



ROCKY MOUNTAIN LIQUOR INC

Ticker: "RUM"

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the quarter ended March 31, 2014

As at May 28, 2014

ROCKY MOUNTAIN LIQUOR INC

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis is dated May 28, 2014.

The following is a discussion of the consolidated financial condition and operations of Rocky Mountain Liquor Inc ("RML" or 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 interim (unaudited) consolidated financial statements and accompanying notes of the Company for the period ended March 31, 2014. 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 audited financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. References to notes are to notes of the financial statements unless otherwise stated.

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-IFRS Measures". A description of these measures and their limitations are discussed below under "Non-IFRS Measures". See also "Risk Factors" discussed below.

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

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 additional liquor stores and/or locations; (iii) increased revenues and margins due to tax increase, (iv) the ability to purchase inventory at a discount, (v) ongoing impact from price inflation, (vi) potential exercise of warrants, (vii) equity issuance and (viii) 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 there from, 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 additional liquor stores and/or locations; (iii) the Company's ability to secure financing to suit its growth strategy; (iv) the integration risk and requirements for the purchase or development of liquor 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 consumer spending; (ii) ability to obtain required financing 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; (x) the maintenance of management information systems; (xi) the impact of increases in labour costs, shortages or labour relations; (xii) the impact of weather on its effect on consumer demand, (ix) the ability to raise capital, and (x) the ability to complete construction projects.

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The forward looking 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.

KEY OPERATING AND FINANCIAL METRICS

Key Operational and Financial Highlights, year over year 3 month comparison:

- Sales increased by 5.9% to \$11.7M (2013 - \$11.0M)
- Gross margins are 22.0% (2013 – 23.3%)
- Net loss is \$482,999 (2013 - loss \$383,957)

RECENT DEVELOPMENTS SINCE PERIOD ENDED MARCH 31, 2014

The Company closed an underperforming store in Northern Alberta on May 21, 2014.

OUTLOOK

Management believes the Company will achieve positive operating income in 2014. Despite an increase in sales the Company experienced a reduction in gross margin in the first quarter of 2014. This was primarily attributable to the opening of a large discount model store in Calgary in September 2013, and increased competition in local markets. We will continue to focus on direct to store purchasing trends, loss prevention, and competitive intelligence programs to achieve operational improvements.

The first quarter has historically resulted in a loss from operations due to low seasonal sales and fixed occupancy costs. During the balance of this year the Company will continue to concentrate on improving store operation efficiencies and achieving new store growth in existing markets. Acquisitions in existing markets generally improve the Company's pricing power, especially in rural markets.

At March 31 2014, RML had access to \$8.3M available under our financial facilities. We believe the company will have sufficient financial resources to sustain its business plan and strategy.

We previously reported the Alberta Gaming and Liquor Commission ("AGLC") has published in their 2012-2013 Annual Report an overall increase of 7% in liquor revenues and a 2.7% increase in the volume of liquor sold in 2012-2013 versus 2011-2012. These positive results are pointing towards a period of economic growth in Alberta that may be beneficial for the Company.

