Consolidated Financial Statements of

ROCKY MOUNTAIN LIQUOR INC.

December 31, 2023

TABLE OF CONTENTS

	PAGE
Management's Responsibility	
Auditor's Report	
Consolidated Statements of Financial Position	1
Consolidated Statements of Changes in Shareholders' Equity	2
Consolidated Statements of Comprehensive Income	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5-26

Management's Responsibility

To the Shareholders of Rocky Mountain Liquor Inc:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors is composed primarily of independent Directors of the Company. The Audit Committee is composed primarily of members who are Directors of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

April 25, 2024

“Peter J. Byrne”

Executive Chairman & Acting CEO

“Allison Radford”

President and Chief Financial Officer

Independent auditor's report

To the Shareholders of Rocky Mountain Liquor Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Rocky Mountain Liquor Inc. and its subsidiary (together, the Company) as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of goodwill
 	
Refer to note 2 – Material accounting policy information and note 8 – Goodwill to the consolidated financial statements.
 	
The Company had goodwill of $6,188,382 as at December 31, 2023. Goodwill is assessed for impairment at least annually or when events and circumstances indicate that the carrying value may not be recoverable. The determination of cash generating units (CGUs) was based on the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, the Company has grouped its CGUs consistent with its sole operating segment, which consists of all retail locations (CGU grouping). If the recoverable amount of a CGU grouping is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The recoverable amount of a CGU grouping is the higher of its estimated fair value less cost to dispose (FVLCD) or its estimated value in use (VIU). Goodwill was tested for impairment by management as at December 31, 2023. Management estimated the recoverable amount based on the FVLCD method using a discounted cash flow model. The significant assumptions used in the discounted cash flow model included the revenue growth rate, discount rate and terminal growth rate.
	Our approach to addressing the matter included the following procedures, among others:
	
	• Evaluated how management determined the recoverable amount of the CGU grouping to which goodwill is attributed, which included the following:
	  – Tested the appropriateness of the FVLCD method used and the mathematical accuracy of the discounted cash flow model.
	  – Tested the reasonableness of the revenue growth rate and terminal growth rate by comparing to current and past performance of the CGU grouping and external market data.
	  – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rate.
	  – Tested the underlying data used in the discounted cash flow model.
	
	• Tested the disclosures made in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
No impairment charges were recorded to the CGU grouping for the year ended December 31, 2023. We considered this a key audit matter due to the significant judgment by management in determining the recoverable amount of the CGU grouping to which goodwill is attributed, including the use of significant assumptions. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the significant assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2022 (prior to the adjustments that were applied to restate certain comparative information explained in note 19) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 25, 2023.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Newton.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Edmonton, Alberta
April 25, 2024

ROCKY MOUNTAIN LIQUOR INC.

Consolidated Statements of Financial Position

As at	Note	Dec 31, 2023 $	Dec 31, 2022 $
ASSETS			
CURRENT			
Cash		**266,903**	146,918
Accounts receivable		**392,294**	443,694
Inventory	4	**4,125,631**	4,651,879
Prepaid expenses and deposits		**304,965**	245,992
		5,089,793	5,488,483
NON-CURRENT			
Property and equipment	6	**1,148,304**	1,229,236
Intangible assets	7	**50,669**	-
Goodwill	8	**6,188,382**	6,188,382
Deferred tax assets	10	**219,127**	144,139
Right-of-use-assets	14	**10,089,995**	10,727,805
		22,786,270	23,778,045
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		**571,493**	470,846
Goods and services tax payable		**65,604**	73,738
Operating facility	9	**1,052,185**	1,622,322
Current portion of bank loan	9	**559,472**	519,487
Current portion of lease liabilities	14	**1,327,584**	1,443,806
		3,576,338	4,130,199
NON-CURRENT			
Bank loan	9	**400,027**	952,005
Lease liabilities	14	**9,860,473**	10,209,471
		13,836,838	15,291,675
SHAREHOLDERS' EQUITY			
Share capital	11	**7,427,311**	7,427,311
Contributed surplus		**1,024,148**	1,024,148
Retained earnings		**497,973**	34,911
		8,949,432	8,486,370
		22,786,270	23,778,045
Subsequent event	21		

The accompanying notes form an integral part of these 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.

Consolidated Statements of Changes in Shareholders' Equity

	Note	Share capital $	Contributed surplus $	Retained earnings (accumulated deficit) $	Total $
Balance at Dec 31, 2021		7,377,311	1,014,911	(242,618)	8,149,604
Share based payments	11, 12	50,000	9,237	-	59,237
Net comprehensive income for the year		-	-	277,529	277,529
Balance at Dec 31, 2022		7,427,311	1,024,148	34,911	8,486,370
Net comprehensive income for the year		-	-	463,062	463,062
Balance at Dec 31, 2023		**7,427,311**	**1,024,148**	**497,973**	**8,949,432**

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

ROCKY MOUNTAIN LIQUOR INC.

