

Interim Condensed Consolidated Financial Statements (unaudited) of

ROCKY MOUNTAIN LIQUOR INC

March 31, 2024

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 condensed consolidated 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 interim condensed consolidated 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 Condensed Consolidated Statements of Financial Position

(unaudited)

As at	Note	March 31, 2024 \$	December 31, 2023 \$
ASSETS			
CURRENT			
Cash		240,025	266,903
Accounts receivable		406,607	392,294
Inventory	4	4,616,793	4,125,631
Prepaid expenses and deposits		418,379	304,965
		5,681,804	5,089,793
NON-CURRENT			
Property and equipment		1,140,813	1,148,304
Intangible assets		50,683	50,669
Goodwill		6,188,382	6,188,382
Deferred tax assets		338,127	219,127
Right-of-use assets	7	10,234,263	10,089,995
		23,634,072	22,786,270
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		702,779	571,493
Goods and services tax payable		29,082	65,604
Operating facility	5	2,127,800	1,052,185
Current portion of bank loan	5	570,343	559,472
Current portion of lease liabilities	7	1,388,030	1,327,584
		4,818,034	3,576,338
NON-CURRENT			
Bank loan	5	253,584	400,027
Lease liabilities	7	9,978,603	9,860,473
		15,050,221	13,836,838
SHAREHOLDERS' EQUITY			
Share capital		7,427,311	7,427,311
Contributed surplus		1,024,148	1,024,148
Retained earnings		132,392	497,973
		8,583,851	8,949,432
		23,634,072	22,786,270

Subsequent event 11

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

Approved on behalf of the board:

Peter J. Byrne
Chair, Board of Directors

Robert Normandeau
Chair, Audit Committee

ROCKY MOUNTAIN LIQUOR INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the 3 months ended March 31

(unaudited)

	Share capital \$	Contributed surplus \$	Retained earnings (accumulated deficit) \$	Total \$
Balance at December 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 March 31, 2023	7,427,311	1,024,148	(255,347)	8,196,112
Balance at December 31, 2023	7,427,311	1,024,148	497,973	8,949,432
Net comprehensive loss for the period	-	-	(365,581)	(365,581)
Balance at March 31, 2024	7,427,311	1,024,148	132,392	8,583,851

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

ROCKY MOUNTAIN LIQUOR INC.

Interim Condensed Consolidated Statements of Comprehensive Loss

(unaudited)

For the 3 months ended March 31

	Note	2024 \$	2023 \$
			Restated (Note 10)
Sales		8,445,394	8,612,540
Cost of sales	4	6,521,404	6,698,349
		1,923,990	1,914,191
Operating and administrative expenses		1,894,255	1,669,442
Income from operations before depreciation and other		29,735	244,749
Property and equipment depreciation		57,364	55,657
Intangible asset depreciation		1,267	-
Right-of-use equipment depreciation	7	239,449	250,472
Finance costs on lease liabilities	7	150,075	146,558
Other expenses (income)			
Finance costs	3,5	59,368	72,538
Loss on disposal of property and equipment and intangible assets		6,799	817
Store closure expenses		-	8,965
Other income		(6)	-
		514,316	535,007
Loss before tax		(484,581)	(290,258)
Deferred income tax recovery		(119,000)	-
Net comprehensive loss		(365,581)	(290,258)
Basic loss per share	6	(0.01)	(0.01)
Diluted loss per share	6	(0.01)	(0.01)

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

ROCKY MOUNTAIN LIQUOR INC.
Interim Condensed Consolidated Statements of Cash Flows
(unaudited)
For the 3 months ended March 31

	Note	2024 \$	2023 \$
			Restated (Note 10)
OPERATING ACTIVITIES			
Net comprehensive loss		(365,581)	(290,258)
Items not affecting cash			
Property and equipment depreciation		57,364	55,657
Intangible assets depreciation		1,267	-
Loss on disposal of property and equipment and intangible assets		6,799	817
Deferred income tax recovery		(119,000)	-
Right-of-use assets depreciation	7	239,449	250,472
Changes in non-cash working capital	8	(524,125)	(330,205)
Cash flow used in operating activities		(703,827)	(313,517)
INVESTING ACTIVITIES			
Purchase of property and equipment		(56,672)	(114,609)
Purchase of intangible assets		(1,281)	-
Cash flow used in investing activities		(57,953)	(114,609)
FINANCING ACTIVITIES			
Principal repayments of bank loan	5	(135,572)	(123,332)
Proceeds from operating facility	5	3,473,482	3,533,635
Principal repayments on operating facility	5	(2,397,867)	(2,846,259)
Principal portion of lease payments	7	(205,141)	(190,996)
Cash flow from financing activities		734,902	373,048
DECREASE IN CASH		(26,878)	(55,078)
CASH - BEGINNING OF YEAR		266,903	146,918
CASH - END OF YEAR		240,025	91,840
CASH FLOWS SUPPLEMENTARY INFORMATION			
Interest paid on bank loan, operating facility and other		59,368	72,538
Interest paid on leases		150,075	146,558
Income taxes paid		-	-

The accompanying notes form an integral part of these interim condensed 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 December 1, 2008.

