

Interim (unaudited) Consolidated Financial Statements of

ROCKY MOUNTAIN LIQUOR INC

March 31, 2022

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	5-9

ROCKY MOUNTAIN LIQUOR INC

Interim Consolidated Statements of Financial Position

(unaudited)

As at	Note	Mar 31, 2022 \$	Dec 31, 2021 \$
ASSETS			
CURRENT			
Cash and cash equivalents		31,283	118,015
Accounts receivable		179,872	433,401
Inventory		5,570,616	4,951,276
Prepaid expenses and deposits		236,415	168,647
Goods and services tax receivable		3,606	-
		6,021,792	5,671,339
NON-CURRENT			
PROPERTY AND EQUIPMENT		1,391,067	1,423,661
GOODWILL		6,215,410	6,215,410
DEFERRED TAX ASSETS		196,373	196,373
RIGHT-OF-USE ASSETS	10	12,217,583	12,449,339
		26,042,225	25,956,122
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		553,280	595,710
Operating facility	5	2,662,986	1,861,671
Current portion of bank loan	5	792,995	815,388
Current portion of lease liabilities	10	1,487,070	1,481,750
Goods and services tax payable		-	57,164
		5,496,331	4,811,683
NON-CURRENT			
BANK LOAN	5	1,213,876	1,387,751
LEASE LIABILITIES	10	11,394,004	11,607,084
		18,104,211	17,806,518
SHAREHOLDERS' EQUITY			
Share capital	6	7,377,311	7,377,311
Contributed surplus	7	1,014,911	1,014,911
Accumulated deficit		(454,208)	(242,618)
		7,938,014	8,149,604
		26,042,225	25,956,122

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, 2020	7,377,311	1,014,911	(1,385,283)	7,006,939
Net comprehensive income for the period	-	-	1,142,665	1,142,665
Balance at Dec 31, 2021	7,377,311	1,014,911	(242,618)	8,149,604
Net comprehensive loss for the period	-	-	(211,590)	(211,590)
Balance at Mar 31, 2022	7,377,311	1,014,911	(454,208)	7,938,014

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	2022 \$	2021 \$
SALES		8,643,349	9,496,824
COST OF SALES	4	6,707,864	7,381,236
		1,935,485	2,115,588
OPERATING AND ADMINISTRATIVE EXPENSES		1,642,842	1,640,338
INCOME FROM OPERATIONS		292,643	475,250
PROPERTY AND EQUIPMENT DEPRECIATION		63,229	69,022
RIGHT-OF-USE ASSETS DEPRECIATION	10	231,756	249,727
FINANCE COSTS ON LEASE LIABILITIES	10	163,305	162,713
OTHER EXPENSES			
Finance costs		45,615	72,923
Loss on disposal of property and equipment		328	5,138
Store closure expenses		-	2,835
		504,233	562,358
LOSS BEFORE TAX		(211,590)	(87,108)
INCOME TAXES		-	-
NET COMPREHENSIVE LOSS		(211,590)	(87,108)
Basic loss per share	9	(0.00)	(0.00)
Diluted loss per share	9	(0.00)	(0.00)
Weighted average number of shares - basic		47,489,937	47,489,937
Weighted average number of shares - diluted		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 months ended Mar 31

	Note	2022 \$	2021 \$
OPERATING ACTIVITIES			
Net comprehensive loss		(211,590)	(87,108)
Items not affecting cash			
Property and equipment depreciation		63,229	69,022
Right-of-use assets depreciation	10	231,756	249,727
Loss on disposal of property and equipment and goodwill		328	5,138
Finance costs on lease liabilities	10	163,305	162,713
Changes in non-cash working capital	11	(536,779)	(920,875)
Cash flow used in operating activities		(289,751)	(521,383)
INVESTING ACTIVITIES			
Purchase of property and equipment		(30,963)	(56,545)
Cash flow used in investing activities		(30,963)	(56,545)
FINANCING ACTIVITIES			
Lease payments	10	(371,065)	(370,117)
Proceeds from operating facility and bank loan		605,047	885,097
Cash flow from financing activities		233,982	514,980
DECREASE IN CASH		(86,732)	(62,948)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD		118,015	146,992
CASH AND CASH EQUIVALENTS - END OF PERIOD		31,283	84,044
CASH FLOWS SUPPLEMENTARY INFORMATION			
Interest paid		45,615	72,923
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, 2022 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 May 5, 2022.

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 2021 annual consolidated financial statements.

The preparation of these 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.

