

*Interim (unaudited) Consolidated Financial Statements of*

**ROCKY MOUNTAIN LIQUOR INC**

*September 30, 2018*

**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	Sep 30, 2018	Dec 31, 2017
<b>ASSETS</b>			
CURRENT			
Cash and cash equivalents		624,653	818,786
Accounts receivable		32,045	63,300
Inventory		6,211,932	5,870,760
Prepaid expenses and deposits		180,395	156,858
Current portion of loans receivable		15,010	14,458
		<b>7,064,035</b>	6,924,162
NON-CURRENT			
LOANS RECEIVABLE		33,737	45,006
PROPERTY AND EQUIPMENT		2,459,200	2,550,492
GOODWILL	6	6,307,819	6,548,188
		<b>15,864,791</b>	16,067,848
<b>LIABILITIES</b>			
CURRENT			
Accounts payable and accrued liabilities		819,229	675,157
Bank loan		8,693,650	8,306,135
Goods and services tax payable		72,001	56,875
Income taxes payable		-	1,994
		<b>9,584,880</b>	9,040,161
NON-CURRENT			
CONVERTIBLE DEBENTURE	8	6,064,667	5,872,607
		<b>15,649,547</b>	14,912,768
<b>SHAREHOLDERS' EQUITY</b>			
Equity component of convertible debentures	8	96,694	96,694
Share capital	10	4,667,442	4,667,442
Contributed surplus	11	1,014,911	1,014,911
Accumulated deficit		(5,563,803)	(4,623,967)
		<b>215,244</b>	1,155,080
		<b>15,864,791</b>	16,067,848

GOING CONCERN 2

SUBSEQUENT EVENTS 17

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

Approved on behalf of the board:

**Frank Coleman**  
Chair, Board of Directors

**Robert Normandeau**  
Chair, Audit Committee

# ROCKY MOUNTAIN LIQUOR INC

## Interim Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

	Note	Equity component of convertible debenture	Share capital	Contributed surplus	Accumulated deficit	Total
Balance at Dec 31, 2016		96,694	4,667,442	1,004,483	(2,706,526)	3,062,093
Share based compensation	11,12	-	-	10,428	-	10,428
Net comprehensive loss for the period		-	-	-	(1,917,441)	(1,917,441)
Balance at Dec 31, 2017		96,694	4,667,442	1,014,911	(4,623,967)	1,155,080
Net comprehensive loss for the period		-	-	-	(939,836)	(939,836)
Balance at Sep 30, 2018		96,694	4,667,442	1,014,911	(5,563,803)	215,244

*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 and 9 months ended Sep 30

		3 months ended	9 months ended	3 months ended	9 months ended
	Note	Sep 30, 2018	Sep 30, 2018	Sep 30, 2017	Sep 30, 2017
SALES		12,064,114	32,705,110	12,325,553	32,872,263
COST OF SALES	4	9,440,813	25,483,429	9,476,631	25,148,365
		2,623,301	7,221,681	2,848,922	7,723,898
OPERATING AND ADMINISTRATIVE EXPENSES	13	2,181,419	6,573,543	2,492,945	7,604,815
INCOME FROM OPERATIONS		441,882	648,138	355,977	119,083
DEPRECIATION		145,236	397,780	154,651	469,395
OTHER EXPENSES (INCOME)					
Finance costs	9	318,254	919,794	276,236	811,076
(Gain) loss on disposal of property and equipment and goodwill		(1,391)	153,867	56,475	78,045
Store closure expenses		23,550	118,643	26,215	109,176
Other income		(698)	(2,110)	(816)	(6,187)
Bad debt expense		-	-	-	8,491
		339,715	1,190,194	358,110	1,000,601
LOSS BEFORE TAX		(43,069)	(939,836)	(156,784)	(1,350,913)
INCOME TAXES		-	-	-	-
NET COMPREHENSIVE LOSS		(43,069)	(939,836)	(156,784)	(1,350,913)
Basic income per share	14	(0.00)	(0.02)	(0.00)	(0.02)
Diluted income per share	14	(0.00)	(0.02)	(0.00)	(0.02)
Weighted average number of shares - basic		56,791,788	56,791,788	56,791,788	56,791,788
Weighted average number of shares - diluted		56,791,788	56,791,788	56,791,788	56,791,788