Consolidated Statements of Comprehensive Income

	Note	**Year ended Dec 31, 2023 $**	Year ended Dec 31, 2022 $ Restated (Note 19)
Sales		**41,476,067**	43,222,133
Cost of sales	4	**31,938,602**	33,745,773
		9,537,465	9,476,360
Operating and administrative expenses	17	**7,070,873**	6,854,485
Income from operations before depreciation and other		**2,466,592**	2,621,875
Property and equipment depreciation	6	**233,263**	261,360
Intangible asset depreciation	7	**-**	1,273
Right-of-use equipment depreciation	14	**962,767**	1,133,746
Finance costs on lease liabilities	14	**586,359**	632,749
Other expenses (income)			
Finance costs		**284,924**	260,146
Loss (gain) on disposal of property and equipment and goodwill	5, 6	**2,539**	(4,172)
Store closure expenses		**8,703**	7,035
Other income		**(37)**	(25)
		2,078,518	2,292,112
Income before tax		**388,074**	329,763
Deferred income tax (recovery) expense	10	**(74,988)**	52,234
Net comprehensive income		**463,062**	277,529
Basic income per share	13	**0.01**	0.01
Diluted income per share	13	**0.01**	0.01

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

ROCKY MOUNTAIN LIQUOR INC.
Consolidated Statements of Cash Flows

	Note	Year ended Dec 31, 2023 $	Year ended Dec 31, 2022 $
			Restated (Note 19)
OPERATING ACTIVITIES			
Net comprehensive income		**463,062**	277,529
Items not affecting cash			
Property and equipment depreciation	6	**233,263**	261,360
Intangible assets depreciation	7	**-**	1,273
Loss (gain) on disposal of property and equipment and goodwill	6	**2,539**	(4,172)
Deferred income tax (recovery) expense	10	**(74,988)**	52,234
Right-of-use assets depreciation	14	**962,767**	1,133,746
Share based payments	11, 12	**-**	59,237
Changes in non-cash working capital	15	**611,188**	103,469
Cash flow from operating activities		**2,197,831**	1,884,676
INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(154,870)**	(88,124)
Purchase of intangible assets	7	**(50,669)**	-
Proceeds on disposal of goodwill	8	**-**	27,028
Proceeds on disposal of property and equipment		**-**	24,088
Cash flow used in investing activities		**(205,539)**	(37,008)
FINANCING ACTIVITIES			
Principal repayments on bank loan	9	**(511,993)**	(731,647)
Proceeds from operating facility	9	**14,303,674**	15,814,219
Principal repayments on operating facility	9	**(14,873,811)**	(16,053,568)
Principal portion of lease liabilities	14	**(790,177)**	(847,769)
Cash flow used in financing activities		**(1,872,307)**	(1,818,765)
INCREASE IN CASH		**119,985**	28,903
CASH - BEGINNING OF YEAR		**146,918**	118,015
CASH - END OF YEAR		**266,903**	146,918
CASH FLOWS SUPPLEMENTARY INFORMATION			
Interest paid on bank loan, operating facility and other		**284,924**	260,146
Interest paid on leases liabilities		**586,359**	632,749
Income taxes paid		**-**	-

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

1. NATURE OF OPERATIONS

Rocky Mountain Liquor Inc. (“Rocky Mountain Liquor”, “RML”, or “the Company”) 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 (“RTO”) on December 1, 2008.

As at December 31, 2023 Andersons operated 25 (2022 – 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 consolidated financial statements have been approved for issue by the Board of Directors on April 25, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except where otherwise specified.

Basis of consolidation

The consolidated financial statements include the accounts of Rocky Mountain Liquor and its wholly owned subsidiary, Andersons, resulting in the consolidated entity (the “Company”). Inter-company balances and transactions and any unrealized earnings and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

Critical accounting judgments estimates and assumptions

The preparation of these consolidated financial statements, in conformity with IFRS Accounting Standards, 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.

(continues)

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are discussed below.

Estimates

Deferred tax assets and liabilities

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. The determination of the recoverability of deferred tax assets requires management to make judgements related to the assessment of management's planned implementation of tax strategies and its future ability to be realized. Assumptions underlying the composition of deferred tax assets and liabilities include estimates of future results of operations and the timing of reversal of temporary differences as well as the tax rates and laws in place at the time of the expected reversal.

