

*Interim (unaudited) Consolidated Financial Statements of*

**ROCKY MOUNTAIN LIQUOR INC**

*June 30, 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	Jun 30, 2023 \$	Dec 31, 2022 \$
<b>ASSETS</b>			
CURRENT			
Cash and cash equivalents		113,113	146,918
Accounts receivable		344,630	443,694
Inventory		5,301,668	4,651,879
Prepaid expenses and deposits		383,552	245,992
		<b>6,142,963</b>	<b>5,488,483</b>
NON-CURRENT			
PROPERTY AND EQUIPMENT		1,208,756	1,229,236
GOODWILL		6,223,382	6,188,382
DEFERRED TAX ASSETS		144,139	144,139
RIGHT-OF-USE ASSETS	10	10,226,861	10,727,805
		<b>23,946,101</b>	<b>23,778,045</b>
<b>LIABILITIES</b>			
CURRENT			
Accounts payable and accrued liabilities		461,282	470,846
Goods and services tax payable		52,382	73,738
Operating facility	5	2,430,290	1,622,322
Current portion of bank loan	5	536,992	519,487
Current portion of lease liabilities	10	1,374,983	1,443,806
		<b>4,855,929</b>	<b>4,130,199</b>
NON-CURRENT			
BANK LOAN	5	683,766	952,005
LEASE LIABILITIES	10	9,897,607	10,209,471
		<b>15,437,302</b>	<b>15,291,675</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	7,427,311	7,427,311
Contributed surplus	7	1,024,148	1,024,148
Retained Earnings		57,340	34,911
		<b>8,508,799</b>	<b>8,486,370</b>
		<b>23,946,101</b>	<b>23,778,045</b>

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 \$	Retained earnings \$	Total \$
Balance at Dec 31, 2022	6,7	7,427,311	1,024,148	34,911	8,486,370
Net comprehensive income for the period		-	-	22,429	22,429
<b>Balance at Jun 30, 2023</b>	<b>6,7</b>	<b>7,427,311</b>	<b>1,024,148</b>	<b>57,340</b>	<b>8,508,799</b>

*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 6 months ended Jun 30

	Note	3 months ended Jun 30, 2023 \$	6 months ended Jun 30, 2023 \$	3 months ended Jun 30, 2022 \$	6 months ended Jun 30, 2022 \$
SALES		10,921,339	19,303,571	11,053,602	19,696,952
COST OF SALES	4	8,273,222	14,741,264	8,542,627	15,250,491
		2,648,117	4,562,307	2,510,975	4,446,461
OPERATING AND ADMINISTRATIVE EXPENSES		1,794,184	3,463,626	1,757,151	3,399,993
INCOME FROM OPERATIONS		853,933	1,098,681	753,824	1,046,468
PROPERTY AND EQUIPMENT DEPRECIATION		61,254	116,912	63,713	126,942
RIGHT-OF-USE ASSETS DEPRECIATION	10	250,472	500,944	231,755	463,512
FINANCE COSTS ON LEASE LIABILITIES	10	146,558	293,116	163,307	326,613
OTHER EXPENSES					
Finance costs		81,500	154,038	63,584	109,197
Loss on disposal of property and equipment and goodwill		1,460	2,277	1,360	1,688
Store closure expenses		-	8,965	-	-
		541,244	1,076,252	523,719	1,027,952
INCOME BEFORE TAX		312,689	22,429	230,105	18,516
INCOME TAXES		-	-	-	-
NET COMPREHENSIVE INCOME		312,689	22,429	230,105	18,516
Basic income per share	9	0.01	0.00	0.00	0.00
Diluted income per share	9	0.01	0.00	0.00	0.00
Weighted average number of shares - basic		47,827,775	47,827,775	47,583,262	47,583,262
Weighted average number of shares - diluted		48,020,083	48,020,083	47,639,574	47,639,574

