

Condensed Interim Consolidated Financial Statements (unaudited) of

ROCKY MOUNTAIN LIQUOR INC

September 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

Condensed Interim Consolidated Statements of Financial Position

(unaudited)

As at	Note	Sep 30, 2023 \$	Dec 31, 2022 \$
ASSETS			
Current assets			
Cash		117,233	146,918
Accounts receivable		345,631	443,694
Inventory		4,701,094	4,651,879
Prepaid expenses and deposits		332,440	245,992
		5,496,398	5,488,483
Non-current assets			
Property and equipment		1,158,639	1,229,236
Goodwill		6,223,382	6,188,382
Deferred tax assets		62,752	144,139
Right-of-use-assets	10	11,173,945	10,727,805
		24,115,116	23,778,045
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		556,546	470,846
Goods and services tax payable		62,779	73,738
Operating facility	5	1,350,769	1,622,322
Current portion of bank loan	5	547,771	519,487
Current portion of lease liabilities	10	1,452,843	1,443,806
		3,970,708	4,130,199
Non-current liabilities			
Bank loan	5	544,296	952,005
Lease liabilities	10	10,829,873	10,209,471
		15,344,877	15,291,675
SHAREHOLDERS' EQUITY			
Share capital	6	7,427,311	7,427,311
Contributed surplus	7	1,024,148	1,024,148
Retained earnings		318,780	34,911
		8,770,239	8,486,370
		24,115,116	23,778,045

The accompanying notes form an integral part of these condensed 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

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

	Note	Share capital	Contributed surplus	Retained earnings (accumulated deficit)	Total
Balance at Dec 31, 2022		7,427,311	1,024,148	34,911	8,486,370
Net comprehensive income for the period		-	-	283,869	283,869
Balance at Sep 30, 2023	6,7	7,427,311	1,024,148	318,780	8,770,239
Balance at Dec 31, 2021		7,377,311	1,014,911	(242,618)	8,149,604
Share based payments		50,000	9,237	-	59,237
Net comprehensive income for the period		-	-	288,821	288,821
Balance at Sep 30, 2022		7,427,311	1,024,148	46,203	8,497,662

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

ROCKY MOUNTAIN LIQUOR INC

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited)

For the 3 and 9 months ended Sep 30

	Note	3 months ended Sep 30, 2023 \$	9 months ended Sep 30, 2023 \$	3 months ended Sep 30, 2022 \$	9 months ended Sep 30, 2022 \$
SALES		11,057,847	30,361,418	11,867,942	31,564,891
COST OF SALES	4	8,376,751	23,118,015	9,204,349	24,454,837
		2,681,096	7,243,403	2,663,593	7,110,054
OPERATING AND ADMINISTRATIVE EXPENSES		1,771,532	5,235,156	1,778,844	5,178,837
INCOME FROM OPERATIONS BEFORE DEPRECIATION AND OTHER		909,564	2,008,247	884,749	1,931,217
PROPERTY AND EQUIPMENT DEPRECIATION		60,197	177,108	74,395	201,337
RIGHT-OF-USE ASSETS DEPRECIATION	10	270,093	771,037	232,479	695,991
FINANCE COSTS ON LEASE LIABILITIES	10	165,838	458,954	160,829	487,440
OTHER EXPENSES					
Finance costs		70,351	224,388	75,650	184,847
Loss on disposal of property and equipment		262	2,539	3,517	5,205
Store closure expenses		-	8,965	-	-
		566,741	1,642,991	546,870	1,574,820
INCOME BEFORE TAX		342,823	365,256	337,879	356,397
INCOME TAXES		81,387	81,387	67,576	67,576
NET COMPREHENSIVE INCOME		261,436	283,869	270,303	288,821
Basic income per share	9	0.01	0.01	0.01	0.01
Diluted income per share	9	0.01	0.01	0.01	0.01
Weighted average number of shares - basic		47,827,775	47,827,775	47,665,662	47,665,662
Weighted average number of shares - diluted		48,020,083	48,020,083	47,767,804	47,767,804

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

ROCKY MOUNTAIN LIQUOR INC

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)