Impairment of non-financial assets

The Company reviews goodwill and non-financial assets under construction at least annually, and other non-financial assets when there is any indication that the asset may be impaired. The recoverable amounts of cash-generating units ("CGUs") have been determined, where applicable using discounted cash flow models that require assumptions about future cash flows, terminal growth rate, and discount rate. Refer to note 8 for further details regarding the estimation of recoverable amounts.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are not recognized for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Company is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

Leases

The Company estimates the incremental borrowing rate used to measure the lease liability for each lease contract if the rate implicit in the lease cannot be determined. This includes estimation in determining the asset-specific security impact. There is also estimation uncertainty arising from certain leases containing variable lease terms that are linked to operational results or an index or rate.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Judgments

Cash-generating units

The determination of CGUs was based on the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or group of assets. The Company has determined that each retail location based on their independent cash inflows for non-financial assets other than goodwill.

For the purposes of goodwill impairment testing, the Company has grouped its CGU's consistent with its sole operating segment, which consists of all retail locations as the synergies of multiple locations operating under a common regulatory environment are realized across all related retail locations.

Leases

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the lease will be extended. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

Useful lives of property and equipment and intangible assets

Management has estimated the useful lives of property and equipment and intangible assets based on its assumption of the time frame in which these assets will be used by the Company. These assumptions may differ from actual life of the assets.

Material accounting policies

Revenue recognition

Revenue from the sale of goods is generated through retail and licensee sales and recognized at the point of sale to customers, net of discounts. Revenue is recognized at a point in time when control of the asset is transferred to the customer.

Cash

Cash consists of cash on hand and cash held in bank accounts.

Inventory

Inventory consists primarily of liquor and related merchandise for resale and is valued at the lower of cost and net realizable value. Cost is based on purchase price plus freight on a first-in, first out basis, and net realizable value is the estimated selling price less applicable selling costs. Write downs to net realizable value may be reversed in a subsequent period if circumstances that previously caused a write down no longer exist.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property and equipment

Property and equipment is recorded at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Repairs and maintenance comprise the cost of replacement assets or parts of assets, inspection costs and overhaul costs. These costs are expensed as incurred when they are determined not to add life to the asset.

Property and equipment is depreciated over estimated useful lives at the following rates and methods:

Buildings	4%	declining balance method
Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method
Motor vehicles	30%	declining balance method
Leasehold improvements	Lesser of lease term and useful life	straight line method

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognized.

Intangible assets

Intangible assets are recorded at cost, less accumulated depreciation, and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, and any costs directly attributable to bringing the asset into operation.

Intangible assets are depreciated over estimated useful lives at the following rates and methods:

Computer software	10 years	straight line method

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date) and represents the excess of the consideration transferred and the fair value of the net identifiable assets acquired. Goodwill is carried at cost less accumulated impairment losses.

On disposal of a CGU or a portion of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is carried at cost less accumulated impairment charges and is assessed for impairment at least annually or when events and circumstances indicate that the carrying value may not be recoverable. Impairment charges with respect to goodwill are not reversed.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment, intangible assets, and right-of-use assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU or CGU grouping to which the asset belongs. For the purposes of impairment testing of property and equipment and right-of-use assets each separate store location is a distinct CGU.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset or CGU or CGU grouping is the higher of fair value less costs of disposal (“FVLCD”) or its estimated value in use (“VIU”). FVLCD is based on the best information available to reflect the amount that could be obtained from the disposal of the CGU in an arms length transaction with a third party, net of estimates of costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU / CGU grouping) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU / CGU grouping) is reduced to its recoverable amount. An impairment loss is recognized immediately in the determination of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the determination of comprehensive income.

Income taxes

Tax expense comprises current and deferred taxes. Tax is recognized in the consolidated statements of comprehensive income except to the extent it relates to items recognized in other comprehensive income or directly in equity. Current tax is the expected payable on the taxable income for the year using rates enacted or substantively enacted at the year-end, and includes any adjustments to tax payable in respect of previous years.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position.

Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Deferred tax liabilities are generally recognized for all taxable temporary differences, and are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized and are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination, that affect neither accounting nor taxable profit and do not give rise to equal taxable and deductible differences.

Financial instruments

The classification of a financial asset or liability is determined at the time of initial recognition. The Company does not enter into derivative contracts.

Financial assets

A financial asset is recognized when the Company has the contractual right to collect future cash flows. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial assets are recognized at fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) or amortized cost.

Cash is recognized at its fair value and carried at amortized cost.

Accounts receivable are initially recognized at their fair value, less transaction costs and subsequently carried at amortized cost using the effective interest method less impairment losses.

