ROCKY MOUNTAIN LIQUOR INC

Ticker: "RUM"

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 3, 2011

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This management discussion and analysis is dated June 3, 2011.

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 unaudited consolidated financial statements and accompanying notes of the Company for the three months ended March 31, 2011. The Company owns 100% of Andersons Liquor Inc. ("Andersons") headquartered in Edmonton Alberta, which owns and operates private liquor stores in that province.

The Company's unaudited financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. References to notes are to notes of the financial statements unless otherwise stated.

FORWARD LOOKING INFORMATION AND STATEMENTS ADVISORY

This management discussion and analysis contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "might" and similar expressions is intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this management discussion and analysis contains forward-looking information and statements pertaining to the following: (i) the stability of retail liquor sales; (ii) the ability to acquire 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 affect 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.

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).

KEY HIGHLIGHTS FOR THE FIRST QUARTER

The Company acquired one new store St. Paul, Alberta, and completed the construction of a new store in Edmonton, Alberta.

Key Operational Highlights, year over year First Quarter comparison:

- EBITDA increased 52.46% from $213,942 to $326,167;
- Sales increased 14.79% from $8,729,994 to $10,021,056;
- Operating margin increased 23.6% from $193,219 to $237,962;
- Gross margin increased from 20.44% to 21.00%

RECENT DEVELOPMENTS SINCE PERIOD ENDED MARCH 31, 2011

- The Company completed the construction of a new store in Pincher Creek, Alberta which opened April 15, 2011
- The Company completed the construction of a new store in Wainwright, Alberta which opened April 21, 2011
- The Company announced the potential acquisition of two more stores in Lethbridge Alberta to close, subject to due diligence in Q2 2011, and one new store development in

Northern Alberta expected to open in Q3. Development permits have now been obtained for this new store development and construction is expected to commence in Q2.

- On April 13, 2011 the Company completed financing of $9,200,000 in convertible unsecured subordinated debentures resulting in net proceeds $8,662,365. The Debentures will 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 will be April 30, 2016. The Debentures will be convertible into common shares of the Company at a conversion price of $0.50 per Common Share.
- The Company collapsed $5.5 million of its $10 million in interest rate swaps on April 5, 2011, which resulted in a one time gain of $14,700. This was related to the issuance of fixed rate convertible debentures and the repayment of floating rate senior secured debt.

OUTLOOK

Store growth will remain our core focus in 2011. Year to date we have opened a total of three new store developments in Edmonton, Pincher Creek and Wainwright and acquired a store in St. Paul, Alberta. A two store chain acquisition in Southern Alberta is currently in due diligence and a development permit has been obtained for our first new store development in Cold Lake Alberta.

We expect increased sales in Q2 2011 as compared with the same quarter in 2010, due mainly to the addition of new stores. Currently we have 36 stores in operation. If all prospective locations obtain required approvals and completion, we will have 39 stores in operation by the end of Q3 2011. We have sufficient capital to complete these projects without further borrowing.

The Company has sufficient capital and financing available to maintain its growth strategy in Alberta. We continue to evaluate liquor store opportunities in British Columbia.

There are indications of economic improvement in Alberta. We believe we are well positioned to capitalize on improvements in the Western Canadian economy and consumer demand. The slowdown in Alberta observed in prior periods resulted in reduced consumer demand and lower gross margins. Recently, economic indicators have been more positive, which suggests that current improvements in EBITDA and margin may continue throughout 2011.

