Interim (unaudited) Consolidated Financial Statements of

ROCKY MOUNTAIN LIQUOR INC

March 31, 2013

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Rocky Mountain Liquor Inc. (the “Company”) have been prepared by and are the responsibility of the Corporation’s management.

The Corporation’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

ROCKY MOUNTAIN LIQUOR INC

Interim Consolidated Statements of Financial Position

(unaudited)

	Mar 31, 2013	Dec 31 2012
ASSETS		
CURRENT		
Cash and cash equivalents	**1,421,984**	1,123,049
Accounts receivable	**240,561**	287,273
Inventory	**6,620,388**	7,014,417
Prepaid expenses and deposits	**316,202**	263,985
Income taxes recoverable	**333,009**	132,106
	8,932,144	8,820,830
PROPERTY AND EQUIPMENT	**4,037,454**	4,037,717
GOODWILL (Note 6)	**11,205,368**	10,828,805
DEFERRED TAX ASSETS	**60,241**	60,241
	24,235,207	23,747,593
LIABILITIES		
CURRENT		
Bank indebtedness	**675,754**	-
Accounts payable and accrued liabilities	**978,155**	726,629
Interest rate swap liability (Note 4)	**203,295**	213,359
Current portion of long term debt (Note 7)	**205,356**	205,356
Current portion of promissory notes (Note 8)	**185,093**	200,000
Current portion of convertible debt (Note 9)	**749,821**	-
Goods and services tax payable	**35,701**	46,343
	3,033,175	1,391,687
LONG TERM DEBT (Note 7)	**5,544,644**	5,544,644
PROMISSORY NOTES (Note 8)	**-**	83,986
CONVERTIBLE DEBT (Note 9)	**8,702,134**	9,388,065
	17,279,953	16,408,382
SHAREHOLDERS' EQUITY		
Equity component of convertible debenture (Note 9)	**325,633**	325,633
Share capital (Note 11)	**4,774,481**	4,774,481
Warrants (Note 12)	**210,007**	210,007
Contributed surplus (Note 13)	**537,903**	537,903
Retained earnings	**1,107,230**	1,491,187
	6,955,254	7,339,211
	24,235,207	23,747,593

Approved on behalf of the board:

Frank Coleman
Chair, Board of Directors

Robert Normandeau
Chair, Audit Committee

ROCKY MOUNTAIN LIQUOR INC

Interim Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

	Equity component of convertible debenture	Share capital	Warrants	Contributed surplus	Retained earnings	Total
Opening balance as at Dec 31, 2011	325,633	4,774,481	210,007	549,727	1,299,153	7,159,001
Net comprehensive loss for the period	-	-	-	-	192,034	192,034
Share-based payments (Note 14)	-	-	-	(11,824)	-	(11,824)
Balance at Dec 31, 2012	325,633	4,774,481	210,007	537,903	1,491,187	7,339,211
Net comprehensive loss for the period	-	-	-	-	(383,957)	(383,957)
Balance at Mar 31, 2013	325,633	4,774,481	210,007	537,903	1,107,230	6,955,254

ROCKY MOUNTAIN LIQUOR INC

Interim Consolidated Statements of Comprehensive Loss

(unaudited)

	3 months ended Mar 31, 2013	3 months ended Mar 30, 2012
SALES	**11,043,431**	10,512,369
COST OF SALES	**8,470,642**	8,074,763
	2,572,789	2,437,606
OPERATING AND ADMINISTRATIVE EXPENSES	**2,485,025**	2,115,822
INCOME FROM OPERATIONS	**87,764**	321,784
OTHER EXPENSES (INCOME)		
Finance costs (Note 10)	**341,456**	282,292
Depreciation	**260,034**	196,545
Business development costs	**2,525**	8,645
Other income	**(2,700)**	(1,156)
Loss (gain) on disposal of property and equipment	**1,953**	(2,522)
Store closure expenses	**3,357**	-
	606,625	483,804
LOSS BEFORE TAX	**(518,861)**	(162,020)
INCOME TAXES	**(134,904)**	(42,935)
NET COMPREHENSIVE LOSS	**(383,957)**	(119,085)
Basic loss per share	**(0.01)**	0.00
Diluted loss per share	**(0.01)**	0.00
Weighted average number of shares - basic	**57,797,788**	57,797,788
Weighted average number of shares - diluted	**57,797,788**	57,797,788

