RYU APPAREL INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102 "Continuous Disclosure Obligations", if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity's auditor.

August 30, 2021

RYU APPAREL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)
As at

	Note		June 30, 2021		December 31, 2020
ASSETS					
Current					
Cash		$	97,438	$	771,174
Trade and other receivables	3		79,884		146,795
Inventory	4, 11		1,374,587		1,841,869
Prepaid expenses and deposits	5, 10		1,189,567		1,500,608
			2,741,476		4,260,446
Non-current					
Deposits	5		78,401		80,539
Property and equipment	6, 11		27,808		58,899
Lease assets	8, 11		-		69,318
Investments	7		1,313,463		1,313,463
		$	4,161,148	$	5,782,665
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current					
Trade and other payables	12	$	3,851,720	$	4,640,663
Accrued liabilities	12, 14		955,067		1,067,001
Loans payable, net	8		1,038,445		11,393
Current portion of lease obligations	9		524,893		982,280
Deferred revenue			59,447		65,990
			6,429,572		6,767,327
Non-current					
Lease obligations	9		3,444,359		3,384,689
			9,873,931		10,152,016
Shareholders' deficiency					
Share capital	10		90,705,059		88,944,010
Shares to be issued	12		320,000		-
Equity reserve	10		14,703,952		11,996,543
Deficit			(111,508,888)		(105,376,998)
Accumulated other comprehensive income			67,094		67,094
			(5,712,783)		(4,369,351)
		$	4,161,148	$	5,782,665

Nature of operations and going concern (note 1)
Contingencies (note 14)
Subsequent events (note 15)

Approved and authorized for issue by the Board of Directors on August 30, 2021.

"Bill Marcus" Director   *"Roger Edwards"* Director

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

RYU APPAREL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian dollars)
For the three and six months ended June 30,

	Note	Three months ended 2021	Three months ended June 30, 2020	Six months ended 2021	Six months ended June 30, 2020
Revenue	9	$ 198,878	$ 368,711	$ 397,703	$ 1,124,893
Cost of sales		168,811	251,368	344,054	952,783
Gross Profit		30,067	117,343	53,649	172,110
Expenses					
Depreciation	6	16,121	20,673	32,844	41,713
Foreign exchange loss (gain)		(44,779)	(253,681)	(48,678)	282,859
Interest and bank charges		179,062	208,659	333,941	473,354
Investor relations		109,626	30,204	184,730	94,001
Office and general	11	61,102	352,473	318,068	828,595
Product creation		78,433	(1,501)	152,821	21,289
Professional fees	11	336,391	57,451	696,451	163,284
Salaries and benefits	11	280,641	526,596	499,445	1,654,226
Selling and marketing		573,881	42,505	996,108	56,909
Share-based payments	8, 11	284,746	286,069	3,038,740	438,016
Travel and entertainment		9,069	1,087	23,647	7,150
		1,884,293	1,270,535	6,228,117	4,061,396
Loss before other items		(1,854,226)	(1,153,192)	(6,174,468)	(3,889,286)
Other items					
Accretion	8, 9	(171,965)	-	(252,882)	-
Impairment (loss) recovery	4	(167,216)	215,458	(167,216)	215,458
Gain on settlement of debt	8	-	170,362	-	170,362
Gain (loss) on lease modification	7	(3,860)	951,654	462,676	2,551,846
Net income (loss)		(2,197,267)	184,282	(6,131,890)	(951,620)
Other comprehensive loss					
Currency translation loss		-	-	-	-
Comprehensive income (loss)		$ (2,197,267)	$ 184,282	$ (6,131,890)	$ (951,620)
Income (loss) per share - Basic and diluted		(0.01)	0.00	(0.03)	(0.01)
Weighted average number of common shares outstanding - basic and diluted		194,113,347	66,150,217	183,232,585	63,775,850

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

RYU APPAREL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian dollars)

