

Interim (unaudited) Consolidated Financial Statements of

ROCKY MOUNTAIN LIQUOR INC

September 30, 2020

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.

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| Interim Consolidated Statements of Financial Position | 1 |
| Interim Consolidated Statements of Changes in Shareholders' Equity | 2 |
| Interim Consolidated Statements of Comprehensive Loss | 3 |
| Interim Consolidated Statements of Cash Flows | 4 |
| Notes to the Interim Consolidated Financial Statements | 5-12 |

ROCKY MOUNTAIN LIQUOR INC

Interim Consolidated Statements of Financial Position

(unaudited)

| As at | Note | Sep 30, 2020 \$ | Dec 31, 2019 \$ |
|--|------|--------------------|--------------------|
| ASSETS | | | |
| CURRENT | | | |
| Cash and cash equivalents | | 85,559 | 253,219 |
| Accounts receivable | | 181,439 | 328,236 |
| Inventory | | 5,790,956 | 5,015,371 |
| Prepaid expenses and deposits | | 148,782 | 249,022 |
| Current portion of loans receivable | | - | 29,807 |
| | | 6,206,736 | 5,875,655 |
| NON-CURRENT | | | |
| PROPERTY AND EQUIPMENT | | 1,622,660 | 1,913,468 |
| GOODWILL | 6 | 6,215,410 | 6,307,819 |
| RIGHT-OF-USE ASSETS | 14 | 11,639,773 | 13,103,781 |
| | | 25,684,579 | 27,200,723 |
| LIABILITIES | | | |
| CURRENT | | | |
| Accounts payable and accrued liabilities | | 543,988 | 355,417 |
| Goods and services tax payable | | 60,968 | 75,864 |
| Operating facility | 7 | 2,948,515 | 7,854,890 |
| Bank loan | 7 | 3,250,000 | - |
| Current portion of lease liabilities | 14 | 1,439,806 | 1,731,967 |
| | | 8,243,277 | 10,018,138 |
| NON-CURRENT | | | |
| LEASE LIABILITIES | 14 | 10,568,679 | 11,696,251 |
| | | 18,811,956 | 21,714,389 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 9 | 7,377,311 | 7,377,311 |
| Contributed surplus | 10 | 1,014,911 | 1,014,911 |
| Accumulated deficit | | (1,519,599) | (2,905,888) |
| | | 6,872,623 | 5,486,334 |
| | | 25,684,579 | 27,200,723 |

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

Approved on behalf of the board:

Peter J. 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, 2018 | 96,694 | 4,667,442 | 1,014,911 | (5,840,620) | (61,573) |
| Debt redemption Jul 3, 2019 | (96,694) | 2,709,869 | - | 96,694 | 2,709,869 |
| Net comprehensive income for the period | - | - | - | 2,838,038 | 2,838,038 |
| Balance at Dec 31, 2019 | - | 7,377,311 | 1,014,911 | (2,905,888) | 5,486,334 |
| Net comprehensive income for the period | - | - | - | 1,386,289 | 1,386,289 |
| Balance at Sep 30, 2020 | - | 7,377,311 | 1,014,911 | (1,519,599) | 6,872,623 |

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

ROCKY MOUNTAIN LIQUOR INC

Interim Consolidated Statements of Comprehensive Income

(unaudited)