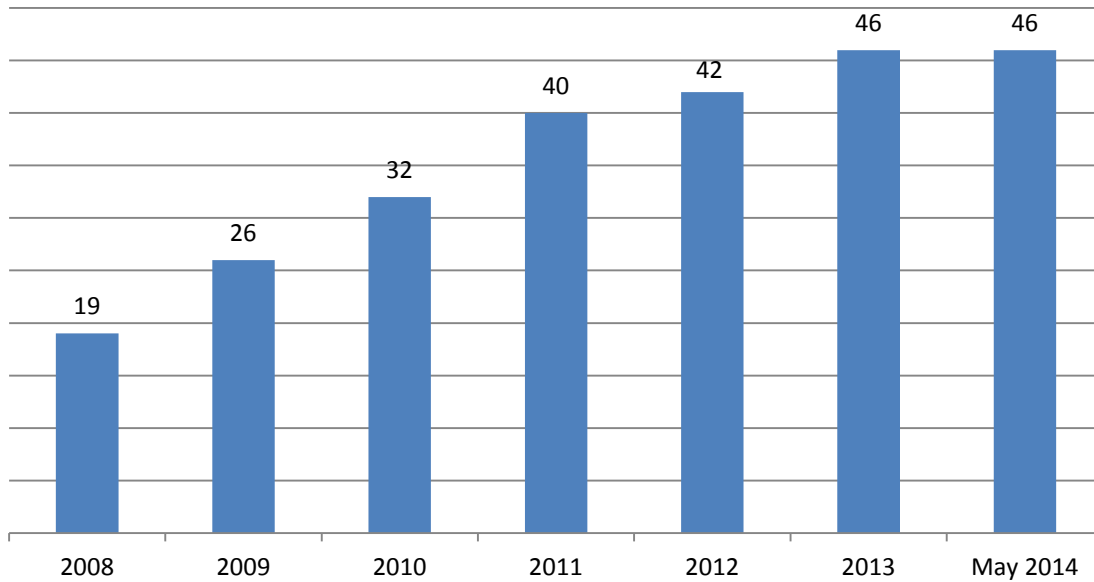
OVERVIEW OF ROCKY MOUNTAIN LIQUOR INC

The Company is an incorporated Company established under the laws of the Business Corporations Act (Canada) with its common shares ("shares") trading on the TSX Venture Exchange under the symbol ("RUM"). RML is the parent to wholly owned subsidiary Andersons Liquor Inc. ("Andersons").

Andersons, headquartered in Edmonton, Alberta, 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.

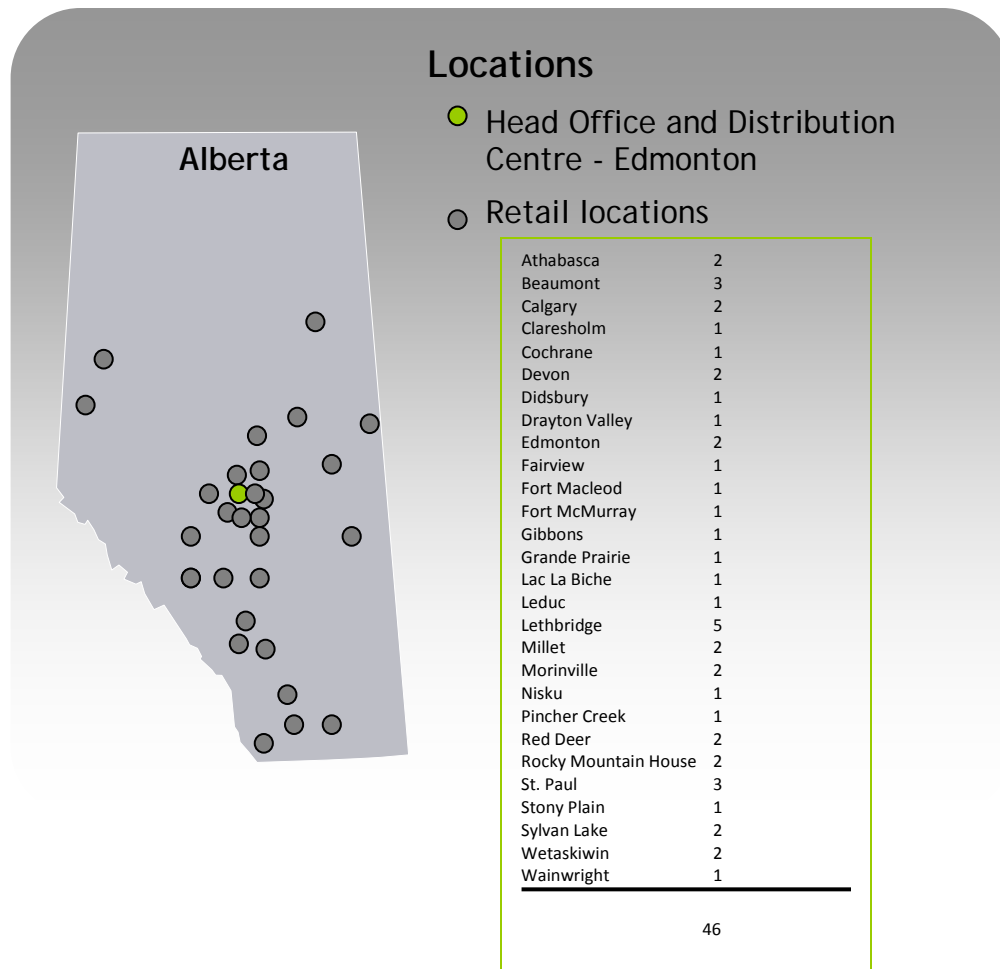
As of May 28, 2014 Andersons operated and owned 46 stores.