	Number of common shares	Share capital	Shares to be Issued	Equity reserve	Deficit	Accumulated other comprehensive income	Total
Balance, January 1, 2020	62,970,783	$ 82,574,351	$ -	$ 10,226,353	$ (103,519,225)	$ 67,094	$ (10,651,427)
Share subscriptions received in advance (note 10)	-	-	317,816	-	-	-	317,816
Shares for debt (note 10)	425,904	42,590	-	-	-	-	42,590
Shares for debt – related party (note 10)	4,613,745	1,845,498	-	-	-	-	1,845,498
Release of RSUs (note 10)	16,500	13,200	-	(13,200)	-	-	-
Shares issued for rounding on share consolidation	1	-	-	-	-	-	-
Share-based payments (note 10)	-	-	-	438,016	-	-	438,016
Net loss	-	-	-	-	(951,620)	-	(951,620)
Balance, June 30, 2020	68,026,933	$ 84,475,639	$ 317,816	$ 10,651,169	$ (104,470,845)	$ 67,094	$ (8,959,127)
Balance, January 1, 2021	179,193,537	$ 88,944,010	$ -	$ 11,996,543	$ (105,376,998)	$ 67,094	$ (4,369,351)
Shares issued upon exercise of warrants (note 10)	17,303,230	956,677	-	-	-	-	956,677
Shares issued upon exercise of options (note 10)	2,966,666	687,331	-	(331,331)	-	-	356,000
Shares issued for debt issuance costs (note 10)	1,306,667	163,334	-	-	-	-	163,334
Share issuance costs (note 10)	-	(46,293)	-	-	-	-	(46,293)
Share-based payments (note 10)	-	-	-	3,038,740	-	-	3,038,740
Shares to be issued for severance liability (note 12)	-	-	320,000	-	-	-	320,000
Net loss (note 10)	-	-	-	-	(6,131,890)	-	(6,131,890)
Balance, June 30, 2021	200,770,100	$ 90,705,059	$ 320,000	$ 14,703,952	$ (111,508,888)	$ 67,094	$ (5,712,783)

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

RYU APPAREL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian dollars)
For the six months ended June 30,

		2021		2020
Cash flows from operating activities				
Net loss	$	(6,131,890)	$	(951,620)
Items not affecting cash:				
Depreciation		32,844		41,731
Accretion of lease assets		69,318		-
Accretion on debt discount		183,564		-
Share-based payments		3,038,740		438,016
Accrued lease interest		253,573		378,048
Change in provision for doubtful accounts		5,356		(29,791)
Change in provision for inventory reserve		167,216		(215,458)
Gain/loss on foreign exchange		(100,509)		282,964
Gain on settlement of debt		-		(170,362)
Gain on lease modifications and terminations		(210,524)		(2,551,846)
Changes in non-cash working capital				
Trade and other receivables		61,555		(6,523)
Inventory		226,785		861,779
Prepaid expenses and deposits		366,679		(48,124)
Trade and other payables and accrued liabilities		(382,036)		1,898,953
Deferred revenue		(6,543)		89,847
Net cash flows from (used by) operating activities		(2,425,872)		17,596
Cash flows from financing activities				
Issuance of common shares		1,312,677		-
Share issuance costs		(46,293)		-
Shares to be issued		-		317,816
Loans received		1,006,345		600,000
Repayment of loans payable		(53,023)		(16,500)
Repayment of lease obligations		(467,570)		(980,571)
Net cash flows from (used by) financing activities		1,752,136		(79,255)
Change in cash		(673,736)		(61,649)
Cash – beginning		771,174		83,338
Cash – ending	$	97,438	$	21,679
Supplemental cash flow disclosure				
Unpaid lease obligations	$	1,686,086	$	-
Settlement of liabilities with shares	$	-	$	1,888,088
Settlement of liabilities with shares to be issued	$	320,000	$	-
Interest paid	$	20,269	$	-
Taxes paid	$	-	$	-

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

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", in the United States on the OTCQB under symbol "RYPPF", and in Germany on the Frankfurt Stock Exchange under the symbol "RYA".

As at June 30, 2021, the Company has a working capital deficiency of $3,688,096 (December 31, 2020 - $2,506,881) and had an accumulated deficit of $111,508,888 (December 31, 2020 - $105,376,998). Furthermore, the Company incurred a net loss of $6,131,890 during the six months ended June 30, 2021 (2020 - $951,620). Since inception, the Company has incurred losses and has had negative cash flows from operations 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.

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time. While certain restrictions are presently in the process of being relaxed, it is unclear when the world will return to the previous normal, if ever. This may adversely impact the expected implementation of the Company's Business Plans. The Company has been impacted as it temporarily closed certain retail locations and permanently closed other retail locations.

These condensed interim consolidated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS

Basis of presentation and statement of compliance

These condensed interim 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 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 interim consolidated 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 interim consolidated 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, 2020, which were prepared in accordance with IFRS as issued by IASB.