ROCKY MOUNTAIN LIQUOR INC

Interim Consolidated Statements of Cash Flows

(unaudited)

	Mar 31, 2013	Mar 31, 2012
OPERATING ACTIVITIES		
Net comprehensive loss	**(383,957)**	(119,085)
Items not affecting cash		
Unrealized gain on interest rate swap (Note 4)	**(10,064)**	(66,450)
Net accretive interest (Notes 8 and 9)	**24,634**	29,392
Amortization of convertible debenture costs (Note 9)	**40,363**	40,813
Depreciation of property and equipment	**260,034**	196,545
Loss (gain) on disposal of property and equipment	**1,953**	(2,522)
Stock based compensation (Note 14)	**-**	(15,514)
Deferred tax recovery	**-**	(42,935)
	(67,037)	20,244
Changes in non-cash working capital (Note 17)	**484,852**	26,443
Cash flow from operating activities	**417,815**	46,687
INVESTING ACTIVITIES		
Purchase of property and equipment	**(194,634)**	(26,950)
Business acquisitions net of cash acquired (Note 3)	**(500,000)**	(177,336)
Cash flow used in investing activities	**(694,634)**	(204,286)
FINANCING ACTIVITIES		
Proceeds from short term financing (Note 7)	**675,754**	-
Repayment of promissory note (Note 8)	**(100,000)**	(100,000)
Repayment of long term debt	**-**	(976)
Repayment of short term financing	**-**	(39,426)
Cash flow from (used) in financing activities	**575,754**	(40,402)
INCREASE (DECREASE) IN CASH	**298,935**	(198,001)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	**1,123,049**	1,000,911
CASH AND CASH EQUIVALENTS - END OF PERIOD	**1,421,984**	802,910
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	**93,751**	84,658
Income taxes paid	**66,000**	8,000

1. NATURE OF OPERATIONS

Rocky Mountain Liquor Inc. (“Rocky Mountain Liquor” or “RML”) is incorporated under the Business Corporations Act (Canada), and is a tier one issuer with its common shares listed on the TSX Venture Exchange (under the initials “RUM”). The Company’s registered corporate office is located at 11478-149 Street, Edmonton, Alberta, T5M 1W7.

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 Mar 31, 2013 Andersons operated 43 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 as well as one convenience store.

These interim consolidated financial statements have been approved for issue by the Board of Directors on May 21, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Preparation

The interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

The interim consolidated financial statements include the accounts of Rocky Mountain Liquor and its wholly owned subsidiary, Andersons, resulting in the consolidated entity (the “Company”). Inter-company balances and transactions and any unrealized earnings and expenses arising from inter-company transactions are eliminated in preparing the interim consolidated financial statements.

Functional and presentation currency

The interim consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

Critical accounting judgments, estimates and assumptions

The preparation of these interim consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the interim consolidated statement of financial position are:

Inventory

Management has estimated the value of inventory based upon their assessment of the realizable amount less selling costs. No merchandise has been identified as requiring a writedown.

Taxation

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Assumptions underlying the composition of deferred tax assets and liabilities include estimates of future results of operations and the timing of reversal of temporary differences as well as the tax rates and laws in place at the time of the expected reversal.

Impairment of goodwill

At each reporting date, the Company assesses whether there are any indicators of impairment for all non-financial assets. Goodwill and other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

The determination of cash-generating units was based on management's judgment and was determined based on type of business operation. If the recoverable amount of the cash-generating unit, calculated using discounted cash flow method, is less than its carrying amount the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The discounted cash flow model is based on calculations and projections from financial budgets prepared by management. The model projected cash flows for a period of 15 years. A discount rate of 5.86%, which is the Company's weighted average cost of capital was used. Budgeted gross margin was based on past performance. Growth rates were forecasted to be between 1.8% and 2.1% based on industry statistics.

Useful lives of property and equipment

Management has estimated the useful lives of property and equipment as outlined further in this note based on their assessment of the time frame in which these assets will be used by the Company.

Business combinations

The allocation of the purchase price for acquisitions involves determining the fair values assigned to the tangible and intangible assets acquired. Goodwill is calculated based on the purchase price less the fair value of the net tangible assets. Fair value of tangible assets is based on market price of similar assets.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. To determine the equity versus liability portion of the convertible debentures issued, management engaged a valuator to estimate the discount rate required for calculation of the net present value of future cash flows which determined the liability component. Detailed information with respect to key assumptions used in determining fair value of financial instruments is discussed in Note 18.

