ROCKY MOUNTAIN LIQUOR INC

Ticker: "RUM"

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 27, 2010

ROCKY MOUNTAIN LIQUOR INC

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This management discussion and analysis is dated May 27, 2010.

The following is a discussion of the consolidated financial condition and operations of Rocky Mountain Liquor Inc (the "Company") for the periods indicated and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and accompanying notes of the Company for the 3 months ended March 31, 2010. The Company's sole investment is in Anderson's Liquor Inc. The Company owns 100% of Andersons Liquor Inc. ("Andersons") headquartered in Edmonton Alberta, which owns and operates private liquor stores in that province.

The Company's unaudited financial statements and the notes thereto have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. References to notes are to notes of the financial statements unless otherwise stated.

FORWARD LOOKING INFORMATION AND STATEMENTS ADVISORY

This management discussion and analysis contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "might" and similar expressions is intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this management discussion and analysis contains forward-looking information and statements pertaining to the following: (i) the stability of retail liquor sales; (ii) the ability to acquire additonal liquors stores and/or locations; (iii) increased revenues and margins due to tax increase, (iv) the ability to purchase inventory at a discount, (v) on going impact from price inflation, (vi) one-time impact from repricing of inventory from the April 2009 tax increase and its recission in July 2009 and (vii) other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance. All statements other than statements of historical fact contained in this management's discussion and analysis are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed or recent acquisitions and the benefits to be derived therefrom, and plans and objectives of or involving the Company.

The forward-looking information and statements contained in this management discussion and analysis reflect several material factors, expectations and assumptions including, without limitation: (i) demand for adult beverages; (ii) the ability to acquire additonal liquors stores and/or locations; (iii) the Company's ability to secure financing to suit its growth strategy; (iv) the integration risk and requirments for the purchase or development of liqour stores; (v) the Company's future operating and financial results; (vi) treatment under governmental regulatory regimes, tax, and other laws; and (vii) the ability to attract and retain employees for the Company.

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ

materially from those anticipated in such forward-looking information or statements including, without limitation: (i) impact of economic events affecting discretionary concumer spending; (ii) ability to obtain required finacing to continue growth strategy; (iii) changes in Government regulation of the retail liquor industry; (iv) impact from competition in the market's where the Company operates; (v) ability to source locations and acquisitions for growth strategy; (vi) actions by governmental or regulatory authorities including changes in income tax laws and excise taxes; (vii) the ability of the Company to retain key personnel; (viii) the Company's ability to adapt to changes in competition; (ix) the impact of supplier disruption or delays; (xi) the maintenance of management information systems; (xii) the impact of increases in labour costs, shortages or labour relations; (xiii) the impact of weather on its affect on consumer demand, and (ix) the ability to complete construction projects.

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The forwardlooking information and statements contained in this discussion and analysis speak only as of the date of this management discussion and analysis, and the Company assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Throughout this management discussion and analysis references are made to "EBITDA", "operating margin", "operating margin before non-recurring items", "operating margin as a percentage of sales", and other "Non-GAAP Measures". A description of these measures and their limitations are discussed below under "Non-GAAP Measures". See also "Risk Factors" also discussed below.

Additional information relating to the Company, including all other public filings is available on SEDAR (www.sedar.com).

KEY HIGHLIGHTS FOR THE FIRST QUARTER

During the three-month period ended March 31, 2010, the Company completed 3 store acquisitions from two vendors, which has resulted in 29 stores in operation as at the end of the first quarter.

The Company in this quarter has also announced the potential development of 2 additional stores; this is in addition to the announcement in 2009 for the development of 2 other stores. If all 4 stores are developed, and the acquisition of another store as announced in April 2010 is successfully completed, then the Company would have 34 stores in operation.

Key Operational Highlights, year over year First Quarter comparison:

- Net Loss was reduced from $222,039 to $27,130;
- Sales increased 81% from $4,828,653 to $8,729,994;
- Operating margin increased 132% from $101,184 to $234,872;
- Operating and Administrative Expenses reduced from 20.9% to 17.48%;
- Operating Margin percentage increased from 2.1% to 2.69%;
- Average Operating Margin per Store increased 36.8% from $44,989 to $61,538;
- Average Revenue per Store grew 56% from $193,146 to $301,034.

RECENT DEVELOPMENTS SINCE PERIOD ENDED MARCH 31, 2010

- Development of a new store in Lac La Biche is now complete. This store opened May 20, 2010 making it the 30th store in operation.

- The Company signed non-binding letter of intent to purchase another store. If this transaction along with the announced 3 potential developments is completed, then the Company will have 34 stores in operation.

- The Company entered into a swap transaction to hedge interest rate risk on its senior bank debt; now $10.0 million representing 67% of the companies committed facilities are hedged.