(Expressed in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS (cont'd)

Critical accounting estimates and significant management judgments

The preparation of condensed interim financial statements in accordance with IFRS requires the Company to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. There have been no significant changes in judgement or estimates from those disclosed in the consolidated financial statements for the year ended December 31, 2020.

3. TRADE AND OTHER RECEIVABLES

	June 30, 2021	December 31, 2020
Trade receivables	$ 58,316	$ 18,910
GST input tax credits	21,568	127,885
	$ 79,884	$ 146,795

At June 30, 2021, the Company had recorded an allowance for doubtful accounts of $12,569 (December 31, 2020 - $8,394) on trade receivables.

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, 2021	December 31, 2020
Finished goods	$ 2,049,283	$ 2,394,499
Inventory in transit	-	-
Raw materials	48,053	16,078
	2,097,336	2,410,577
Less: provision for inventory reserve	(722,749)	(568,708)
	$ 1,374,587	$ 1,841,869

At June 30, 2021, the Company had an inventory reserve of $722,749 (December 31, 2020 - $568,708) on finished goods inventory to recognize its estimated net realizable value.

During the three months ended June 30, 2021, $168,811 (2020 - $251,368) of inventory was sold and recognized in cost of sales, and $Nil (2020 - $111,154) of inventory was used for promotional purposes and recognized in other expense categories, such as selling and marketing and investor relations.

During the six months ended June 30, 2021, $344,054 (2020 - $952,783) of inventory was sold and recognized in cost of sales, and $Nil (2020 - $111,154) of inventory was used for promotional purposes and recognized in other expense categories, such as selling and marketing and investor relations.

During the three months ended June 30, 2021, the Company recognized an impairment loss on inventory totalling $167,216.

(Expressed in Canadian dollars)

5. PREPAID EXPENSES AND DEPOSITS

	June 30, 2021	December 31, 2020
Prepaid expenses	$ 673,970	$ 1,387,042
Deposits and other current assets	515,597	113,566
	1,189,567	1,500,608
Long-term lease deposits	78,401	80,539
	$ 1,267,968	$ 1,581,147

Included in prepaid expenses is $41,210 for prepaid Marine Cargo and Directors & Officers insurance, see note 8.

6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and Equipment	Computers and Software	Total
Cost				
Balance at January 1, 2020	$ 24,865	$ 163,798	$ 173,614	$ 362,277
Disposal/Write-off	(24,865)	-	(1,114)	(25,979)
Balance at December 31, 2020	$ -	$ 163,798	$ 172,500	$ 336,298
Additions	-	-	2,050	2,050
Balance at June 30, 2021	$ -	$ 163,798	$ 174,550	$ 338,348
Accumulated depreciation				
Balance at January 1, 2020	$ 24,865	$ 85,752	$ 111,594	$ 222,211
Depreciation	-	45,320	34,733	80,053
Write-off	(24,865)	-	-	(24,865)
Balance at December 31, 2020	$ -	$ 131,072	$ 146,327	$ 277,399
Depreciation	-	17,997	15,144	33,141
Balance at June 30, 2021	$	$ 149,069	$ 161,471	$ 310,540
Net book value				
December 31, 2020	$ -	$ 32,726	$ 26,173	$ 58,899
June 30, 2021	$ -	$ 14,730	$ 13,078	$ 27,808

7. INVESTMENTS

On November 9, 2020, the Company entered into an Assignment Agreement with Fortunate Films, Ltd. ("Fortunate Films"), whereby Fortunate Films agreed to assign to the Company all its rights and interests and any other benefits to be derived therefrom a subscription agreement (the "Subscription Agreement") with Branded Entertainment, Inc. ("BEI"), to source an equity placement in The Count-The Series, LLC ("TCTS") which was executed concurrently with a product integration agreement (the "Product Integration Agreement"). Together, the Subscription Agreement and Product Integration Agreement encompass the aggregate deal (the "Aggregate Deal").

TCTS intends to create an episodic television program (the "Series") and intends to generate revenue from licensing content, product and brand integration, and sale of marketing and its products.

Under the terms of the Aggregate Deal, the Company agrees to purchase 50 Class A Units (each a "Unit") in TCTS at a price of USD $100,000 per Unit for a total purchase price of USD $5,000,000. This will represent a 16.67% ownership interest in TCTS. The Company will also give TCTS the right to sell RYU products online. Investors in TCTS shall be paid 80% of the income of TCTS up to the original invested capital amount. Following this, investors in TCTS are entitled to 40% of the income of TCTS. The Company shall also retain a 10% equity position in TCTS, in perpetuity, and integration of RYU products into episode four of the Series plus four additional episodes of the six remaining episodes.