Share based compensation

The fair value of options granted is estimated using the Black-Scholes option pricing model. The key factors involve, but are not limited to, the expected share price volatility and the contracted option life. These assumptions may differ from actual results due to changes in economic conditions.

Shares purchased in the employee share purchase plan are based on fair value at time of purchase.

Revenue recognition

Revenue is generated through retail and licensee sales. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank accounts, common shares held at credit unions, and short term investments with maturity dates of three months or less when purchased.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. At the acquisition date, any goodwill acquired is allocated the cash-generating unit expected to benefit from the combination's synergies. Acquisition costs are expensed as incurred.

Property and equipment

Property and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Repairs and maintenance comprise the cost of replacement assets or parts of assets, inspection costs and overhaul costs. These costs are expensed as incurred when they are determined not to add life to the asset.

Property and equipment is depreciated over estimated useful lives at the following rates and methods:

Buildings	4%	declining balance method
Computer equipment	30%	declining balance method
Computer software	100%	declining balance method
Furniture and fixtures	20%	declining balance method
Leasehold improvements	lease term	straight line method
Motor vehicles	30%	declining balance method

The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the net income in the period the item is derecognized.

Impairment of long lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Company's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Goodwill is allocated to the Company's cash-generating units identified according to business operations. There is one goodwill cash-generating unit for liquor stores, and one for convenience stores. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Interest income

Interest income is recognized on an accrual basis.

Income taxes

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and,
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Earnings per share

Basic earnings per share is calculated using the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method whereby all options, warrants and equivalents are assumed if in-the-money, to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

Stock based compensation

The Company accounts for all stock-based compensation using the Black-Scholes option-pricing model. Under this method, compensation costs attributable to options granted are measured at fair value at the date of grant. Any consideration received upon the exercise of a stock option, along with the amount previously recorded as contributed surplus, is credited to share capital. The expense for stock options is recognized over the vesting period of the stock-based award. When the options vest in installments over the vesting period, each installment is accounted for as a separate arrangement. The number of awards expected to vest is reviewed at least annually with any adjustments being recognized in the period they are determined. For amounts that have been recognized related to options not yet vested that are subsequently forfeited, the amounts recognized as expense and equity are reversed. The Company's stock-based compensation plan is described in Note 15.

Borrowing costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other finance costs are recognized in the net income in the period in which they are incurred.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Financial assets are classified into one of two categories:
- fair value through profit or loss ("FVTPL");
- loans and receivables

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

FVTPL financial assets
Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument

Cash and cash equivalents and interest rate swaps are classified as FVTPL and are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

Loans and receivables
Trade receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at their fair value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method
The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:
- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Derecognition of financial assets
A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The Company has classified trade and other accounts payable, short-term financial liabilities, convertible debentures and long-term financial liabilities as other financial liabilities.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Accounting standards issued but not effective

New standards have been issued but are not yet effective for the period ending Mar 31, 2013, and accordingly, have not been applied in preparing these interim consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments
The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective on January 1, 2015. The Company does not believe this will have a significant impact on disclosure.

New accounting standards adopted in the period

Consolidated Financial Statements
The IASB has issued a new standard, IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which defines control for the purposes of determining which arrangements should be consolidated, including guidance on participating rights. The adoption of the policy did not result in any changes to consolidation of the Company's subsidiary.

Fair Value Measurement
The IASB has issued a new standard, IFRS 13, "Fair Value Measurement" ("IFRS 13"), which sets out a single IFRS framework for measuring fair value, and establishes disclosure requirements for fair value measurements. This standard was adopted prospectively and did not require any measurement adjustments or adjustments to the valuation techniques employed by the Company to measure fair value.

3. BUSINESS ACQUISITIONS

The Company acquired two liquor stores for the period ending Mar 31, 2013 (2012 – one liquor store). The results of the asset acquisitions are included in the results of the Company from the acquisition date for comparable periods.

Goodwill arose in the acquisitions as the consideration paid for the companies effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of each of those companies. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Acquisition costs of $14,014 for the period ending Mar 31, 2013, (Mar 2012 - $3,499) have been excluded from the consideration transferred as they relate to legal and acquisition costs, and have been recognized as an expense in the period in the "operating and administrative expenses" and "business development costs" lines in the interim consolidated Statement of Comprehensive Loss.

