ROCKY MOUNTAIN LIQUOR INC

Ticker: "RUM"

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2013

As at April 23, 2014

ROCKY MOUNTAIN LIQUOR INC

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis is dated April 23, 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 audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2013. 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; (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 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 6.5% to $14.8M (2012 - $13.9M)
- Gross margin has increased to 23.1% (2012 – 22.7%)
- EBITDA increased by 186% to $558,532 (2012 - $195,042)
- Operating margin increased by 183% to $578,412 (2012 - $204,525)
- Net loss improved to $43,542 (2012 - loss $410,884)

Key Operational and Financial Highlights, year over year 12 month comparison:

- Sales increased by 2.3% to $55.9M (2012 - $54.6M)
- Gross margin has increased to 23.5% (2012 – 22.8%)
- EBITDA reduced slightly to $2.54M (2012 – $2.66M)
- Operating margin reduced slightly to $2.6M (2012 – $2.7M)
- Net income increased by 8.5% to $208,432 (2012 – $192,034)

RECENT DEVELOPMENTS SINCE PERIOD ENDED DECEMBER 31, 2013

The Company completed construction on a new store in West Lethbridge, Alberta and opened on February 7, 2014.

OUTLOOK

The Company continues to benefit from its focus on gross margin growth. We believe our industry leading distribution techniques, and automated proprietary purchasing management systems are responsible for improvements in our operations. In the last quarter we enjoyed a sales increase of 6.5% and for the annual period we had sales increases of 2.3%. Our gross margins improved on a quarterly basis and annual basis when compared with the same periods in 2012. Net income increased by 8.5% in 2013 as compared to 12 months results in 2012. These improvements were achieved notwithstanding increased competition in certain rural markets.

Management believes the Company offers wider selections than most competitors and using our developed technologies are able to achieve higher than normal gross margin returns on inventory investment than industry standards. In 2014 the Company will continue to concentrate on improving store operation efficiencies and concentrate on new store growth in existing markets. Acquisitions in existing markets generally improve the Company's pricing power, especially in rural markets.

At December 31 2013, RML had access to $9.8 million available under our financial facilities. Management believes its access to credit and the Company's positive operating income are sufficient to sustain the Company's operations and business strategy.

On February 20, 2014 the company filed Notice of Intention to commence a normal course issuer bid through the facilities of the TSXV, permitting the Company to repurchase, for cancellation, up to 2,889,889 of the 57,797,788 common shares (5%) that are currently issued and outstanding (the "common share NCIB"). The common share NCIB commenced on February 24, 2014, and will run until the earlier of the date on which purchases under the bid have been completed, or February 23, 2015. The Company believes that, depending on the trading price of its common shares and other relevant factors, purchasing its own shares represents an attractive investment opportunity and is in the best interests of RML and its shareholders.

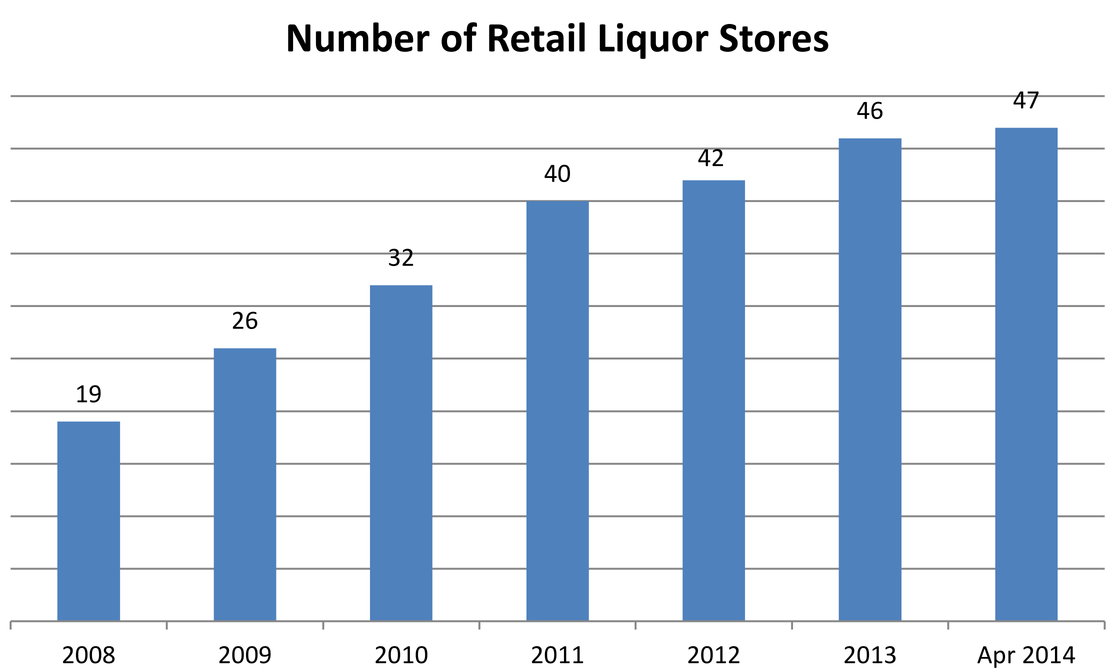
The Alberta Gaming and Liquor Commission ("AGLC") has published in their 2012-2013 Annual Report an overall increase of 7% in liquor revenues and a 2.7% increase in the volume of liquor sold in 2012-2013 versus 2011-2012. These positive results are pointing towards a period of economic growth that may 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 April 23, 2014 Andersons operated and owned 47 stores.