As at June 30, 2021, the Company had paid $1,313,463 (USD $1,000,000) in cash consideration towards the terms of the Aggregate Deal which is included in long-term investments.

(Expressed in Canadian dollars)

8. LOANS PAYABLE, NET

Loans payable		
As at January 1, 2020	$	-
Additions		12,500
Interest expense		65
Repayments		(1,172)
As at December 31, 2020		11,393
Additions		1,053,500
Debt discount		(185,197)
Amortization of debt discount		183,563
Interest expense		28,209
Repayments		(53,023)
As at June 30, 2021	$	1,038,445

On November 1, 2020, the Company received a short term loan of $12,500 for prepaid marine cargo insurance, financed at an interest rate of 6.25% whereby the Company agreed to pay $1,172 in 11 monthly installments beginning on December 1, 2020. During the three and six months ended June 30, 2021, the Company incurred interest expense of $101 and $268, respectively (2020 - $Nil and $Nil, respectively) and repaid $3,516 and $7,033, respectively (2020 - $Nil and $Nil, respectively). As at June 30, 2021, $4,628 is included in short term loans payable (December 31, 2020 - $11,393).

On January 22, 2021, the Company received a short term loan of $53,500 for prepaid directors & officers insurance, financed at an interest rate of 7.15% whereby the Company agreed to pay $1,500 upfront and $4,898 in 11 monthly installments beginning on February 22, 2021. During the three and six months ended June 30, 2021, the Company incurred interest expense of $1,274 and $1,274, respectively (2020 - $Nil and $Nil, respectively) and repaid $14,694 and $25,990, respectively (2020 - $Nil and $Nil, respectively). As at June 30, 2021, $28,784 is included in short term loans payable (December 31, 2020 - $Nil).

On March 8, 2021, the Company entered into a loan agreement, pursuant to which a company agreed to loan the Company the principal amount of $1,000,000, for a term of 12 months, accruing simple interest of 8% per annum to be paid quarterly. The loan was subject to a 2% debt issuance cost, to be deducted directly from the principal amount. The loan is being guaranteed via a personal guarantee by an existing shareholder. As consideration for the personal guarantee, the Company entered into a Loan Bonus Agreement whereby the Company issued the guarantor, an aggregate of 1,306,667 common shares in the Company, issued on March 22, 2021, with a fair value of $163,333 (Note 10). Total debt issuance costs of $185,197 were recorded as a debt discount against the face value of the loan and are being amortized over the term of the loan using the effective interest rate method. The Company used an effective interest rate of 396% per annum. During the three and six months ended June 30, 2021, the Company accrued interest expense of $20,000 and $26,667, respectively (2020 - $Nil and $Nil, respectively), recorded accretion on the debt discount of $137,306 and $183,563, respectively (2020 - $Nil and $Nil, respectively), and repaid interest of $20,000 and $20,000, respectively (2020 - $Nil and $Nil, respectively). As at June 30, 2021, $1,038,445 is included in short term loans payable (December 31, 2020 - $Nil).

9. LEASES

On July 1, 2020, the Company negotiated a one year lease extension for its retail location at West 4th in Vancouver, BC expiring on June 30, 2021. The Company's lease asset as at June 30, 2021 relates to the lease of this retail space.

Lease assets		
As at January 1, 2020	$	-
Additions		138,637
Accretion expense		(69,319)
As at December 31, 2020		69,318
Accretion expense		(69,318)
As at June 30, 2021	$	-

(Expressed in Canadian dollars)

9. LEASES (cont'd)

The Company's lease liabilities consists of retail stores, equipment, and domain name. The leases have imputed interest rates between 5.45% and 12% per annum.

		Total
Balance as at January 1, 2020	$	8,084,076
Additions		138,637
Modifications and terminations		(2,724,859)
Interest expense		672,701
Lease payments		(1,787,016)
Effects of movements in exchange rates		(16,570)
As at December 31, 2020	$	4,366,969
Modifications and terminations		1,295
Interest expense		253,573
Lease payments		(553,829)
Effects of movements in exchange rates		(98,756)
As at June 30, 2021	$	3,969,252

Lease liabilities		**June 30, 2021**
Current portion	$	524,893
Long-term portion		3,444,359
Total lease liabilities	$	3,969,252

At June 30, 2021, the Company is committed to minimum lease payments as follows:

Maturity analysis		**June 30, 2021**
Less than one year	$	1,124,010
One year to three years		1,856,071
Three to five years		1,720,510
Greater than five years		1,514,837
Total undiscounted lease liabilities		6,215,428
Amount representing implicit interest		(2,246,176)
Lease obligations	$	3,969,252

10. 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

Six months ended June 30, 2021:

- On March 1, 2021, the Company issued an aggregate of 620,000 common shares for the exercise of 620,000 warrants at a price of $0.055 per share, for aggregate gross proceeds of $34,100.

