ROCKY MOUNTAIN LIQUOR INC

Ticker: “RUM”

MANAGEMENT’S DISCUSSION AND ANALYSIS
For the period ended March 31, 2016

As at May 27, 2016

ROCKY MOUNTAIN LIQUOR INC

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis("MD&A") is dated May 27, 2016.

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 audited consolidated financial statements and accompanying notes of the Company for the period ended March 31, 2016. 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 interim consolidated 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 theinterim consolidated financial statements unless otherwise stated.

Throughout this MD&A 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) equity issuance 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 MD&A 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 MD&A 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, (xiii) the ability to raise capital, and (xiv) 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 decreased to $9.5M (2015 - $10.4M)
- EBITDAdecreased toa loss of $272,079 (2015–earnings $6,224)
- Net loss is $625,324 (2015 - $320,276)
- Gross margin percentage decreased to 24.1% (2015 – 25.6%)

RECENT DEVELOPMENTS SINCE PERIOD ENDED MARCH 31, 2016

On April 1, 2016 the Company announced that the holders of its 7.75% convertible unsecured subordinated debentures due April 30, 2016 approved the proposed amendments to the debentures. As a result, the maturity date will be extended to April 30, 2021, the conversion price will reduce to $0.25 from $0.50, and the coupon rate will be reduced to 7.50%.

On May 13, 2016 the Company announced anormal course issuer bid ("NCIB"), pursuant to which it may repurchase for cancellation up to $807,600 in principal amount of the Debentures, representing 10% of the Debenture's issued and outstanding. The NCIB begins May 13, 2016 and ends May 12, 2017.

Subsequent to March 31, 2016 the Company announced its intention to redeem on a prorata basis 15% of the principal amount of the amended debentures on June 10, 2016.

OUTLOOK

The price of oil has recovered slightly, but we do not expect immediate changes to the previously forecasted downturn in economic conditions in Alberta. We are relying on the Provincial government's employment and consumer spending forecasts. The economic outlook associated with the recent 2016 Alberta provincial budget confirms that "weakness in the energy sector is feeding through the economy, causing activity to slow in many other sectors, including construction and manufacturing. As companies reduce costs, the labour market is expected to deteriorate further, leading to a decline in migration. Households are responding by cutting back on spending"[1].

High unemployment rates and overall reductions in consumer spending will continue to put downward pressure on the Company's customer counts. Additionally, historic data in similar circumstances indicates that consumers make product substitutions to lower priced, lower margin products. The Alberta government remains committed to raising minimum wage rates. The Company pays its team members in excess of minimum wage, however the increase will place upward pressure on wage costs across the industry and is expected to result in increased salary costs.

The wildfires in the Fort McMurray area will affect sales in Q2. Our store does not appear to have been physically damaged, however it remains uncertain as to when we will be able to reopen. We will continue to support our team members from that area who have been evacuated.

Management will continue to assess individual store performance and some stores may be sold or closed. Proceeds from any sales will be applied to reduce debt. The Company does not intend to curtail investment in enhancements to its industry leading enterprise resource systems.

Due to the Company's 7.75% Debenture maturing less than 12 months from the end of Q1 2016, the debentures are carried as current debt on the Company's interim consolidated statement of financial position. In Q2 2016, as a result of the new maturity date of April 30, 2021, the debentures will be disclosed again as long term debt.

The Company has an available $10 million revolving credit facility of which $3.3 million was unused as of May 27, 2016. Management believes this is sufficient for the successful execution of our business plan.

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[1]Government of Alberta -"Fiscal Plan - Economic Outlook- Budget 2016" Retrieved May 23, 2016 from http://www.finance.alberta.ca/publications/budget/budget2016/fiscal-plan-economic-outlook.pdf

OPERATING RESULTS - 3 Months ending March 31, 2016

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.Itiskeytonotethatgiventhe changes in the composition of stores of the Company, historical performance does not reflect theannualized results from recently acquired liquorstores, and more recent periods do not include results from stores that have been sold or closed.

The following table shows the operating results of the Company for the three month period ending March 31, 2016 and 2015.