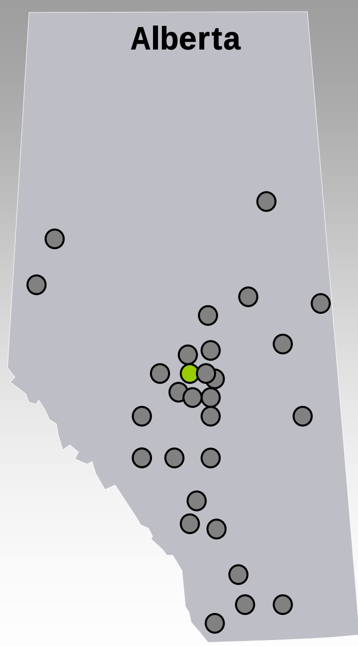
Andersons operates 47 liquor stores in Alberta where there are approximately 1,333 liquor stores and 90 general merchandise liquor stores as at February 2014 [Source: Alberta Gaming and Liquor Commission-“Quick Facts Liquor – February 2014”]. The primary drivers of liquor store sales are location, convenience, 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 13 stores in Northern Alberta, 22 stores in Central Alberta and 12 stores in Southern Alberta.

Locations

Head Office and Distribution Centre - Edmonton

Retail locations



Athabasca	2
Beaumont	3
Calgary	2
Claresholm	1
Cochrane	1
Cold Lake	1
Devon	2
Didsbury	1
Drayton Valley	1
Edmonton	2
Fairview	1
Fort Macleod	1
Fort McMurray	1
Gibbons	1
Grande Prairie	1
Lac La Biche	1
Leduc	1
Lethbridge	5
Millet	2
Morinville	2
Nisku	1
Pincher Creek	1
Red Deer	2
Rocky Mountain House	2
St. Paul	3
Stony Plain	1
Sylvan Lake	2
Wetaskiwin	2
Wainwright	1
	47

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 December 31, 2013.

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 increase in non-cash working capital is mainly due to timing of collection of accounts receivables and payment of accounts payable.

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 articled 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 December 31, 2013

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 December 31, 2013 and 2012.

Period	3 months ending Dec 2013		3 months ending Dec 2012	
Sales	$ 14,763,513	100.00%	$ 13,869,923	100.00%
Gross margin	3,405,377	23.07%	3,148,231	22.70%
Operating and administrative expense	2,826,965	19.15%	2,943,706	21.22%
Operating Margin (1)	$ 578,412	3.92%	$ 204,525	1.47%
Non-recurring Items (1)	-	0.00%	39,389	0.28%
Operating Margin before non-Recurring Items (1)	$ 578,412	3.92%	$ 243,914	1.76%
Annual Incentives (2)	58,415	0.40%	178,182	1.28%
Operating Margin before non-Recurring Items (1) and Annual Incentives (2)	$ 636,827	4.31%	$ 422,096	3.04%
Stores at Period End	46		42	

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 December 31, 2013 were $14.76 million. Sales are higher than Q4 2012, mainly due to acquisitions completed, and newly constructed stores opened in the second half of 2013.