- On March 3, 2021, the Company issued an aggregate of 1,160,000 common shares for the exercise of 1,160,000 warrants at a price of $0.055 per share, for aggregate gross proceeds of $63,800.

- On March 4, 2021, the Company issued 50,000 common shares for the exercise of 50,000 options at a price of $0.12 per share, for gross proceeds of $6,000 which resulted in a transfer from equity reserve to share capital of $5,805.

- On March 5, 2021, the Company issued 1,000,000 common shares for the exercise of 1,000,000 warrants at a price of $0.055 per share, for gross proceeds of $55,000.

10. EQUITY (cont'd)

- On March 25, 2021, the Company issued 4,200,000 common shares for the exercise of 4,200,000 warrants at a price of $0.055 per share, for gross proceeds of $231,000.

- On April 5, 2021, the Company issued 2,000,000 common shares for the exercise of 2,000,000 warrants at a price of $0.055 per share, for gross proceeds of $110,000.

- On April 8, 2021, the Company issued 1,000,000 common shares for the exercise of 1,000,000 warrants at a price of $0.055 per share, for gross proceeds of $55,000.

- On April 20, 2021, the Company issued an aggregate of 1,223,230 common shares for the exercise of 1,223,230 warrants at a price of $0.055 per share, for aggregate gross proceeds of $67,277.

- On May 18, 2021, the Company issued an aggregate of 2,916,666 common shares for the exercise of 2,916,666 stock options, held by an officer and an employee and family member of an officer, at an exercise price of $0.12 for aggregate gross proceeds of $350,000 which resulted in a transfer from equity reserve to share capital of $325,526.

- On June 7, 2021, the Company issued an aggregate of 5,000,000 common shares for the exercise of 5,000,000 warrants at a price of $0.055 per share, for aggregate gross proceeds of $275,000.

- On June 14, 2021, the Company issued 1,000,000 common shares for the exercise of 1,000,000 warrants at a price of $0.055 per share, for gross proceeds of $55,000.

- On June 22, 2021, the Company issued 100,000 common shares for the exercise of 100,000 warrants at a price of $0.105 per share, for gross proceeds of $10,500.

- The company incurred share issuance costs in connection with the above share issuances of $46,293 in cash.

Six months ended June 30, 2020:

- During the six months ended June 30, 2020, the Company received $317,816 of share subscriptions in advance of a non-brokered private placement financing of up to 333,333,333 units at a price of $0.03 per unit.

Common shares issued for debt issuance costs

On March 22, 2021, pursuant to the loan agreement with Alladin Ventures as outlined in Note 8, and under the terms of the Loan Bonus Agreement, the Company issued 1,306,667 common shares as consideration for the personal guarantee made by a family member of the CEO, with a fair value of $163,333, the fair value of the shares were treated as debt issuance costs in accordance with the loan and are being amortized over the life of the loan.

Common shares issued for settlement of debts

On April 30, 2020, the Company issued 4,613,745 common shares at a deemed price of $0.40 per common share to three related party creditors to settle debt in the amount of $1,845,498 owed by the Company.

On June 15, 2020, the Company issued 425,904 common shares at a deemed price of $0.50 per share to settle debt in the amount of $212,952 owed by the Company. The Company's common shares had a fair value of $0.10 on the date of grant. The Company recorded a gain of $170,362 on the settlement of this debt.

Stock options

On June 9, 2014, January 27, 2015, November 30, 2016, December 12, 2018, and February 26, 2021 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") and Long Term Incentive Plan ("LTIP") whereby the aggregate number of securities reserved for issuance set aside and made available for issuance under the revised 2014 Plan and LTIP was increased from a fixed amount of 11,687,701 to 35,838,707 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.

