

Interim (unaudited) Consolidated Financial Statements of

ROCKY MOUNTAIN LIQUOR INC

March 31, 2023

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, 2023	Dec 31, 2022
		\$	\$
ASSETS			
CURRENT			
Cash and cash equivalents		91,840	146,918
Accounts receivable		215,436	443,694
Inventory		5,159,215	4,651,879
Prepaid expenses and deposits		391,968	245,992
		5,858,459	5,488,483
NON-CURRENT			
PROPERTY AND EQUIPMENT		1,252,371	1,229,236
GOODWILL		6,223,382	6,188,382
DEFERRED TAX ASSETS		144,139	144,139
RIGHT-OF-USE ASSETS	10	10,477,333	10,727,805
		23,955,684	23,778,045
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		608,054	470,846
Operating facility	5	2,309,698	1,622,322
Current portion of bank loan	5	526,459	519,487
Current portion of lease liabilities	10	1,371,621	1,443,806
Goods and services tax payable		31,379	73,738
		4,847,211	4,130,199
NON-CURRENT			
BANK LOAN	5	821,701	952,005
LEASE LIABILITIES	10	10,090,660	10,209,471
		15,759,572	15,291,675
SHAREHOLDERS' EQUITY			
Share capital	6	7,427,311	7,427,311
Contributed surplus	7	1,024,148	1,024,148
(Accumulated deficit) retained earnings		(255,347)	34,911
		8,196,112	8,486,370
		23,955,684	23,778,045

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)

	Note	Share capital	Contributed surplus	(Accumulated deficit) retained earnings	Total
Balance at Dec 31, 2021		7,377,311	1,014,911	(242,618)	8,149,604
Share based payments	6, 7	50,000	9,237	-	59,237
Net comprehensive income for the period		-	-	277,529	277,529
Balance at Dec 31, 2022		7,427,311	1,024,148	34,911	8,486,370
Net comprehensive loss for the period		-	-	(290,258)	(290,258)
Balance at Mar 31, 2023		7,427,311	1,024,148	(255,347)	8,196,112

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	2023 \$	2022 \$
SALES		8,382,233	8,643,349
COST OF SALES	4	6,468,042	6,707,864
		1,914,191	1,935,485
OPERATING AND ADMINISTRATIVE EXPENSES		1,669,442	1,642,842
INCOME FROM OPERATIONS		244,749	292,643
PROPERTY AND EQUIPMENT DEPRECIATION		55,657	63,229
RIGHT-OF-USE ASSETS DEPRECIATION	10	250,472	231,756
FINANCE COSTS ON LEASE LIABILITIES	10	146,558	163,305
OTHER EXPENSES			
Finance costs		72,538	45,615
Loss on disposal of property and equipment		817	328
Store closure expenses		8,965	-
		535,007	504,233
LOSS BEFORE TAX		(290,258)	(211,590)
INCOME TAXES		-	-
NET COMPREHENSIVE LOSS		(290,258)	(211,590)
Basic loss per share	9	(0.01)	(0.00)
Diluted loss per share	9	(0.01)	(0.00)
Weighted average number of shares - basic		47,827,775	47,489,937
Weighted average number of shares - diluted		48,020,083	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	2023 \$	2022 \$
OPERATING ACTIVITIES			
Net comprehensive loss		(290,258)	(211,590)
Items not affecting cash			
Property and equipment depreciation		55,657	63,229
Right-of-use assets depreciation	10	250,472	231,756
Loss on disposal of property and equipment and goodwill		817	328
Finance costs on lease liabilities	10	146,558	163,305
Changes in non-cash working capital	11	(330,205)	(536,779)
Cash flow used in operating activities		(166,959)	(289,751)
INVESTING ACTIVITIES			
Purchase of property and equipment		(114,609)	(30,963)
Cash flow used in investing activities		(114,609)	(30,963)
FINANCING ACTIVITIES			
Lease payments	10	(337,554)	(371,065)
Proceeds from operating facility and bank loan		564,044	605,047
Cash flow from financing activities		226,490	233,982
DECREASE IN CASH		(55,078)	(86,732)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD		146,918	118,015
CASH AND CASH EQUIVALENTS - END OF PERIOD		91,840	31,283
CASH FLOWS SUPPLEMENTARY INFORMATION			
Interest paid		72,538	45,615
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, 2023 Andersons operated 25 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 23, 2023.

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 2022 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.

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 \$23,946 (Mar 2022 - \$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. Included in accounts payable at Dec 31, 2022 is \$92,717 due to a director. The loan agreement between related parties provides an interest rate of 5% per annum. Interest expense is \$2,337 (Mar 2022 - \$nil).

Key Management Personnel Compensation

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

	Mar 31, 2023	Mar 31, 2022
Wages and salaries	\$ 137,125	\$ 131,625
Other	1,209	1,197
	\$ 138,334	\$ 132,822

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, 2023 was \$6,468,042 (2022 - \$6,707,864). No inventory write downs were recognized in 2023 or 2022.

5. OPERATING FACILITY AND BANK LOAN

Through the Toronto-Dominion Bank ("TD"), the Company has 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 1.25% 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 36 months, with monthly payments of interest and principal. Effective Nov 1, 2022, the Company extended its term loan for an additional year, to Aug 30, 2025 from Aug 30, 2024. The extension did not result in a loan modification under IFRS 9.