OUTLOOK

The Company expects future increases in sales and contribution as a result of aggressive growth to date. The comparability of 2010 results will be affected by tax changes that occurred in 2009. Our operating margin percentages are expected to be reduced, while our total operating margin is expected to increase during the 2010 fiscal year, as compared to fiscal 2009.

Significant growth was achieved in 2009 with the acquisition and development of seven new stores, increasing the total from 19 to 26 stores in operation. As a result of an additional three stores acquired in Q1 of 2010 and a new store developed in May 2010, the number of stores in operation has increased to 30. If all new stores announced are achieved, we will have 34 stores in operation by the end of Q3 2010.

From April 7, 2009 to July 7, 2009 an increased tax rate was applied to liquor, wine and beer sold in Alberta. The tax change resulted in a temporary price increase that led to higher profits on the sale of inventory on hand at the time of the announcement. This created higher than normal margins in fiscal 2009. The provincial tax was reversed in July 2009, when the Company's inventory level was seasonally higher than it was at the time of the announcement. The Company methodically rolled back prices during Q3 and Q4 of 2009 to ensure that margins remained stable in 2009. As a result, comparable sales in 2010 will appear lower.

Last year we advised investors that we were lowering our prices on certain products for the Christmas season in response to changes in the economy. Based on favourable results, we advised in advance of Q1 2010 that we were committed to continue this strategy. We have been pleased with the financial results and the customer reaction we have observed since implementing our value pricing strategy. The effect of reducing percentage margins has achieved the goal of increasing overall operating margin for Q1 2010. We intend to continue utilizing this approach, subject to future adjustments in response to market conditions.

We believe that we will have financial ability to complete all proposed developments. As well, to complement our aggressive growth strategy in Alberta, we are currently evaluating liquor store opportunities in British Columbia. We believe we are well positioned to capitalize on consumer demand and any improvements in the recovery of the Western Canadian economy.