(Expressed in Canadian dollars)

10. EQUITY (cont'd)

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

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2020	1,947,500	$ 2.33
Granted [1]	12,592,201	0.28
Cancelled/Forfeited	(2,777,500)	1.29
Expired	(91,000)	3.38
Outstanding at December 31, 2020	11,671,201	$ 0.35
Granted	25,034,172	0.12
Cancelled/Forfeited	(1,200,000)	0.44
Exercised	(2,966,666)	0.12
Expired	(53,500)	2.50
Outstanding at June 30, 2021	32,485,207	$ 0.19
Exercisable at June 30, 2021	32,272,707	$ 0.19

(1) The Company approved an amendment to the exercise price of stock options previously granted to Marcello Leone by the Company, to reduce the exercise price of stock options granted on August 18, 2014, March 16, 2015 and March 2, 2018 to CAD$1.60.

Stock options at June 30, 2021 were as follows:

	Outstanding		Exercisable	
Exercise Price ($)	Number of Options	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Remaining Contractual Life (years)
$0.085	3,766,666	4.91	3,766,666	4.91
$0.12	23,498,041	2.64	23,285,541	2.62
$0.15	2,000,000	2.69	2,000,000	2.69
$0.50	2,775,000	3.79	2,775,000	3.79
$1.50	57,500	4.22	57,500	4.22
$2.90	380,000	5.62	380,000	5.62
$3.00 USD	8,000	2.62	8,000	2.62
	32,485,207	3.05	32,272,707	3.03

Estimated fair value of stock options

Share-based payments relating to options vesting during the period ended June 30, 2021 using the Black-Scholes option pricing model was $2,618,743 (June 30, 2020 - $422,963).

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

	June 30, 2021	December 31, 2020
Weighted average fair value of options granted	$ 0.11	$ 0.10
Risk-free interest rate	0.25%	0.45%
Estimated life	3.30 years	3.85 years
Expected volatility	238.51%	206.53%
Expected dividend yield	0.00%	0.00%
Forfeiture rate – for the first year	0.00%	0.00%
Forfeiture rate – after the first year	0.00%	0.00%

(Expressed in Canadian dollars)

10. EQUITY (cont'd)

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, 2021, only RSUs have been granted under the LTIP and the following is a summary of their activity:

	Number of RSUs
Outstanding at January 1, 2020	16,500
Granted	50,000
Released	(16,500)
Outstanding at December 31, 2020	50,000
Granted	3,000,000
Outstanding at June 30, 2021	3,050,000

During the six months ended June 30, 2021, the Company granted 3,000,000 RSUs (2020 – 50,000 RSU's) to issue common shares. Share-based payments relating to RSUs granted during the period was $419,997 (2020 - $15,054).

Warrants

	Number of Warrants		**Weighted Average Exercise Price**
Outstanding at January 1, 2020	26,805,026	$	1.11
Issued	115,040,612		0.06
Outstanding at December 31, 2020	141,845,638	$	0.26
Exercised	(17,303,230)		0.06
Outstanding at June 30, 2021	124,542,408	$	0.29

Warrants outstanding at June 30, 2021 were as follows:

Exercise Price	**Expiration Date**	**Number of Warrants Outstanding**
$19.60	February 1, 2022	750
$1.50	February 11, 2022	3,817,677
$1.50	February 28, 2022	1,039,866
$1.50	March 27, 2022	645,999
$1.50	March 28, 2022	203,929
$1.00	May 17, 2022	3,739,544
$1.00	June 6, 2022	499,000
$1.00	July 8, 2022	765,768
$0.055	October 29, 2022	79,961,770
$0.13	November 26, 2022	4,166,000
$1.20	December 4, 2022	2,557,829
$0.50	December 20, 2022	4,532,273
$1.20	December 22, 2022	779,613
$0.105	December 22, 2022	13,609,612
$1.20	January 19, 2023	8,222,778
		124,542,408

(Expressed in Canadian dollars)

10. EQUITY (cont'd)

The weighted average remaining contractual life of warrants outstanding as of June 30, 2021 was 1.32 years (December 31, 2020 – 2.46 years).

During the year ended December 31, 2020, the Company entered into a Media Purchase and Collaboration Agreement with Zoom Media Corp., in which the Company paid or accrued consideration of $586,000 and issued 4,166,000 warrants. These warrants have an exercise price of $0.13 and expire on November 26, 2022. These warrants were determined to have a fair value of $521,007 using the Black-Scholes pricing model. As at June 30, 2021, $512,867 is recorded as prepaid expenses and deposits and $507,262 was expensed as selling and marketing during the six months then ended.

