

*Interim (unaudited) Consolidated Financial Statements of*

**ROCKY MOUNTAIN LIQUOR INC**

*June 30, 2010*

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# ROCKY MOUNTAIN LIQUOR INC

## Consolidated Balance Sheets

As at June 30, 2010

	<u>Jun 30, 2010</u>	<u>Dec 31, 2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	2,465,009	10,955,265
Accounts receivable	656,769	353,681
Inventory	5,712,475	5,420,583
Prepaid expenses and deposits	310,468	139,708
Income tax recoverable	249,811	-
Interest rate swap asset (Note 4)	-	85,780
Due from related parties (Note 5)	-	118
	<b>9,394,532</b>	<b>16,955,135</b>
PROPERTY AND EQUIPMENT	2,993,000	2,411,216
GOODWILL (Note 6)	6,722,582	4,801,793
FUTURE INCOME TAXES	-	37,156
	<b>19,110,114</b>	<b>24,205,300</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank indebtedness	3,824,249	12,478,265
Accounts payable and accrued liabilities	297,142	565,210
Goods and services tax payable	110,424	48,427
Current portion of long-term debt	10,772	481,939
Interest rate swap liability (Note 4)	202,541	-
Income tax payable	-	18,421
	<b>4,445,128</b>	<b>13,592,262</b>
LONG TERM DEBT	7,861,686	5,195,073
CONVERTIBLE DEBT (Note 7)	604,648	584,303
FUTURE INCOME TAXES	77,316	-
	<b>12,988,778</b>	<b>19,371,638</b>
<b>SHAREHOLDERS' EQUITY</b>		
Equity component of convertible debenture (Note 7)	252,830	252,830
Share capital (Note 8)	3,355,653	1,931,010
Warrants (Note 9)	529,237	886,380
Contributed surplus (Note 10)	139,856	111,858
Retained earnings	1,843,760	1,651,584
	<b>6,121,336</b>	<b>4,833,662</b>
	<b>19,110,114</b>	<b>24,205,300</b>

SUBSEQUENT EVENTS (Note 16)

Approved on behalf of the board:

*Frank Coleman*  
Chair, Board of Directors

*Robert Normandeau*  
Chair, Audit Committee

# ROCKY MOUNTAIN LIQUOR INC

## Consolidated Statements of Income, Comprehensive Income and Retained Earnings

	3 months ended June 30, 2010	6 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2009
SALES	12,523,813	21,253,807	8,676,883	13,505,536
COST OF SALES	9,793,192	16,738,572	6,419,575	10,123,500
	2,730,621	4,515,235	2,257,308	3,382,036
OPERATING AND ADMINISTRATIVE EXPENSES	1,770,719	3,296,292	1,299,144	2,308,365
INCOME FROM OPERATIONS	959,902	1,218,943	958,164	1,073,671
OTHER EXPENSES (INCOME)				
Amortization	174,773	342,240	118,674	236,813
Business development costs	4,077	33,633	83,985	119,394
Other income	(8,361)	(13,748)	420	(20,666)
Interest on debt	134,210	259,251	127,959	232,827
Loss (Gain) on interest rate swap	309,044	288,321	(238,287)	(70,988)
Loss on disposal of property and equipment	2,598	2,598	-	-
	616,341	912,295	92,751	497,380
INCOME BEFORE TAXES	343,561	306,648	865,413	576,291
CURRENT TAXES	129,118	-	112,191	39,911
FUTURE TAXES	(4,863)	114,472	98,964	104,161
COMPREHENSIVE INCOME	219,306	192,176	654,258	432,219
RETAINED EARNINGS - BEGINNING	1,624,454	1,651,584	626,009	848,048
RETAINED EARNINGS - ENDING	1,843,760	1,843,760	1,280,267	1,280,267
Basic earnings per share	0.00	0.00	0.01	0.01
Diluted earnings per share	0.00	0.00	0.01	0.01
Weighted average number of shares - basic	51,443,832	51,223,410	50,246,798	50,110,914
Weighted average number of shares - diluted	55,937,369	55,171,099	52,609,418	52,473,534