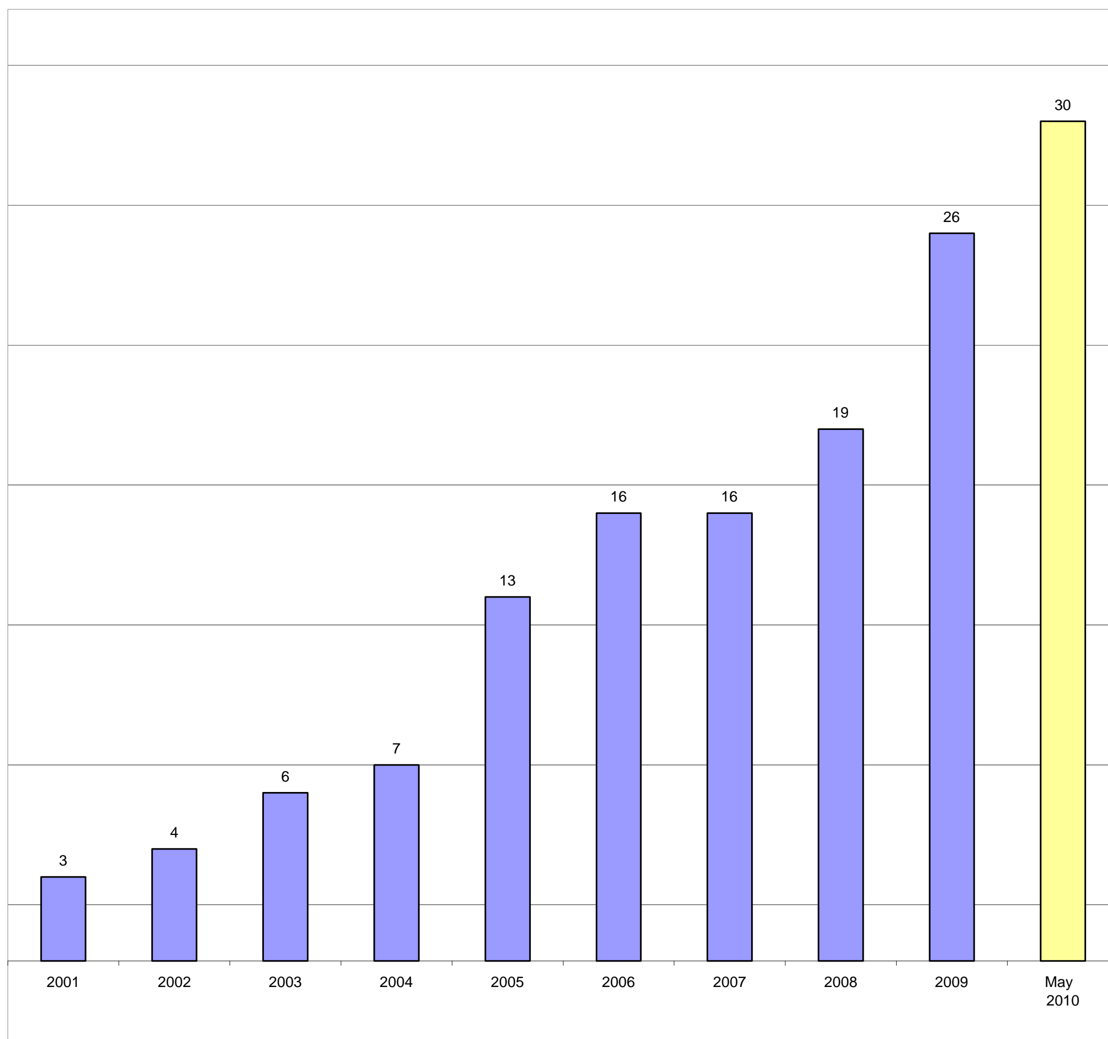
OVERVIEW OF ROCKY MOUNTAIN LIQUOR INC

The Company is an incorporated company established under the laws of the Province of Ontario with its common shares ("shares") trading on the TSX Venture Exchange under the symbol ("RUM").

The Company’s sole investment is in Anderson’s Liquor Inc. Rocky Mountain Liquor owns 100% of Andersons Liquor Inc. ("Andersons") headquartered in Edmonton Alberta, which owns and operates private liquor stores in that province. Alberta is the only province in Canada that has a fully privatized retail distribution system for adult beverages. The product mix generally offered by Andersons at its retail stores includes beer, spirits, wine and ready to drink liquor products, as well as ancillary items such as juice, ice, mix and giftware. Andersons has focused on store operations while pursuing an active acquisition strategy to acquire additional stores within the Alberta market, focusing largely outside of the major urban centres. To date, Andersons has been successful in improving the performance of its acquisitions through effective integration with its existing operations.

As of March 31, 2010 Andersons operated and owned 29 stores. Subsequent to March 31, 2010, Andersons completed the development and opened a new store in Lac La Biche, resulting in 30 stores in operation.

Number of Retail Liquor Stores

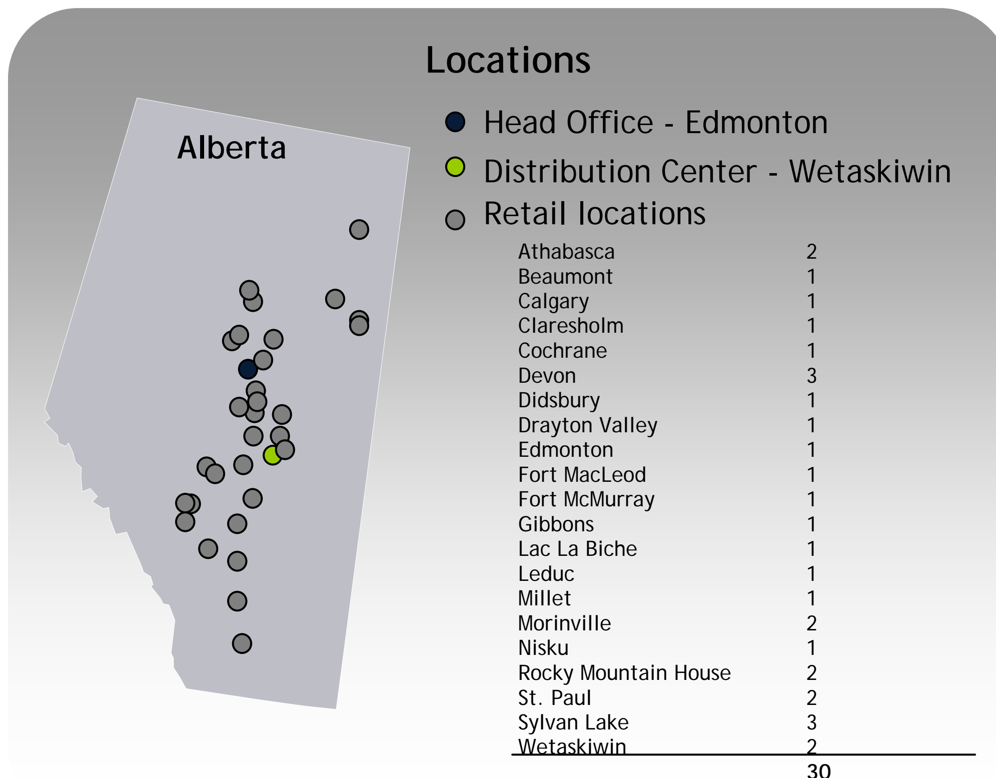


- Anderson's acquired an additional liquor store in 2007 but also consolidated two existing stores in Nisku, Alberta. As a result, the total number of retail liquor stores remained consistent from 2006 to 2007 despite the 2007 acquisition.

COMPETITIVE ENVIRONMENT

The Province of Alberta is the only province in Canada that has a fully privatized retail distribution system for adult beverages. Andersons currently operates 30 liquor stores in Alberta where there are approximately 1,117 liquor stores and 88 agency stores as at December 31, 2008 [Source: Alberta Gaming and Liquor Commission].

