

Interim (unaudited) Consolidated Financial Statements of

ROCKY MOUNTAIN LIQUOR INC

September 30, 2017

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 consolidated 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 consolidated financial statements of Rocky Mountain Liquor Inc. (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 interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim consolidated financial statements by an entity's auditor.

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ROCKY MOUNTAIN LIQUOR INC

Interim Consolidated Statements of Financial Position

(unaudited)

As at	Note	Sep 30, 2017	Dec 31, 2016
ASSETS			
CURRENT			
Cash and cash equivalents		709,513	786,285
Accounts receivable		60,645	134,729
Inventory		6,141,695	5,868,662
Prepaid expenses and deposits		199,480	180,747
Current portion of loans receivable		14,279	13,755
Income taxes recoverable		13,059	112,824
		7,138,671	7,097,002
NON-CURRENT			
LOANS RECEIVABLE		48,688	59,464
PROPERTY AND EQUIPMENT		2,871,835	2,984,135
GOODWILL	6	6,632,242	6,677,262
		16,691,436	16,817,863
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		783,301	723,299
Bank loan	7	8,330,924	7,349,495
Goods and services tax payable		41,266	38,441
		9,155,491	8,111,235
NON-CURRENT			
CONVERTIBLE DEBENTURE	8	5,814,337	5,644,535
		14,969,828	13,755,770
SHAREHOLDERS' EQUITY			
Equity component of convertible debentures	8	96,694	96,694
Share capital	10	4,667,442	4,667,442
Contributed surplus	11	1,014,911	1,004,483
Accumulated deficit		(4,057,439)	(2,706,526)
		1,721,608	3,062,093
		16,691,436	16,817,863

SUBSEQUENT EVENTS

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The accompanying notes form an integral part of these interim consolidated financial statements

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)

	Note	Equity component of convertible debenture	Share capital	Contributed surplus	Accumulated deficit	Total
Opening balance as at Jan 1, 2016		117,657	4,682,551	979,412	2,010,802	7,790,422
Repurchase of debentures	8	(3,901)	-	-	-	(3,901)
Partial redemption of convertible debenture	8,11	(17,062)	-	17,062	(240,383)	(240,383)
Repurchase of shares	10,11	-	(15,109)	8,009	-	(7,100)
Net comprehensive loss for the year		-	-	-	(4,476,945)	(4,476,945)
Balance at Dec 31, 2016		96,694	4,667,442	1,004,483	(2,706,526)	3,062,093
Share based compensation	11,12	-	-	10,428	-	10,428
Net comprehensive loss for the period		-	-	-	(1,350,913)	(1,350,913)
Balance at Sep 30, 2017		96,694	4,667,442	1,014,911	(4,057,439)	1,721,608

The accompanying notes form an integral part of these interim consolidated financial statements

ROCKY MOUNTAIN LIQUOR INC

Interim Consolidated Statements of Comprehensive (Loss) Income

(unaudited)

	Note	3 months ended Sep 30, 2017	9 months ended Sep 30, 2017	3 months ended Sep 30, 2016	9 months ended Sep 30, 2016
SALES		12,325,553	32,872,263	12,210,492	34,337,297
COST OF SALES	4	9,476,631	25,148,365	9,217,317	26,012,208
		2,848,922	7,723,898	2,993,175	8,325,089
OPERATING AND ADMINISTRATIVE EXPENSES	13	2,492,945	7,604,815	2,572,649	7,719,740
INCOME FROM OPERATIONS		355,977	119,083	420,526	605,349
DEPRECIATION		154,651	469,395	168,844	483,912
OTHER EXPENSES (INCOME)					
Loss on disposal of property and equipment		11,455	33,025	352,608	363,212
Goodwill disposed	6	45,020	45,020	-	-
Finance costs	9	276,236	811,076	258,136	763,252
Store closure expenses		26,215	109,176	111,980	111,980
Other income		(816)	(6,187)	(3,684)	(49,629)
Bad debt expense		-	8,491	-	500
Gain on extinguishment of convertible debenture	8	-	-	-	(1,111,833)
Gain on repurchase of convertible debenture	8	-	-	-	(42,213)
		358,110	1,000,601	719,040	35,269
(LOSS) INCOME BEFORE TAX		(156,784)	(1,350,913)	(467,358)	86,168
INCOME TAXES		-	-	-	36,000
NET COMPREHENSIVE (LOSS) INCOME		(156,784)	(1,350,913)	(467,358)	50,168
Basic income per share	14	(0.00)	(0.02)	(0.01)	(0.00)
Diluted income per share	14	(0.00)	(0.02)	(0.01)	(0.00)
Weighted average number of shares - basic		56,791,788	56,791,788	56,811,217	56,811,217
Weighted average number of shares - diluted		56,791,788	56,791,788	56,811,217	56,811,217