11. GEOGRAPHIC 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, 2021			December 31, 2020		
	Canada	United States	Total	Canada	United States	Total
Revenue	$ 279,869	$ 117,834	$ 397,703	$ 1,143,779	$ 423,388	$ 1,567,167
Inventory	$ 1,005,612	$ 368,975	$ 1,374,587	$ 1,424,540	$ 417,329	$ 1,841,869
Property and equipment	$ 19,827	$ 7,981	$ 27,808	$ 45,836	$ 13,063	$ 58,899

12. 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, 2021 and 2020 was as follows:

	June 30, 2021	June 30, 2020
Salaries and benefits	$ 232,673	$ 549,256
Consulting fees (included in professional fees)	210,301	-
Share-based payments(1)	1,558,744	61,164
	$ 2,001,718	$ 610,420

Remuneration paid to related parties other than key personnel during the six months ended June 30, 2021 and 2020 was as follows:

	June 30, 2021	June 30, 2020
Consulting fees (included in professional fees)	$ -	$ 13,500
Salaries and benefits	55,744	-
Share-based payments(1)	292,043	38,905
	$ 347,787	$ 52,405

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

Trade and other payables:

As at June 30, 2021, the following is included in trade and other payables and loans payable in relation to transactions with related parties, which are non-interest bearing, unsecured and due on demand:

12. RELATED PARTY TRANSACTIONS (cont'd)

i. Included in trade and payables at June 30, 2021 is $18,972 (December 31, 2020 - $21,520) due to the former interim CFO for consulting fees.

ii. Included in trade and payables at June 30, 2021 is $63,792 (December 31, 2020 - $46,216) due to a company controlled by the CFO for consulting fees.

iii. Included in trade and payables at June 30, 2021 is $Nil (December 31, 2020 - $10,224) due to a company controlled by a Director for fashion design consulting fees.

iv. Included in trade and other payables and accrued liabilities at June 30, 2021 is $Nil (December 31, 2020 - $239,262) in accrued vacation owing to the CEO.

Loans from related parties:

During the six months ended June 30, 2020, the Company obtained loans of $40,000 and $335,000 from the former CEO and a family member of the former CEO. The loans are non-interest bearing, unsecured and due on demand. In April 2020, this loan was settled in shares as part of a share settlement agreement to settle outstanding debts of $1,845,498 owed by the Company to three related party creditors.

During the six months ended June 30, 2020, the Company also entered into a loan agreement for a $50,000 loan with a company controlled by a family member of the former CEO. The loan bears interest at an annual interest rate of 2% compounded monthly, and is secured by all assets of the Company. Included in accrued liabilities is interest of $Nil (December 31, 2020 - $Nil). In April 2020, this loan was settled in shares as part of a share settlement agreement to settle outstanding debts of $1,845,498 owed by the Company to three related party creditors.

Transactions with related parties:

During the six months ended June 30, 2021, the Company had sales to a company owned by the former CEO of $Nil (2020 - $55,931) and purchased goods and services from the same company totaling $Nil (2020 – $8,685).

On November 1, 2014, the Company entered into a sublease agreement with a company owned by the former 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, 2021, the Company recorded rent expense of $Nil (2020 – $69,187) to the related party, including in office and general. In July 2020, the Company moved out of the premises and the lease was terminated.

On February 26, 2021, the shareholders of the Company approved the settlement of a $320,000 severance liability, included in shares to be issued and owing to the former CEO of the Company, for 800,000 common shares. As of the date of this report, the shares have not yet been issued.

Equity:

Six months ended June 30, 2021:

On March 1, 2021, the Company issued 200,000 common shares for the exercise of 200,000 warrants held by a company controlled by the CFO of the Company for gross proceeds of $11,000.

On March 4, 2021, the Company entered into an executive employment agreement with the Company's new Chief Operating Officer ("COO"). Per the agreement, the COO was granted the following; (a) 2,000,000 options to purchase common shares of the Company at an exercise price of $0.15 per common shares vested immediately and expire on March 9, 2024. The options were fair valued at $270,254; and (b) 3,000,000 RSU's which will vest over three years in 1,000,000 unit increments on each anniversary date beginning on the one year anniversary of March 9, 2021. The RSU's were fair valued at $419,997.

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS (cont'd)

On March 22, 2021, pursuant to the loan agreement with a company as outlined in Note 8, and under the terms of the Loan Bonus Agreement, the Company issued 1,306,667 common shares as consideration for the personal guarantee made by a family member of the CEO, with a fair value of $163,333, the fair value of the shares were treated as debt issuance costs and are being amortized over the life of the loan.