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 9 months ended Sep 30

	Note	3 months ended Sep 30, 2018	9 months ended Sep 30, 2018	3 months ended Sep 30, 2017	9 months ended Sep 30, 2017
<b>OPERATING ACTIVITIES</b>					
Net comprehensive loss		(43,069)	(939,836)	(156,784)	(1,350,913)
Items not affecting cash					
Depreciation		145,236	397,780	154,651	469,395
(Gain) Loss on disposal of property and equipment and goodwill		(1,391)	153,867	56,475	78,045
Notional accretive interest	9	66,081	192,060	58,270	169,802
Share based compensation	12	-	-	-	10,428
Changes in non-cash working capital	16	155,027	(176,250)	431,730	(55,090)
Cash flow from (used in) operating activities		321,884	(372,379)	544,342	(678,333)
<b>INVESTING ACTIVITIES</b>					
Purchase of property and equipment		(223,182)	(531,921)	(113,570)	(557,670)
Proceeds on disposal of property and equipment		150,065	311,935	65,000	167,550
Cash flow used in investing activities		(73,117)	(219,986)	(48,570)	(390,120)
<b>FINANCING ACTIVITIES</b>					
Repayment of loans receivable		3,578	10,717	3,460	10,252
(Net repayment) proceeds from bank loan		(491,697)	387,515	(557,120)	981,429
Cash flow (used in) provided by financing activities		(488,119)	398,232	(553,660)	991,681
DECREASE IN CASH		(239,352)	(194,133)	(57,888)	(76,772)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD		864,005	818,786	767,401	786,285
CASH AND CASH EQUIVALENTS - END OF PERIOD		624,653	624,653	709,513	709,513
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>					
Interest paid		122,397	597,957	88,189	511,255
Income taxes paid		-	3,493	-	8,700

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 Sep 30, 2018 Andersons operated 31 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 Nov 27, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared using the accounting policies that were described in Note 2 to the Company's annual consolidated financial statements for the year ended Dec 31, 2017. These interim consolidated financial statements should be read in conjunction with the Company's 2017 annual consolidated financial statements.

The preparation of these interim 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. However, 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.

Going Concern

As at Sep 30, 2018 the Company had a net comprehensive loss of \$939,836 and had incurred negative cash flow from operations for the twelve month period ending Dec 31, 2017, and three month period ending Mar 31, 2018. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations to meet current and future obligations. The Company expects that the investment it has made in 2017 and 2018 in rebranding of fifteen of its stores to the Great Canadian Liquor ("GCL") brand, and investments made in sales and marketing programs will result in an increase in revenue and profits. If, for any reason, the Company is unable to continue as a going concern, it could impact the Company's ability to realize assets at their recognized values and to meet its liabilities in the ordinary course of business at the amounts stated these consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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. In preparing these interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended Dec 31, 2017.

Changes in Accounting Policies

Effective January 1, 2018, the Company adopted IFRS 15 "Revenue from Contracts with Customers". IFRS 15 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. The standard establishes a framework based on transfer of control for determining how much and when revenue is recognized and includes expanded disclosure requirements for annual financial statements. Adoption of IFRS 15 has had no material impact on the Company's interim financial statements.

Effective January 1, 2018, the Company adopted IFRS 9 "Financial Instruments". IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement". The standard includes requirements for recognition, measurement, impairment and derecognition of financial assets and liabilities, as well as general hedge accounting. The Company has taken the modified retrospective approach to adopting the standard. The adoption of IFRS 9 has had no significant impact on the Company's interim financial statements. Refer to Note 15 for changes to the classification of financial assets and financial liabilities as a result of IFRS 9.

Effective January 1, 2019, the Company will adopt IFRS 16, "Leases." The new standard is described in our 2017 financial statements. We continue to assess the impact of this standard on our consolidated financial statements and are progressing with the implementation of the standard. As at the date of these interim financial statements, there have been no significant changes to the disclosure related to the implementation of this standard that was included in our 2017 financial statements. We intend to disclose the estimated financial effects in our annual audited 2018 consolidated statements.

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. Occupancy related expenses; certain general and administrative expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

Certain comparative figures have been changed to conform to the current years' presentation.

3. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the three month period ended Sep 30, 2018 the Company paid rents of \$21,540 (2017 - \$15,240), and \$52,020 for the nine month period (2017 - \$45,720) in respect of three (2017 - two) 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 Sep 30, 2018 is \$200,000 due to a key member of management (Dec 31 - \$nil).

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ROCKY MOUNTAIN LIQUOR INC  
Notes to Interim Consolidated Financial Statements  
September 30, 2018  
(Unaudited)

3. RELATED PARTY TRANSACTIONS (continued)

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</b>	<b>9 months ended</b>	3 months ended	9 months ended
	<b>Sep 30, 2018</b>	<b>Sep 30, 2018</b>	Sep 30, 2017	Sep 30, 2017
Wages and salaries	\$ 126,000	\$ 378,000	\$ 124,750	\$ 374,250
Other	710	2,141	838	2,461
	<b>\$ 126,710</b>	<b>\$ 380,141</b>	<b>\$ 125,588</b>	<b>\$ 376,711</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 \$9,440,813 (2017 - \$9,476,631) and \$25,483,429 (2017 - \$25,148,365) for the nine month period. No inventory write downs were recognized in 2018 or 2017.

5. DISPOSAL OF RETAIL STORES

During the nine months ending Sept 30, 2018 the company sold three retail stores and two during the same period in 2017. The proceeds were allocated to the assets as follows:

Carrying Value	Note	2018	2017
Cash and cash equivalents		\$ 500	\$ 507
Inventory		309,345	83,664
Property and equipment		89,201	66,479
Goodwill	6	240,369	45,020
<b>Carrying value of net assets sold</b>		<b>\$ 639,415</b>	<b>\$ 195,670</b>
Total cash consideration received		\$ 619,845	\$ 149,171
(Gain) Loss on sale of property and equipment		(220,799)	1,479
Loss on disposal of goodwill	6	240,369	45,020
		<b>\$ 639,415</b>	<b>\$ 195,670</b>

Cash consideration received in the nine month period ending Sep 30, 2018 was for payment of: cash and cash equivalents \$500, inventory \$309,345, and property and equipment \$310,000, based on fair value. Cash consideration received in the nine month period ending Sep 30, 2017 was for payment of: cash and cash equivalents \$507, inventory \$83,664, and property and equipment \$65,000, based on fair value.

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6. GOODWILL

	Note	
Balance Dec 31, 2016		\$ 6,677,262
Goodwill disposed		(129,074)
Balance Dec 31, 2017		\$ 6,548,188
Goodwill disposed	5	(240,369)
Balance Sep 30, 2018		\$ 6,307,819

In the nine month period ending Sep 30, 2018 the Company sold three liquor stores resulting in a deemed disposition of goodwill allocated to the associated liquor store CGU of \$240,369, included in loss on disposal of property and equipment and goodwill on the consolidated statement of comprehensive loss.

7. BANK LOAN

Through its credit agreement with The Toronto-Dominion Bank, effective Oct 6, 2014 and amended Sept 20, 2018, the Company has an available facility up to a maximum of the lesser of \$10,000,000 and the total of \$4,102,000 and 75% of accounts receivable to a maximum of \$1,000,000, and 70% of the value of inventory less trade payables related to liquor and unremitted source deductions. The loan is due upon demand, bearing interest at prime plus 2.65% or bankers' acceptances plus 4.15% per annum. A covenant included in this agreement requires the Company to maintain a ratio of earnings before interest, taxes, depreciation, and amortization (EBITDA) to projected EBITDA. As at Sep 30, 2018 the Company is in compliance with this covenant.

Interest only payments are due monthly, secured by a general security agreement representing a first charge on all assets. As at Sep 30, 2018 there was \$8,343,583 drawn on the bank loan net of cash in transit (Dec 31, 2017 - \$7,990,886). Drawdowns and repayments are disclosed on the consolidated statements of cash flows on a net basis as the facility acts as an operating line.

Previous agreement provided an available facility up to a maximum of the lesser of \$10,000,000 and the total of \$4,400,000 with no change to allowance for accounts receivable or inventory. The previous agreement beared interest at prime plus 1.9% or bankers' acceptances plus 3.4% per annum.