Impairment of financial assets

The Company assesses whether a financial asset or group of financial assets is impaired under the expected credit loss ("ECL") model. The Company makes use of the IFRS 9 simplified approach in accounting for impairment of receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. To calculate, the Company uses historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of accounts receivable on a collective basis when they possess shared credit risk characteristics and days past due.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial liabilities

Financial liabilities consist of accounts payable and accrued liabilities, operating facility, and bank loan and are recognized at amortized cost using the effective interest rate method.

Leasing Activities

The Company leases properties for its retail stores and head office. Lease contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option by assessing relevant factors such as store profitability. Extension options are only included in the lease term if the optional term is reasonably certain to be exercised.

The lease liability is initially measured at the present value of the fixed lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used. The incremental borrowing rate is the rate that the lessee would have to pay to borrow at prevailing interest rates, market precedents and the Company’s specific credit spread, on similar terms and security. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Subsequent to the commencement date, the lease liability is modified or remeasured when any of the above factors used in determining initially liability measurement change. When a lease liability is modified or remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or it is recorded in the Consolidated Statements of Comprehensive Income if the carrying amount of the assets has been reduced to zero.

<u>Initial application of amendments to accounting standards</u>

Presentation of Financial Statements - IAS 1

In February 2021 the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2 Making Materiality Judgements) with amendments that are required to help preparers in deciding which accounting policy to disclose in their financial statement. An entity is now required to disclose its material accounting policies rather than their significant accounting policies.

The amendments clarify that accounting policy information may be material because if its nature, even if the related amounts are immaterial; accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements; and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The amendments were effective for annual periods beginning on or after January 1, 2023. The Company has concluded that there is no material impact of adopting these amendments on its consolidated financial statements on January 1, 2023.

(continues)

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Definition of Accounting Estimates – Amendments to IAS 8

Amendments to IAS 8 were issued in February 2021, IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.” The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments were effective for annual periods beginning on or after January 1, 2023. The Company has concluded that there is no material impact of adopting these amendments on its consolidated financial statements on January 1, 2023.

Income Taxes - IAS 12

Amendments to IAS 12 were issued in May 2021, IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases. The amendments were effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company has concluded that there is no material impact of adopting these amendments on its consolidated financial statements on January 1, 2023.

IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and the IFRS Practice Statement 2 Making Materiality Judgments to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies.

Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making judgments about accounting policy disclosures. The amendments were effective for annual periods beginning on or after January 1, 2023. The Company has concluded that there is no material impact of adopting these amendments on its consolidated financial statements on January 1, 2023.

<u>Future Accounting Pronouncements</u>

Classification of Liabilities as Current or Non-current and Information about long-term debt with covenants – Amendments to IAS 1

In January 2020, the IASB amended IAS 1 Presentation of Financial Statements, clarifying that the classification of liabilities as current or non-current is based on existing rights at the end of the reporting period, independent of whether the Company will exercise its right to defer settlement of a liability.

Subsequently, in October 2022, the IASB introduced additional amendments to IAS 1, emphasizing that covenants for long-term debt, regardless whether the covenants were compliant after the reporting date, should not affect debt classification; instead, companies are required to disclose information about these covenants in the notes accompanying their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company does not expect any the impact of adopting these amendments on its financial statements.

3. RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the year, the Company paid $nil to a director for consulting fees associated with the CEO transition (2022 – $5,200). During 2023 the Company paid rent expense of $95,784 (2022 - $90,711) in respect of three retail liquor stores (2022 – three) to privately held companies in which a director is a significant shareholder. Included in accounts payable and accrued liabilities at December 31, 2023 is $nil (2022 - $92,717) due to a director. The loan agreement between related parties provides an interest rate of 5.0% per annum. Interest expense included in Finance costs on the consolidated statements of comprehensive income is $1,283 (2022 - $1,194).

Key Management Personnel Compensation

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

	Note		**December 31, 2023**		December 31, 2022
Wages and salaries		**$**	**581,295**	$	602,250
Share based payments	11		**-**		50,000
Other			**4,913**		4,121
		$	**586,208**	$	656,371

Other includes health plan expenses 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 year ended December 31, 2023 was $31,938,602 (2022 - $33,745,773). No inventory write downs were recognized in 2023 or 2022.