# ROCKY MOUNTAIN LIQUOR INC

## Consolidated Statements of Cash Flows

	3 months ended Jun 30, 2010	6 months ended Jun 30, 2010	3 months ended Jun 30, 2009	6 months ended Jun 30, 2009
<b>OPERATING ACTIVITIES</b>				
Net income	219,306	192,176	654,258	432,219
Items not affecting cash				
Amortization of property and equipment	174,773	342,240	118,674	236,813
Loss (gain) on interest rate swap	309,044	288,321	(238,287)	(70,988)
Loss on disposal of property and equipment	2,598	2,598	-	-
Future income taxes	(4,863)	114,472	98,964	104,161
Net accretive interest on debenture (Note 7)	10,947	20,345	9,397	9,401
Stock based compensation (Note 11)	15,660	27,998	37,490	37,490
Amortization of deferred charges	-	-	59,964	59,964
	727,465	988,150	740,460	809,060
Changes in non-cash working capital (Note 12)	(142,298)	(673,236)	(1,003,111)	(1,378,564)
Cash flow from operating activities	585,167	314,914	(262,651)	(569,504)
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(366,280)	(459,456)	(111,355)	(288,820)
Business acquisitions net of cash acquired (Note 3)	(103,102)	(2,954,762)	(49,288)	(1,597,990)
Cash flow used in investing activities	(469,382)	(3,414,218)	(160,643)	(1,886,810)
<b>FINANCING ACTIVITIES</b>				
Advances from related parties	-	118	-	11,264
Proceeds from issuance of shares (Note 8)	1,000,000	1,067,500	113,167	113,167
Proceeds from long term financing	-	2,200,773	600,000	1,000,000
Repayment of long term debt	(2,711)	(5,327)	(572,559)	(743,833)
Advances to related parties	-	-	(116)	(229)
Advances to shareholders	-	-	-	(58,584)
Convertible debenture issuance costs	-	-	-	(202)
Cash flow from financing activities	997,289	3,263,064	140,492	321,583
INCREASE (DECREASE) IN CASH FLOWS	1,113,074	163,760	(282,802)	(2,134,731)
(DEFICIENCY) SURPLUS - BEGINNING OF PERIOD	(2,472,314)	(1,523,000)	(1,549,427)	302,502
(DEFICIENCY) - END OF PERIOD	(1,359,240)	(1,359,240)	(1,832,229)	(1,832,229)
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>				
Interest paid	123,263	238,906	118,562	223,426
Income taxes paid	60,000	208,787	47,225	83,225
<b>DEFICIENCY CONSISTS OF</b>				
Cash and cash equivalents	2,465,009	2,465,009	605,031	605,031
Bank indebtedness	(3,824,249)	(3,824,249)	(2,437,260)	(2,437,260)
	(1,359,240)	(1,359,240)	(1,832,229)	(1,832,229)

## 1. NATURE OF OPERATIONS

Humber Capital Corporation changed its name to Rocky Mountain Liquor Inc. by Article of Amendment under Section 177 of the Canada Business Corporations Act on Sep 22, 2009.

Rocky Mountain Liquor Inc (“Rocky Mountain Liquor”) is incorporated under the Business Corporations Act (Ontario), and is a tier one issuer with its common shares listed on the TSX Venture Exchange (under the initials “RUM”).

Rocky Mountain Liquor is the parent to wholly owned subsidiary, Andersons Liquor Inc. (“Andersons”), acquired through a Reverse Takeover (“RTO”) on Dec 1, 2008.

As at Jun 30, 2010 Andersons operated 30 retail liquor stores in Alberta, selling beer, wine, spirits, ready to drink products, as well as ancillary items such as juice, ice, soft drinks and giftware.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements (“financial statements”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim financial statements. The financial statements follow the same accounting principles and methods of computation as the audited financial statements for the year ended Dec 31, 2009. These financial statements do not include all information and disclosures required under Canadian GAAP for annual financial statements. Accordingly, these financial statements should be read in conjunction with the most recently prepared audited financial statements and notes thereto, for the year ended Dec 31, 2009.