For the 3 and 9 months ended Sep 30

		3 months ended Sep 30, 2023	9 months ended Sep 30, 2023	3 months ended Sep 30, 2022	9 months ended Sep 30, 2022
	Note	\$	\$	\$	\$
OPERATING ACTIVITIES					
Net comprehensive income		261,436	283,869	270,303	288,821
Items not affecting cash					
Property and equipment depreciation		60,197	177,108	74,395	201,337
Right-of-use assets depreciation	10	270,093	771,037	232,479	695,991
Loss on disposal of property and equipment		262	2,539	3,517	5,205
Finance costs on lease liabilities	10	165,838	458,954	160,829	487,440
Stock based compensation		-	-	-	59,237
Changes in non-cash working capital	11	837,736	118,528	1,066,972	(311,058)
Cash flow from operating activities		1,595,562	1,812,035	1,808,495	1,426,973
INVESTING ACTIVITIES					
Purchase of property and equipment		(10,341)	(109,050)	(33,437)	(73,943)
Purchase of goodwill		-	(35,000)	-	-
Cash flow used in investing activities		(10,341)	(144,050)	(33,437)	(73,943)
FINANCING ACTIVITIES					
Payment to operating facility and bank loan		(1,208,212)	(650,978)	(1,609,602)	(583,129)
Advances from operating facility and bank loan		-	-	-	356,645
Principal elements of lease payments	10	(372,889)	(1,046,692)	(379,136)	(1,121,606)
Cash flow used in financing activities		(1,581,101)	(1,697,670)	(1,988,738)	(1,348,090)
INCREASE (DECREASE) IN CASH		4,120	(29,685)	(213,680)	4,940
CASH - BEGINNING OF PERIOD		113,113	146,918	336,635	118,015
CASH - END OF PERIOD		117,233	117,233	122,955	122,955
CASH FLOWS SUPPLEMENTARY INFORMATION					
Interest paid		70,351	224,388	75,650	184,847
Income taxes paid		-	-	-	-

The accompanying notes form an integral part of these condensed 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 Sep 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 condensed interim consolidated financial statements have been approved for issue by the Board of Directors on Nov 16, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Going Concern

These condensed 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 condensed interim consolidated financial statements should be read in conjunction with the Company’s 2022 annual consolidated financial statements.

The preparation of these condensed 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.

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

3. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the three month period ended Sep 30, 2023, the Company paid rents of \$23,946 (2022 - \$22,275), and \$71,838 for the nine month period (2022 - \$66,825) in respect of three retail liquor stores, to privately held companies in which a key member of management is a significant shareholder. Interest expense of \$nil (2022 - \$25) for the three month period and \$1,283 (2022 - \$25) for the nine 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:

	3 months		9 months	
	Sep 30, 2023		Sep 30, 2023	
			3 months	9 months
			Sep 30, 2022	Sep 30, 2022
Wages and salaries	\$	143,125	\$	421,125
Other		1,208		3,453
	\$	144,333	\$	424,578
			\$	163,453
				515,119
			\$	1,121
				3,380
			\$	164,574
				518,499

Other includes health plan premium paid on behalf of members of key management.

4. INVENTORY

The cost of inventory recognized as an expense and included in cost of sales for the three month period was \$8,376,751 (2022 - \$9,204,349) and \$23,118,015 (2022 - \$24,454,837) for the nine 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 "bank loan" of \$2,650,000. Both facilities bear interest at prime plus 1.25% per annum. Prime at Sep 30, 2023 was 7.20% (Dec 31, 2022 – prime was 6.45%).

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 bank 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 the Condensed Interim Consolidated Financial Statements
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(Unaudited)

5. OPERATING FACILITIES AND BANK LOAN (continued)

	Sep 30, 2023	Dec 31, 2022
Current Liabilities:		
Operating facility	\$ 1,350,769	\$ 1,622,322
Bank loan	547,771	519,487
Total current	1,898,540	2,141,809
Long term portion of bank loan		
	544,296	952,005
Total utilization of TD's facilities	\$ 2,442,836	\$ 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 condensed consolidated statements of cash flows. 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 Sep 30, 2023 the Company is in compliance with this covenant.

