

Interim (unaudited) Consolidated Financial Statements of

ROCKY MOUNTAIN LIQUOR INC

September 30, 2021

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	Sep 30, 2021 \$	Dec 31, 2020 \$
ASSETS			
CURRENT			
Cash and cash equivalents		118,966	146,992
Accounts receivable		295,921	438,200
Inventory		5,341,005	4,797,145
Prepaid expenses and deposits		195,054	121,994
		5,950,946	5,504,331
NON-CURRENT			
PROPERTY AND EQUIPMENT		1,475,419	1,559,727
GOODWILL	6	6,215,410	6,215,410
RIGHT-OF-USE ASSETS	12	12,714,016	13,508,198
		26,355,791	26,787,666
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		695,774	554,186
Goods and services tax payable		64,692	80,380
Operating facility	7	2,011,862	2,257,731
Current portion of bank loan	7	815,388	2,950,000
Current portion of lease liabilities	12	1,583,725	1,551,951
		5,171,441	7,394,248
NON-CURRENT			
BANK LOAN	7	1,582,507	-
LEASE LIABILITIES	12	11,666,460	12,386,479
		18,420,408	19,780,727
SHAREHOLDERS' EQUITY			
Share capital	8	7,377,311	7,377,311
Contributed surplus	9	1,014,911	1,014,911
Accumulated deficit		(456,839)	(1,385,283)
		7,935,383	7,006,939
		26,355,791	26,787,666

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)

	Share capital	Contributed surplus	Accumulated deficit	Total
Balance at Dec 31, 2019	7,377,311	1,014,911	(2,905,888)	5,486,334
Net comprehensive income for the period	-	-	1,520,605	1,520,605
Balance at Dec 31, 2020	7,377,311	1,014,911	(1,385,283)	7,006,939
Net comprehensive income for the period	-	-	928,444	928,444
Balance at Sep 30, 2021	7,377,311	1,014,911	(456,839)	7,935,383

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, 2021 \$	9 months ended Sep 30, 2021 \$	3 months ended Sep 30, 2020 \$	9 months ended Sep 30, 2020 \$
SALES		11,778,727	33,751,721	13,210,088	36,953,004
COST OF SALES	4	9,057,768	26,082,300	10,203,842	28,539,113
		2,720,959	7,669,421	3,006,246	8,413,891
OPERATING AND ADMINISTRATIVE EXPENSES		1,695,710	5,014,294	1,770,081	5,068,407
INCOME FROM OPERATIONS		1,025,249	2,655,127	1,236,165	3,345,484
PROPERTY AND EQUIPMENT DEPRECIATION		69,698	208,843	77,779	240,268
RIGHT-OF-USE ASSETS DEPRECIATION		264,727	794,182	230,107	860,350
FINANCE COSTS ON LEASE LIABILITIES		165,769	505,495	122,729	452,421
OTHER EXPENSES (INCOME)					
Finance costs		56,629	209,375	91,521	325,571
Loss (gain) on disposal of property and equipment and goodwill		317	5,953	(520)	43,780
Store closure expenses		-	2,835	23,986	38,054
Other income		-	-	(219)	(1,249)
		557,140	1,726,683	545,383	1,959,195
INCOME BEFORE TAX		468,109	928,444	690,782	1,386,289
INCOME TAXES		-	-	-	-
NET COMPREHENSIVE INCOME		468,109	928,444	690,782	1,386,289
Basic income per share	11	0.01	0.02	0.01	0.03
Diluted income per share	11	0.01	0.02	0.01	0.03
Weighted average number of shares - basic		47,489,937	47,489,937	47,489,937	47,489,937
Weighted average number of shares - diluted		47,489,937	47,489,937	47,489,937	47,489,937

