32,608	65,040
Additions	155,407	-	155,407
Balance at June 30, 2018	\$ 187,839	\$ 32,608	\$ 220,447
Accumulated depreciation			
Balance at January 1, 2017	\$ -	\$ 26,059	\$ 26,059
Depreciation	-	6,549	8,369
Balance at December 31, 2017	-	32,608	32,608
Depreciation	-	-	-
Balance at June 30, 2018	\$ -	\$ 32,608	\$ 32,608
Net book value			
December 31, 2017	\$ 32,432	\$ -	\$ 32,432
June 30, 2018	\$ 187,839	\$ -	\$ 187,839

Website Costs

The Company did not record depreciation on web costs during the six months ended June 30, 2018 as the development of a new website infrastructure for www.ryu.com was ongoing.

8. COMMITMENTS**Finance leases**

The following is the summary of the Company's outstanding liabilities (excluding interest):

	June 30, 2018	December 31, 2017
Current portion	\$ 21,541	\$ 14,068
Non-current portion	61,764	45,070
	\$ 83,305	\$ 59,138

On February 1, 2012, the Company entered into a ten-year finance lease agreement for the domain name *ryu.com*. At the end of the lease term, title to the domain name will automatically transfer to the Company.

On January 15, 2018, the Company entered into a four-year finance lease for a Company vehicle containing a purchase option at the end of the lease term.

RYU APPAREL INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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8. COMMITMENTS (CONTINUED)**Operating leases**

The Company has obligations under operating leases for its corporate office facility and for its retail stores. The leases expire at various dates through 2028.

Year	Operating leases
2018	\$ 1,317,698
2019	3,048,935
2020	2,798,652
2021	2,651,028
2022	1,900,570
Thereafter	6,571,835
Total	\$ 18,288,718

As at June 30, 2018, the Company has entered into three unconditional guaranties of payment and performance in relation to the lease agreements for its upcoming retail stores in the United States. As at June 30, 2018, the Company's commitment under these leases totaled \$10,442,276. The commitment is already included in the above overall obligation under operating leases for its corporate office facility and for its retail stores.

9. EQUITY**Common shares**

The authorized capital of the Company consists of an unlimited number of common shares without par value.

Common shares issued for cash

On January 19, 2018, the Company closed a non-brokered private placement financing of \$5,651,945, of which \$355,000 was received during the year ended December 31, 2017, consisting of the issuance of 80,742,068 units of the Company at a price of \$0.07 per unit. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.20 for a period of five years. The fair value of the warrants was determined to be \$nil. In connection with the private placement the Company paid a cash finder's fee of \$125,000 and issued 1,785,714 finder warrants on the same terms of the warrants issued in the financing with the fair value of \$300,747.

The finder warrants were measured using the Black-Scholes option pricing model and the following input assumptions:

Weighted average fair value of finder warrants issued on January 19, 2018	\$ 0.17
Risk-free interest rate	2.45%
Estimated life	5 years
Expected volatility	130.94%
Expected dividend yield	0.00%
Forfeiture rate	0%

On February 19, 2018, the Company closed a non-brokered private placement financing of \$3,997,808 consisting of the issuance of 33,315,070 common shares of the Company at a price of \$0.12 per common share. In connection with the private placement the Company issued 1,104,167 common shares to a certain finder.

In connection with the above share issuances the Company incurred a total of \$514,382 in share issuance costs, including legal fees of \$43,579.

Stock options

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On June 9, 2014, January 27, 2015 and November 30, 2016, the Board of Directors approved certain revisions to the 2013 Stock Option Plan, resulting in the Company's revised 2014 stock option plan (the "revised 2014 Plan") whereby the aggregate number of securities reserved for issuance set aside and made available for issuance under the Plan was set at

9. EQUITY (CONTINUED)
Stock options (continued)

24,883,867 shares of the Company's common stock. Each stock option permits the holder to purchase one share at the stated exercise price. The options vest at the discretion of the Board of Directors.