Cost of Goods Sold and Gross Margin

Margins have improved from 22.7% to 23.1% as compared to this quarter last year. This is a result of new forecasting technologies that reduces the need to take mark downs by matching available Limited Time Offers to consumer demand. Improvements in the economy are also expected to provide the Company with margin advancement opportunities.

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 December 31, 2013 were $2.8 million. The decrease in the period is primarily due to expenses accrued throughout 2013 rather than recognizing the entire expense in the fourth quarter.

Operating Margin

Operating margin was 1.47% for the 3 months ending December 31, 2012 and 3.92% December 31, 2013. The increase is attributable to higher gross margins and timing of accruals.

Finance Costs

Interest on bank indebtedness, long term debt and convertible debentures increased from $307,818 for the 3 months ending December 31, 2012 to $328,205 for the 3 months ending December 31, 2013. This is due to additional long term debt acquired in the first quarter of 2013.

OPERATING RESULTS – 12 Months ending December 31, 2013

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 year ended December 31, 2013 and 2012.

Period	12 months ending Dec 31 2013		12 months ending Dec 31 2012	
Sales	$ 55,915,547	100.00%	$ 54,638,640	100.00%
Gross margin	13,161,781	23.54%	12,458,806	22.80%
Operating and administrative expense	10,574,232	18.91%	9,763,549	17.87%
Operating Margin (1)	$ 2,587,549	4.63%	$ 2,695,257	4.93%
Non-recurring Items (1)	-	0.00%	39,389	0.07%
Operating Margin before non-Recurring Items (1)	$ 2,587,549	4.63%	$ 2,734,646	5.00%
Annual Incentives (2)	221,672	0.40%	220,371	0.40%
Operating Margin before non-Recurring Items (1) and Annual Incentives (2)	$ 2,809,221	5.02%	$ 2,955,017	5.41%
Stores at Period End	46		42	

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 12 month period ended December 31, 2013 have increased to $55.9 million. Sales are higher than 2012 mainly due to acquisitions completed and new stores constructed in 2013.

Cost of Goods Sold and Gross Margin

Margins have improved from 22.8% to 23.5% for the year ended December 31, 2013. This is a result of new forecasting technologies that reduces the need to take mark downs by matching available Limited Time Offers to consumer demand. Improvements in the economy are also expected to provide the Company with margin advancement opportunities.

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 year ended December 31, 2013 were $10.6 million. Operating and administrative expenses as a percentage of sales have increased to 18.9% for 2013, as compared to 17.9% for 2012. The increase is attributable to an increase in rent and salaries. Rents have increased with new lease renewal rates. As well, rent costs as a percentage of sales associated with newly constructed stores are higher at the beginning of the term. Salaries have increased as a percentage of sales due to minimum wage increases and labour shortage pressures in Alberta.

Operating Margin

Operating margin was 4.63% for the 12 months ending December 31, 2013 and 4.93% December 31, 2012. The increase in gross margins realized is offset by the increased costs of rents and salaries.

Finance Costs

Interest on bank indebtedness, long term debt and convertible debentures increased from $1.25 million in 2012 to $1.34 million in 2013 as a result of a an increase in the term loan in the first quarter of the year.

CONDENSED QUARTERLY INFORMATION

Expressed in (000's)	2013				2012			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
# stores end of period	46	46	43	43	42	42	41	40
Sales	14,764	15,454	14,655	11,043	13,870	15,515	14,742	10,512
Net comprehensive income (loss)	(43)	315	321	(384)	(411)	307	415	(119)
Basic income per share	0.00	0.01	0.01	(0.01)	(0.01)	0.01	0.00	(0.01)
Diluted income per share	0.00	0.01	0.01	(0.01)	(0.01)	0.01	0.00	(0.01)

CONDENSED ANNUAL INFORMATION

Expressed in (000's)	2013	2012	2011
# stores end of period	46	42	40
Sales	55,916	54,639	52,818
Net comprehensive income (loss)	208	192	(451)
Total assets	24,720	23,748	22,411
Total long term liabilities	14,926	15,017	13,737
Basic income per share	0.00	0.00	(0.01)
Diluted income per share	0.00	0.00	(0.01)

LIQUIDITY AND CAPITAL RESOURCES AS OF DECEMBER 31, 2013

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 – December 31, 2013	Number of warrants exercisable – December 31, 2013
November 24, 2014	0.3675	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 $	Number of Options Outstanding - December 31, 2013	Number of Options Exercisable - December 31, 2013
October 13, 2014	(Directors) Stock Option Plan	0.22	150,000	150,000
Outstanding December 31, 2013			**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 December 31, 2013 the Company had a $5 million Operating Line and a $10 million Acquisition Facility.