On March 24, 2021, the Company granted 8,342,506 options to purchase common shares at an exercise price of $0.12 per common shares to one officer, two directors, and one former officer. Each option granted is exercisable for a period of three years, expiring on March 24, 2024, and vesting immediately.

On May 18, 2021, the Company issued an aggregate of 2,916,666 common shares for the exercise of 2,916,666 stock options, held by an officer and an employee and family member of an officer, at an exercise price of $0.12 for aggregate gross proceeds of $350,000.

On May 28, 2021, the Company granted 3,766,666 stock options to purchase common shares at an exercise price of $0.085 to one officer and one employee and family member of an officer. Each option granted is exercisable for a period of five years, expiring on May 28, 2026, and vesting immediately.

13. FINANCIAL INSTRUMENT RISK MANAGEMENT

Classification of financial instruments

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

		June 30, 2021		December 31, 2020
Amortized cost:				
Cash	$	97,438	$	771,174
Trade and other receivables		58,316		146,795
Deposits (current and long-term)		593,998		193,965
Lease assets		-		69,318
Fair value through profit or loss:				
Investments (long-term)		1,313,463		1,313,463
	$	2,063,215	$	2,494,715

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

		June 30, 2021		December 31, 2020
Amortized cost:				
Trade and other payables	$	3,851,720	$	4,640,663
Accrued liabilities		955,067		1,067,001
Loans payable		1,038,445		11,393
Lease obligations (current and long-term)		3,969,252		4,366,969
	$	9,814,484	$	10,086,026

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, 2021 and December 31, 2020 approximate their fair value due to their short terms to maturity.

13. FINANCIAL INSTRUMENT RISK MANAGEMENT (cont'd)

Lease assets and lease obligations are measured as a Level 2 financial instrument. Investments is measured as a Level 3 financial instrument.

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.

14. CONTINGENCY

In the ordinary course of business, the Company and its subsidiaries may become involved in various legal and regulatory actions. The Company establishes legal provisions when it becomes probable that the Company will incur a loss and the amount can be reliably estimated.

- The Company signed a lease for a retail location to be located at UTC Westfield in La Jolla, California, but in August 2019, did not proceed. No termination agreement was negotiated and accepted by the landlord. In August 2019, litigation was commenced against the Company pertaining to the dispute on the termination and settlement of the lease arrangement. As of June 30, 2021, included in trade and other payables is a liability of $506,000 (USD $400,000) (December 31, 2020 - $519,520 or USD $400,000) based on the estimate of the settlement. As of August 30, 2021, the Company is in the midst of negotiation with the counter party on the settlement.

- During the year ended December 31, 2020, a claim was commenced against the Company pertaining to an employment dispute with a maximum claim amount of $35,000. As at June 30, 2021, the claim was resolved and discharged.

- During the year ended December 31, 2020, litigation was commenced against the Company pertaining to a dispute on the termination and settlement of a lease arrangement. As at June 30, 2021, included in payables is a liability of $393,781 (USD $314,396) (December 31, 2020 - $400,289 or USD $314,396) based on the estimate of the settlement. As of August 30, 2021, the Company is in the midst of negotiation with the counter party on the settlement.

- In February 2021, litigation was commenced against the Company pertaining to rent in arrears for January 1, 2020 onwards for a maximum claim amount of $240,000. As at June 30, 2021, included in trade and other payables is $229,410 (December 31, 2020 - $152,730) based on the estimate of the settlement. As of August 30, 2021, the Company is in the midst of settlement negotiations.

15. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2021:

- On March 24, 2021, the Company entered into a share exchange agreement with Kosan Travel Company Ltd. ("Kosan"), and the shareholders of Kosan, pursuant to which the Company has agreed to acquired all of the issued and outstanding shares of Kosan for a purchase price of $4,000,000 worth of common shares in RYU, with the number of shares issuable to be based on the volume-weighted average closing price of the common shares on the TSX-V Exchange over the thirty trading-days prior to the closing of the transaction. Closing is subject to Kosan raising at least $175,000 in equity financings and a number of other conditions common to similar share exchange transactions including approval of the TSX-V.

  On August 5, 2021, the Company terminated the agreement with Kosan. As a result of the termination, RYU will issue 500,000 common shares at a deemed price of $0.15 per share for a total value of $75,000 representing the break-fee.

- On July 22, 2021, the Company issued 4,000,000 common shares as a result of the exercise of 4,000,000 warrants for gross proceeds of $220,000.

- On August 11, 2021, the Company cancelled 2,800,000 options which were previously issued on March 24, 2021.