Andersons operates 8 stores in Northern Alberta, 16 stores in Central Alberta and 5 stores in Southern Alberta.



BUSINESS STRATEGY

Growth - New Stores

The Company's strategy is to grow by increasing the number of customer transactions as well as through new store development and acquisitions. Andersons is actively exploring opportunities to acquire and/or develop stores in Alberta, and evaluate growth opportunities in British Columbia. Management will continue to assess potential acquisitions and store development opportunities for their ability to add accretive cash flow and shareholder value.

Differentiation: Product, Operations, and Management Information Systems

Through the use of the Andersons warehousing capability, management will continue to focus on product differentiation by providing more product choices. Through the use of management information systems, Andersons will derive efficiencies and continue its efforts in providing operational effectiveness.

Technology

A Company-wide core, inter-connected computer network supports our liquor enterprise. A backbone virtual private network has been designed for both high-speed throughput and integrated security. The purpose of our network platform system is the collection, processing, storage and dissemination of data at store level, finance level, compliance offices, business intelligence centers and our Enterprise Fulfilment Centre ("EFC") where it is transformed into various forms of information needed to carry out the functions of management at each location.

Point-of-sale and point of purchase terminals in all our stores collect huge volumes of atomic data each day. This data undergoes selective extraction, organization, analysis and formatting for presentation, use of operational systems, business intelligence and to support management decision processes at all levels in the organization.

In addition to store level depositories we maintain several centralized repositories as mirror sites for the entire enterprise. We maintain data at the lowest level of detail, and store away and retain all data. Our enterprise system is updated with each operational system transaction performed.

We utilize a number of skills, technologies, applications and best practices. We employ several core, customized, and configured applications. These include stand-alone software applications, web-browser based applications, and desktop applications. In this regard there are systems which we own and pay annual fees for licensing, "Software as a Service" in which we have long term contracts in place for time and attendance applications, and proprietary and customized collection, reporting and data maintenance applications, which are developed and maintained by our own Information Technology department.

Insightful decisions about significant changes in our business and markets can only be made if decision makers receive timely and continuous presentation of performance measures. Our systems have the ability to identify and correct negative trends, generate detailed reports on transactions and provide daily tracking of compliance exceptions. Daily financial controls are monitored and all enterprise locations pass compliance audits on a daily basis. Due to the automation of these processes, compliance is maintained with a minimum of administration labour deployed.

The main benefits of these automated reporting functions is to enable our enterprise decision makers to make informed and more time sensitive business decisions, quickly address problem areas and re-position our organization to take full and speedy advantage of emerging opportunities. Our goal is to invest in continuous improvement of our technology and our skill sets with the result of providing visibility, measurement, and assurance of key business activities and competitiveness.

Stable Business

Andersons operates in a stable business environment. The business is largely cash-based with alcohol-based products accounting for approximately 98% of total sales as of March 31, 2010.

Financing

The Company has financed the company's growth with the issuance of shares, the issuance of convertible debentures and through available credit facilities.

FINANCIAL MEASURES

Maintenance Capital Expenditures

In order to maintain its productive capacity, the Company incurs expenses for routine maintenance, invests and upgrades information systems and replaces assets as required.

Net Change in Non-cash Working Capital

The Company's investment in non-cash working capital is primarily related to increased inventory levels and the operation of our warehousing facility. This increase includes the cost of purchasing inventory for stores the Company develops and opens, the cost of increasing inventory in acquired stores subsequent to their acquisition date, and an increase in current inventory purchased at times when favourable buying conditions exist. Inventory levels are also influenced by seasonal investments in inventory.

Long-Term Incentive Plans

The Company does not have a formal Long-Term Incentive plan to reward employees for performance, however it has used stock option grants as both an incentive and to reward performance. A formal Long-Term Incentive plan may be considered as a possible compensation approach for key employees.

MANAGEMENT TEAM

Peter Byrne, President, CEO	Mr. Byrne is the President, Chief Executive Officer and co-founder of Anderson's and previously has been Chief Executive Officer and Chairman of the Board of Channel Drugs Limited, a private company that owned and operated the PharmaCare franchise until its sale in 2004.
Allison Byrne, COO	Ms. Byrne is the Executive Vice President of Operations and Finance of Anderson's and prior to joining Anderson's, she worked at Deloitte & Touche LLP from September 2002 until March 2007, receiving her Chartered Accountant designation in 2005. Ms. Byrne is Chair of the Alberta Liquor Store Association.
Tracey Bean, CFO	Mr. Bean is a Certified Management Accountant, holds a Bachelor of Commerce majoring in finance and data processing, and holds a Masters in Business Administration degree from Dalhousie University. Previously Mr. Bean was employed by The Toronto-Dominion Bank for 15 years and was most recently the Associate Vice President Credit, Commercial National Accounts.