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 6 months ended Jun 30

		3 months ended Jun 30, 2023	6 months ended Jun 30, 2023	3 months ended Jun 30, 2022	6 months ended Jun 30, 2022
	Note	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Net comprehensive income		312,689	22,429	230,105	18,516
Items not affecting cash					
Property and equipment depreciation		61,254	116,912	63,713	126,942
Right-of-use assets depreciation	10	250,472	500,944	231,755	463,512
Loss on disposal of property and equipment		1,460	2,277	1,360	1,688
Finance costs on lease liabilities	10	146,558	293,116	163,307	326,613
Stock based compensation		-	-	59,237	59,237
Changes in non-cash working capital	11	(389,000)	(719,205)	(841,251)	(1,378,030)
<b>Cash flow from (used in) operating activities</b>		<b>383,433</b>	<b>216,473</b>	<b>(91,774)</b>	<b>(381,522)</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of property and equipment		(19,100)	(98,709)	(9,543)	(40,506)
Purchase of goodwill		-	(35,000)	-	-
<b>Cash flow used in investing activities</b>		<b>(19,100)</b>	<b>(133,709)</b>	<b>(9,543)</b>	<b>(40,506)</b>
<b>FINANCING ACTIVITIES</b>					
(Payment to) proceeds from operating facility and bank loan		(6,810)	557,234	778,071	1,383,118
Lease payments	10	(336,250)	(673,803)	(371,402)	(742,470)
<b>Cash flow (used in) from financing activities</b>		<b>(343,060)</b>	<b>(116,569)</b>	<b>406,669</b>	<b>640,648</b>
<b>INCREASE (DECREASE) IN CASH</b>		<b>21,273</b>	<b>(33,805)</b>	<b>305,352</b>	<b>218,620</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>		<b>91,840</b>	<b>146,918</b>	<b>31,283</b>	<b>118,015</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>		<b>113,113</b>	<b>113,113</b>	<b>336,635</b>	<b>336,635</b>
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>					
Interest paid		83,836	156,374	63,584	109,197
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 Jun 30, 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 Aug 29, 2023.

## 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 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.

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3. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the three month period ended Jun 30, 2023, the Company paid rents of \$23,946 (2022 - \$22,275), and \$47,892 for the six month period (2022 - \$44,550) 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. Interest expense of \$140 (2022 - \$nil) for the three month period and \$1,283 (2022 - \$nil) for the six month period was recognized on a loan of \$92,717 repaid to a director Apr 2023. The loan agreement between related parties provides an interest rate of 5% per annum.

Key Management Personnel Compensation

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

	<b>3 months ended Jun 30, 2023</b>	<b>6 months ended Jun 30, 2023</b>	3 months ended Jun 30, 2022	6 months ended Jun 30, 2022
Wages and salaries	\$ 140,875	\$ 278,000	\$ 162,125	\$ 293,750
Other	1,036	2,244	1,061	2,258
	<b>\$ 141,911</b>	<b>\$ 280,244</b>	<b>\$ 163,186</b>	<b>\$ 296,008</b>

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 \$8,273,222 (2022 - \$8,542,627) and \$14,741,264 (2022 - \$15,250,491) for the six month period. 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 to Aug 30, 2025.

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ROCKY MOUNTAIN LIQUOR INC  
Notes to Interim Consolidated Financial Statements  
June 30, 2023  
(Unaudited)

5. OPERATING FACILITY AND BANK LOAN (continued)

	Jun 30, 2023	Dec 31, 2022
Current Liabilities:		
Operating facility	\$ 2,430,290	\$ 1,622,322
Bank loan	536,992	519,487
<b>Total current</b>	<b>2,967,282</b>	<b>2,141,809</b>
Long term portion of bank loan	683,766	952,005
<b>Total utilization of TD's facilities</b>	<b>\$ 3,651,048</b>	<b>\$ 3,093,814</b>

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 Jun 30, 2023 the Company is in compliance with this covenant.

6. SHARE CAPITAL

Authorized - Unlimited common shares

	Number	Amount
<b>Balance at Dec 31, 2022 and Jun 30, 2023</b>	<b>47,827,775</b>	<b>\$ 7,427,311</b>

7. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

	Note	Amount
<b>Balance at Dec 31, 2022 and Jun 30, 2023</b>		<b>\$ 1,024,148</b>

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.

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.