The accompanying notes form an integral part of these interim consolidated financial statements

ROCKY MOUNTAIN LIQUOR INC
Interim Consolidated Statements of Cash Flows
(unaudited)

		3 months ended	9 months ended	3 months ended	9 months ended
	Note	Sep 30, 2017	Sep 30, 2017	Sep 30, 2016	Sep 30, 2016
OPERATING ACTIVITIES					
Net comprehensive (loss) income		(156,784)	(1,350,913)	(467,358)	50,168
Items not affecting cash					
Depreciation		154,651	469,395	168,844	483,912
Loss on disposal of property and equipment		11,455	33,025	352,608	363,212
Net accretive interest	8	58,270	169,802	51,694	101,166
Share based compensation	12	-	10,428	-	-
Goodwill disposed	6	45,020	45,020	-	-
Gain on extinguishment of convertible debenture	8	-	-	-	(1,111,833)
Gain on repurchase of convertible debenture	8	-	-	-	(42,213)
Deferred tax expense		-	-	-	40,795
Changes in non-cash working capital	16	431,730	(55,090)	333,338	98,534
Cash flow from (used) in operating activities		544,342	(678,333)	439,126	(16,259)
INVESTING ACTIVITIES					
Purchase of property and equipment		(113,570)	(557,670)	(120,587)	(409,640)
Proceeds on disposal of property and equipment		65,000	167,550	1,100	1,600
Cash flow used in investing activities		(48,570)	(390,120)	(119,487)	(408,040)
FINANCING ACTIVITIES					
Repayment of loans receivable		3,460	10,252	3,291	9,752
Net proceeds from bank loan		(557,120)	981,429	(453,630)	1,946,493
Repurchase and redemption of convertible debenture	8	-	-	-	(1,365,787)
Transaction costs on restructuring convertible debenture	8	-	-	-	(491,253)
Repurchase of shares	10	-	-	-	(7,100)
Cash flow (used in) provided by financing activities		(553,660)	991,681	(450,339)	92,105
DECREASE IN CASH		(57,888)	(76,772)	(130,700)	(332,194)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD		767,401	786,285	661,232	862,726
CASH AND CASH EQUIVALENTS - END OF PERIOD		709,513	709,513	530,532	530,532
CASH FLOWS SUPPLEMENTARY INFORMATION					
Interest paid		88,189	511,255	77,020	478,373
Income taxes paid		-	8,700	11,700	69,700

The accompanying notes form an integral part of these interim consolidated financial statements

1. NATURE OF OPERATIONS

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

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

As at Sep 30, 2017 Andersons operated 38 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.

These interim consolidated financial statements have been approved for issue by the Board of Directors on Nov 23, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). They have been prepared using the accounting policies that were described in Note 2 to the Company’s annual consolidated financial statements for the year ended Dec 31, 2016. These interim consolidated financial statements should be read in conjunction with the Company’s 2016 annual consolidated financial statements.

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.

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. In preparing these interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended Dec 31, 2016.

The Company’s operations are seasonal in nature, and 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.

Certain comparative figures have been changed to conform to the current years’ presentation.

3. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the three month period ended Sep 30, 2017 the Company paid rents of \$15,240 (2016 - \$15,240), and \$45,720 for the nine month period (2016 - \$45,720) in respect of two (2016 – two) retail liquor stores, to privately held companies in which Peter J. Byrne, CEO of RML is a significant shareholder. The rent is at market rates.

Key Management Personnel Compensation

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

	3 months ended Sep 30, 2017	9 months ended Sep 30, 2017	3 months ended Sep 30, 2016	9 months ended Sep 30, 2016
Wages and salaries	\$ 124,750	\$ 374,250	\$ 82,250	\$ 246,750
Other	838	2,461	1,002	2,015
	\$ 125,588	\$ 376,711	\$ 83,252	\$ 248,765

Other includes health plan and fitness premiums paid on behalf of members of key management. There are no other short-term, long-term, termination or post-retirement benefits extended to any directors and other members of key management personnel of the Company.

4. INVENTORY

The cost of inventory recognized as an expense and included in cost of sales for the three month period was \$9,476,631 (2016 - \$9,217,317) and \$25,148,365 (2016 - \$26,012,208) for the nine month period. No inventory write downs were recognized in 2017 or 2016.