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

Impact of COVID-19 Pandemic

The novel coronavirus pandemic has had an impact on the Company. The Company's financial results for the first quarter 2021 showed increased sales, driven by increased demand for liquor retail products as a result of consumers turning to liquor retailers in lieu of licensed establishments. 2022 sales have reduced from 2021 as a result of the re-opening 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. For the quarter ended Mar 31, 2022, all locations remained open and operational.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. COVID-19 may also have an impact on the seasonality of sales. 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 \$22,275 (2021 - \$22,275), 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:

	Mar 31, 2022	Mar 31, 2021
Wages and salaries	\$ 131,625	\$ 129,250
Other	1,197	1,178
	\$ 132,822	\$ 130,428

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, 2022 was \$6,707,864 (2021 - \$7,381,236). No inventory write downs were recognized in 2022 or 2021.

5. BANK LOAN

On May 31, 2021, through the Toronto-Dominion Bank ("TD"), the Company modified its existing 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.

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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
March 31, 2022
(Unaudited)

5. BANK LOAN (continued)

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.

	Mar 31, 2022	Dec 31, 2021
Current Liabilities:		
Operating facility	\$ 2,662,986	\$ 1,861,671
Bank loan	792,995	815,388
Total current	3,455,981	2,677,059
Long term portion of bank loan	1,213,876	1,387,751
Total utilization of TD's facilities	\$ 4,669,857	\$ 4,064,810

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 Mar 31, 2022 the Company is in compliance with this covenant.

6. SHARE CAPITAL

Authorized - Unlimited common shares

	Number	Amount
Balance Dec 31, 2021 and Mar 31, 2022	47,489,937	\$ 7,377,311

7. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

	Amount
Balance at Dec 31, 2021 and Mar 31, 2022	\$ 1,014,911

8. 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.

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8. STOCK OPTION PLAN (continued)

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.

9. EARNINGS PER COMMON SHARE

Basic Net Earnings per Common Share

The calculation of basic earnings per common share for the period ending Mar 31, 2022 was based on the interim net comprehensive loss of \$211,590 (2021 – \$87,108) and a weighted average number of shares outstanding of 47,489,937 (2021 – 47,489,937).

Diluted Net Earnings per Common Share

The calculation of diluted net earnings per common share for the period ending Mar 31, 2022 was based on the interim net comprehensive loss of \$211,590 (2021 – \$87,108) and a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares of 47,489,937 (2021 – 47,489,937).

10. 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. In addition to the leases with the fixed minimum rental payments, the Company entered into a lone lease with a term of five years and a monthly rental based on standalone store performance.

Below is a summary of the activity related to right-of-use assets for the period ended Mar 31, 2022:

	Mar 31, 2022	Dec 31, 2021
Opening balance	\$ 12,449,339	\$ 13,508,198
Lease modification adjustment	-	17,094
Right-of-use assets depreciation	(231,756)	(1,075,953)
Balance end of period	12,217,583	12,449,339

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 Mar 31, 2022:

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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
March 31, 2022
(Unaudited)

10. LEASES (continued)

	Mar 31, 2022	Dec 31, 2021
Opening balance	\$ 13,088,834	\$ 13,938,430
Lease modification adjustment	-	17,094
Finance costs on lease liabilities	163,305	703,740
Lease payments	(371,065)	(1,570,430)
Balance end of period	\$ 12,881,074	\$ 13,088,834
Current portion of lease liabilities	\$ 1,487,070	\$ 1,481,750
Non-current lease liabilities	11,394,004	11,607,084
Balance end of period	\$ 12,881,074	\$ 13,088,834

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

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Mar 31, 2022	Mar 31, 2021
Cash provided by (used in)		
Accounts receivable	\$ 253,529	\$ 237,007
Inventory	(619,340)	(935,017)
Prepaid expenses and deposits	(67,768)	(64,031)
Goods and services tax receivable	(3,606)	(7,535)
Accounts payable and accrued liabilities	(42,430)	(70,919)
Goods and services tax payable	(57,164)	(80,380)
	\$ (536,779)	\$ (920,875)

12. FINANCIAL INSTRUMENTS

For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, operating facility and bank loan, the carrying value approximates fair value.

As at Mar 31, 2022 and Dec 31, 2021 the classification of the Company's financial instruments as well as their carrying amounts and fair values, are shown in the table below.

	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets at Amortized Cost				
Cash and cash equivalents	\$ 31,283	\$ 31,283	\$ 118,015	\$ 118,015
Accounts receivable	179,872	179,872	433,401	433,401
Financial Liabilities at Amortized Cost				
Operating facility	2,662,986	2,662,986	1,861,671	1,861,671
Bank loan	2,006,871	2,006,871	2,203,139	2,203,139
Accounts payable and accrued liabilities	553,280	553,280	595,710	595,710