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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
March 31, 2023
(Unaudited)

5. OPERATING FACILITY AND BANK LOAN (continued)

	Mar 31, 2023	Dec 31, 2022
Current Liabilities:		
Operating facility	\$ 2,309,698	\$ 1,622,322
Bank loan	526,459	519,487
Total current	2,836,157	2,141,809
Long term portion of bank loan	821,701	952,005
Total utilization of TD's facilities	\$ 3,657,858	\$ 3,093,814

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. As at Mar 31, 2023 the Company is in compliance with this covenant.

6. SHARE CAPITAL

Authorized - Unlimited common shares

	Number	Amount
Balance at Dec 31, 2022 and Mar 31, 2023	47,827,775	\$ 7,427,311

On May 12, 2022 the Company issued shares worth \$25,000 to each of two individual officers of the Company as approved by the TSX Venture Exchange in accordance with the Company's Option Plan. A total number of 337,838 shares were issued at a price of \$0.148, based on applying the volume-weighted average trading price of listed shares traded for the five trading days immediately preceding the issuance of shares. \$50,000 in share-based compensation expense was recognized for this transaction May 12, 2022. There is \$0 share-based compensation expense in 2023.

7. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

	Note	Amount
Balance at Dec 31, 2022 and Mar 31, 2023		\$ 1,024,148

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.

On May 9, 2022, 192,308 incentive options were issued under the Option Plan, representing 0.4% of the outstanding common shares, vesting immediately. All options expire May 8, 2025. Any shares issued under the Stock Option Plan are subject to the regulatory hold periods.

The options have an exercise price of:

- Year 1: \$0.105
- Year 2: \$0.113
- Year 3: \$0.121

	# of options	Exercise Price	Estimated fair value of options	Weighted average exercise price	Weighted average contractual life remaining
Outstanding Dec 31, 2022	192,308	\$0.105 - \$0.121	9,237	0.115	0.784
Outstanding Mar 31, 2023	192,308	\$0.105 - \$0.121	9,237	0.116	0.701

The options have a term of three years from the date of grant and vest immediately. Share based compensation expense of \$9,237 was recognized May 9, 2022 for these options. There is \$0 share-based compensation expense in 2023.

The fair value of the 192,308 options issued May 9, 2022 has been estimated at \$0.042 per option using the Black-Scholes option-pricing model and applying the following weighted-average assumptions:

Risk-free interest rate	2.3%
Estimated volatility	50.1%
Expected life	3 years
Expected dividend yield	NIL
Expected forfeiture rate	25.0%

9. INCOME PER COMMON SHARE

Basic Income per Common Share

Basic net income per share is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period.

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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Consolidated Financial Statements
March 31, 2023
(Unaudited)

9. INCOME PER SHARE (continued)

	Mar 31, 2023	Mar 31, 2022
Net loss	\$ (290,258)	\$ (211,590)
Weighted average number of common shares outstanding during the period	47,827,775	47,489,937
Basic loss per share	\$ (0.01)	\$ (0.00)

Diluted Income per Common Share

The following table provides a reconciliation from the basic weighted average number of common shares outstanding to the diluted weighted average number of common shares outstanding and diluted income per share.

	Mar 31, 2023	Mar 31, 2022
Basic weighted average number of common shares	47,827,775	47,489,937
Dilutive effect of share options issued May 9, 2022	192,308	-
Diluted weighted average number of common shares	48,020,083	47,489,937
Net loss	(290,258)	(211,590)
Diluted loss/income per share	\$ (0.01)	\$ (0.00)

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, 2023 and Dec 31, 2022:

	Mar 31, 2023	Dec 31, 2022
Opening balance	\$ 10,727,805	\$ 12,449,339
Lease modification adjustment	-	(587,788)
Right-of-use assets depreciation	(250,472)	(1,133,746)
Balance	\$ 10,477,333	\$ 10,727,805

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

Below is a summary of the activity related to lease liabilities for year ended Mar 31, 2023 and Dec 31, 2022:

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ROCKY MOUNTAIN LIQUOR INC
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10. LEASES (continued)

	Mar 31, 2023	Dec 31, 2022
Opening balance	\$ 11,653,277	\$ 13,088,834
Lease modification adjustment	-	(587,788)
Finance costs on lease liabilities	146,558	632,749
Lease payments	(337,554)	(1,480,518)
Balance	\$ 11,462,281	\$ 11,653,277
Current portion of lease liabilities	\$ 1,371,621	\$ 1,443,806
Non-current lease liabilities	10,090,660	10,209,471
Balance	\$ 11,462,281	\$ 11,653,277

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Mar 31, 2023	Mar 31, 2022
Cash provided by (used in)		
Accounts receivable	\$ 228,258	\$ 253,529
Inventory	(507,336)	(619,340)
Prepaid expenses and deposits	(145,976)	(67,768)
Accounts payable and accrued liabilities	137,208	(42,430)
Goods and services tax payable	(42,359)	(60,770)
	\$ (330,205)	\$ (536,779)

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, 2023 and Dec 31, 2022 the classification of the Company's financial instruments as well as their carrying amounts and fair values, are shown in the table below.

	Mar 31, 2023		Dec 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets at Amortized Cost				
Cash and cash equivalents	\$ 91,840	\$ 91,840	\$ 146,918	\$ 146,918
Accounts receivable	215,436	215,436	443,694	443,694
Financial Liabilities at Amortized Cost				
Operating facility	2,309,698	2,309,698	1,622,322	1,622,322
Bank loan	1,348,160	1,348,160	1,471,492	1,471,492
Accounts payable and accrued liabilities	608,054	608,054	470,846	470,846