5. DISPOSAL OF RETAIL STORES

During the three and nine month periods in 2017 the Company sold two retail liquor stores. There were no stores sold in 2016. The proceeds were allocated to the assets as follows;

	Note	2017	2016
Cash and cash equivalents		\$ 507	\$ -
Inventory		83,664	-
Property and equipment		66,479	-
Goodwill	6	45,020	-
Fair value of net assets sold		\$ 195,670	\$ -
Total cash consideration received		\$ 149,171	\$ -
Loss on sale of property and equipment		1,479	-
Loss on disposal of goodwill	6	45,020	-
		\$ 195,670	\$ -

Cash consideration received in 2017 was for payment of; cash and cash equivalents \$507, inventory \$83,664, and property and equipment, \$65,000.

6. GOODWILL

	Note	Liquor Store CGU	Convenience Store CGU	Total
Balance Dec 31, 2015		\$ 10,999,633	\$ 100,000	\$ 11,099,633
Goodwill impairment		(4,322,371)	(100,000)	(4,422,371)
Balance Dec 31, 2016		\$ 6,677,262	\$ -	\$ 6,677,262
Goodwill disposed	5	(45,020)		(45,020)
Balance Sep 30, 2017		\$ 6,632,242	\$ -	\$ 6,632,242

During 2017 the Company sold two liquor stores resulting in a deemed disposition of goodwill allocated to the Liquor Store Cash Generating Unit ("CGU"). In 2016 the Company recognized an impairment to the Liquor Store CGU of \$4,322,371 due to the challenging economic climate in Alberta.

An impairment charge of \$nil (2016 - \$100,000) was recognized upon the entire CGU of the convenience store. All goodwill attributed to the convenience store was expensed in 2016 as a result of Management's decision to close the store in the first quarter of 2017.

7. BANK LOAN

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 a significant shareholder. At Sep 30, 2017 there was \$nil in overdraft (Dec 2016 – \$nil).

Through its credit agreement with The Toronto-Dominion Bank, effective Oct 6, 2014 and amended Aug 4, 2016, the Company has an available facility up to a maximum of the lesser of \$10,000,000 and the total of \$4,500,000 and 75% of accounts receivable to a maximum of \$1,000,000, and 70% of the value of inventory less priority payables and statutory payables. The loan is due upon demand, bearing interest at prime plus 1.25% or bankers acceptances plus 2.75% per annum. Interest only payments are due monthly, secured by a general security agreement representing a first charge on all assets. As at Sep 30, 2017 there was \$8,330,924 drawn on the bank loan (Dec 31, 2016 - \$7,349,495). These amounts are disclosed on the interim consolidated statements of cash flows on a net basis as the facility acts as an operating line.

8. CONVERTIBLE DEBENTURES

On Apr 1, 2016 the Company received debenture holder approval to restructure the terms of the debenture originally issued Apr 13, 2011 (the "original debenture"). The Company restructured the \$8,076,000 outstanding unsecured subordinated convertible debenture (the "Debenture") on Apr 30, 2016 as follows: the maturity date of the Debenture was extended to Apr 30, 2021; the interest rate payable semi-annually was reduced to 7.50% from 7.75%; and the Debenture is convertible to common shares of the Company at a conversion price of \$0.25 per common share, reduced from \$0.50.

The restructuring was accounted for as an extinguishment, which resulted in a gain on extinguishment of \$1,111,833 after deducting related transaction costs of \$491,253. The original debenture was derecognized and the revised Debenture was measured at fair value on the date of restructuring using an effective interest rate of 13.17%. The fair value of the Debenture of \$6,472,914 was estimated using discounted future cash flows of the principal amount.

Included in the restructure terms was an option for the Company to partially redeem \$1,211,000 of the Debenture at face value. On Sep 10, 2016 the Company exercised this option. The equity component of the Debenture was decreased by \$17,062 and \$240,383 was charged directly to accumulated deficit.

Notional accretive interest expense is reflected at Sep 30, 2017 in the amount of \$58,270 (2016 \$51,694) for the three month period and \$169,802 (2016 - \$101,166), for the nine month period, which represents the accretive interest for the period.