OPERATING RESULTS - 3 Months ending March 31, 2010

Basis of Comparison

The retail liquor industry is subject to seasonal variations with respect to sales. Sales are typically lowest early in the year and increase in the latter half.

It is key to note given the rapid expansion of the Company, that historical performance does not reflect the annualized performance from recently acquired liquor stores.

The following table shows total Sales and Operating Margin of the Company for the 3-month period ending March 31, 2010 as compared to 3 months ending March 31, 2009.

	Rocky Mountain Liquor Inc		**Rocky Mountain Liquor Inc**	
Period	**3 months ending Mar 2010**		**3 months ending Mar 2009**	
(Expressed in Canadian dollars)	$	%	$	%
Sales (1)	8,729,994	100.00%	4,828,653	100.00%
Gross margin	1,784,614	20.44%	1,124,728	23.29%
Operating and administrative expense	1,525,573	17.48%	1,009,222	20.90%
Operating Margin (2)	234,872	2.69%	101,184	2.10%
Non-recurring Items (3)	24,169	0.28%	14,322	0.30%
Operating Margin before non-Recurring Items (3)	259,041	2.97%	115,506	2.39%
Stores at Period End (1)	29		25	

Notes:
(1) *The results for Mar 31, 2010 include operations for 29 stores.*
(2) *Operating Margin has been calculated as described under "Non-GAAP Measures".*
(3) *Non-recurring items include business development costs, loss on disposal of property and equipment, store closure expense, bad debt expense and other income.*

Sales

Sales represent the combination of adult beverages including spirits, beer, and wine, with other ancillary products such as ice, juice, and mix.

Total sales for the 3-month period ended March 31, 2010 were $8.7 million. Sales are higher than Q1 2009, mainly due to the acquisitions completed.

Cost of Goods Sold and Gross Margin

Margins have moderated as compared to March 2009 due to a reversal of government taxation in 2009, pricing sensitivity response to current economic conditions, and our entry into the Liquor Service segment. Margins for the quarter are 20.44%.

Operating and Administrative Expenses

The major expenses included in operating and administrative expenses are salaries, rents, and location costs such as utilities, property taxes, and insurance. Total operating and admin expenses for the 3-month period ended March 31, 2010 were $1.53 million. Operating and admin expenses as a percentage have reduced to 17.48% for 2010, as compared to 20.90% for 2009.

Operating Margin and Operating Margin before Non Recurring Items

Operating margin was 2.69% or $0.23 million for the 3 months ending March 31, 2010. Operating margin before non-recurring items was 2.97% or $0.25 million for the 3 months ending March 31, 2010.

Operating margin

LIQUIDY AND CAPITAL RESOURCES AS OF May 27, 2010

Shareholders' Equity

Authorized:	Unlimited number of common shares
Issued and outstanding:	51,304,289 common shares

Warrants

The following tables summarize information about warrants outstanding:

Expiry date – quarter ended	Exercise price $	Number of warrants outstanding – March 31, 2009	Number of warrants exercisable – March 31, 2009
December 1, 2010	0.315	7,879,492	1,878,914 *
Outstanding, end of period		**7,879,492**	**1,878,914 ***

* The warrants are subject to escrow; as of March 31, 2010 20% of the warrants were exercisable, and 100,000 warrants were exercised on May 15, 2009.

	Number of warrants
Outstanding, December 31, 2008	7,979,492
Granted	-
Exercised, May 15, 2009	(100,000)
Expired	-
Outstanding, May 27, 2010	**7,879,492**

Options

The following tables summarize information about options outstanding:

Expiry Date	Participant	Exercise price $	Number of options outstanding – March 31, 2010	Number of options exercisable – March 31, 2010
April 15, 2010	Agent's Options*	0.20	248,800	248,800
April 21, 2013	Stock Option Plan (Pre-RTO)	0.20	357,137	357,137
May 15, 2012	Stock Option Plan (Executive)	0.29	300,000	200,000
June 29, 2012	Stock Option Plan (Directors)	0.32	300,000	300,000
Outstanding, end of period			**1,205,937**	**1,105,937**

* As at the April 15, 2010 the Agent's Options for 248,800 were not exercised and therefore expired.

	Number of options
Outstanding, December 31, 2009	1,543,437
Exercised, March 2010	(337,500)
Expired, April 2010	(248,800)
Outstanding, May 27, 2010	**957,137**

Convertible Debenture

On March 16, 2009, the Company issued an $809,140 unsecured convertible debenture maturing on March 16, 2014 and bearing an interest rate of 8.25% per annum, payable in arrears annually. The initial principal amount of the debenture is convertible, at the election of the holder, in whole or in part, into common shares at a conversion ratio of $0.315 per share, representing up to 2,568,968 shares.

Credit Facilities

On March 31, 2010 the Company had an available $5 million operating line. The Company also has a $9.995 million investment line of credit, which is unused and is available to purchase the equivalent amount of short-term banker's acceptance investments.