Period	3 months ending Mar 2016		3 months ending Mar 2015	
Sales	$ 9,543,365	100.00%	$ 10,435,548	100.00%
Gross margin	2,303,893	24.14%	2,674,074	25.62%
Operating and administrative expense	2,579,737	27.03%	2,670,550	25.59%
Operating Margin (1)	$ (275,844)	-2.89%	$ 3,524	0.03%
Non-recurring Items (1)	-	0.00%	-	0.00%
Operating Margin before non-Recurring Items (1)	$ (275,844)	-2.89%	$ 3,524	0.03%
Annual Incentives (2)	0	0.00%	43,750	0.42%
Operating Margin before non-Recurring Items (1) and Annual Incentives (2)	$ (275,844)	-2.89%	$ 47,274	0.45%
Stores at Period End	43		46	

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 three month period ended March 31, 2016 were $9.5million.Sales are lower than the same quarter in 2015by $900k due tothe closure of one store and the sale of three stores in the prior year. As well, there has also been a slowdown in the economy in Alberta which has affected sales in certain rural markets where energy is the dominant industry.

Cost of Goods Sold and Gross Margin

Margins have decreased from25.6% to 24.1% as compared to this quarter last year.As the economy worsens in Alberta consumers have been substituting the products they purchase to lower margin items. The Company has altered the marketing and promotional strategies to maintain market share.

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 three month period ended March 31, 2016 were $2.58 million, compared to $2.67 million for the same period in 2015.The decrease is due to the closure and sale of certain stores in the prior year. As a percentage of sales, wages have increased 1% over the same period last year, lease and premise costs have increased 0.5%, and other costs have remained constant.

Finance Costs

Interest on thebank loan and convertible debentures decreased from$261kfor the three months ending March 31, 2015 to $236kfor the same period in 2016. The reduction isdue to reduced interest expense on the convertible debentures repurchased by the Company and subsequently cancelled.

CONVERTIBLE DEBENTURES

In 2011 the Company issued a $9,200,000 unsecured subordinated convertible debenture ("the Debenture") due on Apr 30, 2016. The Debenture was interest bearing at 7.75% payable semi-annually. The Debenture was convertible to common shares of the Company at a conversion price of $0.50 per common share.

On April 1, 2016 the Company announced that the holders of the Debentures approved the proposed amendments extending the maturity date to April 30, 2021, reducing the conversion price to $0.25, and reducing the coupon rate to 7.50%.

The Company has announced three NCIB's to repurchase the Debenture. In 2015 the Company repurchased and cancelled $927,000 Debentures. In the 3 month period ending March 31, 2016 the Company repurchased and cancelled $187,000 Debentures. Subsequent to March 31, 2016 the Company has repurchased $10,000 of the Debentures for a total of $1,124,000 since inception of the NCIB's.

In addition, the Company has announced its intention to redeem on a prorata basis 15% of the outstanding principal amount of the amended debentures on June 10, 2016, estimated to be approximately $1,211,000 Debentures, which will bring the balance of the outstanding debentures to $6,865,000.

FINANCING & CREDIT FACILITIES

On March 31, 2016 the Company had a bank agreement with lender, TD for a $10 million uncommitted, revolving demand credit facility. This agreement is not subject to any monitoring ratios. Current utilization of the facility is $6.7 million.

As of March 31, 2016, the Company had $2.0Mof cash on hand, and the $10 million Facility was drawn at $7.6M. The Company pays interest at prime plus 1.25% or bankers' acceptances plus 2.75% per annum. At March 31, 2016 the Company has $5.0M of its bank loan in bankers' acceptances. The Company manages its interest rate risk through credit facility negotiations and by identifying upcoming credit requirements based on strategic plans.

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as at March 31, 2016or May 27, 2016.

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, 2015.

CHANGES IN ACCOUNTING POLICIES

There were no new accounting standards adopted in the period. See Note 2 of the annual consolidated financial statements for the year ending December 31, 2015 for further information.

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, 2016 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; impact from provincial tax increases; market volatility and unpredictable share price; weather; acquisition growth strategy and development risks; importance of inventory and EFC; supply interruption or delay; reliance on key personnel; labour costs and labour market; available financing; 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 27, 2016, 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, gain on repurchase of convertible debentures, gain / loss on disposal of stores and property and equipment, and other restructuring charges for store closures. EBITDA is also less any non-recurring extraordinary or one-time gains or losses from any capital asset sales. Management believes that, in addition to income or loss, EBITDA is a useful supplemental measure of performance.

	3 months ended Mar 2016	3 months ended Mar 2015
Net comprehensive loss	$ (625,324)	$ (320,276)
Income tax recovery	-	(106,758)
Interest expense	236,229	261,388
Depreciation	150,063	153,738
Unrealized gain on interest rate swap	-	(23,234)
Gain on repurchase of convertible debenture	(40,213)	-
Amortization of convertible debenture costs	-	40,363
Loss on disposal of property and equipment	7,166	1,003
EBITDA	**$ (272,079)**	**$ 6,224**

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.