Number of Retail Liquor Stores



Andersons operates 46 liquor stores in Alberta where there are approximately 1,333 liquor stores and 90 general merchandise liquor stores as at February 2014 [Source: Alberta Gaming and Liquor Commission-“Quick Facts Liquor – February 2014”]. The primary drivers of liquor store sales are location, convenience, and range of product selection. Management of the Company believes that price and service also play a role in the competitive market, but to a lesser degree than convenience, location and selection. The Company has therefore pursued an acquisition strategy that closely analyzes the location of retail operations, including the location of any competition. The Company has focused on locations largely outside of the major urban centers (Edmonton and Calgary) and on specific sites with maximum traffic and minimal competition. In addition, the Company has integrated inventory and warehousing systems into its retail operations, allowing it to take advantage of procurement opportunities.

Andersons operates 12 stores in Northern Alberta, 22 stores in Central Alberta and 12 stores in Southern Alberta.



AWARDS FOR GROWTH

Alberta Venture 250 – 1-year gross revenue in Alberta

The Company was ranked in the Alberta Venture 250, recognizing Alberta’s highest grossing companies, for the second year, based on 2012 results. The 2012 ranking was # 222. The ranking published in the September 2013 issue of Alberta Venture Magazine and online at albertaventure.com/venture-250 was evaluated on the 2012 revenue of Andersons, a wholly owned subsidiary of RML.

Profit 200 – 5-year growth in Canada

The Company was ranked in the 25th annual PROFIT 500 ranking of Canada’s Fastest-Growing Companies by PROFIT Magazine in June 2013 based on 2012 results. The Company ranked 270th overall. The award was evaluated on the five-year growth of Andersons. The rankings were published in the Summer issue of PROFIT and online at PROFITguide.com. The PROFIT 500 is Canada’s largest annual celebration of entrepreneurial achievement. This is the third consecutive year the Company has received an award from PROFIT Magazine.

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

Technology

The Company utilizes a combination of third party and custom designed applications for point of sale, reconciliation, accounting, business intelligence and reporting. We maintain our own internal Information Technologies support staff and programmers. Hardware at store locations is serviced by a contract with an external supplier we have been using since 2004. Their onsite work is co-supervised by our support staff.

All our applications run on Windows operating systems both at the store and enterprise level. Laptop and remote services, like scanning tools, use a combination of virtual private network and terminal services to interface from outside our enterprise security perimeter. To increase certainty and scalability, and to allow for future growth of stores, management has outsourced our enterprise servers and installed software based, automated data replication servers at each store location. These replication servers require no additional investment in computer hardware. We have installed an enterprise data-container capable of containing and reporting on two billion transactions in an SQL data container. This new system is expected to be fully operational during 2014. The transition will not affect current systems which will continue to operate in tandem with the new database focus. Our current systems are not overloaded but we are being proactive in developing platforms that allow us more flexibility in the future.

We are concentrating on producing a robotic data environment where automation software is used to push reporting output on a regular and timely basis to store level, operations level and enterprise level. Social platforms are likely to play a larger function in future marketing and operations. The ability to accommodate change will be network-centric. We are focused on having an industry leading enterprise network.

All our time and attendance systems are cloud based and integrated with our web based payroll system. The system is business rules based. All our employees receive their pay records in a secure cloud based, self-service environment. Currently they can use their own devices or Company devices to access their current and historic information. The efficiencies we realize from the integration of the two processes allowed us to reduce and manage administrative and overhead costs.

Our custom designed and outsourced software drives efficiencies in our warehouse and enterprise distribution systems. This approach is a custom form of Enterprise Resource Planning (ERP). We use ERP to automate forecasting replenishment and receiving of inventories, providing efficient and lower cost distribution and transportation management, as well as reducing administration costs and latency. Our goal is to have the right products, in sustainable quantities, with service levels consistently over 95%, on our shelves at the right time.