As of March 31, 2010, there was $3.4 million outstanding on the operating line; however it is noted that the Company had $1.0 million in cash on hand. The $10 million term loan facility was drawn at $7.9 million.

The Company's indebtedness is subject to a number of external covenants, but none are capital related. Under the terms of the Anderson's credit facility, the following ratios are monitored: adjusted debt to EBITDA, and fixed coverage ratio. For the 3 months ended March 31, 2010, Andersons continues to be in compliance with all covenants.

Capital Expenditures

The Company will continue to pursue acquisition opportunities and opportunities to open new stores.

Liquidity Risk

The Company uses a variety of sources of capital to fund acquisitions, new store development and ongoing operations, including cash provided by operations, bank indebtedness, issuance of new equity or debt instruments or a combination thereof. The decision to utilize a specific alternative is dependant upon capital market conditions and interest rate levels. The degree to which the Company is leveraged may impact its ability to obtain additional financing for working capital or to finance acquisitions.

To manage liquidity risk, the Company is proactive with its review of the capital structure. Management believes the Company currently has the resources to meet obligations as they come due.

Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Company maintains its cash and cash equivalents with a major Canadian chartered bank and local Alberta credit unions.

The risk for accounts receivable is that a wholesale customer of Anderson's might fail to meet its obligations under their credit terms. The Company, in its normal course of operations, is exposed to credit risk from its wholesale customers in Alberta whose purchases are expected to represent approximately 20% of the Company's sales. This has increased with the recent acquisition of the store in North Central Alberta. Risk associated with respect to accounts receivable is mitigated by credit management policies. Historically, bad debts from these accounts have been insignificant. The Company is not subject to significant concentration of credit risk with respect to its customers; however, all trade receivables are due from organizations in the Alberta hospitality industries. There were no bad debts recorded or significant past due accounts for the 3 months ended March 31, 2010.

Interest Rate Risk

The Company manages its interest rate risk through credit facility negotiations and by identifying upcoming credit requirements based on strategic plans.

As a further part of their interest rate strategy, Andersons has contracted with a Canadian Chartered Bank to hedge interest rates for a 5-year period in the amount of $5.5 million at 2.14% plus the applicable credit spread. These hedges mature February 12, 2014 and are subject to re-pricing of credit risk. On April 6, 2010 Andersons has also contracted a 5-year hedge for $4.5 million at 3.35% plus the applicable credit spread. This hedge matures April 6, 2015.

As of May 27, 2010 Andersons has $10.0 million in hedges representing 67% of Anderson's available credit facilities.

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as at March 31, 2010.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Goodwill

Goodwill is not amortized and is assessed for impairment at each reporting unit level. The impairment test is done annually unless circumstances arise that would potentially impair the carrying value of goodwill. Comparing the fair value of a reporting unit to its carrying value identifies any potential goodwill impairment. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of the reporting unit exceeds its fair value, potential goodwill impairment has been identified and must be quantified by comparing the estimated fair value of the reporting unit's goodwill to its carrying value. Any goodwill impairment will result in a reduction in the carrying value of goodwill on the consolidated balance sheet and in the recognition of a non-cash impairment charge in net income.

The Company tests goodwill as of December 31st every year, and has determined that goodwill was not impaired as of December 31, 2009. Significant assumptions included in this test include management's expectations regarding future revenues, expenses, and other factors impacting cash flow, as well as various inputs to determine the Company's weighted average cost of capital. While these assumptions reflect management's best estimates, they are subject to the measurement uncertainty associated with the current challenging economic environment and material estimates generally. As a result, material revisions could be required to these estimates in future periods.

Amortization Policies and Useful Lives

The Company amortizes property, equipment and intangible assets over the estimated useful service lives of the assets. Management uses industry trends, historical usage in the same and similar assets and judgment to estimate the useful life of assets. The Company assesses the estimated useful lives on an annual basis to ensure they remain accurate, and will adjust amortization prospectively if changes are required.

Purchase Price Allocations

The allocation of the purchase price for acquisitions involves determining the fair values assigned to the tangible and intangible assets acquired. Management determines the fair value of the tangible assets and certain intangible assets of the acquired stores. Goodwill is calculated based on the purchase price less the fair value of the net tangible and intangible assets stated above.

CHANGES IN ACCOUNTING POLICIES

Section 3064 – Goodwill and Intangible Assets

Effective January 1, 2009 the Company adopted CICA Handbook Section 3064, Goodwill and Intangible Assets. The new section provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. All pre-opening costs relating to the acquisition of stores are currently being expensed as incurred.

Section 3862 - Financial Instruments – Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures, was amended to include additional disclosure requirements about fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and enhance liquidity risk disclosure requirements. In the first year of application, an entity need not provide comparative information for the disclosures required by the amendments.