For the 3 and 9 months ended Sep 30

| | Note | 3 months ended Sep 30, 2020 \$ | 9 months ended Sep 30, 2020 \$ | 3 months ended Sep 30, 2019 \$ | 9 months ended Sep 30, 2019 \$ |
|--|------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| SALES | | 13,210,088 | 36,953,004 | 11,785,005 | 32,867,193 |
| COST OF SALES | 4 | 10,203,842 | 28,539,113 | 9,189,173 | 25,676,893 |
| | | 3,006,246 | 8,413,891 | 2,595,832 | 7,190,300 |
| OPERATING AND ADMINISTRATIVE EXPENSES | | 1,770,081 | 5,068,407 | 1,686,852 | 5,071,879 |
| INCOME FROM OPERATIONS | | 1,236,165 | 3,345,484 | 908,980 | 2,118,421 |
| PROPERTY AND EQUIPMENT DEPRECIATION | | 77,779 | 240,268 | 111,161 | 333,761 |
| RIGHT-OF-USE ASSETS DEPRECIATION | 14 | 230,107 | 860,350 | 349,713 | 1,036,670 |
| FINANCE COSTS ON LEASE LIABILITIES | 14 | 122,729 | 452,421 | 173,217 | 514,003 |
| OTHER EXPENSES (INCOME) | | | | | |
| Finance costs | 8 | 91,521 | 325,571 | 151,246 | 836,033 |
| (Gain) loss on disposal of property and equipment and goodwill | | (520) | 43,780 | 813 | (1,466) |
| Store closure expenses | | 23,986 | 38,054 | - | 358 |
| Other income | | (219) | (1,249) | (453) | (1,500) |
| Gain on redemption of convertible debenture | | - | - | (3,472,811) | (3,472,811) |
| | | 545,383 | 1,959,195 | (2,687,114) | (754,952) |
| INCOME BEFORE TAX | | 690,782 | 1,386,289 | 3,596,094 | 2,873,373 |
| INCOME TAXES | | - | - | - | - |
| NET COMPREHENSIVE INCOME | | 690,782 | 1,386,289 | 3,596,094 | 2,873,373 |
| Basic income per share | 12 | 0.01 | 0.03 | 0.12 | 0.10 |
| Diluted income per share | 12 | 0.01 | 0.03 | 0.12 | 0.10 |
| Weighted average number of shares - basic | | 47,489,937 | 47,489,937 | 29,275,661 | 29,275,661 |
| Weighted average number of shares - diluted | | 47,489,937 | 47,489,937 | 29,275,661 | 29,275,661 |

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 and 9 months ended Sep 30

| | | 3 months ended | 9 months ended | 3 months ended | 9 months ended |
|--|------|--------------------|--------------------|----------------|----------------|
| | Note | Sep 30, 2020 | Sep 30, 2020 | Sep 30, 2019 | Sep 30, 2019 |
| | | \$ | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | | |
| Net comprehensive income | | 690,782 | 1,386,289 | 3,596,094 | 2,873,373 |
| Items not affecting cash | | | | | |
| Property and equipment depreciation | | 77,779 | 240,268 | 111,161 | 333,761 |
| (Gain) loss on disposal of property and equipment and goodwill | | (520) | 43,780 | 813 | (1,466) |
| Notional accretive interest | | - | - | 1,628 | 143,915 |
| Gain on redemption of convertible debenture | 9 | - | - | (3,472,811) | (3,472,811) |
| Right-of-use assets depreciation | 14 | 230,107 | 860,350 | 349,713 | 1,036,670 |
| Finance costs on lease liabilities | 14 | 122,729 | 452,421 | 173,217 | 514,003 |
| Changes in non-cash working capital | 15 | 733,157 | (354,873) | (129,904) | (817,359) |
| Cash flow from operating activities | | 1,854,034 | 2,628,235 | 629,911 | 610,086 |
| INVESTING ACTIVITIES | | | | | |
| Purchase of property and equipment | | (15,994) | (43,881) | (6,757) | (56,843) |
| Proceeds on disposal of property and equipment | | 100,000 | 143,050 | - | 10,540 |
| Cash flow from (used in) investing activities | | 84,006 | 99,169 | (6,757) | (46,303) |
| FINANCING ACTIVITIES | | | | | |
| Repayment of loans receivable | | 21,919 | 29,807 | 3,823 | 11,327 |
| (Payment) net proceeds from operating facility and bank loan | | (1,637,186) | (1,656,375) | (360,323) | 433,449 |
| Lease payments | 14 | (412,899) | (1,268,496) | (440,068) | (1,294,152) |
| Convertible debenture redemption transaction costs | | - | - | (91,984) | (91,984) |
| Cash flow used in financing activities | | (2,028,166) | (2,895,064) | (888,552) | (941,360) |
| DECREASE IN CASH | | (90,126) | (167,660) | (265,398) | (377,577) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD | | 175,685 | 253,219 | 462,318 | 574,497 |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | | 85,559 | 85,559 | 196,920 | 196,920 |
| CASH FLOWS SUPPLEMENTARY INFORMATION | | | | | |
| Interest paid | | 91,521 | 325,571 | 181,821 | 426,859 |
| 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 (the “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, 2020 Andersons operated 26 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 25, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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 2019 annual consolidated financial statements.