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 Sep 30, 2021	9 months ended Sep 30, 2021	3 months ended Sep 30, 2020	9 months ended Sep 30, 2020
	Note	\$	\$	\$	\$
OPERATING ACTIVITIES					
Net comprehensive income		468,109	928,444	690,782	1,386,289
Items not affecting cash					
Property and equipment depreciation		69,698	208,843	77,779	240,268
Right-of-use assets depreciation		264,727	794,182	230,107	860,350
Loss (gain) on disposal of property and equipment and goodwill		317	5,953	(520)	43,780
Finance costs on lease liabilities		165,769	505,495	122,729	452,421
Changes in non-cash working capital	13	872,551	(348,741)	733,157	(354,873)
Cash flow from operating activities		1,841,171	2,094,176	1,854,034	2,628,235
INVESTING ACTIVITIES					
Purchase of property and equipment		(67,490)	(130,488)	(15,994)	(43,881)
Proceeds on disposal of property and equipment		-	-	100,000	143,050
Cash flow (used in) from investing activities		(67,490)	(130,488)	84,006	99,169
FINANCING ACTIVITIES					
Payment to operating facility and bank loan		(1,479,952)	(797,974)	(1,637,186)	(1,656,375)
Lease payments		(407,893)	(1,193,740)	(412,899)	(1,268,496)
Repayment of loans receivable		-	-	21,919	29,807
Cash flow used in financing activities		(1,887,845)	(1,991,714)	(2,028,166)	(2,895,064)
DECREASE IN CASH		(114,164)	(28,026)	(90,126)	(167,660)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD		233,130	146,992	175,685	253,219
CASH AND CASH EQUIVALENTS - END OF PERIOD		118,966	118,966	85,559	85,559
CASH FLOWS SUPPLEMENTARY INFORMATION					
Interest paid		56,629	209,375	91,521	325,571
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, 2021 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, 2021.

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 2020 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. 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 throughout 2020 and 2021 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 an impact on the Company. The Company's financial results in the three and nine month period in 2020 showed increased sales, driven by increased demand for liquor retail products following the onset of the crisis as a result of consumers turning to liquor retailers in lieu of licensed establishments. The full economic impact the pandemic will have on the Company, its judgements and estimates remain uncertain and are dependent on the severity and duration of the virus. In Alberta, liquor retail was immediately recognized as an essential business and has not experienced compulsory closure as a result of the COVID-19. As at Nov 25, 2021, 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.

3. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the three month period ended Sep 30, 2021, the Company paid rents of \$22,275 (2020 - \$22,275), and \$66,825 for the nine month period (2020 - \$66,825) in respect of three retail liquor stores, to privately held companies in which a key member of management 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		9 months	
	Sep 30, 2021		Sep 30, 2021	
			3 months	9 months
			Sep 30, 2020	Sep 30, 2020
Wages and salaries	\$	174,375	\$	480,875
Other		978		3,131
	\$	175,353	\$	484,006
			\$	158,625
				\$
			756	469,875
				2,606
			\$	472,481

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 \$9,057,768 (2020 - \$10,203,842) and \$26,082,300 (2020 - \$28,539,113) for the nine month period. No inventory write downs were recognized in 2021 or 2020.

ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
September 30, 2021
(Unaudited)

5. SALE OF RETAIL STORE

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 2021. The proceeds were allocated to the assets as follows:

	Note	Sep 30, 2021	Sep 30, 2020
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

During 2020 the Company sold three liquor stores 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, 2019		\$ 6,307,819
Goodwill disposed	5	(92,409)
Balance Dec 31, 2020 and Sep 30, 2021		\$ 6,215,410

7. OPERATING FACILITY LOAN AND BANK LOAN

On May 31, 2021, through the Toronto-Dominion Bank ("TD"), the Company executed a credit agreement providing total availability up to a maximum of \$8,050,000 split between two facilities: 1) a demand, "operating facility" of \$5,400,000 and 2) a "term loan" of \$2,650,000. Both facilities bear interest at prime plus 1.5% per annum.

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 plus up to \$250,000 cash-in-transit allowances. Interest only payments are due monthly.

The term loan is amortized over 39 months, with monthly payments of interest and principal.