The purchase price was allocated to the assets acquired as follows:

	Mar 31, 2013	Mar 31, 2012
Cash & cash equivalents	**$ -**	$ 1,800
Inventories	**56,347**	149,136
Property and equipment	**67,090**	28,200
Goodwill	**376,563**	-
Fair value of net assets acquired	**$ 500,000**	$ 179,136
Total cash consideration paid	**$ 500,000**	$ 179,136

4. INTEREST RATE SWAP

Mark to market value Dec 31, 2011	$	(324,448)
Unrealized gain		111,089
Mark to market value Dec 31, 2012		(213,359)
Unrealized gain		10,064
Mark to market value Mar 31, 2013	**$**	**(203,295)**

The Company entered into a five year Interest Rate Swap Agreement 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 3.35% interest rate plus 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 SWAP 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 on the interim consolidated Statement of Comprehensive Loss, on the Statement of Financial Position, and in Note 10.

5. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

The Company paid rents of $1,620 (Mar 2012 - $4,860) for the three month period ending Mar 31, 2013, in respect of a retail liquor store, to Byrne Alberta Ltd, a privately held company in which Peter J. Byrne, CEO of RML is a significant shareholder. The rent is at market value.

Key Management Personnel Compensation

The remuneration of Directors and other members of key management personnel during the period is as follows:

	Mar 31 2013	Mar 31 2012
Wages and salaries	**$ 151,000**	$ 131,562
Share based payments	**1,615**	7,368
Total	**$ 152,615**	$ 138,930

There is no other short-term, long-term, termination or post-retirement benefits extended to any directors and other members of key management personnel of RML.

6. GOODWILL

Balance Dec 31, 2011		9,693,841
Goodwill acquired		1,134,964
Balance Dec 31, 2012		10,828,805
Goodwill acquired		376,563
Balance Mar 31, 2013	**$**	**11,205,368**

Goodwill is comprised of the benefit of expected synergies, revenue growth, future market development and the assembled workforce of each of those stores. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. An impairment review was performed at Dec 31, 2012. No indications of impairment existed at that date.

7. BANK INDEBTEDNESS AND LONG TERM DEBT

Through its credit agreement with TD Canada Trust, the Company has an available $6,000,000 swingline facility due upon demand, bearing interest at prime plus 1.50% or bankers acceptances plus 3.00% per annum, interest only payment due monthly. Secured by a general security agreement representing a first charge on all assets, with bank act security representing a first charge on inventory. For the period ending Mar 31, 2013, there was $665,066 in bank indebtedness (2012 - $nil).

The Company has an available overdraft limit of $50,000 with Beaumont Credit Union which bears interest at prime plus 1%, per annum and is secured by a guarantee and postponement from Peter and Joan Byrne. It was not drawn at Mar 31, 2013 (2012 – nil).

		Mar 31, 2013		Dec 31, 2012
TD Canada Trust loan bearing interest at prime plus 1.50% or bankers acceptances plus 3.00% per annum, interest only payment due monthly. The loan matures Jul 8, 2013 and is secured by a general security agreement representing a first charge on all assets, with bank act security representing a first charge on inventory. If this loan is not extended before the maturity date, the outstanding balance will be due over the ensuing two year period by quarterly principal payments in the amount of 3.57% of the outstanding amount with the balance payable on Jul 8, 2015.	**$**	**5,750,000**	**$**	**5,750,000**
		5,750,000		**5,750,000**
Amounts payable within one year		**(205,356)**		**(205,356)**
	$	**5,544,644**	**$**	**5,544,644**

Principal repayment terms are approximately:

2013	$	205,356
2014		821,428
2015		4,723,216
	$	**5,750,000**

8. PROMISSORY NOTES

As a result of store acquisitions in 2010 and 2011, two unsecured non-interest bearing promissory notes for $300,000 each were issued in lieu of cash payment. The notes are due in $100,000 annual payments on Sep 1 and Feb 9 for each note. The notes are initially recorded on the balance sheet at the present value of the required installment payments discounted at a rate approximating the interest rate that would have been applicable at the time the note was issued). The notes are subsequently accreted to the principal amount as additional interest over the term of the note. Net accretive interest is $1,107 for the period ending Mar 31, 2013, (Mar 2012 - $8,222).