5. SALE OF RETAIL STORE

In 2022 the Company sold one store. No stores were sold in 2023. The proceeds were allocated to the assets as follows:

	Note		**December 31, 2023**		December 31, 2022
Cash		**$**	**-**	$	3,776
Inventory			**-**		123,667
Property and equipment			**-**		12,466
Goodwill	8		**-**		27,028
Carrying value of net assets sold		**$**	**-**	$	166,937
					-
Total cash consideration received		**$**	**-**	$	177,442
Gain on sale of property and equipment			**-**		(37,533)
Loss on goodwill	8		**-**		27,028
Carrying value of net assets sold		**$**	**-**	$	166,937

6. PROPERTY AND EQUIPMENT

	December 31, 2022 Opening Net Book Value	Additions	Disposal	Depreciation	**December 31, 2023 Closing Net Book Value**
Building	$ 146,446	$ -	$ -	$ (2,720)	**$ 143,726**
Computer equipment	28,280	8,674	(731)	(6,060)	**30,163**
Furniture and fixtures	451,099	122,691	(1,007)	(98,286)	**474,497**
Leasehold improvements	601,127	23,505	(801)	(125,493)	**498,338**
Motor vehicles	2,284	-	-	(704)	**1,580**
	$ 1,229,236	$ 154,870	$ (2,539)	$ (233,263)	**$ 1,148,304**

	2023 Cost	2023 Accumulated Depreciation	**2023 Net Book Value**
Building	$ 316,224	$ 172,498	**$ 143,726**
Computer equipment	328,367	298,204	**30,163**
Furniture and fixtures	3,048,618	2,574,121	**474,497**
Leasehold improvements	2,444,027	1,945,689	**498,338**
Motor vehicles	14,708	13,128	**1,580**
	$ 6,151,944	$ 5,003,640	**$ 1,148,304**

	December 31, 2021 Opening Net Book Value	Additions	Disposal	Depreciation	**December 31, 2022 Closing Net Book Value**
Building	$ 157,437	$ -	$ -	$ (10,991)	**$ 146,446**
Computer equipment	36,304	3,585	(104)	(11,505)	**28,280**
Furniture and fixtures	493,260	75,711	(13,334)	(104,538)	**451,099**
Leasehold improvements	732,022	8,828	(6,414)	(133,309)	**601,127**
Motor vehicles	3,365	-	(64)	(1,017)	**2,284**
	$ 1,422,388	$ 88,124	$ (19,916)	$ (261,360)	**$ 1,229,236**

	2022 Cost	2022 Accumulated Depreciation	**2022 Net Book Value**
Building	$ 316,225	$ 169,779	**$ 146,446**
Computer equipment	329,370	301,090	**28,280**
Furniture and fixtures	2,937,106	2,486,007	**451,099**
Leasehold improvements	2,427,443	1,826,316	**601,127**
Motor vehicles	14,708	12,424	**2,284**
	$ 6,024,852	$ 4,795,616	**$ 1,229,236**

7. INTANGIBLE ASSETS

Intangible assets additions consist of software developed internally for the Company's new point-of-sale system. No depreciation has been recorded as of December 31, 2023 as the point-of-sale system was not operational as of December 31, 2023.

	December 31, 2022 Opening Net Book Value	Additions	Disposal	Depreciation	**December 31, 2023 Closing Net Book Value**
Computer software	$ -	$50,669	$ -	$ -	**$ 50,669**
	$ -	$ 50,669	$ -	$ -	**$ 50,669**

	2023 Cost	2023 Accumulated Depreciation	**2023 Net Book Value**
Computer software	$ 910,733	$ 860,064	**$ 50,669**
	$ 910,733	$ 860,064	**$ 50,669**

	December 31, 2021 Opening Net Book Value	Additions	Disposal	Depreciation	**December 31, 2022 Closing Net Book Value**
Computer software	$ 1,273	$ -	$ -	$ (1,273)	**$ -**
	$ 1,273	$ -	$ -	$ (1,273)	**$ -**

	2022 Cost	2022 Accumulated Depreciation	**2022 Net Book Value**
Computer software	$ 1,124,025	$ 1,124,025	**$ -**
	$ 1,124,025	$ 1,124,025	**$ -**

8. GOODWILL

	Note	Liquor Store CGU Grouping
Balance December 31, 2021		$ 6,215,410
Goodwill disposed	5	(27,028)
Balance December 31, 2022 and 2023		**$ 6,188,382**

Goodwill was tested for impairment as of December 31, 2023 and testing indicated that the recoverable amount exceeded the carrying value. No impairment charges were recorded to the CGU grouping for the year ended December 31, 2023 (2022 – nil). The Company performs its annual impairment test as of December 31 each year, or more frequently if there is any indication that goodwill may be impaired. In conducting its annual goodwill impairment test, the Company performed a FVLCD method on the CGU grouping. The recoverable amount was determined based on calculations and projections from forecasts prepared by management. These calculations use projections over five-years of cash flows included in the discounted cash flow model and are extrapolated using estimated growth rates stated below.

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8. GOODWILL (continued)

The significant assumptions used in the discounted cash flow model are set out below for the years ended December 31:

	2023	2022
Revenue growth rate	**1.3%**	2.0%
Discount rate	**12.2%**	14.0%
Terminal growth rate	**2.0%**	2.0%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determine values**
Revenue growth rate	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Discount rate	Estimated based on the Company's weighted average cost of capital, adjusted for risks specific to the Company.
Terminal growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.