The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009. The Company has adopted this new Section for its fiscal year ending December 31, 2009. The new Section did not have any impact on its financial position or results of operations.

Section 3855 - Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, was amended to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes and the application of the effective interest method after a debt instrument has been impaired. These amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

This Section has been amended to add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. These amendments apply to reclassifications made on or after July 1, 2009. Also, this Section has been amended to change the categories into which a debt instrument is required or permitted to be classified, to change the impairment model for held-to-maturity financial assets to the incurred credit loss model of Section 3025 – Impaired Loans, and to require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. These amendments apply to annual financial statements relating to fiscal years beginning on or after November 1, 2008. The Company has adopted the amendments to this Section for its fiscal year ending December 31, 2009. The amendments did not have any impact on its financial position or results of operations.

ACCOUNTING STANDARDS ISSUED BUT NOT YET IN EFFECT

Section 1582 – Business Combinations

In January 2009, the CICA issued new Handbook Section 1582, Business Combinations. It provides the Canadian equivalent to IFRS 3, "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company plans to adopt this new Section for its fiscal year beginning January 1, 2011. The Company is currently evaluating the impact on its financial position and results of operation of adopting the new section.

Section 1601 – Consolidated Financial Statements

In January 2009, the CICA issued new Handbook Section 1601, Consolidated Financial Statements, and establishing standards for the preparation of consolidated financial statements. The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company plans to adopt this new Section for its fiscal year beginning January 1, 2011. The Company does not expect the new Section to have any impact on its financial position or results of operations.

Section 1625 - Comprehensive Revaluation of Assets and Liabilities

CICA Handbook Section 1625, Comprehensive Revaluation of Assets and Liabilities, was amended to be consistent with Handbook Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-controlling Interests, which were issued in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The Company does not expect the new Section to have any impact on its financial position or results of operations. The Company plans to adopt this new Section for its fiscal year beginning January 1, 2011.

International Financial Reporting Standards

In February 2008, the CICA announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board (IASB) effective January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure.

The Company has established a Financial Reporting Team to review the adoption of IFRS. The team has provided updates to management and the Audit Committee. The Company is closely monitoring regulatory developments made by the Canadian Institute of Chartered Accountants and the Canadian Securities Administrator that may affect the timing, nature or disclosure of our adoption of IFRS. The Company is also monitoring developments in accounting made by the Accounting Standards Board of Canada (AcSB) and the International Accounting Standards Board (IASB) to ensure that on adoption of IFRS, we are compliant with IFRS as issued by the IASB.

As of May 27, 2010, the Company has completed the evaluation of the accounting impact on its financial position and results of operations adopting these standards will have. The Company has reviewed its accounting policies and will be updating them to incorporate the requirements for IFRS. The Company is on target for the IFRS transition. By the end of the second quarter the Company will have completed the opening balance sheet to allow for the transition to IFRS on January 1, 2011.

Financial Reporting Expertise

Training for key personnel for IFRS has been completed with further training to be completed in fiscal 2010. The Company's IFRS team has prepared a detailed assessment of the effects of IFRS on the Company's current policies.

Accounting Policies

The following standards are expected to impact the Company.

IFRS 1
In accordance with IFRS 1, the Company is entitled to a number of voluntary and mandatory exemptions from full restatement. The Company is currently determining which elections to adopt. It will also require the Company to disclose a significant amount of information surrounding reconciliation between Canadian GAAP and IFRS balances.

IFRS 3 – Business Combinations
The main impact this will have on the Company is all acquisition related costs will be required to be expensed and any gain on bargain purchase of negative goodwill will be included in net income immediately. This will have an impact on the Company going forward, however IFRS 1 allows for the Company to elect to not to apply IFRS 3 to business combinations that applied before the date of transition to IFRS. The Company is determining whether or not they will make the election.

IAS 16 – Property, Plant and Equipment
This standard requires assets to be carried at historical cost and for residual values to be reviewed at a minimum annually and for deprecation to be adjusted accordingly. IFRS 1 allows for an election to be made to not apply IAS 16 to existing assets before the date of transition to IFRS. The Company has reviewed all of its classes of assets and has determined that this standard will not significantly impact the carrying values of its assets.

IAS 36 – Impairment of Assets
The standard requires assets to be allocated to a "Cash Generating Unit" (CGU) to test for impairment. Impairment losses are to be taken off surpluses of any revaluation reserve and then charged to the income statement. If an asset redeems its value, the impairment can be reversed. More extensive disclosure will be required in connection with annual impairment reviews. The Company is determining if this will result in any of its assets to be deemed impaired and required to be written down.

IAS 38 – Intangible Assets
The standard requires assets to be grouped into a CGU to determine if any impairment loss or (gain) exists if the CGUs carrying amount exceeds (is less than) its recoverable amount on intangible assets like goodwill. Any impairment loss for CGU is allocated first to goodwill, and then to the income statement. The Company is determining if this will result in any of its intangibles to be deemed impaired and required to be written down.