The following is a summary of the Company's stock option activity:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2017	11,806,250	\$ 0.25
Granted	11,535,000	0.29
Exercised	(287,500)	0.15
Cancelled/forfeited	(1,415,000)	0.36
Outstanding at June 30, 2018	21,638,750	\$ 0.28
Exercisable at June 30, 2018	15,368,750	\$ 0.28

Stock options at June 30, 2018 were as follows:

Exercise Price (\$)	Outstanding		Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Remaining Contractual Life (years)
\$0.10 - \$0.26	4,786,250	5.30	3,761,250	5.22
\$0.27 - \$0.27	200,000	1.88	160,000	1.88
\$0.28 - \$0.29	11,422,500	7.27	10,097,500	7.61
\$0.30 - \$0.35	2,400,000	6.30	160,000	1.84
\$0.36 - \$1.05	2,830,000	5.82	1,190,000	5.53
	21,638,750	6.48	15,368,750	6.74

Estimated fair value of stock options

During the six months ended June 30, 2018, the Company granted 11,535,000 options (June 30, 2017 - 3,400,000) to acquire common shares. Share-based payments relating to options vesting during the period, using the Black-Scholes option pricing model, was \$2,300,184 (June 30, 2017 - \$255,768).

Details of the fair value of options granted and the assumptions used in the Black-Scholes option pricing model are as follows:

	June 30, 2018	June 30, 2017
Weighted average fair value of options granted	\$ 0.21	\$ 0.09
Risk-free interest rate	1.92%	1.01%
Estimated life	3.85 years	4.24 years
Expected volatility	117.85%	124%
Expected dividend yield	0.00%	0.00%
Forfeiture rate - for the first year	8.18%	6.33%
Forfeiture rate - after the first year	8.18%	6.33%

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9. EQUITY (CONTINUED)**Restricted Share Units**

At the 2017 Annual General Meeting, the Company's shareholders approved a Long-Term Incentive Performance Plan (the "LTIP") that allows the Company to grant Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), and Deferred Share Units ("DSUs") to consultants, directors, officers, and key employees. The aggregate number of common shares issuable under the LTIP is shared with the Company's stock options. Therefore, it cannot exceed the amount approved under the revised 2014 Plan. The RSUs, DSUs and PSUs vest at the discretion of the Board of Directors.

As at June 30, 2018, only RSUs have been granted under the LTIP and the following is a summary of their activity:

	Number of RSUs
Outstanding at December 31, 2017	-
Granted	842,856
Released	(642,856)
Outstanding at June 30, 2018	200,000

Estimated fair value of RSUs

During the six months ended June 30, 2018, the Company granted 842,856 RSUs (June 30, 2017 - nil) to issue common shares. Share-based payments relating to RSUs vesting during the period was \$187,201 (June 30, 2017 - \$nil).

Warrants

The following is a summary of the Company's warrant activity:

	Number of Warrants		Weighted Average Exercise Price
Outstanding at January 1, 2017	105,829,994	\$	0.35
Issued	104,754,015		0.16
Issued	(44,000)		0.20
Expired	(23,953,103)		0.52
Outstanding at December 31, 2017	186,586,906		0.22
Issued	82,527,782		0.20
Exercised	(59,215,115)		0.19
Expired	(8,833,830)		0.22
Outstanding at June 30, 2018	201,065,743	\$	0.22

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9. EQUITY (CONTINUED)**Warrants (continued)**

Warrants outstanding at June 30, 2018 were as follows:

Exercise Price	Expiration Date	Number of Warrants Outstanding
CDN\$0.50	October 21, 2018	6,000,000
CDN\$0.50	November 13, 2018	1,160,000
CDN\$0.50	January 25, 2019	810,000
CDN\$0.20	February 2, 2019	1,465,506
CDN\$0.50	February 24, 2019	1,000,000
CDN\$0.50	March 31, 2019	3,450,626
CDN\$0.50	April 12, 2019	1,595,850
CDN\$0.50	May 30, 2019	12,155,321
CDN\$0.135	June 22, 2019	24,819,670
CDN\$0.135	July 25, 2019	32,449,100
CDN\$1.96	January 31, 2022	7,500
CDN\$0.20	December 4, 2022	25,578,283
CDN\$0.20	December 22, 2022	8,046,105
CDN\$0.20	January 19, 2023	82,527,782
		201,065,743

The weighted average remaining contractual life of warrants outstanding as of June 30, 2018 was 3.0 years (December 31, 2017 - 1.89 years).

10. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the development, marketing, and distribution of apparel, bags and accessories. Geographic information related to the Company's assets and location of its customers is as follows:

	June 30, 2018			December 31, 2017		
	Canada	United States	Total	Canada	United States	Total
Revenue	\$ 1,875,747	\$ 174,740	\$ 2,050,487	\$ 2,646,263	\$ 373,323	\$ 3,019,586
Inventory	\$ 3,258,312	\$ 234,612	\$ 3,492,924	\$ 2,162,429	\$ 197,252	\$ 2,359,681
Property and equipment	\$ 2,306,159	\$ 656,458	\$ 2,962,617	\$ 2,546,729	\$ -	\$ 2,546,729
Intangible assets	\$ 187,839	\$ -	\$ 187,839	\$ 32,432	\$ -	\$ 32,432

11. RELATED PARTY TRANSACTIONS

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 members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the six months ended June 30, 2018 and 2017 was as follows:

	June 30, 2018	June 30, 2017
Salaries and benefits	\$ 339,423	\$ 219,615
Share-based payments (note 1)	952,856	151,635

RYU APPAREL INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian dollars)

June 30, 2018

\$	1,292,279	\$	371,250
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11. RELATED PARTY TRANSACTIONS (CONTINUED)

Remuneration paid to related parties other than key personnel during the six months ended June 30, 2018 and 2017 was as follows:

	June 30, 2018	June 30, 2017
Consulting fees (included in professional fees)	\$ 112,500	\$ 27,000
Salaries and benefits	17,840	19,910
Share-based payments (note 1)	103,277	-
	\$ 233,617	\$ 46,910

Note 1: Share-based payments are comprised of stock options, which are non-cash expenditures.

Transactions with related parties:

During the six months ended June 30, 2018, the Company had sales to a company owned by the CEO of \$15,782 (2017 - \$10,381) and purchased goods and services from the same company totaling \$23,874 (2017 - \$110,391).

On November 1, 2014, the Company entered into a sublease agreement with a company owned by the CEO for its corporate office at 1672 W 2nd Avenue in Vancouver, BC. Under the agreement, the Company is required to make lease payments for a term of 5 years (note 8). During the six months ended June 30, 2018, the Company recorded rent expense of \$71,702 (2017 - \$67,699) to the related party. During the six months ended June 30, 2018, the Company received notice from the company owned by the CEO that rent for the rest of the 2018 financial year needed to be prepaid. As at June 30, 2018, \$74,695 remained in prepaid expenses.

12. FINANCIAL INSTRUMENT RISK MANAGEMENT**Classification of financial instruments**

Financial assets included in the statement of financial position are as follows:

	June 30, 2018	December 31, 2017
Loans and receivables:		
Cash	\$ 9,023,865	\$ 466,809
Trade accounts receivable	209,428	71,479
Deposits (current and long-term)	1,920,343	1,159,540
	\$ 11,153,636	\$ 1,697,828

Financial liabilities included in the statement of financial position are as follows:

	June 30, 2018	December 31, 2017
Non-derivative financial liabilities:		
Accounts payable	\$ 468,877	\$ 1,178,126
Finance lease (current and long-term)	83,305	59,138
	\$ 552,182	\$ 1,237,264

12. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Classification of financial instruments (continued)

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.

The carrying value of Company's financial assets and liabilities as at June 30, 2018 and December 31, 2017 approximate their fair value due to their short terms to maturity.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

13. SUBSEQUENT EVENT

Subsequent to June 30, 2018, 160,000 RSUs were granted to consultants.