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ROCKY MOUNTAIN LIQUOR INC  
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8. STOCK OPTION PLAN (continued)

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 Jun 30, 2023	<b>192,308</b>	<b>\$0.105 - \$0.121</b>	<b>9,237</b>	<b>0.117</b>	<b>0.618</b>

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.

	3 Months Jun 30, 2023	6 Months Jun 30, 2023	3 Months Jun 30, 2022	6 Months Jun 30, 2022
Net income	\$ 312,689	\$ 22,429	\$ 230,105	\$ 18,516
Weighted average number of common shares outstanding during the period	47,827,775	47,827,775	47,583,262	47,583,262
Basic income per share	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.00

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ROCKY MOUNTAIN LIQUOR INC  
Notes to Interim Consolidated Financial Statements  
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(Unaudited)

9. INCOME PER SHARE (continued)

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.

	<b>3 Months</b> <b>Jun 30, 2023</b>	<b>6 Months</b> <b>Jun 30, 2023</b>	3 Months Jun 30, 2022	6 Months Jun 30, 2022
Basic weighted average number of common shares	47,827,775	47,827,775	47,583,262	47,583,262
Dilutive effect of share options issued May 9, 2022	192,308	192,308	56,312	56,312
Diluted weighted average number of common shares	48,020,083	48,020,083	47,639,574	47,639,574
Net Income	312,689	22,429	230,105	18,516
Diluted income per share	\$ 0.01	\$ 0.00	\$ 0.00	\$ 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 Jun 30, 2023 and Dec 31, 2022:

	<b>Jun 30, 2023</b>	Dec 31, 2022
Opening balance	\$ 10,727,805	\$ 12,449,339
Lease modification adjustment	-	(587,788)
Right-of-use assets depreciation	(500,944)	(1,133,746)
Balance	\$ 10,226,861	\$ 10,727,805

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 Jun 30, 2023 and Dec 31, 2022:

	<b>Jun 30, 2023</b>	Dec 31, 2022
Opening balance	\$ 11,653,277	\$ 13,088,834
Lease modification adjustment	-	(587,788)
Finance costs on lease liabilities	293,116	632,749
Lease payments	(673,803)	(1,480,518)
Balance	\$ 11,272,590	\$ 11,653,277
Current portion of lease liabilities	\$ 1,374,983	\$ 1,443,806
Non-current lease liabilities	9,897,607	10,209,471
Balance	\$ 11,272,590	\$ 11,653,277

ROCKY MOUNTAIN LIQUOR INC  
Notes to Interim Consolidated Financial Statements  
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(Unaudited)

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	<b>3 Months</b> <b>Jun 30, 2023</b>	<b>6 Months</b> <b>Jun 30, 2023</b>	3 Months Jun 30, 2022	6 Months Jun 30, 2022
Cash (used in) provided by				
Accounts receivable	\$ (129,194)	\$ 99,064	\$ 55,546	\$ 309,075
Inventory	(142,453)	(649,789)	(612,265)	(1,231,605)
Prepaid expenses and deposits	8,416	(137,560)	(134,732)	(202,500)
Accounts payable and accrued liabilities	(146,772)	(9,564)	(174,514)	(216,944)
Goods and services tax payable	21,003	(21,356)	24,714	(36,056)
	<b>\$ (389,000)</b>	<b>\$ (719,205)</b>	<b>\$ (841,251)</b>	<b>\$ (1,378,030)</b>

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 Jun 30, 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.

	<b>Jun 30, 2023</b>		<b>Dec 31, 2022</b>	
	<b>Carrying Value</b>	<b>Estimated Fair Value</b>	Carrying Value	Estimated Fair Value
Financial Assets at Amortized Cost				
Cash and cash equivalents	\$ 113,113	\$ 113,113	\$ 146,918	\$ 146,918
Accounts receivable	344,630	344,630	443,694	443,694
Financial Liabilities at Amortized Cost				
Operating facility	2,430,290	2,430,290	1,622,322	1,622,322
Bank loan	1,220,758	1,220,758	1,471,492	1,471,492
Accounts payable and accrued liabilities	461,282	461,282	470,846	470,846