Estimates

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. 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.

Impact of COVID-19 Pandemic

The spread of COVID-19 in the 2020, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally resulting in an economic slowdown.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The novel coronavirus pandemic has had, and continues to have, a notable impact on the Company. The Company's financial results show increased sales, driven by increased demand for liquor retail product following the onset of the crisis as a result of consumers turning to liquor retailers in lieu of licensed establishments. This trend continues into the third quarter. Additional costs were incurred for safety and sanitization measures. The full economic impact the pandemic will have on the Company, its judgements and estimates remain uncertain and is dependent on the severity and duration of the virus. In Alberta, liquor retail was immediately recognized as an essential business by the Government of Alberta and has not experienced compulsory closure as a result of the COVID-19. As at Nov 25, 2020, all locations are open and operational.

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.

Certain comparative figures have been changed to conform to the current year's presentation.

3. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the three month period ended Sep 30, 2020 the Company paid rents of \$22,275 (2019 - \$22,275), and \$66,825 for the nine month period (2019 - \$65,355) in respect of three retail liquor stores, to privately held companies in which a key member of management is a significant shareholder.

Key Management Personnel Compensation

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

| | 3 months ended | | 9 months ended | | 3 months ended | | 9 months ended |
|--------------------|-----------------------|-----------|-----------------------|-----------|----------------|-----------|----------------|
| | Sep 30, 2020 | | Sep 30, 2020 | | Sep 30, 2019 | | Sep 30, 2019 |
| Wages and salaries | \$ 158,625 | \$ | 469,875 | \$ | 123,750 | \$ | 375,917 |
| Other | 756 | | 2,606 | | 800 | | 2,250 |
| | \$ 159,381 | \$ | 472,481 | \$ | 124,550 | \$ | 378,167 |

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 three month period was \$10,203,842 (2019 - \$9,189,173) and \$28,539,113 (2019 - \$25,676,893) for the nine month period. No inventory write downs were recognized in 2020 or 2019.

ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
September 30, 2020
(Unaudited)

5. DISPOSAL OF RETAIL STORES

In Q1 2020 the Company sold one store and in Q3 2020 sold two stores resulting in a total of three stores sold during 2020. No stores were sold in 2019. The proceeds were allocated to the assets as follows:

| Carrying Value | Note | Sep 30, 2020 | Sep 30, 2019 |
|--|------|-------------------|--------------|
| Cash and cash equivalents | | \$ 678 | - |
| Inventory | | 226,144 | - |
| Property and equipment | | 91,369 | - |
| Goodwill | 6 | 92,409 | - |
| Carrying value of net assets sold | | \$ 410,600 | \$ - |
| | | | |
| Total cash consideration received | | \$ 366,822 | - |
| Gain on sale of property and equipment | | (48,631) | - |
| Loss on goodwill | 6 | 92,409 | - |
| Carrying value of net assets sold | | \$ 410,600 | \$ - |

6. GOODWILL

In Q1 2020 the Company sold one liquor store and sold two in Q2 2020 resulting in a deemed disposition of goodwill allocated to the associated liquor store CGU of \$92,409, included in loss on disposal of property and equipment and goodwill on the consolidated statement of comprehensive loss.

| | Note | Liquor Store CGU |
|-------------------------------|------|---------------------|
| Balance Dec 31, 2018 and 2019 | | \$ 6,307,819 |
| Goodwill disposed | 5 | (92,409) |
| Balance Sep 30, 2020 | | \$ 6,215,410 |

7. OPERATING FACILITY LOAN AND BANK LOAN

Through the Toronto-Dominion Bank ("TD"), the Company has signed a new credit agreement effective Jun 30, 2020. The agreement allows for total availability up to a maximum of \$9,250,000, split between two facilities: 1) "Operating Facility" of \$5,400,000 and 2) "Bank Loan" of \$3,250,000.

The operating facility availability is calculated as the lesser of i) \$5,400,000 and ii) 75% of accounts receivable to a maximum of \$1,000,000, plus 70% of the value of inventory plus goods and services tax and bottle deposits, less trade payables related to liquor and unremitted source deductions. This facility is a revolving loan and is due upon demand.