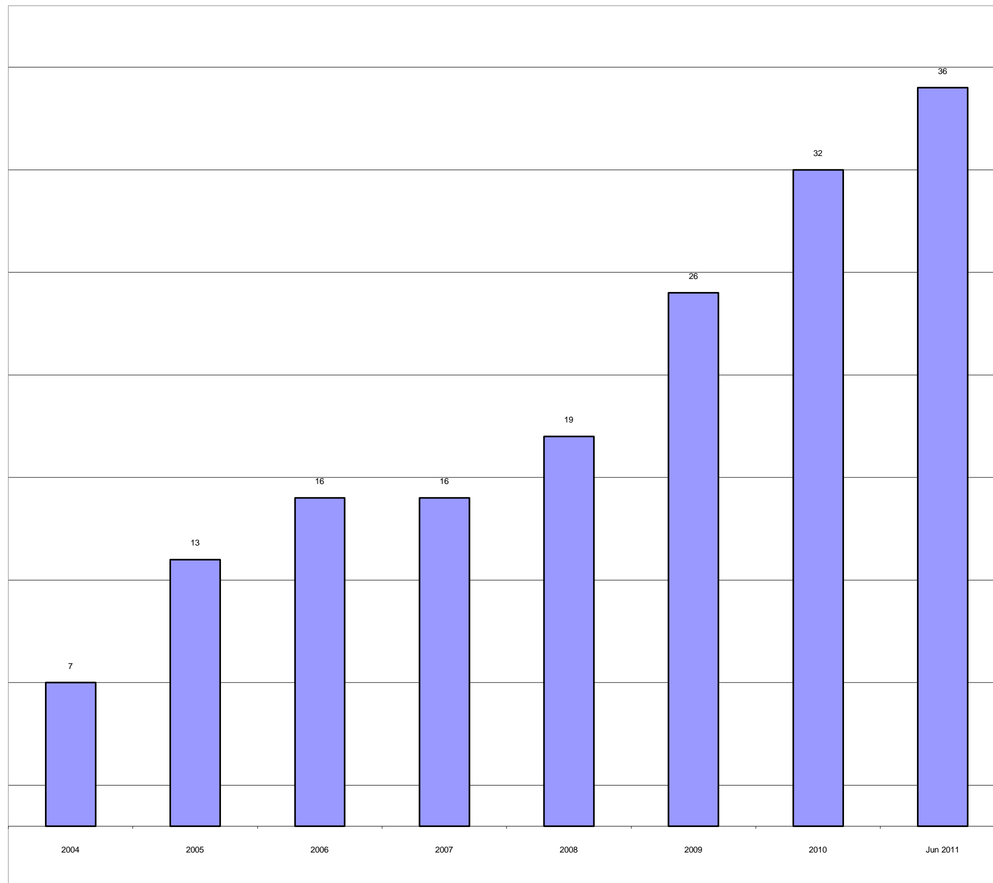
OVERVIEW OF ROCKY MOUNTAIN LIQUOR INC

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").

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. To date, Andersons has been successful in improving the performance of its acquisitions through effective integration with its existing operations.

Currently we have 36 stores in operation. As of March 31, 2011 Andersons operated and owned 34 stores. The Company completed the construction of one new store in Pincher Creek on April 15, 2011 and one in Wainwright on April 21, 2011. On April 15, 2011 the Company further announced the acquisition of two stores in Lethbridge and the development of a new store in Northern Alberta which if completed, will bring the number of stores owned and operated by the Company to 39.

Number of Retail Liquor Stores



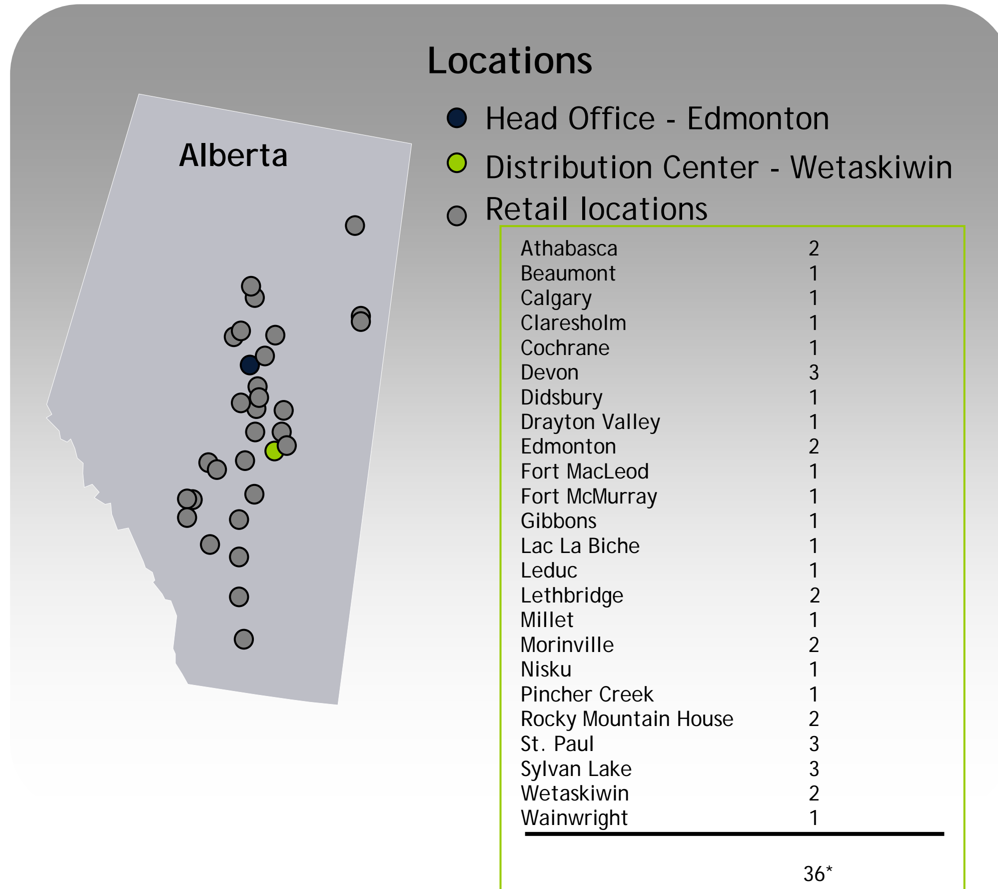
- Andersons acquired an additional liquor store in 2007 but also consolidated two existing stores in Devon, Alberta. As a result, the total number of retail liquor stores remained consistent from 2006 to 2007 despite the 2007 acquisition.

