Interim (unaudited) Consolidated Financial Statements of

ROCKY MOUNTAIN LIQUOR INC

March 31, 2021

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, 2021 $	Dec 31, 2020 $
ASSETS			
CURRENT			
Cash and cash equivalents		**84,044**	146,992
Accounts receivable		**201,193**	438,200
Inventory		**5,732,162**	4,797,145
Prepaid expenses and deposits		**186,025**	121,994
Goods and services tax receivable		**7,535**	-
		6,210,959	5,504,331
NON-CURRENT			
PROPERTY AND EQUIPMENT		**1,542,112**	1,559,727
GOODWILL	6	**6,215,410**	6,215,410
RIGHT-OF-USE ASSETS	12	**13,243,471**	13,508,198
		27,211,952	26,787,666
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		**483,267**	554,186
Goods and services tax payable		**-**	80,380
Operating facility	7	**3,442,828**	2,257,731
Bank loan	7	**2,650,000**	2,950,000
Current portion of lease liabilities	12	**1,553,361**	1,551,951
		8,129,456	7,394,248
NON-CURRENT			
LEASE LIABILITIES	12	**12,162,665**	12,386,479
		20,292,121	19,780,727
SHAREHOLDERS' EQUITY			
Share capital	8	**7,377,311**	7,377,311
Contributed surplus	9	**1,014,911**	1,014,911
Accumulated deficit		**(1,472,391)**	(1,385,283)
		6,919,831	7,006,939
		27,211,952	26,787,666

SUBSEQUENT EVENT 15

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, 2019	7,377,311	1,014,911	(2,905,888)	5,486,334
Net comprehensive income for the period	-	-	1,520,605	1,520,605
Balance at Dec 31, 2020	7,377,311	1,014,911	(1,385,283)	7,006,939
Net comprehensive loss for the period	-	-	(87,108)	(87,108)
Balance at Mar 31, 2021	**7,377,311**	**1,014,911**	**(1,472,391)**	**6,919,831**

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	2021 $	2020 $
SALES		**9,496,824**	9,436,875
COST OF SALES	4	**7,381,236**	7,359,044
		2,115,588	2,077,831
OPERATING AND ADMINISTRATIVE EXPENSES		**1,616,829**	1,587,293
INCOME FROM OPERATIONS		**498,759**	490,538
PROPERTY AND EQUIPMENT DEPRECIATION		**69,022**	96,451
RIGHT-OF-USE ASSETS DEPRECIATION	12	**264,727**	329,597
FINANCE COSTS ON LEASE LIABILITIES	12	**171,222**	153,632
OTHER EXPENSES (INCOME)			
Finance costs		**72,923**	128,397
Loss on disposal of property and equipment		**5,138**	44,300
Store closure expenses		**2,835**	14,067
Other income		**-**	(724)
		585,867	765,720
LOSS BEFORE TAX		**(87,108)**	(275,182)
INCOME TAXES		**-**	-
NET COMPREHENSIVE LOSS		**(87,108)**	(275,182)
Basic loss per share	11	**(0.00)**	(0.01)
Diluted loss per share	11	**(0.00)**	(0.01)
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	**2021** **$**	2020 $
OPERATING ACTIVITIES			
Net comprehensive loss		**(87,108)**	(275,182)
Items not affecting cash			
Property and equipment depreciation		**69,022**	96,451
Right-of-use assets depreciation	12	**264,727**	329,597
Loss on disposal of property and equipment and goodwill		**5,138**	44,300
Finance costs on lease liabilities	12	**171,222**	153,632
Changes in non-cash working capital	13	**(920,875)**	332,180
Cash flow (used in) from operating activities		**(497,874)**	680,978
INVESTING ACTIVITIES			
Purchase of property and equipment		**(56,545)**	(15,424)
Proceeds on disposal of property and equipment		**-**	43,050
Cash flow (used in) from investing activities		**(56,545)**	27,626
FINANCING ACTIVITIES			
Lease payments	12	**(393,626)**	(425,794)
Proceeds from (repayment to) operating facility and bank loan		**885,097**	(338,778)
Repayment of loans receivable		**-**	3,919
Cash flow from (used in) financing activities		**491,471**	(760,653)
DECREASE IN CASH		**(62,948)**	(52,049)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD		**146,992**	253,219
CASH AND CASH EQUIVALENTS - END OF PERIOD		**84,044**	201,170
CASH FLOWS SUPPLEMENTARY INFORMATION			
Interest paid		**72,923**	128,397
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, 2021 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 31, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Statement of Compliance</u>

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 2020 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, and continues to have, an impact on the Company. The Company's financial results show increased sales, driven by increased demand for liquor retail product following the onset of the crisis as a result of consumers turning to liquor retailers in lieu of licensed establishments. As a result, the Company has incurred additional costs for safety and sanitization measures. The full economic impact the pandemic will have on the Company, its judgements and estimates remain uncertain and is 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. During the period-ended Mar 31, 2021 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 (2020 - $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, 2021	Mar 31, 2020
Wages and salaries	**$ 129,250**	$ 124,500
Other	**1,178**	1,180
	$ 130,428	$ 125,680

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, 2021 was $7,381,236 (2020 - $7,359,044). No inventory write downs were recognized in 2021 or 2020.