The bank loan is a demand reducing facility to be repaid by quarterly payments of \$300,000 over three years beginning Jun 30, 2020. Below is a summary of the utilization of the facilities. As both facilities are due upon demand, they are each classified as current liabilities under IFRS.

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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
September 30, 2020
(Unaudited)

7. OPERATING FACILITY LOAN AND BANK LOAN (continued)

Classification under IFRS

| Current Liabilities: | Sep 30, 2020 | Dec 31, 2019 |
|---|---------------------|---------------------|
| Operating facility | \$ 2,948,515 | \$ 7,854,890 |
| Bank loan | 3,250,000 | - |
| Total utilization of TD's facilities | \$ 6,198,515 | \$ 7,854,890 |

The nature of the agreement with TD is for the bank loan facility to be repaid over a period of three years. Presentation based on the nature of the agreement would classify \$1,200,000 of the bank loan as current as it is due within 12 months' time; \$2,050,000 would be classified as long term.

Non-IFRS Presentation

| | Sep 30, 2020 | Dec 31, 2019 |
|---|---------------------|---------------------|
| Current Liability: | | |
| Operating facility loan | \$ 2,948,515 | \$ 7,854,890 |
| Current portion of bank loan | 1,200,000 | - |
| Total current | 4,148,515 | 7,854,890 |
| Non Current Liability: | | |
| Bank loan | 2,050,000 | - |
| Total utilization of TD's Facilities | \$ 6,198,515 | \$ 7,854,890 |

Both facilities bear interest at prime plus 2.65%. Interest only payments are due monthly, secured by a general security agreement representing a first charge on all assets. Drawdowns and repayments are disclosed on the consolidated statements of cash flows on a net basis.

8. FINANCE COSTS

| | 3 Months Sep 30, 2020 | 9 Months Sep 30, 2020 | 3 Months Sep 30, 2019 | 9 Months Sep 30, 2019 |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Bank loan interest | \$ 91,521 | \$ 325,571 | \$ 146,763 | \$ 433,941 |
| Convertible debenture interest | - | - | 2,855 | 258,177 |
| Notional accretive interest | - | - | 1,628 | 143,915 |
| | \$ 91,521 | \$ 325,571 | \$ 151,246 | \$ 836,033 |

The Company had a \$6,865,000 unsecured subordinated convertible debenture (the "Debenture") that it redeemed on Jul 3, 2019. Notional accretive interest associated with the Debenture was \$1,628 for the three month period ending Sep 30, 2019 and \$143,915 for the nine month period ending Sep 30, 2019.

ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
September 30, 2020
(Unaudited)

9. SHARE CAPITAL

Authorized - Unlimited common shares

| | Number | Amount |
|--|-------------------|---------------------|
| Balance Dec 31, 2018 | 56,791,788 | \$ 4,667,442 |
| Issued upon debenture redemption Jul 3, 2019 | 180,657,895 | 2,709,869 |
| Consolidated Sep 23, 2019 | (189,959,746) | - |
| Balance Dec 31, 2019 and Sep 30, 2020 | 47,489,937 | \$ 7,377,311 |

The \$6,865,000 Debenture was redeemed on Jul 3, 2019 through issuance of 180,657,895 shares, resulting in a non-recurring gain of \$3,472,811. On Sep 23, 2019, the Company consolidated its issued and outstanding common shares on the basis of five pre-consolidation common shares for each one post-consolidation common share (the "Share Consolidation"). As a result of the Share Consolidation, the 237,449,683 pre-consolidation shares were consolidated to 47,489,937 post-consolidation shares. All references in the consolidated financial statements including amounts in the comparative period and the notes to the consolidated financial statements have been adjusted to reflect this share consolidation.

10. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

| | Amount |
|---|---------------------|
| Balance at Dec 31, 2019 and Sep 30, 2020 | \$ 1,014,911 |

11. 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.

12. EARNINGS PER COMMON SHARE

Basic Net Earnings per Common Share

The calculation of basic earnings per common share for the period ending Sep 30, 2020 was based on the interim net comprehensive income of \$690,782 (2019 – \$3,596,094) for the three month period and for the nine month period interim net comprehensive income of \$1,386,289 (2019 – \$2,873,373) and a weighted average number of shares outstanding of 47,489,937 (2019 – 29,275,661).