As of December 31, 2013, the Company had $1.1 million in cash on hand. The $10 million Acquisition Facility was drawn at $6.3 million. With total credit of $15 million less net utilization of $5.2 million, the Company had access to $9.8 million under its Operating Line and Acquisition Facility as of December 31, 2013.

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 December 31, 2013, 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. $8,352 in bad debts was recorded for the year ending December 31, 2013. 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 April 23, 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 December 31, 2013 or April 23, 2014.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated statement of financial position are discussed below.

Estimates:

Inventory

Management has estimated the value of inventory based upon their assessment of the realizable amount less selling costs. No merchandise has been identified as requiring a write down.

Taxation

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Assumptions underlying the composition of deferred tax assets and liabilities include estimates of future results of operations and the timing of reversal of temporary differences as well as the tax rates and laws in place at the time of the expected reversal.

Impairment of goodwill

At each reporting date, the Company assesses whether there are any indicators of impairment for all non-financial assets. Goodwill and other non-financial assets are tested for impairment annually to determine if their carrying amounts may not be recoverable.

If the recoverable amount of the CGU, calculated using discounted cash flow method, is less than its carrying amount the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The discounted cash flow model is based on calculations and projections from financial budgets prepared by management. A discount rate range of 6.42% - 7.39%, which is the Company's weighted average cost of capital, was used. Budgeted gross margin was based on past performance. Growth rates were forecasted to be 1.0% based on industry statistics.

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Useful lives of property and equipment

Management has estimated the useful lives of property and equipment as outlined further in this note based on their assessment of the time frame in which these assets will be used by the Company.

Business combinations

The allocation of the purchase price for acquisitions involves determining the fair values assigned to the tangible and intangible assets acquired. Goodwill is calculated based on the purchase price less the fair value of the net tangible assets. Fair value of tangible assets is based on market price of similar assets.

Share based compensation

The fair value of options granted is estimated using the Black-Scholes option pricing model. The key factors involve, but are not limited to, the expected share price volatility and the contracted option life. These assumptions may differ from actual results due to changes in economic conditions. Shares purchased in the employee share purchase plan are based on fair value at time of purchase.

Judgements:

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. To determine the equity versus liability portion of the convertible debentures issued, management engaged a valuator to estimate the discount rate required for calculation of the net present value of future cash flows which determined the liability component.

Cash-generating units

The determination of cash-generating units ("CGU") was based on management's judgment and was determined to be each retail location based on their independent cash flows. Management monitors goodwill at a group of CGUs level as the synergies of multiple locations operating under a common regulatory environment are realized across all related retail locations.

CHANGES IN ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING STANDARDS ISSUED BUT NOT YET IN EFFECT

Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. The Company does not believe this will have a significant impact on disclosure.

Levies

The IASB has issued a new standard, IFRIC 21, "Levies" ("IRFIC 21"), effective for years beginning on or after January 1, 2014. IFRIC 21 provides guidance on when to recognize an obligation to pay a levy other than income tax. The Company does not believe the adoption of this standard will have an impact on reporting.

NEW SIGNIFICANT ACCOUNTING STANDARDS ADOPTED IN THE YEAR

Consolidated Financial Statements

Effective January 1, 2013, the Company adopted IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which defines control for the purposes of determining which arrangements should be consolidated, including guidance on participating rights. The adoption of the policy did not result in any changes to consolidation of the Company's subsidiary.

Fair Value Measurement

Effective January 1, 2013, the Company adopted IFRS 13, "Fair Value Measurement" ("IFRS 13"), which sets out a single IFRS framework for measuring fair value, and establishes disclosure requirements for fair value measurements. This standard was adopted prospectively and did not require any measurement adjustments or adjustments to the valuation techniques employed by the Company to measure fair value. The adoption of IFRS 13 has resulted in additional disclosures in Note 22 to the consolidated financial statements.