### Accounting standards issued but not effective

#### *Section 1582 – Business Combinations*

In Jan 2009, the CICA issued new Handbook Section 1582, Business Combinations. It provides the Canadian equivalent to IFRS 3, “Business Combinations”. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after Jan 1, 2011. Earlier application is permitted. The Company plans to adopt this new Section for its fiscal year beginning Jan 1, 2011. The Company is currently evaluating the impact on its financial position and results of operation of adopting the new section.

#### *Section 1601 – Consolidated Financial Statements,*

In Jan 2009, the CICA issued new Handbook Section 1601, Consolidated Financial Statements, establishing standards for the preparation of consolidated financial statements. The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after Jan 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company plans to adopt this new Section for its fiscal year beginning Jan 1, 2011. The Company does not expect the new Section to have any material impact on its financial position or results of operations.

#### *Section 1625 - Comprehensive Revaluation of Assets and Liabilities*

CICA Handbook Section 1625, Comprehensive Revaluation of Assets and Liabilities, was amended to be consistent with Handbook Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-controlling Interests, which were issued in Jan 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after Jan 1, 2011. The Company does not expect the new Section to have any material impact on its financial position or results of operations. The Company plans to adopt this new Section for its fiscal year beginning Jan 1, 2011.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

*International Financial Reporting Standards*

In Feb 2008, the CICA announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board (IASB) effective Jan 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure.

The Company has established a Financial Reporting Team to review the adoption of IFRS. The team has provided updates to management and the Audit Committee. The Company is closely monitoring regulatory developments made by the Canadian Institute of Chartered Accountants and the Canadian Securities Administrator that may affect the timing, nature or disclosure of our adoption of IFRS. The Company is also monitoring developments in accounting made by the Accounting Standards Board of Canada (AcSB) and the International Accounting Standards Board (IASB) to ensure that on adoption of IFRS, we are compliant with IFRS as issued by the IASB.

The Company has completed the evaluation of the accounting impact on its financial position and results of operations adopting these standards will have. The Company has reviewed its accounting policies and will be updating them to incorporate the requirements for IFRS. Rocky Mountain Liquor is on target for the IFRS transition.

3. BUSINESS ACQUISITIONS

The business acquisitions have been accounted for using the purchase method, whereby the purchase consideration was allocated to the estimated fair value of the assets acquired and the liabilities assumed at the effective date of the purchase.

For the 6 month period ending Jun 30, 2010 the Company acquired the assets of three retail liquor stores, and built one liquor store in Northern Alberta. For the 3 month period ending Jun 30, 2010 there were closing costs related to the acquisitions for the prior period as well as costs related to the construction of a new store. The operating results of the asset acquisitions are included in the results of the Company from the acquisition date. The purchase price was allocated to the assets acquired as follows:

	<b>3 Months Ending</b>		<b>6 Months Ending</b>	
	<b>Jun 30, 2010</b>	<b>Jun 30, 2010</b>	<b>Jun 30, 2009</b>	<b>Jun 30, 2009</b>
Cash	-	\$ 1,800	-	\$ 9,570
Inventory	-	566,807	-	802,739
Property and equipment	-	467,166	-	327,325
Goodwill	103,102	1,920,789	49,288	1,277,066
<b>Fair value of net assets acquired</b>	<b>\$ 103,102</b>	<b>\$ 2,956,562</b>	<b>\$ 49,288</b>	<b>\$ 2,416,700</b>
Total cash consideration paid	-	\$ 2,811,807	-	\$ 1,505,209
Convertible debenture issued	-	-	-	809,140
Acquisition costs incurred	103,102	144,755	49,288	102,351
	<b>\$ 103,102</b>	<b>\$ 2,956,562</b>	<b>\$ 49,288</b>	<b>\$ 2,416,700</b>

4. INTEREST RATE SWAP

Fair value Dec 31, 2009	\$	85,780
Fair value Jun 30, 2010	\$	<u>(202,541)</u>

The Company has entered into a five year Interest Rate Swap Agreement ("SWAP") on Feb 12, 2009 expiring Feb 11, 2014 with a Canadian chartered bank ("SWAP Counterparty") to mitigate the interest rate risk associated with the bank indebtedness and long term debt. The notional amount of the SWAP is equal to the \$5,500,000 of the outstanding principal balance on the bank indebtedness and long term debt.