At store level we have multiple redundancies that allow our point of sale systems to operate in a non-network or non-enterprise dependent manner. Our stores are able to continue operations autonomously. Our redundant infrastructure has provided us with uptime of almost 100% since the wholly owned subsidiary Andersons began operations in 2001. Notwithstanding the lack of downtime, the system is designed so that any one liquor store experiencing connectivity constraint will not affect any other liquor store in the enterprise.

The Company has achieved rapid store growth and has had continued success integrating its store acquisitions into its existing retail system, thereby validating management's strong belief in the efficiency and effectiveness of the Company's operational systems.

The Company's approach to risk planning for its information technology systems encompasses risk assessment, risk mitigation, periodic evaluation and assessment as well as daily automated logging and reporting of system performance. In this way our technology investment remains aligned with operational goals. Our key operational leaders and our support staff have regular reviews on a weekly basis. This direct collaboration and timely accountability results in improvements in existing technologies, and ideas for new automated processes.

We believe we have an industry leading technology base that has consistently and safely achieved gains in our integrated capabilities.

Stable Business

Andersons operates in a stable business environment. The business is largely cash-based with alcohol-based products accounting for approximately 99% of total sales as of March 31, 2014

Financing

The Company has financed its 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 has closely analyzed the product mix at all stores and modified available inventory at stores to meet the needs of the customers. This, along with our ability to integrate our ordering system with our suppliers, has resulted in minimal inventory requirements. The decrease in non-cash working capital is mainly due to timing of accounts payable payments.

Long-Term Incentive Plans

The Company has used stock option grants with vesting periods for its Long-Term Incentive Plan. These grants were used as both an incentive and a reward for performance of key employees. In 2011, the Company implemented a share purchase plan for which employees are able to purchase shares of Rocky Mountain Liquor, and the Company will match 50% of those contributions.

MANAGEMENT TEAM

Peter Byrne, President, CEO	Mr. Byrne is the President, Chief Executive Officer and co-founder of Andersons 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 Chief Operating Officer of Andersons and prior to joining Andersons, she worked at Deloitte & Touche LLP from September 2002 until June 2007, receiving her Chartered Accountant designation in 2005.
Sarah Stelmack, CFO	Ms. Stelmack articulated at Deloitte & Touche LLP from September 2005 until September 2008, receiving her Chartered Accountant designation in 2008. Ms. Stelmack previously held the position of Controller with Rocky Mountain Liquor Inc.

OPERATING RESULTS - 3 Months ending March 31, 2014

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

The following table shows the operating results of the Company for the 3-month period ending March 31, 2014 and 2013;

Period	3 months ending		3 months ending	
	Mar 2014		Mar 2013	
Sales	\$ 11,689,774	100.00%	\$ 11,043,431	100.00%
Gross margin	2,574,437	22.02%	2,572,789	23.30%
Operating and administrative expense	2,677,008	22.90%	2,485,025	22.50%
Operating Margin (1)	\$ (102,571)	-0.88%	\$ 87,764	0.79%
Non-recurring Items (1)	-	0.00%	-	0.00%
Operating Margin before non-Recurring Items (1)	\$ (102,571)	-0.88%	\$ 87,764	0.79%
Annual Incentives (2)	3,650	0.03%	1,000	0.01%
Operating Margin before non-Recurring Items (1) and Annual Incentives (2)	\$ (98,921)	-0.85%	\$ 88,764	0.80%
Stores at Period End	46		43	

Notes:

- (1) *Operating Margin and Operating Margin before non-recurring expenses has been calculated as described under "Non-IFRS Measures"*
- (2) *Annual Incentives include bonuses paid to management and executives, and employee share savings plan benefits*

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, 2014 were \$11.7 million. Sales are higher than Q1 2013, mainly due to acquisitions completed, and newly constructed stores.

Cost of Goods Sold and Gross Margin

Margins have decreased from 23.3% to 22.0% as compared to this quarter last year. This is related to the opening of a large discount model store in Calgary in September 2013, as well as competitive pressures in a few key markets.

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 administrative expenses for the 3 month period ended March 31, 2014 were \$2.68M compared to \$2.49M. The increase in the period is primarily due to increased rent, utility and property costs associated with the store leases.