Impairment of Assets

The Company early adopted IAS 36, "Impairment of Assets" ("IAS 36") effective January 1, 2013, which was amended to reverse the unintended requirement in IFRS 13 to disclose the recoverable amount of each CGU to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. These amendments are required to be applied retrospectively for years beginning on or after January 1, 2014 with early adoption allowed.

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 rent in respect to of a retail liquor store of $1,620 for the year ended December 31, 2013 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. At December 31, 2013 there is $31,500 owing from BAL with respect to amounts paid on their behalf.

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 year ended December 31, 2013 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 are defined below;

Regulated Competitive Environment

The primary focus of the Company has been in rural markets, thus most of its competitors are local single store operators. Competition in these markets focus on product offering, location, and service.

New entrants into local markets can affect the Company. Liquor stores in urban centers are subject to by-law restrictions limiting relocation opportunities. Rural communities where the Company primarily operates do not generally have these restrictions.

Privatization of retail distribution in Alberta is highly competitive. In Alberta, the Company competes with other local single store operators, local and regional chain operators, and liquor stores associated with national grocery store chains. The current regulatory regime in Alberta has attempted to create a level playing field for operators. Any change in this regulatory regime could adversely affect the Company's business and operations.

Regulatory decisions by the AGLC can impact the operations of the Company. All liquor stores are currently operated pursuant to licenses issued by the AGLC, which must be re-applied for annually. The AGLC has discretion in the granting or revocation of a license to operate a liquor store.

The Company will also evaluate opportunities to enter into other Provincial markets. However, there is no assurance that the Company will be able to obtain all permits, licenses and other regulatory approvals necessary to be able to enter the market in the event that such an opportunity becomes available. Moreover, even if the Company is successful in entering the market, there is no assurance that the regulatory environment will not change in ways that could adversely affect the operations and financial results of the Company or its ability to participate in other provincial markets.

Labour Costs and Labour Market

The Company's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of the Company to hire or retain staff at current wage levels. With an improvement in economic conditions, risks could increase with reduced labour availability.

Acquisition Growth Strategy and Development Risks

Acquisitions have been and will continue to be a key part of the Company's growth strategy. The Company expects to continue to selectively seek strategic acquisitions in Alberta and will evaluate acquisition opportunities in other Provinces. Growth will be a factor in the number of available acquisition targets, the Company's resources and the Company's ability to obtain financing.

Future acquisitions could result in the incurrence of additional debt, costs, and contingent liabilities. The Company may also incur costs for and divert management attention to potential acquisitions that are never consummated. For acquisitions that are consummated, expected synergies may not materialize. The Company's failure to effectively address any of these issues could adversely affect its results of operations, financial condition and ability to service debt.

Additional risks associated with acquisitions may include:
- operational integrations,
- human resources,
- compliance with policies and procedures,
- retention of employees,
- conversion of IT systems,
- market intelligence,
- business efficiencies,
- possession and leasehold interest,
- administration capacity,
- liabilities from purchases of businesses and/or assets.

The development of new stores bears many of the same risks as acquisitions and includes costs to complete and possible project delays.

Additional risks associated with development of new stores may include:

- contractual risks,
- construction overruns,
- compliance with municipal regulations
- compliance with lease
- project delays
- receipt of required permits

The Company performs intensive due diligence and computer modeling of each potential acquisition or new store development. Our objective is to identify business targets that are easily converted to our business model. Management works with all parties involved to ensure that the risks above are mitigated where possible. The Company has an experienced acquisition and development team that includes internal and external advisors.

Weather

Weather conditions can impact consumer demand, especially in summer months when customer counts are typically higher than other months. If weather deteriorates over a prolonged period during those months, it may have a material adverse effect on the Company's operating results.

Market Volatility and Unpredictable Share Price

The underlying value of the Company's business may not always be reflected in the share price. Nor can such trading price be predicted accurately. The share price could be influenced by a number of other factors including but not limited to general market conditions, quarterly operating results, interest rates, availability of credit, a thin trading market, overall industry outlook, investor confidence, and others.