The Company is obligated to pay the Swap Counterparty an amount based upon a fixed interest rate of 2.14% plus the applicable credit spread. The Swap Counterparty is obligated to pay the floating interest rate. The Company will continue to pay the credit spread over Bankers Acceptances on its loans as set by the lending institution.

The Company has entered into a five year Interest Rate Swap Agreement ("SWAP") on Apr 6, 2010 expiring Apr 5, 2015 with a Canadian chartered bank ("SWAP Counterparty") to mitigate the interest rate risk associated with the bank indebtedness and long term debt. The notional amount of the SWAP is equal to \$4,500,000 of the outstanding principal balance on the bank indebtedness and long term debt.

The Company is obligated to pay the Swap Counterparty an amount based upon a fixed interest rate of 3.35% plus the applicable credit spread. The Swap Counterparty is obligated to pay the floating interest rate. The Company will continue to pay the credit spread over Bankers Acceptances on its loans as set by the lending institution.

Fair value of the above-noted items was determined using estimated future discounted cash flows using a comparable current market rate of interest. The change in fair value has been accounted for as a (loss) gain on the consolidated statement of income and as a (liability) asset on the balance sheet.

5. DUE FROM RELATED PARTIES

	<u>Jun 30, 2010</u>	<u>Dec 31, 2009</u>
Byrne Alberta Ltd.	\$ -	\$ 118

Advances to and from related companies are non-interest bearing (unless otherwise indicated), have no set repayment terms and are unsecured. The companies are related through common controlling shareholders. All related party amounts are measured at the exchange amount agreed to by both parties.

The Company paid rents of \$9,720 (Dec 2009 - \$19,440) to Byrne Alberta in respect of a retail liquor store. The rent is at market value.

6. GOODWILL

	<u>Jun 30, 2010</u>	<u>Dec 31, 2009</u>
Balance beginning of period	\$ 4,801,793	\$ 2,613,857
Goodwill acquired	1,920,789	2,187,936
Balance end of period	<u>\$ 6,722,582</u>	<u>\$ 4,801,793</u>



6. GOODWILL *(continued)*

Goodwill is tested annually for impairment at the level of the reporting unit to which it has been allocated. The assessment of fair value for purposes of the goodwill impairment test involves assumptions about future conditions for the economy, capital markets, future revenues and cash flows, and specifically, the retail sector. As such, the assessment is subject to a significant degree of measurement uncertainty. As a result, it is reasonably possible, that material changes could be required to the estimates in the future.

7. CONVERTIBLE DEBENTURE

In 2009 the Company issued an \$809,140 unsecured convertible debenture due on Mar 16, 2014. The debentures are interest bearing at 8.25% per annum, and the Company has the option to pay interest monthly at 0.6438% per month. The debentures are convertible to common shares of the Company at a conversion price of \$0.315 per common share.

The convertible debentures were initially recorded on the balance sheet as a debt of \$556,108, calculated as the present value of the required interest payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible subordinated debt at the time the loan was issued. The convertible debentures will be accreted to the principal amount as additional interest over the term of the loan. The difference of \$253,032 between the face amount and the estimated fair value of the debt component, less related issue costs of \$202, is reflected as the equity component of the convertible debenture.

Interest expense for the debentures is calculated on the face value of the convertible debentures. Notional accretive interest expense is reflected at Jun 30, 2010 in the amount of \$51,600, which represents the accretive interest from Dec 31, 2009.

The carrying value of the convertible debenture is being increased such that the liability at maturity will be equal to the face value of \$809,140.

Debt Component

Balance Dec 31, 2009	\$	584,303
Accretive interest		51,600
Coupon interest *		(31,255)
Balance end of period	\$	604,648

- Coupon interest is the cash interest paid to the debenture holder.