Operating Margin

Operating margin was (0.88)% for the 3 months ending March 31, 2014 and 0.79% for March 31, 2013. The decrease is attributable to lower gross margins and increased property costs.

Finance Costs

Interest on bank indebtedness, long term debt and convertible debentures increased nominally from \$311,156 for the 3 months ending March 31, 2013 to \$316,294 for the 3 months ending March 31, 2014. This is due to additional long term debt acquired in the latter part of the first quarter of 2013.

CONDENSED QUARTERLY INFORMATION

Expressed in (000's)	2014	2013				2012		
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
# stores end of period	46	46	46	43	43	42	42	41
Sales	11,690	14,764	15,454	14,655	11,043	13,870	15,515	14,742
Net comprehensive income (loss)	(483)	(43)	315	321	(384)	(411)	307	415
Basic income per share	(0.01)	0.00	0.01	0.01	(0.01)	(0.01)	0.01	0.00
Diluted income per share	(0.01)	0.00	0.01	0.01	(0.01)	(0.01)	0.01	0.00

LIQUIDITY AND CAPITAL RESOURCES AS OF MARCH 31, 2014

Shareholders' Equity

Authorized: Unlimited number of common shares

Issued and outstanding: 57,797,788 common shares

Warrants

The following tables summarize information about warrants outstanding:

Expiry date	Exercise price \$	Number of warrants outstanding – March 31, 2014	Number of warrants exercisable – March 31, 2014
November 24, 2014	0.3765	1,000,000	1,000,000
Outstanding, end of period		1,000,000	1,000,000

Options

The following table summarizes information about options outstanding:

Expiry Date	Participant	Exercise Price \$	Options Outstanding - March 31, 2014	Options Exercisable - March 31, 2014
	(Directors)			
October 13, 2014	Stock Option Plan	0.22	150,000	150,000
Outstanding, end of period			150,000	150,000

Convertible Debentures

On March 16, 2009, the Company issued an \$809,140 unsecured convertible debenture, bearing an interest rate of 8.25%, payable in arrears annually, which matured on March 16, 2014. The full amount of the debenture and accrued interest was paid on March 14, 2014.

On April 13, 2011 the Company completed a financing of \$9,200,000 in convertible unsecured subordinated debentures resulting in net proceeds of \$8,662,365. The Debentures bear interest at an annual rate of 7.75% payable semi-annually in arrears on April 30 and October 31 in each year, commencing October 31, 2011. The maturity date of the Debentures is April 30, 2016. The Debentures will be convertible into common shares of the Company at a conversion price of \$0.50 per Common Share.

Credit Facilities

On March 31, 2014 the Company had a \$5 million Operating Line and a \$10 million Acquisition Facility.

As of March 31, 2014, the Company had \$0.9M in cash on hand, and has utilized \$1.3M of the operating line. The \$10 million Acquisition Facility was drawn at \$6.3 million. With total credit of \$15 million less net utilization of \$6.7 million, the Company had access to \$8.3 million under its Operating Line and Acquisition Facility.

The Company's indebtedness is subject to a number of external covenants. Under the terms of the Andersons credit facility, the following ratios are monitored: adjusted debt to EBITDA, and fixed charge coverage ratio. For the period ending March 31, 2014, 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. Moderate capital investments that reduce energy consumption, and capital investments primarily in technology that will improve efficiencies by reducing salary and administration expenses are also planned.

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, and issuance of new equity or debt instruments or a combination thereof. The decision to utilize a specific alternative is dependent 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. The Company does not have any financing leases as defined by IFRS.

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 Andersons 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 13% of the Company's sales. Risk associated with respect to accounts receivable is mitigated by credit management policies. Historically, bad debts from these accounts have been immaterial. The Company is not subject to significant concentration of credit risk with respect to its customers; however, all accounts receivables are due from organizations in the Alberta hospitality industries. In order to reduce credit risk, the Company has reduced the number of commercial accounts it services.

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 its interest rate strategy, on April 6, 2010 Andersons contracted with a Canadian Chartered Bank to hedge interest rates for a 5-year period in the amount of \$4.5 million at 3.35% plus applicable credit spread. This hedge matures April 6, 2015.

