Interim (unaudited) Consolidated Financial Statements of

ROCKY MOUNTAIN LIQUOR INC

March 31, 2019

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 Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim 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	Mar 31, 2019	Dec 31, 2018
ASSETS			
CURRENT			
Cash and cash equivalents		**307,571**	574,497
Accounts receivable		**349,982**	43,704
Inventory		**5,437,034**	5,385,849
Prepaid expenses and deposits		**148,427**	185,751
Income tax receivable		**10,694**	10,694
Current portion of loans receivable		**15,389**	15,198
		6,269,097	6,215,693
NON-CURRENT			
LOANS RECEIVABLE		**25,947**	29,866
PROPERTY AND EQUIPMENT		**2,192,076**	2,290,017
GOODWILL		**6,307,819**	6,307,819
RIGHT-OF-USE ASSETS	2	**13,199,818**	-
		27,994,757	14,843,395
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		**877,724**	595,544
Goods and services tax payable		**50,919**	87,438
Current portion of lease liabilities	2	**1,711,729**	-
Bank loan	5	**8,337,237**	8,091,238
		10,977,609	8,774,220
NON-CURRENT			
LEASE LIABILITIES	2	**11,578,567**	-
CONVERTIBLE DEBENTURE	6	**6,199,650**	6,130,748
		28,755,826	14,904,968
SHAREHOLDERS' EQUITY			
Equity component of convertible debentures	6	**96,694**	96,694
Share capital	8	**4,667,442**	4,667,442
Contributed surplus	9	**1,014,911**	1,014,911
Accumulated deficit		**(6,540,116)**	(5,840,620)
		(761,069)	(61,573)
		27,994,757	14,843,395

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

Approved on behalf of the board:

Peter Byrne
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	Contributed surplus	Accumulated deficit	Total
Balance at Dec 31, 2017	96,694	4,667,442	1,014,911	(4,623,967)	1,155,080
Net comprehensive loss for the period	-	-	-	(1,216,653)	(1,216,653)
Balance at Dec 31, 2018	96,694	4,667,442	1,014,911	(5,840,620)	(61,573)
Net comprehensive loss for the period	-	-	-	(699,496)	(699,496)
Balance at Mar 31, 2019	96,694	4,667,442	1,014,911	(6,540,116)	(761,069)

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

ROCKY MOUNTAIN LIQUOR INC

Interim Consolidated Statements of Comprehensive Loss

(unaudited)

For the 3 months ended Mar 31

	Note	2019	2018
SALES		**9,076,521**	8,769,924
COST OF SALES	4	**7,139,858**	6,691,968
		1,936,663	2,077,956
OPERATING AND ADMINISTRATIVE EXPENSES	11	**1,674,200**	2,209,069
INCOME (LOSS) FROM OPERATIONS		**262,463**	(131,113)
PROPERTY AND EQUIPMENT DEPRECIATION		**111,702**	121,565
RIGHT-OF-USE ASSETS DEPRECIATION	2	**346,325**	-
OTHER EXPENSES (INCOME)			
Finance costs	7	**335,456**	291,413
Finance costs on lease liabilities	2	**171,805**	-
(Gain) loss on disposal of property and equipment		**(2,942)**	8,041
Store closure expenses		**160**	29,091
Other income		**(547)**	(729)
		503,932	327,816
LOSS BEFORE TAX		**(699,496)**	(580,494)
INCOME TAXES		**-**	-
NET COMPREHENSIVE LOSS		**(699,496)**	(580,494)
Basic income per share	12	**(0.01)**	(0.01)
Diluted income per share	12	**(0.01)**	(0.01)
Weighted average number of shares - basic		**56,791,788**	56,791,788
Weighted average number of shares - diluted		**56,791,788**	56,791,788

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

ROCKY MOUNTAIN LIQUOR INC

Interim Consolidated Statements of Cash Flows

(unaudited)

For the 3 months ended Mar 31

	Note	2019	2018
OPERATING ACTIVITIES			
Net comprehensive loss		**(699,496)**	(580,494)
Items not affecting cash			
Property and equipment depreciation		**111,702**	121,565
Right-of-use assets depreciation	2	**346,325**	-
(Gain) loss on disposal of property and equipment		**(2,942)**	8,041
Notional accretive interest	6	**68,902**	61,091
Finance costs on lease liabilities	2	**171,805**	-
Changes in non-cash working capital	14	**(74,478)**	(111,216)
Cash flow used in operating activities		**(78,182)**	(501,013)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(21,359)**	(111,892)
Proceeds on disposal of property and equipment		**10,540**	800
Cash flow used in investing activities		**(10,819)**	(111,092)
FINANCING ACTIVITIES			
Repayment of loans receivable		**3,728**	3,547
Net proceeds from bank loan		**245,999**	606,179
Lease payments	2	**(427,652)**	-
Cash flow provided by financing activities		**(177,925)**	609,726
DECREASE IN CASH		**(266,926)**	(2,379)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD		**574,497**	818,786
CASH AND CASH EQUIVALENTS - END OF PERIOD		**307,571**	816,407
CASH FLOWS SUPPLEMENTARY INFORMATION			
Interest paid		**139,598**	103,367
Income taxes paid		**-**	-