9. CONVERTIBLE DEBENTURES

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

Debenture A was 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. Debenture A 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, less adjustment for future income taxes is reflected as the equity component of the Debenture A.

Interest expense for Debenture A is calculated on the face value of the convertible debentures. Notional accretive interest expense is reflected at Mar 31, 2013 in the amount of $30,816 (Mar 2012 - $28,523), which represents the accretive interest from Dec 31, 2012.

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

Debt Component

Dec 31, 2011	$	676,177
Accretive interest		120,967
Coupon interest *		(62,511)
Dec 31, 2012	$	734,633
Accretive interest		30,816
Coupon interest *		(15,628)
Mar 31, 2013	$	749,821

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

Equity Component

Balance Dec 31, 2011, Dec 31, 2012 and Mar 31, 2013	$	189,622

In 2011 the Company issued a $9,200,000 unsecured convertible debenture ("Debenture B") due on Apr 30, 2016. Debenture B is interest bearing at 7.75% payable semi-annually. Debenture B is convertible to common shares of the Company at a conversion price of $0.500 per common share.

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9. CONVERTIBLE DEBENTURE (continued)

Debenture B was initially recorded on the balance sheet as a debt of $9,004,684, 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. Debenture issue costs relating to the debt portion of the debenture of $690,211 are being amortized over the term of the debenture. Debenture B will be accreted to the principal amount as additional interest over the term of the loan. The difference of $195,316 between the face amount and the estimated fair value of the debt component, less related issue costs of $13,968, less adjustment for future income taxes of $45,337 reflected in the equity component of Debenture B.

The carrying value of debenture B is being increased such that the liability at maturity will be equal to the face value of $9,200,000.

Interest expense for Debenture B is calculated on the face value. Notional accretive interest expense is reflected at Mar 31, 2013 in the amount of $186,589 (Mar 2012 - $186,525), which represents the accretive interest from Dec 31, 2012.

Debt Component

Dec 31, 2011	$	8,454,964
Accretive interest		747,831
Coupon interest *		(713,000)
Amortization of issue costs		163,637
Dec 31, 2012	$	8,653,432
Accretive interest		186,589
Coupon interest *		(178,250)
Amortization of issue costs		40,363
Mar 31, 2013	$	8,702,134

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

Equity Component

Balance Dec 31, 2011, Dec 31, 2012 and Mar 31, 2013	$	136,011

10. FINANCE COSTS

		Mar 31, 2013		Mar 31, 2012
Interest expense	**$**	**311,156**	$	307,929
Change in fair value of interest rate swap		**(10,063)**		(66,450)
Convertible debenture issue costs (Note 9)		**40,363**		40,813
	$	**341,456**	$	282,292

11. SHARE CAPITAL

Authorized - Unlimited common shares

	Number		Amount
Balance at Dec 31, 2011, Dec 31, 2012 and Mar 31, 2013	57,797,788	$	4,774,481

12. WARRANTS

	# of warrants		Exercise price		Estimated fair value of warrants
Outstanding Dec 31, 2011, Dec 2012 and Mar 31, 2013	1,000,000	$	0.3765	$	210,007

The 1,000,000 warrants outstanding at Dec 31, 2012 are the warrants issued to Roynat Capital as a result of a financing agreement. The warrants are convertible to common shares of the Company at a conversion price of $0.3765 per common share and expire Nov 24, 2014.

The weighted-average fair value of the 1,000,000 warrants granted in 2010 has been estimated at $0.3088 per warrant using the Black-Scholes option-pricing model. Estimated volatility is calculated using historical prices.

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

Risk-free interest rate	1.25%
Estimated volatility	137.8%
Expected life	4 years
Expected dividend yield	NIL

13. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

		Amount
Balance at Dec 31, 2011	$	549,727
Stock-based compensation expense (Note 14)		(11,824)
Balance at Dec 31, 2012	$	537,903
Stock-based compensation expense (Note 14)		-
Balance at Mar 31, 2013	$	537,903

14. 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. If the option has a discount to market price as an incentive for early redemption the exercise price may not be less than the discounted market price as defined by the policies of the TSX Venture Exchange ("TSXV"). For options that have no early redemption incentives, the exercise price may not be less than the closing price of a Rocky Mountain Liquor common share on the TSXV 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. The Company operates equity-settled compensation plans. When the options vest in installments over the vesting period, each installment is accounted for as a separate arrangement.