6. SHARE CAPITAL

Authorized - Unlimited common shares

	Number	Amount
Balance at Dec 31, 2022 and Sep 30, 2023	47,827,775	\$ 7,427,311

7. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

	Note	Amount
Balance at Dec 31, 2022 and Sep 30, 2023		\$ 1,024,148

8. STOCK OPTION PLAN

Stock option plan ("Option Plan")

The Company's Option Plan ceased effective Jun 27, 2023, as a result of a vote at the annual and special meeting of shareholders. Outstanding options issued prior to that date remain valid. The maximum number of common shares that were reserved for issuance under the Option Plan was 2,500,000 shares.

The exercise price of each option was determined on the basis of the market price at the time the option was granted. If the option had 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 had no early redemption incentives, the exercise price could 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 was granted. The shares purchased on the exercise of an option must be paid for in full at the time of exercise. The Company operated equity-settled compensation plans.

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ROCKY MOUNTAIN LIQUOR INC
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(Unaudited)

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 Sep 30, 2023	192,308	\$0.105 - \$0.121	9,237	0.118	0.534

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 Sep 30, 2023	9 Months Sep 30, 2023	3 Months Sep 30, 2022	9 Months Sep 30, 2022
Net comprehensive income	\$ 261,436	\$ 283,869	\$ 270,303	\$ 288,821
Weighted average number of common shares outstanding during the period	47,827,775	47,827,775	47,665,662	47,665,662
Basic income per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01

(continues)

ROCKY MOUNTAIN LIQUOR INC
Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2023
(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.

	3 Months	9 Months	3 Months	9 Months
	Sep 30, 2023	Sep 30, 2023	Sep 30, 2022	Sep 30, 2022
Basic weighted average number of common shares	47,827,775	47,827,775	47,665,662	47,665,662
Dilutive effect of share options issued May 9, 2022	192,308	192,308	102,142	102,142
Diluted weighted average number of common shares	48,020,083	48,020,083	47,767,804	47,767,804
Net comprehensive income	261,436	283,869	270,303	288,821
Diluted income per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01

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 off of the contractual lease term and those extension renewal periods that are reasonably certain to be executed. 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 Sep 30, 2023:

	Sep 30, 2023	Dec 31, 2022
Opening balance	\$ 10,727,805	\$ 12,449,339
Lease remeasurement adjustment	1,217,177	(587,788)
Right-of-use assets depreciation	(771,037)	(1,133,746)
Balance	\$ 11,173,945	\$ 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 Sep 30, 2023 and Dec 31, 2022:

	Sep 30, 2023	Dec 31, 2022
Opening balance	\$ 11,653,277	\$ 13,088,834
Lease remeasurement adjustment	1,217,177	(587,788)
Finance costs on lease liabilities	458,954	632,749
Principal elements of lease payments	(1,046,692)	(1,480,518)
Balance	\$ 12,282,716	\$ 11,653,277
Current portion of lease liabilities	\$ 1,452,843	\$ 1,443,806
Non-current lease liabilities	10,829,873	10,209,471
Balance	\$ 12,282,716	\$ 11,653,277

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 the Condensed Interim Consolidated Financial Statements
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(Unaudited)

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	3 Months	9 Months	3 Months	9 Months
	Sep 30, 2023	Sep 30, 2023	Sep 30, 2022	Sep 30, 2022
Cash (used in) provided by				
Accounts receivable	\$ (1,001)	\$ 98,063	\$ (209,180)	\$ 99,895
Inventory	600,574	(49,215)	828,054	(403,551)
Prepaid expenses and deposits	51,112	(86,448)	93,606	(108,894)
Deferred tax assets	81,387	81,387	67,576	67,576
Accounts payable and accrued liabilities	95,267	85,700	242,013	25,069
Goods and services tax payable	10,397	(10,959)	44,903	8,847
	\$ 837,736	\$ 118,528	\$ 1,066,972	\$ (311,058)

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 Sep 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.

	Sep 30, 2023		Dec 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets at Amortized Cost				
Cash and cash equivalents	\$ 117,233	\$ 117,233	\$ 146,918	\$ 146,918
Accounts receivable	345,631	345,631	443,694	443,694
Financial Liabilities at Amortized Cost				
Operating facility	1,350,769	1,350,769	1,622,322	1,622,322
Bank loan	1,092,067	1,092,067	1,471,492	1,471,492
Accounts payable and accrued liabilities	556,546	556,546	470,846	470,846