COMPETITIVE ENVIRONMENT

The Province of Alberta is the only province in Canada that has a fully privatized retail distribution system for adult beverages. Should the previously announced store additions occur, Andersons will operate 39 liquor stores in Alberta where there are approximately 1,240 liquor stores and 94 agency stores as at January 2011 [Source: Alberta Gaming and Liquor Commission]. 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 10 stores in Northern Alberta, 18 stores in Central Alberta and 8 stores in Southern Alberta.



Location	Stores
Athabasca	2
Beaumont	1
Calgary	1
Claresholm	1
Cochrane	1
Devon	3
Didsbury	1
Drayton Valley	1
Edmonton	2
Fort MacLeod	1
Fort McMurray	1
Gibbons	1
Lac La Biche	1
Leduc	1
Lethbridge	2
Millet	1
Morinville	2
Nisku	1
Pincher Creek	1
Rocky Mountain House	2
St. Paul	3
Sylvan Lake	3
Wetaskiwin	2
Wainwright	1
	36*

* If all potential stores as announced on April 15, 2011 are completed, store count could be 39 by Q3 2011

BUSINESS STRATEGY

Growth - New Stores

The Company's strategy is to grow by increasing the number of customer transactions as well as through new store development and acquisitions. Andersons is actively exploring opportunities to acquire and/or develop stores in Alberta, and evaluate growth opportunities in British Columbia. The Company is preparing a pipeline database and customer relationship management toolkit for British Columbia similar to the one the Company currently has for Alberta based on our 2010 research project in British Columbia. Management will continue to assess potential acquisitions and store development opportunities for their ability to add accretive cash flow and shareholder value.

Differentiation: Product, Operations, and Management Information Systems

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

Technology

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. All these applications run on Windows operating systems both at 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 the our enterprise security perimeter.

In 2010 the Company undertook a project to enhance and improve, what management believes is already an industry-leading data and reporting system. 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 are investing in an enterprise data-container capable of containing and reporting on two billion transactions.

We are concentrating on producing a robotic data environment where automation software is used to push spreadsheet-based reporting output on a regular and timely basis to store level, operations level and enterprise level. There are a variety of key performance indicators such as return on capital metrics and operational exceptions that are provided in near real time to our front line managers and their supervisors.

Time and attendance systems were updated to utilize web-based solutions, which integrate seamlessly with web-based payroll solutions provided by industry leading suppliers. All our employees receive their pay records online in a secure, self-service environment. The efficiencies we realize from integrating and automating these world-class technologies through software robotics allows us to reduce and manage administrative and overhead costs.

Our custom designed and outsourced software drives efficiencies in our warehouse and enterprise distribution systems. These operations, discussed further herein, aim to maximize operational effectiveness and operating margins, while at the same time ensuring that working capital cycles are more efficient. Moreover, the integration of these systems into its enterprise operations allows

the Company to take advantage of pricing opportunities on a limited time offer basis, as discussed further below.

Since early in 2011 we have also started to integrate these systems with our external suppliers/partners. This ongoing process is intended 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, on our shelves at the right time.

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. An important element of the Company's operational support is its Enterprise Fulfillment Centre (“EFC”). While inventory suppliers tend to provide retailers with large bundles of product, rather than single items, the EFC enables the Company to break down bundles into individual pieces in order to better meet the demands of individual stores. This in turn improves the inventory flexibility, provides increased selection in individual stores, while producing an industry leading gross margin return on inventory investment as measured by gross profit return divided by average inventory valuation.