Equity Component

Balance Dec 31, 2009	\$	252,830
Balance end of period	\$	252,830

8. SHARE CAPITAL

Authorized - Unlimited common shares

Issued	Number	Amount
Balance at Dec 31, 2009	50,966,789	\$ 1,931,010
Exercised warrants (Note 9)	3,174,604	1,357,143
Exercised options (Note 11)	337,500	67,500
Balance at Jun 30, 2010	54,478,893	\$ 3,355,653

As at Jun 30, no shares are held in escrow.

9. WARRANTS

	# of warrants	Exercise price	Estimated fair value of warrants
Outstanding Dec 31, 2009	7,879,492	\$ 0.315	\$ 886,380
Exercised Jun 26, 2010	(3,174,604)	0.315	(357,143)
Balance at Jun 30, 2010	4,704,888		\$ 529,237

The weighted-average fair value of the 7,879,492 warrants granted has been estimated at \$0.1125 per option using the Black-Scholes option-pricing model.

The following weighted-average assumptions were used for the warrants granted:

Risk-free interest rate	1.75%
Estimated volatility	79%
Expected life	2 years
Expected dividend yield	NIL

10. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

	Amount
Balance at Dec 31, 2009	\$ 111,858
Stock-based compensation expense (Note 11)	27,998
Balance at Jun, 2010	\$ 139,856

11. STOCK OPTION PLANS

(a) Stock option plan ("Option Plan")

The maximum number of common shares that may be reserved for issuance under the Option Plan is 2,500,000 shares.

The exercise price of each option is determined on the basis of the market price at the time the option is granted but may not be less than the closing price of a Rocky Mountain Liquor common share on the TSX Venture Exchange on the last trading day before the day the option is granted. The shares purchased on the exercise of an option must be paid for in full at the time of exercise.

Pre-RTO options

As at Dec 31, 2008, an aggregate of 1,250,000 options were issued under the Option Plan, representing 10% of the outstanding common shares at Initial Public Offering ("IPO"), or approximately 2.5% of the current issued and outstanding shares. Options may only be granted to directors, officers, employees, insiders and other specified service providers, subject to the discretion of the Board of Directors. All of these options were vested as a result of the qualifying transaction.

	# of options	Exercise price	Estimated fair value of options
Outstanding Dec 31, 2009 and Jun 30, 2010	357,137	\$ 0.200	\$ 31,071

The weighted-average fair value of the 1,250,000 warrants granted has been estimated at \$0.087 per option using the Black-Scholes option-pricing model.

The following weighted-average assumptions were used for the warrants granted:

Risk-free interest rate	1.75%
Estimated volatility	50%
Expected life	5 years
Expected dividend yield	NIL

Executive/Management Options

As at Jun 30, 2010, an aggregate of 630,000 incentive options were issued under the Option Plan, representing 1.2% of the outstanding common shares at Jun 30, 2010.

	# of options	Exercise price	Estimated fair value of options
Outstanding Dec 31, 2009	300,000	\$ 0.290	\$ 61,530
Granted Jun 2, 2010	330,000	0.500	133,023
Balance Jun 30, 2010	630,000	\$ 0.400	\$ 194,553

One-third of these options outstanding Dec 31, 2009 vested on May 15, 2009 and one-third vested Feb 15, 2010. The remainder vests on Nov 15, 2010. Of the new options granted one-third of these options vest Dec 15, 2010, one-third vests Feb 15, 2011 and the remainder vests Nov 15, 2011. Stock-based compensation expense was recognized for the 6 month period ended Jun 30, 2010 in the amount of \$22,442, (Jun 30, 2009 – \$ 20,514) and 3 month period ended Jun 30, 2010, \$15,660, (Jun 30, 2009 – \$ 20,514)

*(continues)*

11. STOCK OPTION PLANS *(continued)*

The fair value of the 300,000 options outstanding Dec 31, 2009 has been estimated at \$0.2051 per option using the Black-Scholes option-pricing model.