Diluted Net Earnings per Common Share

The calculation of diluted net earnings per common share for the period ending Sep 30, 2020 was based on the interim net comprehensive income of \$690,782 (2019 – \$3,596,094) for the three month period and for the nine month period interim net comprehensive income of \$1,386,289 (2019 – \$2,873,373) and a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares of 47,489,937 (2019 – 29,275,661).

Weighted average number of shares has been adjusted for share consolidation in 2019 as explained in Note 9. All references in the consolidated financial statements including amounts in the comparative period and the notes to the consolidated financial statements have been adjusted to reflect this share consolidation.

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.

As at Sep 30, 2020 and Dec 31, 2019 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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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
September 30, 2020
(Unaudited)

13. FINANCIAL INSTRUMENTS (continued)

| | Sep 30, 2020 | | Dec 31, 2019 | |
|--|----------------|----------------------|----------------|----------------------|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Financial Assets at Amortized Cost | | | | |
| Cash and cash equivalents | \$ 85,559 | \$ 85,559 | \$ 253,219 | \$ 253,219 |
| Accounts receivable | 181,439 | 181,439 | 328,236 | 328,236 |
| Loans receivable | - | - | 29,807 | 29,807 |
| Financial Liabilities at Amortized Cost | | | | |
| Accounts payable and accrued liabilities | 543,988 | 543,988 | 355,417 | 355,417 |
| Operating facility loan | 2,948,515 | 2,948,515 | 7,854,890 | 7,854,890 |
| Bank loan | 3,250,000 | 3,250,000 | - | - |

14. LEASES

The Company occupies various leased premises subject to minimum rent payments excluding the Company's proportion of occupancy costs. Lease commitments are based on the current lease term and one renewal period.

Below is a summary of the activity related to right-of-use assets for the period ended Sep 30, 2020:

| | |
|----------------------------------|----------------------|
| Balance at Jan 1, 2019 | \$ 13,546,143 |
| Lease modification adjustment | 942,941 |
| Right-of-use assets depreciation | (1,385,303) |
| Balance at Dec 31, 2019 | \$ 13,103,781 |
| Lease modification adjustment | (603,658) |
| Right-of-use assets depreciation | (860,350) |
| Balance at Sep 30, 2020 | \$ 11,639,773 |

Right-of-use assets depreciation was recognized in the statement of comprehensive income.

Below is a summary of the activity related to lease liabilities for the period ended Sep 30, 2020:

| | |
|--------------------------------------|----------------------|
| Balance at Jan 1, 2019 | \$ 13,546,143 |
| Lease modification adjustment | 942,941 |
| Finance costs on lease liabilities | 658,183 |
| Lease payments | (1,719,049) |
| Balance at Dec 31, 2019 | \$ 13,428,218 |
| Lease modification adjustment | (603,658) |
| Finance costs on lease liabilities | 452,421 |
| Lease payments | (1,268,496) |
| Balance at Sep 30, 2020 | \$ 12,008,485 |
| Current portion of lease liabilities | \$ 1,439,806 |
| Non-current lease liabilities | 10,568,679 |
| Balance at Sep 30, 2020 | \$ 12,008,485 |

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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
September 30, 2020
(Unaudited)

14. LEASES (continued)

Finance costs on lease liabilities were recognized in the statement of comprehensive income and lease payments were recognized in the statement of cash flows.

15. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

| | 3 Months | 9 Months | 3 Months | 9 Months |
|--|---------------------|---------------------|---------------------|---------------------|
| | Sep 30, 2020 | Sep 30, 2020 | Sep 30, 2019 | Sep 30, 2019 |
| Cash provided by (used in) | | | | |
| Accounts receivable | \$ 81,700 | \$ 146,797 | \$ 473,588 | \$ (63,820) |
| Inventory | 405,333 | (775,585) | (118,466) | (624,791) |
| Prepaid expenses and deposits | 39,988 | 100,240 | 29,708 | (23,459) |
| Accounts payable and accrued liabilities | 197,411 | 188,571 | (547,100) | (79,737) |
| Goods and services tax payable | 8,725 | (14,896) | 21,672 | (36,246) |
| Income taxes recoverable | - | - | 10,694 | 10,694 |
| | \$ 733,157 | \$ (354,873) | \$ (129,904) | \$ (817,359) |