8. CONVERTIBLE DEBENTURES

On Apr 1, 2016 the Company received debenture holder approval to restructure the terms of the debenture originally issued Apr 13, 2011 (the "Original Debenture"). The Company restructured the \$8,076,000 outstanding unsecured subordinated convertible debenture (the "Debenture") on Apr 30, 2016 as follows: the maturity date of the Debenture was extended to Apr 30, 2021; the interest rate payable semi-annually was reduced to 7.50% from 7.75%; and the Debenture is convertible to common shares of the Company at a conversion price of \$0.25 per common share, reduced from \$0.50.

Included in the restructure terms was an option for the Company to partially redeem \$1,211,000 of the Debenture at face value. The Company exercised this option on Jun 10, 2016, reducing the face value of the outstanding debenture to \$6,865,000.

The fair value of the Debenture of \$6,472,914 was estimated using discounted future cash flows of the principal amount. The equity component of the Debenture was decreased to \$96,694.

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ROCKY MOUNTAIN LIQUOR INC  
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8. CONVERTIBLE DEBENTURES (continued)

	Liability Component	
	Face Value	Carrying Value
Balance Dec 31, 2016	\$ 6,865,000	\$ 5,644,535
Notional accretive interest	-	228,072
Balance Dec 31, 2017	\$ 6,865,000	\$ 5,872,607
Notional accretive interest	-	192,060
Balance Sep 30, 2018	<b>\$ 6,865,000</b>	<b>\$ 6,064,667</b>

	Equity Component
	Carrying Value
Balance Dec 31, 2016 and 2017 and Sep 30, 2018	<b>\$ 96,694</b>

9. FINANCE COSTS

	Note	3 Months	9 Months	3 Months	9 Months
		Sep 30, 2018	Sep 30, 2018	Sep 30, 2017	Sep 30, 2017
Bank loan interest		\$ 122,397	\$ 342,637	\$ 88,189	\$ 256,176
Convertible debenture interest		129,776	385,097	129,777	385,098
Notional accretive interest	8	66,081	192,060	58,270	169,802
		<b>\$ 318,254</b>	<b>\$ 919,794</b>	<b>\$ 276,236</b>	<b>\$ 811,076</b>

10. SHARE CAPITAL

Authorized - Unlimited common shares

	Number	Amount
Balance at Dec 31, 2016 and 2017, and Sep 30, 2018	<b>56,791,788</b>	<b>\$ 4,667,442</b>

11. CONTRIBUTED SURPLUS

The table below summarizes the changes in contributed surplus:

	Note	Amount
Balance at Dec 31, 2016		\$ 1,004,483
Share based compensation	12	10,428
Balance at Dec 31, 2017, and Sep 30, 2018		<b>\$ 1,014,911</b>

12. 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.

On Jan 17, 2017, 500,000 incentive options were issued under the Option Plan, representing 0.9% of the outstanding common shares. 300,000 were exercisable per the below vesting schedule. 200,000 were exercisable Jan 18, 2018 if the unadjusted closing price per share for any 10-consecutive trading day period between Oct 20, 2017 and Jan 17, 2018 was equal to or greater than \$0.16. All options expired Jan 18, 2018 and none were exercised.

	# of options	Exercise Price	Estimated fair value of options	Weighted average exercise price	Weighted average contractual life remaining
Outstanding Dec 31, 2016	-	-	-	-	-
Issued Jan 17, 2017	500,000	0.070	34,563	0.070	0.553
Outstanding Dec 31, 2017	500,000	0.070	34,563	0.070	0.053
Expired Jan 17, 2018	(500,000)	-	-	-	-
<b>Outstanding Sep 30, 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

75,000 of the options vested on each of Feb 28, 2017, May 31, 2017, Aug 31, 2017 and Nov 30, 2017. 200,000 vested Oct 20, 2017. Share based compensation expense was \$nil at Sep 30, 2018 (2017 – \$4,184) for the three month period, and \$nil (2017 - \$10,428) for the nine month period. This was accounted for in operating and administrative expenses in the consolidated statements of comprehensive loss.