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 Mar 31, 2019 Andersons operated 29 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 May 29, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Going Concern

These interim consolidated financial statements have been prepared on a going concern basis, in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). The application of the going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and can realize its assets and discharge its liabilities and commitments in the normal course of operation.

These interim consolidated financial statements should be read in conjunction with the Company's 2018 annual consolidated financial statements.

As at Mar 31, 2019, the Company had a shareholders' deficiency of $761,069 (Dec 31, 2018 - $61,573), net comprehensive loss of $699,496 (Mar 2018 - $580,494), and current liabilities in excess of current assets of $4,708,512 (Dec 31, 2018 - $2,558,527) as a result of the demand bank loan of $8,337,237 (Dec 31, 2018 - $8,091,238) and lease liabilities of $1,711,729 (Dec 31, 2018 – nil) classified as a current liabilities. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations from the strategic initiative that occurred during 2017 and 2018 to rebrand fifteen of its stores to Great Canadian Liquor ("GCL") and from ongoing investments in related sales and marketing programs. Continuation as a going concern is also dependent on the Company's ability to maintain its current demand bank financing as further described in Note 9 of the annual consolidated financial statements for the year ended Dec 31, 2018, and seek additional sources of debt or equity financing as required. There are no assurances that the steps taken by management will be successful. If, for any reason, the Company is unable to continue as a going concern, it could impact the Company's ability to realize assets at their recognized values and to meet its liabilities in the ordinary course of business at the amounts stated in these consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

Changes in Accounting Policies

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, 2018 except for leases, as discussed below.

IFRS 16 Leases

Effective Jan 1, 2019, the Company adopted IFRS 16, Leases ("IFRS 16"), which supersedes previous accounting standards for leases, including IAS 17, Leases ("IAS 17"), and IFRIC 4, Determining Whether an Arrangement Contains a Lease ("IFRIC 4"). IFRS 16 introduces a single lessee accounting model, unless the underlying asset is of low value, and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

As a result of adopting IFRS 16, the Company has recognized a significant increase to both assets and liabilities on our Interim Consolidated Statements of Financial Position, as well as a decrease to operating expenses (for the removal of base rent expense for leases), an increase to depreciation (due to the depreciation of the right-of-use assets), and an increase to finance costs (due to accretion of the lease liability). Tenant improvement allowances receivable become part of the lease liability under IFRS 16. Leasehold inducements, store closure costs and average rent adjustments are included in the calculation of right-of-use assets.

Leasing Activities

The Company leases properties for its retail stores and head office. Lease contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Accounting Policy

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, we assess whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lessee Accounting

Effective Jan 1, 2019, leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease payments included in the measurement of the lease liability include the net present value of the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantee;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the lessee would have to pay to borrow at prevailing interest rates, market precedents and the Company's specific credit spread, on similar terms and security.

Right-of-use assets are initially measured at cost, comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs
- Restoration costs

The right-of-use assets are depreciated on a straight-line basis over the lease term. The lease term consists of:

- The non-cancellable period of the lease;
- Periods covered by options to extend the lease, where we are reasonably certain to exercise the option; and
- Periods covered by options to terminate the lease, where we are reasonably certain not to exercise the option.

If the Company expects to obtain ownership of the leased asset at the end of the lease, we depreciate the right-of-use asset over the underlying asset's estimated useful life. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact. There is also estimation uncertainty arising from certain leases containing variable lease terms that are linked to operational results or an index or rate.