5. SALE OF RETAIL STORE

During 2020 the Company sold one retail liquor store. No stores were sold in 2021. The proceeds were allocated to the assets as follows:

Carrying Value

	Note	**Mar 31, 2021**	Mar 31, 2020
Inventory		**-**	$ 143,509
Property and equipment		**-**	57,932
Goodwill	6	**-**	26,532
Carrying value of net assets sold		**$ -**	$ 227,973
Total cash consideration received		**$ -**	$ 183,509
Total loss on sale of stores		**-**	44,464
Carrying value of net assets sold		**$ -**	$ 227,973

6. GOODWILL

In 2020 the Company sold one liquor store resulting in a deemed disposition of goodwill allocated to the associated liquor store CGU of $26,532, included in loss on disposal of property and equipment and goodwill on the consolidated statement of comprehensive loss.

Balance Dec 31, 2019		$ 6,307,819
Goodwill disposed	5	(92,409)
Balance Dec 31, 2020 and Mar 31, 2021		**$ 6,215,410**

7. 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 at Mar 31, 2021, split between two facilities: 1) “operating facility” of $5,400,000 and 2) reducing “bank loan” of $2,650,000. The bank loan portion is a demand reducing facility to be repaid by quarterly payments of $300,000 and will reduce over a period of two and a half years.

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. This facility is a revolving loan and is due upon demand.

Below is a summary of the utilization of the facilities. As both facilities are due upon demand, they are classified as current liabilities under IFRS.

Current Liabilities:	**Mar 31, 2021**	Dec 31, 2020
Operating facility	**$ 3,442,828**	$ 2,257,731
Bank loan	**2,650,000**	2,950,000
Total utilization of TD's facilities	**$ 6,092,828**	$ 5,207,731

The bank loan facility has payments required of $1,200,000 due within 12 months, with the remaining balance of $1,450,000 to be repaid subsequent to Mar 31, 2022.

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7. BANK LOAN (continued)

Both facilities bear interest at prime plus 2.65%. Interest only payments are due monthly, 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 covenant, 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, 2021 the Company is in compliance with this covenant.

8. SHARE CAPITAL

Authorized - Unlimited common shares

	Note	Number	Amount
Balance Dec 31, 2020 and Mar 31, 2021		**47,489,937**	**$ 7,377,311**

9. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

	Amount
Balance at Dec 31, 2020 and Mar 31, 2021	**$ 1,014,911**

10. 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.

11. EARNINGS PER COMMON SHARE

Basic Net Earnings per Common Share

The calculation of basic earnings per common share for the period ending Mar 31, 2021 was based on the interim net comprehensive loss of $87,108 (2020 – $275,182) and a weighted average number of shares outstanding of 47,489,937 (2020 – 47,489,937).

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11. EARNINGS PER COMMON SHARE (continued)

Diluted Net Earnings per Common Share

The calculation of diluted net earnings per common share for the period ending Mar 31, 2021 was based on the interim net comprehensive loss of $87,108 (2020 – $275,182) and a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares of 47,489,937 (2020 – 47,489,937).

12. 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.

Below is a summary of the activity related to right-of-use assets for the period ended Mar 31, 2021:

	Mar 31, 2021	Dec 31, 2020
Opening balance	**$ 13,508,198**	$ 13,103,781
Lease modification adjustment	**-**	1,544,062
Right-of-use assets depreciation	**(264,724)**	(1,139,645)
Balance end of period	**13,243,474**	13,508,198

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, 2021:

	Mar 31, 2021	Dec 31, 2020
Opening balance	**$ 13,938,430**	$ 13,428,218
Lease modification adjustment	**-**	1,544,062
Finance costs on lease liabilities	**171,222**	626,305
Lease payments	**(393,626)**	(1,660,155)
Balance end of period	**$ 13,716,026**	$ 13,938,430
Current portion of lease liabilities	**$ 1,553,361**	$ 1,551,951
Non-current lease liabilities	**12,162,665**	12,386,479
Balance end of period	**$ 13,716,026**	$ 13,938,430

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

13. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Mar 31, 2021	Mar 31, 2020
Cash provided by (used in)		
Accounts receivable	**$ 237,007**	$ 192,699
Inventory	**(935,017)**	106,214
Prepaid expenses and deposits	**(64,031)**	60,972
Goods and services tax receivable	**(7,535)**	-
Accounts payable and accrued liabilities	**(70,919)**	33,475
Goods and services tax payable	**(80,380)**	(61,180)
	$ (920,875)	$ 332,180

14. 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 due to the short-term nature of the instruments.

As at Mar 31, 2021 and Dec 31, 2020 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	**$ 84,044**	**$ 84,044**	$ 146,992	$ 146,992
Accounts receivable	**201,193**	**201,193**	438,200	438,200
Financial Liabilities at Amortized Cost				
Operating facility	**3,442,828**	**3,442,828**	2,257,731	2,257,731
Bank loan	**2,650,000**	**2,650,000**	2,950,000	2,950,000
Accounts payable and accrued liabilities	**483,267**	**483,267**	554,186	554,186

15. SUBSEQUENT EVENT

The Company signed a new agreement with TD, effective May 31, 2021 providing total availability up to a maximum of $8,050,000. The agreement is split between two facilities: 1) a demand, “operating facility” of $5,400,000 and 2) “term loan” of $2,650,000, amortized over a period of 39 months.

The operating facility availability is calculated as described in Note 7 of the financials, however the new agreement allows for up to $250,000 cash-in-transit allowances as confirmed by funds on deposit with another financial institution as of reporting date to be added to the availability calculation involving accounts receivable and inventory. Both facilities bear interest at prime plus 1.5% under the new agreement. This is a reduction from the previous agreement’s rate of 2.65% on its two facilities. Interest payments are due monthly.

The previous bank loan of $2,650,000 is now a committed reducing term facility, to be amortized over a period of 39 months.

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15. SUBSEQUENT EVENT (continued)

The new agreement replaces the previous covenant requiring the Company to maintain a ratio of actual EBITDA to projected EBITDA, with a new 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.