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, and as such the fair value of these options was not recognized as contributed surplus. These options expire Apr 15, 2013.

	# of options	Exercise price	Estimated fair value of options
Outstanding Dec 31, 2011, Dec 31, 2012 and Mar 31, 2013	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. Estimated volatility is calculated using historical prices.

The following weighted-average assumptions were used:

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

Executive/Management Options

An aggregate of 630,000 incentive options were issued under the Option Plan, representing 1.2% of the outstanding common shares, with 180,000 outstanding at Mar 31, 2013. These options expire Jun 2, 2013.

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14. STOCK OPTION PLANS (continued)

	# of options	Exercise price	Estimated fair value of options
Outstanding Dec 31, 2011	330,000	$ 0.405	$ 102,783
Expired May 15, 2012	(150,000)	0.290	(30,225)
Outstanding Dec 31, 2012 and Mar 31, 2013	180,000	$ 0.500	$ 72,558

All options outstanding have vested as of Mar 31, 2013. Stock-based compensation expense was $nil for the period ending Mar 31, 2013 (Mar 2012 - $21,604, a reversal in expense from forefeited options).

Directors Options

750,000 options were issued to directors under the Option Plan, representing 1.3% of the outstanding common shares, with 450,000 outstanding at Mar 31, 2013. 300,000 options expire Aug 24, 2013 and 150,000 options expire Oct 12, 2014.

	# of options	Exercise price	Estimated fair value of options
Outstanding Dec 31, 2011	750,000	$ 0.288	$ 192,138
Expired Jun 29, 2012	(300,000)	0.320	(67,908)
Outstanding Dec 31, 2012 and Mar 31, 2013	450,000	$ 0.288	$ 124,230

300,000 of these options have an exercise price of $0.30 in year 1, $0.35 in year 2, and $0.39 in year 3 and 150,000 have an exercise price of $0.18 in year 1, $0.19 in year 2, and $0.22 in year 3.

All options granted are vested as at Mar 31, 2013.

Stock-based compensation expense of $nil was recognized for the period ending Mar 31, 2013 (Mar 2012 - $6,090). Unrecognized compensation expense relating to unvested items is $nil at Mar 31, 2013 (Mar 2012 – $2,402).

SUMMARY

A summary of the status of the Company's stock options as of Mar 31, 2013 is as follows:

	Number of stock options	Weighted-average exercise price
Outstanding, Dec 31, 2011	1,437,137	$ 0.319
Expired	(450,000)	0.310
Outstanding, Dec 31, 2012 and Mar 31, 2013	987,137	$ 0.299

Of the options outstanding Mar 31, 2013, 987,137 were vested (2012 – 987,137).

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14. STOCK OPTION PLANS (continued)

Additional information about the Company's share options outstanding as at Mar 31, 2013 is as follows:

	Number of Options	Range of Weighted Average Exercise Price	Range of Exercise Price	Range of Weighted Average Contractual Life Remaining
Pre-RTO Options	357,137	$0.200	$0.200	0.04
Executive/Management Options	180,000	$0.500	$0.500	0.17
Directors Options	450,000	$0.197 - $0.347	$0.180 - $0.390	0.78
Total	987,137			

15. EMPLOYEE BENEFITS

In accordance with the terms of the Employee Share Savings Plan established Jan 1, 2011, approved by shareholders at a previous annual general meeting, employees with more than six months service with the Company are able to have the Company match one half of an employee's purchase of the Company's shares, up to a maximum of 10% of the employee's annual income. Shares are purchased on the Toronto Stock Exchange at market price. Shares purchased by the Company are restricted from being sold for one year from purchase. These shares are valued at fair value on date of purchase. No compensation expense in excess of Company cash contributions is recognized under this plan. $6,000 was paid by the Company to the plan for the period ending Mar, 2013 (Mar 2012 - $5,283). Expected forfeiture rate is 10%.

16. EARNINGS PER COMMON SHARE

Basic Net Earnings per Common Share

The calculation of basic earnings per common share for the period ending Mar 31, 2013 was based on interim consolidated net comprehensive loss of $383,957 (Mar 2012 – $119,085) and a weighted average number of shares outstanding of 57,797,788 (Mar 2012 – 57,797,788).