We would note that in our financial statement reporting, our swap fair market value is measured on the basis of one month banker's acceptances. We are currently using three month banker's acceptances which could result in a non-material difference of our market to market valuations. For the \$4.5 million remaining swap with our senior lender, any mark to market adjustment on a quarterly basis remains a non-cash impact to the Company unless the swap is not held to maturity.

As of May 28, 2014 Andersons has \$4.5 million in hedges representing 30% of Andersons' available credit facilities.

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as at March 31, 2014 or May 28, 2014.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

There are no updates to the Company's critical accounting judgements, estimates and assumptions. For further discussion, refer to the Company's annual MD&A for the year ended December 31, 2013.

CHANGES IN ACCOUNTING POLICIES

There were new accounting standards adopted in the period that have been incorporated in the statements. These standards did not have a significant impact on the Company's financial statements. See Note 2 of the interim consolidated financial statements for the period ending March 31, 2014 for further information.

FINANCIAL INSTRUMENTS

For cash and cash equivalents, accounts receivables, due from related parties, bank indebtedness, short-term debt, promissory note, accounts payable and accrued liabilities, 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 carrying value of long-term debt approximates the fair value as the interest rate is at a variable market rate, or fixed rates approximate current market conditions.

The convertible debenture has a fair value equivalent to its carrying value, as the discount rate remains unchanged.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company paid rents of \$nil (Mar 2013 - \$1,620) for the period ended Mar 31, 2014. in respect of a retail liquor store, to Byrne Alberta Ltd ("BAL"), a privately held company in which Peter J. Byrne, CEO of RML is a significant shareholder. The rent is at market rates

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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.

Disclosure Controls and Procedures

There have been no changes in the design of the Company's disclosure controls and procedures or internal control over financial reporting that occurred during period ended March 31, 2014 that have materially affected, or are a reasonably likely to materially affect the Company's disclosure controls and procedures or internal control over financial reporting.

- a) The venture issuer is not required to certify the design and evaluation of the issuer's Disclosure Controls Procedures ("DC&P") and Internal Control over Financial Reporting ("ICFR") and has not completed such an evaluation; and
- b) Inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis DC&P and ICFR for the issuer may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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: impact due to economic conditions; regulated competitive environment; reliance on key personnel; acquisition growth strategy and development risks; labour costs and labour market, weather; market volatility and unpredictable share price; supply interruption or delay; impact from provincial tax increases; available financing; importance of inventory and EFC; credit facility and financial instrument covenants; active trading market.

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 29, 2013, which is available at www.sedar.com.

NON-IFRS MEASURES

Operating margin for purposes of disclosure under "Operating Results" has been derived by subtracting Operating and Administrative expenses from Gross Margin. 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. Non-recurring items include costs incurred and recoveries received by the Company that are not part of on-going operations and that are not expected to recur. Operating margin before non-recurring items as a percentage of sales is calculated by dividing operating margin before non-recurring items by sales.

Operating margin operating margin as a percentage of sales and operating margin before non-recurring items are calculated in tables under sections "Operating Results – 3 Months"

EBITDA is defined as the net income of the Company plus the following: interest expense, provision for income taxes, depreciation, amortization, mark to market adjustments on financial instruments, non-cash items such as stock based compensation expense and issue costs of securities, deferred taxes, write down of goodwill, and other restructuring charges for store closures. EBITDA is also less any non-recurring extraordinary or one-time gains from any capital asset sales. Management believes that, in addition to income or loss, EBITDA is a useful supplemental measure of performance.

Period	<u>3 months ending</u> <u>Mar 2014</u>	<u>3 months ending</u> <u>Mar 2013</u>
Net comprehensive loss	\$ (482,999)	\$ (383,957)
Income tax recovery	(161,000)	(134,904)
Interest expense	316,294	311,156
Depreciation	191,379	260,034
Unrealized gain on interest rate swap	(22,505)	(10,064)
Amortization of convertible debenture costs	40,812	40,363
Store closure expenses	-	3,357
Loss on disposal of property and equipment	5,658	1,953
EBITDA	\$ (112,361)	\$ 87,938

Operating margin, operating margin as a percentage of sales, operating margin before non-recurring items, operating margin before non-recurring items as a percentage of sales and EBITDA are not measures recognized by IFRS and do not have a standardized meaning prescribed by IFRS. 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 IFRS) 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.