IAS 39 – Financial Instruments
The standard requires definitional differences for classifying financial assets into "loans and receivables, "held to maturity", and "held for trading." Loans and receivables that may not recover their initial investment will be classified as "available for sale." The Company is determining the impact on its statements.

Business Activities

Bank covenants have been reviewed and assessed. IFRS will not impact the ability for the Company to meet its debt covenants. No modifications to the loan agreements at this stage are required.

Control Environment – Internal Controls Over Financial Reporting

Management and the Audit Committee have reviewed all of the accounting policy changes and concur with the adoption of such policies. External auditors will review the implementation of IFRS on our opening balance sheet by December 31, 2010. Additional changes to the control environment are being assessed as impacts of all policies are finalized.

Control Environment – Disclosure Controls and Procedures

The Company plans to release the effect of IFRS on the 2010 statements by August 31, 2010. Additional changes to the control environment are being assessed as impacts of all policies are finalized.

Information Technology

The Company has prepared an analysis of the current IT system's ability to capture information necessary to prepare IFRS statements. The system is ready for parallel reporting in 2010.

FINANCIAL INSTRUMENTS

For the Company, fair value is equal to carrying value for all of its financial instruments.

For cash and cash equivalents, accounts receivables, due from related parties, bank indebtedness, short-term debt, accounts payable and accrued liabilities, wages payable and due to (from) shareholders the carrying value approximates fair value due to the short-term nature of the instruments.

The interest rate swap has a fair value equivalent to the carrying value and is calculated on a mark to market basis.

The fair value of the convertible debenture is equivalent to its carrying value and is assessed at each period.

Bank indebtedness and long term debt have fair values, which approximate their carrying value as the interest rate is at a variable market rate.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	Advances to related parties	
	Mar 31, 2010	Dec 31, 2009
Byrne Alberta Ltd.	$ -	$ 118

Advances to and from related companies are non-interest bearing (unless otherwise indicated), have no set repayment terms and are unsecured. The companies are related through common controlling shareholders. All related party amounts are measured at the exchange amount agreed to by both parties.

The Company paid rents of $4,860 (Dec 2009 - $19,440) to Byrne Alberta in respect of a retail liquor store. The rent is at market value.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls over financial reporting (as defined under MI 52-109) that occurred during the 3 months ended March 31, 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and include controls and procedures designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management, including the Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate ICFR, as such term is defined in NI 52-109 to provide reasonable, but not absolute, assurance regarding the reliability of the Company's financial reporting. A material weakness in ICFR exists if the deficiency is such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Based on the above evaluation of ICFR, management has concluded that ICFR was operating effectively for the period ended March 31, 2010. Management has concluded that the Company's financial statements fairly present the Company's consolidated financial position and consolidated results of operations as of and for the 3 months ended March 31, 2010.

RISK FACTORS

The Company's results of operations, business prospects, financial condition, and the trading price of the Shares are subject to a number of risks. These risk factors include: risks relating to available financing; impact due to weaker economy; market volatility and unpredictable share price; impact from tax increases; regulated competitive environment; acquisition growth strategy and development risks; reliance on key personnel; importance of inventory and EFC distribution systems; labour costs and labour market; supply interruption or delay; and credit facility and financial instrument covenants.

For a discussion of these risks and other risks associated with an investment in Shares, see "Risk Factors" detailed in the Company's Management Discussion and Analysis dated April 27, 2010, which is available at www.sedar.com.

NON-GAAP MEASURES

References to “EBITDA” are to earnings before interest, income taxes, depreciation and amortization. Management believes that, in addition to income or loss, EBITDA is a useful supplemental measure of performance.

Operating margin for purposes of disclosure under “Operating Results” has been derived by adding interest expense, amortization of property and equipment, and non-cash loss on interest rate swap to income before taxes. Operating margin as a percentage of sales is calculated by dividing operating margin by sales. Operating margin before non-recurring items has been derived by adding non-recurring items to operating margin as described above. Operating Margin is calculated as outlined in the following table:

Period	**3 months ending Mar 2010**	**3 months ending Mar 2009**
(Expressed in CDN $)	**$**	**$**
Net income	(27,130)	(222,039)
Income tax	(9,783)	(67,083)
Interest	125,041	104,868
Amortization	167,467	118,139
Gain on Interest Rate swap	(20,723)	167,299
Operating Margin	234,872	101,184

Operating margin, operating margin as a percentage of sales, and EBITDA are not measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Investors are cautioned that operating margin, operating margin as a percentage of sales, and EBITDA should not replace net income or loss (as determined in accordance with GAAP) as an indicator of the Company's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Company's method of calculating operating margin, operating margin as a percentage of sales, and EBITDA may differ from the methods used by other issuers. Therefore, the Company's operating margin, operating margin as a percentage of sales, and EBITDA may not be comparable to similar measures presented by other issuers.