The fair value of the 300,000 options issued Jan 17, 2017 was estimated at \$0.042 per option using the Black-Scholes option-pricing model and applying the following weighted-average assumptions:

Risk-free interest rate	1.3%
Estimated volatility	130.0%
Expected life	1 years
Expected dividend yield	NIL
Expected forfeiture rate	27.0%

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12. STOCK OPTION PLAN (continued)

The fair value of the 200,000 options issued Jan 17, 2017 was estimated at \$0.110 per option using the Black-Scholes option-pricing model and applying the following weighted-average assumptions:

Risk-free interest rate	1.3%
Estimated volatility	130.0%
Expected life	1 years
Expected dividend yield	NIL
Expected forfeiture rate	93.8%

13. EXPENSES BY NATURE

	<b>3 Months</b>	<b>9 Months</b>	3 Months	9 Months
	<b>Sep 30, 2018</b>	<b>Sep 30, 2018</b>	Sep 30, 2017	Sep 30, 2017
Wages and employee benefits	\$ 1,167,158	\$ 3,512,844	\$ 1,333,042	\$ 4,133,710
Lease and premise costs	747,489	2,310,652	866,187	2,647,297
Other	266,772	750,047	293,716	823,808
	<b>\$ 2,181,419</b>	<b>\$ 6,573,543</b>	<b>\$ 2,492,945</b>	<b>\$ 7,604,815</b>

14. EARNINGS PER COMMON SHARE

Basic Net Earnings per Common Share

The calculation of basic earnings per common share for the three month period ending Sep 30, 2018 was based on the interim net comprehensive loss of \$43,069 (2017 – loss \$156,784), and for the nine month period interim net comprehensive loss of \$939,836 (2017 – loss \$1,350,913).

Weighted average number of shares outstanding of 56,791,788 (2017 – 56,791,788) was used for both the three and nine month periods.

Diluted Net Earnings per Common Share

The calculation of diluted net earnings per common share for the three month period ending Sep 30, 2018 was based on the interim net comprehensive loss of \$43,069 (2017 – loss \$156,784), and for the nine month period interim net comprehensive loss of \$939,836 (2017 – loss \$1,350,913).

Weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares of 56,791,788 (2017 – 56,791,788) was used for both the three and nine month periods. The potential shares issuable in exchange for convertible debentures have been excluded due to their anti-dilutive effect for the periods ended Sep 30, 2018 and Sep 30, 2017.

15. FINANCIAL INSTRUMENTS

Upon transition to IFRS 9, classification of financial instruments changed. Below is summary of the classification of the Company's financial instruments under each standard.

Financial Instrument	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost
Bank loan	Financial liabilities measured at amortized cost	Amortized cost
Convertible debenture	Fair value through profit loss	Fair value through profit loss

There has been no adjustment to the carrying amounts of financial instruments as a result of the change in classification from IAS 39 to IFRS 9.

Fair value measurements

The Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Sep 30, 2018		Dec 31, 2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets				
Cash and cash equivalents	\$ 624,653	\$ 624,653	\$ 818,786	\$ 818,786
Accounts receivable	32,045	32,045	63,300	63,300
Loans receivable	48,747	48,747	59,464	59,464
Financial Liabilities				
Bank loan	8,693,650	8,693,650	8,306,135	8,306,135
Accounts payable and accrued liabilities	819,229	819,229	675,157	675,157
Convertible debenture	6,064,667	4,599,550	5,872,607	2,231,125

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16. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	<b>3 Months</b>	<b>9 Months</b>	3 Months	9 Months
	<b>Sep 30, 2018</b>	<b>Sep 30, 2018</b>	Sep 30, 2017	Sep 30, 2017
Cash (used in) provided by				
Accounts receivable	\$ 9,276	\$ 31,255	\$ 26,349	\$ 74,084
Inventory	162,166	(341,172)	391,923	(273,033)
Prepaid expenses and deposits	32,885	(23,537)	42,299	(18,733)
Income taxes recoverable	-	(1,994)	-	99,765
Accounts payable and accrued liabilities	(93,146)	144,072	(31,083)	60,002
Goods and services tax payable	43,846	15,126	2,242	2,825
	<b>\$ 155,027</b>	<b>\$ (176,250)</b>	<b>\$ 431,730</b>	<b>\$ (55,090)</b>

17. SUBSEQUENT EVENT

Subsequent to Sep 30, 2018, the Company closed a store in Central Alberta.