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7. OPERATING FACILITY LOAN AND BANK LOAN (CONTINUED)

	Sep 30, 2021	Dec 31, 2020
Current Liabilities:		
Operating facility	\$ 2,011,862	\$ 2,257,731
Bank loan	815,388	2,950,000
Total current	2,827,250	5,207,731
Long term portion of bank loan	1,582,507	-
Total utilization of TD's facilities	\$ 4,409,757	\$ 5,207,731

Both facilities are 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. The agreement includes a debt service covenant of adjusted EBITDA - unfinanced net capital expenditures - permitted distributions - cash taxes / (scheduled principal payments + interest), calculated based on a rolling four-quarter period, requiring the Company to maintain a ratio of actual earnings before interest, taxes, depreciation, and amortization (EBITDA) to projected EBITDA, on a standalone quarterly basis. As at Sep 30, 2021, the Company is in compliance with this covenant.

8. SHARE CAPITAL

Authorized - Unlimited common shares

	Number	Amount
Balance Dec 31, 2020 and Sep 30, 2021	47,489,937	\$ 7,377,311

9. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

	Amount
Balance at Dec 31, 2020 and Sep 30, 2021	\$ 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. EARNINGS PER COMMON SHARE

Basic Net Earnings per Common Share

The calculation of basic earnings per common share for the period ending Sep 30, 2021, was based on the interim net comprehensive income of \$468,109 (2020 – \$690,782) for the three month period and for the nine month period interim net comprehensive income of \$928,444 (2020 - \$1,386,289) and a weighted average number of shares outstanding of 47,489,937 (2020 – 47,489,937).

Diluted Net Earnings per Common Share

The calculation of diluted net earnings per common share for the period ending Sep 30, 2021, was based on the interim net comprehensive income of \$468,109 (2020 – \$690,782) for the three month period and for the nine month period interim net comprehensive income of \$928,444 (2020 - \$1,386,289) and a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares of 47,489,937 (2020 – 47,489,937).

12. 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, 2021:

	Sep 30, 2021	Dec 31, 2020
Opening balance	\$ 13,508,198	\$ 13,103,781
Lease modification adjustment	-	1,544,062
Right-of-use assets depreciation	(794,182)	(1,139,645)
Balance end of period	12,714,016	13,508,198

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, 2021:

	Sep 30, 2021	Dec 31, 2020
Opening balance	\$ 13,938,430	\$ 13,428,218
Lease modification adjustment	-	1,544,062
Finance costs on lease liabilities	505,495	626,305
Lease payments	(1,193,740)	(1,660,155)
Balance end of period	\$ 13,250,185	\$ 13,938,430
Current portion of lease liabilities	\$ 1,583,725	\$ 1,551,951
Non-current lease liabilities	11,666,460	12,386,479
Balance end of period	\$ 13,250,185	\$ 13,938,430

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

ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
September 30, 2021
(Unaudited)

13. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	3 Months Sep 30, 2021	9 Months Sep 30, 2021	3 Months Sep 30, 2020	9 Months Sep 30, 2020
Cash (used in) provided by				
Accounts receivable	\$ 21,261	\$ 142,279	\$ 81,700	\$ 146,797
Inventory	564,875	(543,860)	405,333	(775,585)
Prepaid expenses and deposits	4,369	(73,060)	39,988	100,240
Accounts payable and accrued liabilities	282,312	141,588	197,411	188,571
Goods and services tax payable	(266)	(15,688)	8,725	(14,896)
	\$ 872,551	\$ (348,741)	\$ 733,157	\$ (354,873)

14. FINANCIAL INSTRUMENTS

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

As at Sep 30, 2021, and Dec 31, 2020, 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, 2021		Dec 31, 2020	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets at Amortized Cost				
Cash and cash equivalents	\$ 118,966	\$ 118,966	\$ 146,992	\$ 146,992
Accounts receivable	295,921	295,921	438,200	438,200
Financial Liabilities at Amortized Cost				
Accounts payable and accrued liabilities	695,774	695,774	554,186	554,186
Operating facility loan	2,011,862	2,011,862	2,257,731	2,257,731
Bank loan	2,397,895	2,397,895	2,950,000	2,950,000