Estimating a CGU's FVLCD requires significant judgment regarding the inputs used in applying the discounted cash flow model. Sensitivity testing is conducted as part of the annual impairment tests:

- A reduction of 5.0% to the 2024 sales or 5.5% to 2025 sales would reduce the recoverable amount of the CGU to its carrying value.
- An increase in the discount rate to approximately 16.0% would reduce the recoverable amount of the CGU to its carrying value.
- A terminal growth rate of negative 9.3% would reduce the recoverable amount of the CGU to its carrying value.

9. 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 December 31, 2023, the interest rate applicable to the operating facility and bank loan was 8.45% (2022 – 7.70%)

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.

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9. OPERATING FACILITY AND BANK LOAN (continued)

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

		December 31, 2023		December 31, 2022
Current Liabilities:				
Operating facility	**$**	**1,052,185**	$	1,622,322
Bank loan		**559,472**		519,487
Total current		**1,611,657**		2,141,809
Long term portion of bank loan		**400,027**		952,005
Total facility and bank loan	**$**	**2,011,684**	$	3,093,814

Below is a reconciliation of movements in the bank loan to cash flows arising from financing activities for the years ended December 31:

	2023		2022	
Opening balance		**$ 1,471,492**		$ 2,203,139
Finance costs	**103,721**		100,637	
Repayments	**(615,714)**		(832,284)	
Principal repayments on bank loan		**(511,993)**		(731,647)
Balance at December 31		**$ 959,499**		$ 1,471,492

Below is a reconciliation of movements in the operating facility to cash flows arising from financing activities for the years ended December 31:

	2023		2022	
Opening balance		**$ 1,622,322**		$ 1,861,671
Finance costs	**179,920**		158,275	
Repayments	**(15,053,731)**		(16,211,843)	
Principal repayments on operating facility		**(14,873,811)**		(16,053,568)
Proceeds from operating facility		**14,303,674**		15,814,219
Balance at December 31		**$ 1,052,185**		$ 1,622,322

Both the bank loan and operating facility are secured by a general security agreement representing a first charge on all assets. Principal repayments of the bank loan and operating facility 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 December 31, 2023 the Company is in compliance with this covenant.

10. INCOME TAXES

Income tax expense:

	December 31, 2023	December 31, 2022
Current tax (reocvery) expense:		
Current period	**$ -**	$ -
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**91,440**	93,767
Change in tax rates	**-**	-
Change in unrecognized deductible temporary differences	**(166,428)**	(41,533)
Total income tax (recovery) expense	**$ (74,988)**	$ 52,234

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

	December 31, 2023	December 31, 2022
Income before tax	**$ 388,074**	$ 329,763
Statutory income tax rate	**23.00%**	23.00%
Expected income tax	**89,257**	75,846
(Decrease) increase resulting from:	**-**	
Non-deductible and non-taxable items	**2,183**	15,556
Change in unrecognized deductible temporary differences	**(166,428)**	(41,533)
Change in tax rates and rate differences	**-**	2,365
Income tax (recovery) expense	**$ (74,988)**	$ 52,234

Recognized deferred tax assets and liabilities:

	December 31, 2023	December 31, 2022
Deferred tax assets are attributable to the following:		
Loss carryforwards	**$ 133,217**	$ 10,354
Property and equipment	**116,763**	159,270
Lease liabilities	**2,573,253**	2,680,255
Deferred tax assets	**2,823,233**	2,849,879
Set-off of tax	**(2,604,106)**	(2,705,740)
Net deferred tax asset	**219,127**	144,139
Deferred tax liabilities are attributable to the following:		
Right-of-use assets	**(2,320,699)**	(2,467,395)
Goodwill	**(283,407)**	(238,345)
Deferred tax liabilities	**(2,604,106)**	(2,705,740)

The deferred tax assets to be recovered within 12 months from the statement of financial position date are $32,406 (2022 - $37,113).

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10. INCOME TAXES (continued)

Unrecognized deferred tax assets:

The Company also had taxable temporary differences associated with the $1,744,054 investment in its subsidiary for which no deferred tax asset had been recognized. The Company's loss carryforwards expire between 2038 and 2041.