Judgments

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the lease will be extended. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

Adjustment as a Result of IFRS 16

The Company adopted IFRS 16 using the modified retrospective method and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The Company has recognized new assets and liabilities for all leases that were previously classified as operating leases, other than those that were excluded due to elected practical expedients. The below practical expedients were elected upon transition:

- The previous determination pursuant to IAS 17 and IFRIC 4 of whether a contract is a lease has been maintained for existing contracts;
- The Company has elected to use a single discount rate to a portfolio of leases with reasonably similar underlying characteristics;
- The Company has elected to use hindsight to determine the lease term where the lease contracts contain options to extend or terminate the lease;
- The Company has exercised the option not to apply the new recognition requirements to short-term leases with a term of 12 months or less and no purchase option; and
- For the purpose of initial measurement of the right-of-use assets as at Dec 30, 2018, initial direct costs were not taken into account.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates ranging from 4.8% to 5.1% on Jan 1, 2019, depending on relevant facts and circumstances, geographical location, and lease term duration of the leased property. The associated right-of-use assets were measured as if the standard has been applied since the effective date, discounted using the Company's estimated incremental borrowing rate as of Jan 1, 2019. The cumulative effect of initially applying the new standard is recognized as an adjustment to the opening deficit within the shareholders' equity balance as at Jan 1, 2019.

A reconciliation of lease commitments as at Jan 1, 2019, outlining the effect of the transition to IFRS 16 is outlined below.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating lease commitments disclosed at Dec 31, 2018	$	4,958,540
Extension options		12,963,637
Lease obligation without discounting		17,922,177
Effect from discounting at the incremental borrowing rate at Jan 1, 2019		(4,376,034)
Lease liability recognized at Jan 1, 2019	**$**	**13,546,143**
Current portion of lease liabilities		1,707,815
Non-current lease liabilities		11,838,328
	$	**13,546,143**

A reconciliation of the effect of transition to IFRS 16 on those accounts impacted in the Company's Interim Consolidated Statement of Financial Position at Jan 1, 2019 is outlined below:

	As reported Dec 31, 2018	Effect of IFRS 16 Transition	Jan 1, 2019
ASSETS			
NON-CURRENT			
RIGHT-OF-USE ASSETS	-	13,546,143	13,546,143
TOTAL ASSETS	14,843,395	13,546,143	28,389,538
LIABILITIES			
Current portion of lease liabilities	-	1,707,815	1,707,815
	-	1,707,815	1,707,815
NON-CURRENT			
LEASE LIABILITIES	-	11,838,328	11,838,328
	-	13,546,143	13,546,143
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,843,395	13,546,143	28,389,538

Below is a summary of the activity related to right-of-use assets for the three-month period ended Mar 31, 2019:

Balance at Jan 1, 2019	$	13,546,143
Right-of-use assets depreciation		(346,325)
Balance at Mar 31, 2019	$	13,199,818

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Below is a summary of the activity related to lease liabilities for the three-month period ended Mar 31, 2019:

Balance at Jan 1, 2019	$ 13,546,143
Finance costs on lease liabilities	171,805
Lease payments	(427,652)
Balance at Mar 31, 2019	$ 13,290,296
Current portion of lease liabilities	1,711,729
Non-current lease liabilities	11,578,567
	$ 13,290,296

Nature of Operations

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 and weather. Occupancy related expenses; certain general and administrative expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

3. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the period the Company paid rents of $21,240 (2018 - $15,240), in respect of three (2018 – two) retail liquor stores, to privately held companies in which a key member of management is a significant shareholder. The rent is at market rates. Included in accounts payable at Mar 31, 2019 is $250,000 due to a key member of management.

Key Management Personnel Compensation

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

	Mar 31, 2019	Mar 31, 2018
Wages and salaries	**$ 126,000**	$ 126,000
Other	**720**	731
	$ 126,720	$ 126,731

Other includes health plan premium 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 period ended Mar 31, 2019 was $7,139,858 (2018 - $6,691,968). No inventory write downs were recognized in 2019 or 2018.

5. BANK LOAN

Through its credit agreement with The Toronto-Dominion Bank, effective Oct 6, 2014 and amended Sep 20, 2018, the Company has an available facility up to a maximum of the lesser of $9,500,000 and the total of $4,102,000 and 75% of accounts receivable to a maximum of $1,000,000, and 70% of the value of inventory plus goods and services tax and bottle deposits, less trade payables related to liquor and unremitted source deductions. The loan is due upon demand, bearing interest at prime plus 2.65% or bankers' acceptances plus 4.15% per annum. Interest only payments are due monthly, secured by a general security agreement representing a first charge on all assets. As at Mar 31, 2019 there was $8,337,237 drawn on the bank loan (Dec 31, 2018 - $8,091,238). Drawdowns and repayments are disclosed on the consolidated statements of cash flows on a net basis as the facility acts as an operating line.

6. 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.

Included in the restructure terms was an option for the Company to partially redeem $1,211,000 of the Debenture at face value. The Company exercised this option on Jun 10, 2016, reducing the face value of the outstanding debenture to $6,865,000.