As at March 31, 2024 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.

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 remain relatively steady throughout the year.

These interim condensed consolidated financial statements have been approved for issue by the Board of Directors on May 23, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

a) Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim condensed consolidated financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting, and do not include all of the information required for full annual financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the Company’s 2023 audited annual consolidated financial statements and notes thereto for the year ended December 31, 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

b) Basis of presentation and significant accounting policies

These interim condensed consolidated financial statements have been prepared on the historical cost basis except where otherwise specified. The accounting policies applied by the Company in these interim condensed consolidated financial statements are consistent with those used in the annual audited financial statements.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

c) Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis, in accordance with IFRS 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.

d) Significant estimates and assumptions

Except as otherwise noted, the critical accounting estimates, judgments, and measurement uncertainty used in the preparation of these interim condensed consolidated financial statements are the same as disclosed in the annual consolidated financial Statements for the year ended December 31, 2023.

e) New Accounting Pronouncements Adopted in 2024

The Company adopted Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current, clarifying the classification requirements in the standard for liabilities as current or non-current. The amendment was effective for the Company's interim and annual consolidated financial statements commencing January 1, 2024. The adoption of these standards has not had a material impact on the Company's financial results.

f) Recent accounting pronouncements not yet adopted

The IASB has issued IFRS 18, Presentation and Disclosure in Financial Statements (replacing IAS 1, Presentation of Financial Statements). The new standard aims to improve how information is communicated in the financial statements, with a focus on information in the statement of comprehensive income and performance reporting. The new standard will become effective on January 1, 2027 and the Company is assessing the impacts IFRS 18 will have on its consolidated financial statements.

3. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the period the Company paid rents of \$23,946 (March 2023 - \$23,946), in respect of three retail liquor stores, to privately held companies in which a key member of management is a significant shareholder. The loan agreement between related parties provides an interest rate of 5.0% per annum. Interest expense paid to related parties included in finance costs on the interim condensed consolidated statements of comprehensive loss for the 3 months ended March 31, 2024 is \$nil (2023 - \$1,143).

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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Condensed Consolidated Financial Statements
March 31, 2024
(Unaudited)

3. RELATED PARTY TRANSACTIONS (continued)

Key Management Personnel Compensation

The remuneration of Directors and other members of key management personnel for the 3 months ended March 31 are as follows:

	March 31, 2024	March 31, 2023
Wages and salaries	\$ 114,578	\$ 137,125
Other	1,470	1,209
	\$ 116,048	\$ 138,334

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 on the interim condensed consolidated statements of comprehensive loss for the 3 months ended March 31, 2024 is \$6,521,404 (2023 - \$6,698,349). No inventory write downs were recognized in either 2024 or 2023.

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. As at March 31, 2024, the interest rate applicable to the operating facility and bank loan was 8.45% (December 31, 2023 – 8.45%)

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 payments are due monthly.

The bank loan is amortized over 36 months, with monthly payments of interest and principal to August 30, 2025.

Below is a summary of the activity related to the bank loan for the 3 months ended March 31:

	March 31, 2024	March 31, 2023
Opening balance	\$ 959,499	\$ 1,471,492
Finance costs	19,457	28,229
Repayments	(155,029)	(151,561)
Principal repayments of bank loan	(135,572)	(123,332)
Balance	\$ 823,927	\$ 1,348,160
Current portion of bank loan	\$ 570,343	\$ 526,459
Long term portion of bank loan	253,584	821,701
Balance	\$ 823,927	\$ 1,348,160

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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Condensed Consolidated Financial Statements
March 31, 2024
(Unaudited)

5. OPERATING FACILITY AND BANK LOAN (continued)

Below is a summary of the activity related to the operating facility for the 3 months ended March 31:

	March 31, 2024	March 31, 2023
Opening balance	\$ 1,052,185	\$ 1,622,322
Finance costs	39,911	43,166
Repayments	<u>(2,437,778)</u>	<u>(2,889,425)</u>
Principal repayments on operating facility	(2,397,867)	(2,846,259)
Proceeds from operating facility	3,473,482	3,533,635
Balance	<u>\$ 2,127,800</u>	<u>\$ 2,309,698</u>

Both the bank loan and operating facility are secured by a general security agreement representing a first charge on all assets. Decreases in the operating facility and principal repayments of the bank loan are disclosed on the 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 March 31, 2024 the Company is in compliance with this covenant.

6. LOSS PER COMMON SHARE

Basic Loss per Common Share

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

	March 31, 2024	March 31, 2023
Net comprehensive loss	\$ (365,581)	\$ (290,258)
Weighted average number of common shares outstanding during the period	47,827,775	47,827,775
Basic loss per share	\$ (0.01)	\$ (0.01)

Diluted Loss 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 loss per share.