	December 31, 2023	December 31, 2022
Deductible temporary differences	**$ -**	$ 18,077
Tax losses	**-**	720,100
	$ -	$ 738,177

11. SHARE CAPITAL

Authorized - Unlimited common shares

	Number	Amount
Balance December 31, 2021	47,489,937	$ 7,377,311
Issued May 9, 2022	337,838	50,000
Balance December 31, 2022 and 2023	**47,827,775**	**$ 7,427,311**

On May 12, 2022 the Company issued shares worth $25,000 to each of two individual officers of the Company as approved by the TSX Venture Exchange in accordance with the Company's Option Plan. A total number of 337,838 shares were issued at a deemed price of $0.148, based on applying the volume-weighted average trading price of listed shares traded for the five trading days immediately preceding the issuance of shares. Compensation expense in 2023 of $nil (2022 – $50,000) was recorded in the consolidated statements of comprehensive income.

12. SHARE OPTION PLAN

Share 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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12 SHARE 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 Share 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 December 31, 2022	192,308	$0.105 - $0.121	9,237	0.115	0.784
Outstanding December 31, 2023	**192,308**	**$0.113 - $0.121**	**9,237**	**0.119**	**0.451**

The options have a term of three years from the date of grant and vest immediately. Share based payment expense in 2023 of $nil (2022 – $9,237) was recognized for these options. This is accounted for in operating and administrative expenses in the consolidated statements of comprehensive income.

The fair value of the 192,308 options issued May 9, 2022 were 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%

13. 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.

	December 31, 2023	December 31, 2022
Net comprehensive income	**$ 463,062**	$ 277,529
Weighted average number of common shares outstanding during the period	**47,827,775**	47,706,524
Basic income per share	**$ 0.01**	$ 0.01

(continues)

13. INCOME PER COMMON 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.

During the year ended December 31, 2023, shares of 192,308 associated with the Company's outstanding stock options (note 12) were anti-dilutive (2022 – nil).

		December 31, 2023		December 31, 2022
Basic weighted average number of common shares		**47,827,775**		47,706,524
Dilutive effect of stock options issued May 9, 2022		**-**		124,868
Diluted weighted average number of common shares		**47,827,775**		47,831,392
Net comprehensive income	**$**	**463,062**	$	277,529
Diluted income per share	**$**	**0.01**	$	0.01

14. 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 the Company's right-of-use assets for the year ended December 31:

	2023	2022
Opening balance	**$ 10,727,805**	$ 12,449,339
Lease remeasurement adjustment	**324,957**	(587,788)
Right-of-use assets depreciation	**(962,767)**	(1,133,746)
Balance at December 31	**$ 10,089,995**	$ 10,727,805

For the year ended December 31, 2023, right-of-use assets depreciation was recognized in the statements of comprehensive income.

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14. RIGHT-OF-USE-ASSETS AND LEASE LIABILITIES (continued)

Below is a summary of the activity related to the Company's lease liabilities for the years ended December 31:

		2023		2022
Opening balance		**$ 11,653,277**		$ 13,088,834
Lease remeasurement adjustment		**324,957**		(587,788)
Finance costs on lease liabilities	**586,359**		632,749	
Lease payments	**(1,376,536)**		(1,480,518)	
Principal portion of lease liabilities		**(790,177)**		(847,769)
Balance at December 31		**$ 11,188,057**		$ 11,653,277
Current portion of lease liabilities		**$ 1,327,584**		$ 1,443,806
Non-current lease liabilities		**9,860,473**		10,209,471
Balance at December 31		**$ 11,188,057**		$ 11,653,277

For the year ended December 31, 2023, finance costs on lease liabilities were recognized in the statements of comprehensive income and lease payments were recognized in the statements of cash flows.

The following table presents the maturity analysis of contractual undiscounted cash flows, excluding periods covered by lessee lease extension options that have been included in the determination of the lease term, related to the Company's lease liabilities as of December 31, 2023.

	2024	**2025**	**2026**	**2027**	**2028 and thereafter**	**Total**
Leases	1,436,834	1,318,260	1,139,072	1,015,383	2,044,347	6,953,896

15. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Decemer 31, 2023	December 31, 2022
Cash provided by (used in)		
Accounts receivable	**$ 51,400**	$ (10,293)
Inventory	**526,248**	299,397
Prepaid expenses and deposits	**(58,973)**	(77,345)
Accounts payable and accrued liabilities	**100,647**	(124,864)
Goods and services tax payable	**(8,134)**	16,574
	$ 611,188	$ 103,469

16. 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.

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16. FINANCIAL INSTRUMENTS (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages its credit risk for its cash by maintaining bank accounts with reputable Canadian banks.

The Company in its normal course of business is exposed to credit risk from its customers. The Company manages the risk associated with accounts receivables by credit management policies. All accounts receivable are due from one credit card processing organization with all amounts being less than one week outstanding as of the date of the consolidated statement of financial position. The Company has $nil (2022 - $nil) expected credit loss from accounts receivable. $Nil was recognized in 2023 and 2022 for bad debts on accounts receivables.