Diluted Net Earnings per Common Share

The calculation of diluted net earnings per common share for the period ending Mar 31, 2013 was based on net comprehensive loss of $383,957 (Mar 2012 – $119,085) and a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares of 57,797,788 (Mar 2012 – 57,797,788).

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17. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Mar 31, 2013	Mar 31, 2012
Cash provided (used in) by		
Accounts receivable	**$ 46,712**	$ 95,352
Income tax recoverable	**(200,903)**	(8,001)
Inventory	**450,376**	112,808
Prepaid expense and deposits	**(52,217)**	10,188
Accounts payable and accrued liabilities	**251,526**	(172,965)
Goods and services tax payable	**(10,642)**	(10,939)
	$ 484,852	$ 26,443

18. FINANCIAL INSTRUMENTS

As at Mar 31, 2013 and Dec 31, 2012 the classification of the Company's financial instruments as well as their carrying amounts and fair values, are shown in the table below.

	Mar 31, 2013		Dec 31, 2012	
	Carrying Value	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Fair value through profit or loss				
Cash and cash equivalents	**$ 1,411,296**	**1,411,296**	$ 1,123,049	$ 1,123,049
Interest rate swap	**203,295**	**203,295**	213,359	213,359
Loans and receivables			-	
Accounts receivable	**240,561**	**240,561**	287,273	287,273
Other financial liabilities				
Bank indebtedness	**665,066**	**665,066**	-	-
Short term debt	**205,356**	**205,356**	205,356	205,356
Promissory notes	**185,093**	**185,093**	283,986	283,986
Accounts payable and accrued liabilities	**978,155**	**978,155**	726,629	726,629
Long term debt	**5,544,644**	**5,544,644**	5,544,644	5,544,644
Convertible Debenture	**9,451,955**	**9,451,955**	9,388,065	9,388,065

For cash and cash equivalents, accounts receivable, due from related parties, bank indebtedness, short-term debt, accounts payable and accrued liabilities and promissory note 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, or fixed rates approximate current market conditions.

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

Fair value measurements

For financial instruments recognized in the balance sheet at fair value, the Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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18. FINANCIAL INSTRUMENTS (continued)

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Company's financial instruments recognized in the interim consolidated balance sheet at fair value:

	Mar 31, 2013	Level 1	Level 2	Level 3
Fair value through profit or loss				
Cash and bank balances	$ 1,411,296	$ 1,411,296		
Interest rate swap liability	$ 203,295		$ 203,295	
	Dec 31, 2012	Level 1	Level 2	Level 3
Fair value through profit or loss				
Cash and bank balances	$ 1,123,049	$ 1,123,049		
Interest rate swap liability	$ 213,359		$ 213,359	

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.

Amounts are considered past due when payment has not been received in accordance with a customer agreement, which is typically 60 days. Amounts are considered to be impaired when the Company has exhausted all collection efforts. Maximum exposure to credit risk is $232,954 (2012 - $287,273). $5,137 (2012 - $21,675) are over 60 days, but not considered impaired.

For the period ending Mar 31, 2013, $nil (Mar 2012 – $nil) in bad debts was recorded.

At Mar 31, 2013 there are no financial assets that the Company deems to be impaired.

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18. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

The Company's liabilities have maturities which are summarized below:

	Maturity Date	Current	Non-current
Accounts payable and accrued liabilities		$ 978,155	
TD Canada Trust loan (Note 7)	Jul 8, 2013	205,356	5,544,644
Promissory note (Note 8)	Sep 1, 2013	100,000	-
Promissory note (Note 8)	Feb 9, 2014	85,093	-
8.25% debenture (Note 9)	Mar 16, 2014	749,821	-
7.75% debenture (Note 9)	Apr 30, 2016	-	8,702,134

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. For purposes of calculating our covenant, rent expense was $499,168 (Mar 2012 – $447,705) for the period ending Mar 31, 2013. These are operating leases. The Company does not have any financing leases.

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 $5,750,000, the net debt position after deducting the $4,500,000 notional amount of the interest rate swap is $1,250,000. Therefore a one percent change in interest rates would have an immaterial effect on consolidated net income. The Company manages its interest rate risk through credit facility negotiations and interest rate swaps.

19. 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.

20. 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.

21. SUBSEQUENT EVENTS

Subsequent to Mar 31, 2013, the Company acquired $526,000 from its acquisition facility and applied to bank indebtedness.