The following weighted-average assumptions were used for the options granted:

Risk-free interest rate	1.75%
Estimated volatility	119.5%
Expected life	3 years
Expected dividend yield	NIL

The fair value of the 330,000 options granted Jun 2, 2010 has been estimated at \$0.4031 per option using the Black-Scholes option-pricing model.

The following weighted-average assumptions were used for the options granted:

Risk-free interest rate	1.75%
Estimated volatility	148.3%
Expected life	3 years
Expected dividend yield	NIL

Directors Options

As at Jun 30, 2010, an aggregate of 300,000 options were issued to directors under the Option Plan, representing 0.6% of the outstanding common shares at Jun 30, 2010.

	# of options	Exercise price	Estimated fair value of options
Outstanding Dec 31, 2009 and Jun 30, 2010	300,000	\$ 0.320	\$ 67,920

One-fourth of these options vested on Jun 29, 2009. One-fourth vested on Sep 30, 2009, one-fourth vested Dec 31, 2009, and the remainder vested on Mar 31, 2010. Stock-based compensation expense was recognized for the 6 month period ended Jun 30, 2010 in the amount of \$5,556, (Jun 30, 2009– \$ 16,976) and 3 month period ended Jun 30, 2010 - nil, (Jun 30, 2009 – \$ 16,976)

The fair value of the 300,000 options granted has been estimated at \$0.2264 per option using the Black-Scholes option-pricing model.

The following weighted-average assumptions were used for the options granted:

Risk-free interest rate	1.75%
Estimated volatility	119.5%
Expected life	3 years
Expected dividend yield	NIL

(b) Agent option plan

As part of the IPO, 637,500 options were issued to agents. The exercise price was set at \$0.20. These options have a term of two years, and were fully vested by virtue of the qualifying transaction.

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11. STOCK OPTION PLANS (continued)

	# of options	Exercise price	Estimated fair value of options
Outstanding Dec 31, 2009	586,300	\$ 0.200	\$ 51,008
Exercised Mar 22, 2010	(337,500)	0.200	(29,363)
Expired Apr 15, 2010	(248,800)	0.200	(21,645)
Outstanding Jun 30, 2010	-	-	-

The weighted-average fair value of the 637,500 stock options granted has been estimated at \$0.087 per option using the Black-Scholes option-pricing model.

The following weighted-average assumptions were used for the options granted:

Risk-free interest rate	1.75%
Estimated volatility	50%
Expected life	2-5 years
Expected dividend yield	NIL

SUMMARY

A summary of the status of the Company's stock options as of Jun 30, 2010 is as follows:

	Number of stock options	Weighted-average exercise price
Outstanding, Dec 31, 2009	1,543,437	\$ 0.241
Exercised	(337,500)	0.200
Expired	(248,800)	0.200
Granted	330,000	0.500
Outstanding, Jun 30, 2010	1,287,137	\$ 0.314

Of the options outstanding Jun 30, 2010, 857,137 were vested.

12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	3 months ending Jun 30, 2010	6 months ending Jun 30, 2010	3 months ending Jun 30, 2009	6 months ending Jun 30, 2009
Cash provided (used in) by				
Accounts receivable	\$ (103,011)	\$ (303,088)	\$ (151,246)	\$ (89,638)
Income tax recoverable	49,672	(268,232)	64,959	20,804
Inventory	(150,534)	274,915	(792,901)	(750,632)
Prepaid expense and deposits	(75,074)	(170,760)	52,772	(6,298)
Accounts payable and accrued liabilities	31,568	(268,068)	(186,025)	(463,103)
Dividends payable	-	-	-	(510)
Goods and services tax payable	105,081	61,997	9,330	(89,187)
	\$ (142,298)	\$ (673,236)	\$ (1,003,111)	\$ (1,378,564)

### 13. FINANCIAL INSTRUMENTS

As at Jun 30, 2010 and Dec 31, 2009 the classification of the Company's financial instruments as well as their carrying amounts and fair values, are shown in the table below.