Liquidity Risk

The Company's financial liabilities at December 31, 2023 have contractual maturities summarized below:

	Note	Maturity Date	**Current**	Non-Current
Accounts payable and accrued liabilities			**$ 571,493**	$ -
Goods and services taxes payable			**65,604**	-
Operating facility	9		**1,052,185**	-
Bank loan	9	August 30, 2025	**559,472**	400,027
Lease liability	14		**1,327,584**	9,860,473
			$ 3,576,338	$ 10,260,500

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity risk management is to maintain sufficient amounts of cash, and authorized credit facilities, to fulfill obligations associated with financial liabilities. Expected cash flows from operations will enable repayment of current liabilities.

A risk relates to the ability to refinance debt managed by monitoring current debt agreement terms. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all.

To manage liquidity risk, the Company prepares budgets and cash forecasts, and monitors its performance against these. The Company also monitors liquidity risk through comparisons of current financial ratios with financial covenants contained in its operating facility and bank loan.

The borrowing base as at December 31, 2023 was $3,441,366 with a $2,457,366 surplus.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

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16. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The Company is subject to interest rate risk as its bank loan and operating facility bears interest rates that vary in accordance with prime borrowing rates. Assuming an outstanding operating facility and bank loan balance of $2,011,684 (2022 - $3,093,814), a one percent increase/decrease in interest rates would have a nominal effect on net comprehensive income of $20,117 (2021 - $30,938). The Company manages its interest rate risk through identifying operating facility covenant requirements and repaying the outstanding balance whenever feasible.

Capital Management

The Company's objectives when managing capital are:

- To ensure the Company has capital to support its strategic objectives and operations;
- To safeguard the Company's ability to continue as a going concern;
- To ensure compliance with all covenants; and
- To maintain a strong capital base to maintain investor, creditor and market confidence.

The Company considers capital to include shareholders' equity, operating facility, and bank loan offset by cash. Below is a summary of the Company's capital as of December 31, 2023:

	Note		**December 31, 2023**		December 31, 2022
Operating facility	14	**$**	**1,052,185**	$	1,622,322
Bank loan	9		**959,499**		1,471,492
Cash			**(266,903)**		(146,918)
Net debt		**$**	**1,744,781**	$	2,946,896
Shareholders' equity			**8,949,432**		8,486,370
Total capital		**$**	**10,694,213**	$	11,433,266

Management monitors the adequacy of capital and will adjust the structure accordingly by accessing the operating facility or issuing debt instruments. The Company meets its objectives for managing capital through strategic long-term planning and the annual budgeting process.

17. OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the year ended December 31, 2023 include salary and benefits of $4,733,617 (2022 – $4,628,905).

18. CONTINGENCIES

From time to time the Company is involved in legal matters arising in the ordinary course of business. An amount has been accrued in the Company's consolidated financial statements for the period ended December 31, 2023 (2022 - $nill) as the likelihood of a loss is probable and can be reasonably measured.

19. RESTATEMENT

During the year, the Company identified the following errors in the December 31, 2022 consolidated financial statements and have corrected for these errors by restating each of the affected financial statement line items for the prior period 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:

	2022		
	As previously reported	Adjustment recorded	As restated
Consolidated Statements of Comprehensive Income			
Sales	$ 41,981,133	$ 1,241,000	$ 43,222,133
Cost of sales	32,504,773	1,241,000	33,745,773
	$ 9,476,360	$ -	$ 9,476,360

The correction further affected disclosure in note 4 related to the cost of inventory recognized as an expense and included in cost of sales.

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.

Below is the impact of the restatement:

	2022		
	As previously reported	Adjustment recorded	As restated
Consolidated Statements of Cash Flows			
OPERATING ACTIVITIES			
Finance costs on lease liabilities	$ 632,749	$ (632,749)	$ -
Cash flow from operating activities	$ 2,517,425	$ (632,749)	$ 1,884,676
FINANCING ACTIVITIES			
Principal portion of lease liabilities	$ (1,480,518)	$ 632,749	$ (847,769)
Cash flow used in financing activities	$ (2,451,514)	$ 632,749	$ (1,818,765)

20. ECONOMIC DEPENDENCE

The Company is required to purchase all alcohol-based products from the Alberta Gaming and Liquor Commission ("AGLC"). As the majority of the Company's income is derived from the sale of alcohol based products, its ability to continue operations is dependent upon the relationship with and the sustainability of AGLC. The alcohol-based products are distributed primarily through Connect Logistics Services Inc. and Brewers Distributor Ltd. Any significant disruption in the supply chain for either of these businesses could result in a material adverse effect on the operations of the Company.

21. SUBSEQUENT EVENT

Subsequent to December 31, 2023, the Company's board approved a plan to close one underperforming store.