Liability Component

	Face Value	Carrying Value
Balance Dec 31, 2015	\$ 8,273,000	\$ 8,258,477
Repurchased and cancelled	(197,000)	(193,099)
Extinguishment of original debenture	(8,076,000)	(8,076,000)
Issuance of convertible debenture	8,076,000	6,472,914
Partial redemption	(1,211,000)	(970,617)
Accretive interest	-	152,860
Balance Dec 31, 2016	\$ 6,865,000	\$ 5,644,535
Accretive interest	-	169,802
Balance Sep 30, 2017	\$ 6,865,000	\$ 5,814,337

Equity Component

	Carrying Value
Balance Dec 31, 2015	\$ 117,657
Repurchased and cancelled	(3,901)
Partial redemption	(17,062)
Balance Dec 31, 2016 and Sep 30, 2017	\$ 96,694

On May 13, 2016 the Company announced a NCIB on the Debenture. The Company was authorized to repurchase for cancellation up to \$807,600 of the principal amount, representing 10% of the restructured Debenture issued and outstanding. The NCIB began May 13, 2016 and expired May 12, 2017. No debenture NCIB repurchases were made in 2017.

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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
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(Unaudited)

8. CONVERTIBLE DEBENTURES (continued)

Under the Normal Course Issuer Bid ("NCIB") in effect from Dec 15, 2015 to Apr 30, 2016, for the 3 month period ended Sep 30, 2016 the Company did not make any purchases.

For the nine month period ended Sep 30, 2016 the Company repurchased and cancelled \$197,000 of the principal amount of the original debenture for aggregate consideration of \$160,333. \$193,099 was a reduction to the liability component, \$3,901 was recorded as a reduction to the equity component, \$5,546 was charged to interest expense and \$42,213 was recorded as a gain on settlement to the consolidated statement of comprehensive (loss) income.

9. FINANCE COSTS

	Note	3 months ended Sep 30, 2017	9 months ended Sep 30, 2017	3 months ended Sep 30, 2016	9 months ended Sep 30, 2016
Bank loan interest		\$ 88,189	\$ 256,176	\$ 77,020	\$ 227,108
Convertible debenture interest	8	129,777	385,098	129,422	434,978
Accretive interest	8	58,270	169,802	51,694	101,166
		\$ 276,236	\$ 811,076	\$ 258,136	\$ 763,252

10. SHARE CAPITAL

On Sep 1, 2015 the Company announced an NCIB to repurchase its common shares. The Company was authorized to repurchase for cancellation up to 5% of the issued and outstanding common shares which equaled 2,889,889 common shares. The NCIB began Sep 3, 2015 and expired on Sep 2, 2016.

During the three month period ended Sep 30, 2016, the Company repurchased and cancelled 142,000 common shares for aggregate consideration of \$7,100. \$15,109 was a reduction to share capital and \$8,009 was recorded as an addition to contributed surplus.

Authorized - Unlimited common shares

	Number	Amount
Balance at Dec 31, 2015	56,933,788	\$ 4,682,551
Repurchased and cancelled	(142,000)	(15,109)
Balance at Dec 31, 2016 and Sep 30, 2017	56,791,788	\$ 4,667,442

11. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

	Note	Amount
Balance Dec 31, 2015		\$ 979,412
Partial redemption of convertible debenture	8	17,062
Repurchase of common shares	10	8,009
Balance Dec 31, 2016		\$ 1,004,483
Share based compensation	12	10,428
Balance Sep 30, 2017		\$ 1,014,911

12. STOCK OPTION PLAN

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.

Management/Employee Options

500,000 incentive options were issued under the Option Plan Jan 17, 2017, representing 0.9% of the outstanding common shares. 300,000 are exercisable per the below vesting schedule and 200,000 are exercisable Jan 18, 2018 if the unadjusted closing price per share for any 10-consecutive trading day period between Oct 20, 2017 and Jan 17, 2018 is equal to or greater than \$0.16. All options expire Jan 18, 2018.

	# of options	Exercise Price	Estimated fair value of options	Weighted average exercise price	Weighted average contractual life remaining
Outstanding Dec 31, 2016	-	-	-	-	-
Issued Jan 17, 2017	500,000	0.070	34,563	0.070	0.553
Outstanding Sep 30, 2017	500,000	0.070	34,563	0.070	0.303

75,000 of the options vested on each of Feb 28, 2017, May 31, 2017 and Aug 31, 2017. 75,000 vest Nov 30, 2017 and 200,000 vest Oct 20, 2017. Stock-based compensation expense was \$nil for the 3 month period ended Sep 30, 2017 (2016 - \$nil) and \$10,428 (2016 - \$nil) for the 9 month period ended Sep 30, 2017. This is accounted for in operating and administrative expenses. Unrecognized compensation expense relating to unvested items is \$2,567 at Sep 30, 2017 (Sep 2016 - \$nil).

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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
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12. STOCK OPTION PLAN (continued)

The fair value of the 300,000 options issued Jan 17, 2017 has been estimated at \$0.042 per option and fair value of 200,000 options issued Jan 17, 2017 has been estimated at \$0.110 using the Black-Scholes option-pricing model. Risk-free interest rate was derived from one-year treasury bill yield. Estimated volatility is calculated using historical prices.