	Jun 30, 2010		Dec 31, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Held for trading				
Cash and cash equivalents	\$ 2,465,009	\$ 2,465,009	\$ 10,955,265	10,955,265
Interest rate swap asset	-	-	85,780	85,780
Loans and receivables				
Accounts receivable	656,769	656,769	353,681	353,681
Due from related parties	-	-	118	118
Other financial liabilities				
Bank indebtedness	3,824,249	3,824,249	2,488,305	2,488,305
Short term debt	-	-	9,989,960	9,989,960
Accounts payable and accrued liabilities	297,142	297,142	565,210	565,210
Interest rate swap liability	202,541	202,541	-	-
Long term debt	7,872,458	7,872,458	5,677,012	5,677,012
Convertible Debenture	604,648	604,648	584,303	584,303

For cash and cash equivalents, accounts receivables, due from related parties, bank indebtedness, short-term debt, accounts payable and accrued liabilities and due to (from) shareholders the carrying value approximates fair value due to the short-term nature of the instruments.

The interest rate swap has a fair value equivalent to the carrying value and is calculated on a mark to market basis.

The carrying value of long-term debt approximates the fair value as the interest rate is at a variable market rate.

The convertible debenture has a fair value equivalent to the carrying value, as the discount rate remains unchanged.

#### Risk Management

The Company is exposed to various risks associated with its financial instruments. These risks are categorized as credit risk, liquidity risk, and market risk. The significant risks for the Company's financial instruments are discussed below.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages its credit risk for its cash and cash equivalents by maintaining bank accounts with Canadian banks.

The Company in its normal course of business is exposed to credit risk from its customers. The Company manages the risk associated with accounts receivables by credit management policies. All accounts receivable are due from organizations in Alberta's hospitality industry. For the periods ending Jun 30, 2010, nil (Dec 2009 - nil) in bad debts was recorded.

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13. FINANCIAL INSTRUMENTS *(continued)*

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents, and authorized credit facilities, to fulfill obligations associated with financial liabilities.

To manage liquidity risk, the Company prepares budgets and cash forecasts, and monitors its performance against these. The Company also monitors liquidity risk through comparisons of current financial ratios with financial covenants contained in its credit facilities.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Company is comprised of interest rate risk. The Company does not have any significant currency risk, or other price risk.

Interest Rate Risk

The Company is subject to interest rate risk as its bank indebtedness and long term debt bear interest rates that vary in accordance with prime borrowing rates. Assuming outstanding bank indebtedness and long-term debt balance of \$11,696,707, the net debt position after deducting the \$10,000,000 notional amount of the interest rate swap is \$1,696,707. Therefore a one percent change in interest rates would have an effect of \$16,967 on consolidated net income. The Company manages its interest rate risk through credit facility negotiations and interest rate swaps.

14. ECONOMIC DEPENDENCE

The Company is required to purchase all alcohol-based products from the Alberta Gaming and Liquor Commission ("AGLC"). As the majority of the Company's income is derived from the sale of alcohol based products, its ability to continue operations is dependent upon the relationship with and the sustainability of AGLC. The alcohol-based products are distributed through Connect Logistics Services Inc. and Brewers Distributor Ltd. Any significant disruption in the supply chain for either of these businesses could result in a material adverse effect on the operations of the Company.

15. SEASONAL NATURE OF THE BUSINESS

The Company's results for any quarter are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in sales levels. The Company historically experiences a higher level of sales in the third and fourth quarters, while the first and second quarters experience lower sales due to shopping patterns. Occupancy related expenses; certain general and administrative expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

16. SUBSEQUENT EVENTS

Subsequent to Jun 30, 2010 the Company completed the construction of a new store in the Lethbridge, Alberta that opened on Jul 8, 2010.

The Company completed its acquisition of a second store in Lethbridge, Alberta on Aug 11, 2010.

*(continues)*

16. SUBSEQUENT EVENTS *(continued)*

The Company secured an additional \$10 million in Senior Secured Lender commitments on Jul 8, 2010 bringing the availability of lender commitment to \$25 million. The \$25 million is committed for 364 days with Bankers Acceptance based pricing plus a spread ranging from 2.0 percent to 3.0 percent depending on the Company's performance.