Importance of Inventory, and EFC

The Company's integrated inventory, and distribution systems are important to the enhancement of operations. If the Company is unable to maintain its own inventory and distribution systems or fails to adequately upgrade these systems, the Company's margins could be affected by limiting the selection of product and deep discounts available. The Company has the ability to mitigate this risk through conventional methods by using existing delivery system through AGLC. The Company's point of purchase system is capable of operating the supply chain through internal or external sources.

Impact due to Economic Conditions

The Company's financial results for fiscal 2013 and future periods are subject to numerous uncertainties, such as changes in the economy which influence consumer spending and consumer confidence. Inflation and interest rates could impact disposable income and reduce spending in this sector.

Reliance on Key Personnel

The continued success of the business of the Company will depend upon the abilities, experience and personal efforts of senior management of the Company, including their ability to attract and retain skilled employees. The loss of the services of such key personnel could have an adverse effect on the business, financial condition and future prospects of the Company.

Active Trading Market

There currently is not an active trading market for the Common Shares of the Company as a large number of shares are closely held. Without an active trading market for the Common Shares, the trading liquidity of the Common Shares is limited and the market value of the Common Shares may be reduced.

While the Convertible Debentures trade on the Toronto Stock Exchange, there is not currently an active trading market for the Debentures, and we cannot guarantee that an active trading market will develop. If an active trading market in the Convertible Debentures does not develop, the trading liquidity of the Convertible Debentures will remain limited and the market value of the Debentures may be adversely affected.

Available Financing

The Company requires additional financing in order to make further investments, pursue acquisition opportunities or take advantage of unanticipated opportunities. In particular, the Company intends to continue to make investments to support business growth and may require additional funds to respond to business challenges, including the need to develop new services or enhance existing services, enhance operating infrastructure and acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Furthermore, additional financing may not be available on favourable terms, if at all. If the Company is unable to obtain adequate financing or financing on satisfactory terms when required, its ability to continue to support business growth and to respond to business challenges could be significantly limited.

The Company had capital and unused credit facilities available for growth in the amount of approximately $9.8 million at December 31, 2013.

However, the ability of the Company to make acquisitions beyond the amount of its current excess capital and unused credit facilities depends on the Company being able to raise additional financing in the future through equity and/or debt capital markets. If the Company is unable to obtain equity and/or debt financing, either at all or on favourable terms, it may not be able to complete additional acquisitions, which could have an adverse effect on the future growth prospects of the Company.

Credit Facility and Financial Instrument Covenants

The Company has terms and conditions which must remain in compliance under its credit facilities and Convertible Debenture.

The failure to comply with the terms of the Credit Facilities and convertible debenture would entitle the secured lenders to prevent the Company from further borrowing, or accelerate repayment.

Supply Interruption or Delay

The majority of the alcohol based products are distributed through Connect Logistics Services Inc. and Brewers Distributor Ltd. Any significant disruption in the supply chain for either of these businesses could result in a material adverse effect on the operations of the Company.

The Company’s EFC distribution system is capable of supplying the Company’s stores with inventory product, which would lessen the impact from any disruption.

Impact from Provincial Tax Increases

Tax changes have an effect on sales earnings and results of operations as higher prices could impact consumer demand or behaviors. Going forward, the risk remains that the Government could increase tax on alcohol-based products.

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" and "Operating Results – 12 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	3 months ending Dec 2013	3 months ending Dec 2012	12 months ending Dec 2013	12 months ending Dec 2012
Net comprehensive (loss) income	$ (43,542)	$ (410,884)	$ 208,432	$ 192,034
Income tax (recovery) expense	(19,275)	(158,627)	69,507	52,114
Interest expense	328,205	307,818	1,335,417	1,248,988
Depreciation	236,664	344,388	827,358	1,020,432
Unrealized gain on interest rate swap	(17,005)	(27,773)	(74,951)	(111,089)
Amortization of convertible debenture costs	40,811	41,202	162,798	163,637
Store closure expenses	20,369	10,329	23,726	14,643
Loss on disposal of property and equipment	12,305	59,563	16,210	59,563
Loss on sale of store	-	29,026	-	26,507
Gain on business combination	-	-	(25,200)	-
Stock based compensation	-	-	-	(11,824)
EBITDA	$ 558,532	$ 195,042	$ 2,543,297	$ 2,655,005

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.