During the period ended March 31 2024, shares of 192,308 associated with the Company's outstanding stock options were anti-dilutive (2023 – \$nil).

	March 31, 2024	March 31, 2023
Basic weighted average number of common shares	47,827,775	47,827,775
Dilutive effect of stock options issued May 9, 2022	-	-
Diluted weighted average number of common shares	47,827,775	47,827,775
Net comprehensive loss	\$ (365,581)	\$ (290,258)
Diluted loss per share	\$ (0.01)	\$ (0.01)

ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Condensed Consolidated Financial Statements
March 31, 2024
(Unaudited)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company's leases are only for retail locations (buildings) that are subject to minimum rent payments excluding the Company's proportion of occupancy costs. Lease commitments are based on the current lease term and inclusion of renewal period(s) if it is reasonably certain that the renewal period will be exercised. In addition to the leases with fixed minimum rental payments, the Company entered into a single lease with a term of five years and a monthly rental based on a percentage of sales.

Below is a summary of the activity related to right-of-use assets for the 3 months ended March 31:

	March 31, 2024	March 31, 2023
Opening balance	\$ 10,089,995	\$ 10,727,805
Lease remeasurement adjustment	383,717	-
Right-of-use assets depreciation	(239,449)	(250,472)
Balance	\$ 10,234,263	\$ 10,477,333

Right-of-use assets depreciation is recognized in the interim condensed consolidated statements of comprehensive income.

Below is a summary of the activity related to lease liabilities for the 3 months ended March 31:

	March 31, 2024	March 31, 2023
Opening balance	\$ 11,188,057	\$ 11,653,277
Lease remeasurement adjustment	383,717	-
Finance costs on lease liabilities	150,075	146,558
Lease payments	(355,216)	(337,554)
Principal portion of lease liabilities	(205,141)	(190,996)
Balance	\$ 11,366,633	\$ 11,462,281
Current portion of lease liabilities	\$ 1,388,030	\$ 1,371,621
Non-current lease liabilities	9,978,603	10,090,660
Balance	\$ 11,366,633	\$ 11,462,281

8. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	March 31, 2024	March 31, 2023
Cash provided by (used in)		
Accounts receivable	\$ (14,313)	\$ 228,258
Inventory	(491,162)	(507,336)
Prepaid expenses and deposits	(113,414)	(145,976)
Accounts payable and accrued liabilities	131,286	137,208
Goods and services tax payable	(36,522)	(42,359)
	\$ (524,125)	\$ (330,205)

9. FINANCIAL INSTRUMENTS

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximates their carrying value due to their short-term nature. The fair value of the operating facility and bank loan approximates their carrying value as the instruments carry interest rates that reflect the current market rates available to the company.

10. RESTATEMENT

For the year ended December 31, 2023, the Company identified the following errors in the March 31, 2023 interim condensed consolidated financial statements and have corrected for these errors by restating each of the affected financial statement line items for the period ended March 31, 2023 as follows:

Bottle Deposits

The Company previously presented under Cost of sales the net amount of bottle deposit charges collected from customers and the bottle deposits paid to suppliers, The Company has determined that the correct presentation is to show the collections and payments on a gross basis. Below is the impact of the restatement:

Below is the impact of the restatement:

	3 months ended March 31, 2023		
	As previously reported	Adjustment recorded	As restated
Interim Condensed Consolidated Statements of Comprehensive Loss			
Sales	\$ 8,382,233	\$ 230,307	\$ 8,612,540
Cost of sales	6,468,042	230,307	6,698,349
	\$ 1,914,191	\$ -	\$ 1,914,191

Finance costs on lease liabilities

The Company previously presented finance costs paid on lease liabilities on the Consolidated Statements of Cash Flows under financing activities as opposed to operating activities. The Company's accounting policy is to classify finance costs paid as cash flows from operating activities. Accordingly, a reclassification was made to present finance costs paid on lease liabilities as cash flows from operating activities in accordance with the Company's accounting policy.

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ROCKY MOUNTAIN LIQUOR INC
Notes to Interim Condensed Consolidated Financial Statements
March 31, 2024
(Unaudited)

10. RESTATEMENT (continued)

Below is the impact of the restatement:

	3 months ended March 31, 2023		
	As previously reported	Adjustment recorded	As restated
Interim Condensed Consolidated Statements of Cash Flows			
OPERATING ACTIVITIES			
Finance costs on lease liabilities	\$ 146,558	\$ (146,558)	\$ -
Cash flow used in operating activities	\$ (166,959)	\$ (146,558)	\$ (313,517)
FINANCING ACTIVITIES			
Principal portion of lease liabilities	\$ (337,554)	\$ 146,558	\$ (190,996)
Cash flow used in financing activities	\$ (337,554)	\$ 146,558	\$ (190,996)

11. SUBSEQUENT EVENT

Subsequent to March 31, 2024, the Company closed one underperforming store. The store closure is not expected to have a material impact on the Company's consolidated financial statements.