The fair value of the Debenture of $6,472,914 was estimated using discounted future cash flows of the principal amount. The equity component of the Debenture was decreased to $96,694.

	Liability Component			
		Face Value		Carrying Value
Balance Dec 31, 2017	$	6,865,000	$	5,872,607
Notional accretive interest		-		258,141
Balance Dec 31, 2018	$	6,865,000	$	6,130,748
Notional accretive interest		-		68,902
Balance Mar 31, 2019	**$**	**6,865,000**	**$**	**6,199,650**

	Equity Component	
		Carrying Value
Balance Dec 31, 2016, Dec 31, 2017 and Mar 31, 2018	**$**	**96,694**

7. FINANCE COSTS

	Note		**Mar 31, 2019**		Mar 31, 2018
Bank loan interest		**$**	**139,599**	$	103,367
Convertible debenture interest			**126,955**		126,955
Accretive interest	6		**68,902**		61,091
		$	**335,456**	$	291,413

8. SHARE CAPITAL

Authorized - Unlimited common shares

	Number		Amount
Balance at Dec 31, 2017, 2018 and Mar 31, 2019	**56,791,788**	**$**	**4,667,442**

9. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

		Amount
Balance at Dec 31, 2017, 2018 and Mar 31, 2019	**$**	**1,014,911**

10. 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.

11. EXPENSES BY NATURE

		Mar 31, 2019		Mar 31, 2018
Wages and employee benefits	**$**	**1,160,937**	$	1,181,555
Lease and premise costs		**302,345**		801,001
Other		**210,918**		226,513
	$	**1,674,200**	$	2,209,069

Lease and premise costs are reduced at Mar 31, 2019 as a result of the adoption of IFRS 16, as explained in Note 2.

12. EARNINGS PER COMMON SHARE

Basic Net Earnings per Common Share

The calculation of basic earnings per common share for the period ending Mar 31, 2019 was based on the interim net comprehensive loss of $699,496 (2018 – $580,494) and a weighted average number of shares outstanding of 56,791,788 (2018 – 56,791,788).

Diluted Net Earnings per Common Share

The calculation of diluted net earnings per common share for the period ending Mar 31, 2019 was based on the interim net comprehensive loss of $699,496 (2018 – $580,494) and a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares of 56,791,788 (2018 – 56,791,788). The potential shares issuable in exchange for convertible debentures have been excluded due to their anti-dilutive effect for the periods ended Mar 31, 2019 and Mar 31, 2018.

13. 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 as they bear interest at the prevailing market interest rate.

The convertible debentures fair value was determined based on market trading values at the statement of financial position date.

As at Mar 31, 2019 and Dec 31, 2018 the classification of the Company's financial instruments as well as their carrying amounts and fair values, are shown in the table below.

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).

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13. FINANCIAL INSTRUMENTS (continued)

	Mar 31, 2019		Dec 31, 2018	
	Carrying Value	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Financial Assets				
Cash and cash equivalents	**$ 307,571**	**$ 307,571**	$ 574,497	$ 574,497
Accounts receivable	**349,982**	**349,982**	43,704	43,704
Loans receivable	**41,336**	**41,336**	45,064	45,064
Financial Liabilities				
Accounts payable and accrued liabilities	**877,724**	**877,724**	595,544	595,544
Lease liabilities	**13,290,296**	**13,290,296**	-	-
Bank loan	**8,337,237**	**8,337,237**	8,091,238	8,091,238
Convertible debenture	**6,199,650**	**2,299,775**	6,130,748	2,299,775

14. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Mar 31, 2019	Mar 31, 2018
Cash (used in) provided by		
Accounts receivable	**$ (306,278)**	$ 36,180
Inventory	**(51,185)**	(263,393)
Prepaid expenses and deposits	**37,324**	(59,974)
Accounts payable and accrued liabilities	**282,180**	208,976
Goods and services tax payable	**(36,519)**	(33,005)
	$ (74,478)	$ (111,216)

15. SUBSEQUENT EVENT

Subsequent to Mar 31, 2019, the Company announced its intent to redeem the $6,865,000 outstanding Convertible Debenture through the issuance of Common Shares. It would result in an issuance of approximately 180,657,895 Common Shares representing approximately 76.1% of the pro forma Common Shares outstanding upon closing. Upon completion of the transaction, an aggregate of approximately 237,449,683 Common Shares will be issued and outstanding. This transaction is expected to close on or about July 3, 2019. Interest accrued up to the closing date will be paid in cash. Upon closing of the transaction and payment in full satisfaction of the redemption amount, interest upon the Debentures shall cease to be payable from and after the closing date.