The following weighted-average assumptions were used:

Risk-free interest rate	1.3%
Estimated volatility	130.0%
Expected life	1 years
Expected dividend yield	NIL

13. EXPENSES BY NATURE

	3 months ended Sep 30, 2017	9 months ended Sep 30, 2017	3 months ended Sep 30, 2016	9 months ended Sep 30, 2016
Wages and employee benefits	\$ 1,333,042	\$ 4,133,710	\$ 1,372,763	\$ 4,085,924
Lease and premise costs	818,961	2,471,821	856,967	2,637,462
Other	340,942	999,284	342,919	996,354
	\$ 2,492,945	\$ 7,604,815	\$ 2,572,649	\$ 7,719,740

14. EARNINGS PER COMMON SHARE

Basic Net Earnings per Common Share

The calculation of basic earnings per common share for the three month period ended Sep 30, 2017 was based on the interim net comprehensive loss of \$156,784 (Sep 2016 – loss \$467,358) and a weighted average number of shares outstanding of 56,791,788 (Sep 2016 – 56,811,217).

The calculation of basic earnings per common share for the nine month period ended Sep 30, 2017 was based on the interim net comprehensive loss of \$1,350,913 (2016 – income \$50,168) and a weighted average number of shares outstanding of 56,791,788 (2016 – 56,811,217).

Diluted Net Earnings per Common Share

The calculation of diluted net earnings per common share for the three month period ended Sep 30, 2017 was based on the interim net comprehensive loss of \$156,784 (Sep 2016 – loss \$467,358) and a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares of 56,791,788 (Sep 2016 – 56,811,217).

The calculation of diluted net earnings per common share for the ended Sep 30, 2017 was based on the interim net comprehensive loss of \$1,350,913 (2016 – income \$50,168) and a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares of 56,791,788 (2015 – 56,811,217). The potential shares issuable in exchange for convertible debentures have been excluded due to their anti-dultive effect for the periods ended Sep 30, 2017 and Sep 30, 2016.

ROCKY MOUNTAIN LIQUOR INC
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15. FINANCIAL INSTRUMENTS

For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and bank loan, the carrying value approximates fair value due to the short-term nature of the instruments.

The loans receivable have a fair value equivalent to the carrying value, and are carried at the prevailing interest rate. The convertible debenture has a fair value equivalent to the carrying value, as the discount rate remains unchanged.

As at Sep 30, 2017 and Dec 31, 2016 the classification of the Company's financial instruments as well as their carrying amounts and fair values, are shown in the table below.

	Sep 30, 2017		Dec 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Fair value through profit or loss				
Cash and cash equivalents	\$ 709,513	\$ 709,513	\$ 786,285	\$ 786,285
Loans and receivables				
Accounts receivable	60,645	60,645	134,729	134,729
Loans receivable	62,967	62,967	73,219	73,219
Other financial liabilities				
Bank loan	8,330,924	8,330,924	7,349,495	7,349,495
Accounts payable and accrued liabilities	783,301	783,301	723,299	723,299
Convertible debentures	5,814,337	2,746,000	5,644,535	4,462,250

Fair value measurements

For financial instruments recognized in the statement of financial position 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:

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 statement of financial position at fair value:

	Sep 30, 2017		Level 1		Level 2		Level 3	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Fair value through profit or loss								
Cash and cash equivalents	\$ 709,513	\$ 709,513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fair value through profit or loss								
Cash and cash equivalents	\$ 786,285	\$ 786,285	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ROCKY MOUNTAIN LIQUOR INC
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16. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	3 months ended	9 months ended	3 months ended	9 months ended
	Sep 30, 2017	Sep 30, 2017	Sep 30, 2016	Sep 30, 2016
Cash provided by (used in)				
Accounts receivable	\$ 26,349	\$ 74,084	\$ 230,115	\$ 6,178
Inventory	391,923	(273,033)	421,486	166,578
Prepaid expenses and deposits	42,299	(18,733)	15,112	(115,703)
Income tax recoverable	-	99,765	(11,700)	14,471
Accounts payable and accrued liabilities	(31,083)	60,002	(325,697)	52,340
Goods and services tax payable	2,242	2,825	4,022	(25,330)
	\$ 431,730	\$ (55,090)	\$ 333,338	\$ 98,534

17. SUBSEQUENT EVENT

On Oct 4, 2017 the Company closed its distribution centre. On each of Oct 11, 2017 and Nov 2, 2017, the Company sold one liquor store, along with the store's individual assets. Both stores were located in Central Alberta.