A second advantage of the EFC is that it allows the Company to take advantage of inventory purchasing at opportune stages, such as Limited Time Offers (“LTO’s”). LTO’s are discounts offered by liquor distributors of approximately 4% - 10% and are typically offered one to four times per year. The EFC efficiently manages the temporary influx of inventory that can result from increased purchasing at these times. Moreover, having a centralized warehouse that can service retail stores effectively has reduced the need to lease larger retail store spaces to incorporate warehousing functions, which traditionally have high rent and utility consumption. Management of the Company believes that the cost to run the EFC is less than the costs to lease larger stores with on-site warehousing capabilities.

Our secure network design is expected to facilitate an integrated financial accounting and operational reporting system. Implementation of this project is approximately 60% complete. To reduce integration risk, our existing enterprise environment will coincide with the new enterprise server and software environment until management determines the old system has become redundant. No changes are being made to any equipment at store level, although automated data replication engines will be installed at all locations making file transfer protocols unnecessary for the secure transfer of data to our various enterprise resource planning systems (“ERP”).

Some external suppliers have chosen to integrate with our ERP system through secure file transfer protocols, direct machine-to-machine data communication and secure internet connections using various web-based engines. Our system is currently and successfully using all of these external supplier resources in both our robotic and manual ERP integrations.

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

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, 2011.

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 a lower overall inventory level while maintaining sales.

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. The Company does not currently have a formal Long-Term Incentive Plan.

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 March 2007, receiving her Chartered Accountant designation in 2005. Ms. Byrne is Chair of the Alberta Liquor Store Association.
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 March 31, 2011

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 total Sales and Operating Margin of the Company for the 3-month period ending March 31, 2011 as compared to 3 months ending March 31, 2010.

Period	**3 months ending Mar 2011**		**3 months ending Mar 2010**	
(Expressed in Canadian dollars)	**$**	**%**	**$**	**%**
Sales (1)	10,021,156	100.00%	8,729,994	100.00%
Gross margin	2,104,291	21.00%	1,784,614	20.44%
Operating and administrative expense	1,885,583	18.82%	1,531,199	17.54%
Operating Margin (2)	237,962	2.37%	193,219	2.21%
Non-recurring Items (3)	-19,254	-0.19%	60,196	0.69%
Operating Margin before non-Recurring Items (3)	218,708	2.18%	253,415	2.90%
Stores at Period End (1)	34		29	

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

Sales

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

Total sales for the 3-month period ended March 31, 2011 were $10.0 million. Sales are higher than Q1 2010, mainly due to acquisitions completed.

Cost of Goods Sold and Gross Margin

Margins have improved moderately from 20.4% to 21.0% as compared to this quarter last year as 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 March 31, 2011 were $1.886 million. Operating and administrative expenses as a percentage of sales have increased to 18.82% for 2011, as compared to 17.54% for 2010 as a result of increased advertising and promotion fees.

Operating Margin and Operating Margin before Non Recurring Items

Operating margin was 2.37% or $0.24 million for the 3 months ending March 31, 2011 and 2.21% or $0.19 million March 31, 2010. The increase is mainly due to a reduction in business development costs in 2011. Operating margin before non-recurring items decreased to $0.21 million from $ 0.25 million as a result of an increase in operating and administrative expenses in 2011.

LIQUIDITY AND CAPITAL RESOURCES AS OF MARCH 31, 2011

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, 2011	Number of warrants exercisable – March 31, 2011
November 24, 2014	0.3675	1,000,000	1,000,000 *
Outstanding, end of period		**1,000,000**	**1,000,000 ***

	Number of warrants
Outstanding, December 31, 2008	7,979,492
Exercised, May 15, 2009	(100,000)
Exercised, June 26, 2010	(3,174,604)
Exercised, August 18, 2010	(50,000)
Exercised, September 30, 2010	(1,600,000)
Issued, November 24, 2010	1,000,000
Exercised, Nov 30, 2010	(1,668,895)
Expired, Dec 1, 2010	(1,385,993)
Outstanding, March 31, 2011	**1,000,000**

Options

The following tables summarize information about options outstanding:

Expiry Date	Participant	Exercise Price $	Number of Options Outstanding - March 31, 2011	Number of Options Exercisable - March 31, 2011
April 21, 2013	Stock Option Plan (Pre-RTO)	0.2000	357,137	357,137
May 15, 2012	Stock Option Plan (Executive)	0.2900	300,000	300,000
June 2, 2013	Stock Option Plan (Executive)	0.5000	330,000	110,000
June 29, 2012	Stock Option Plan (Directors)	0.3200	300,000	300,000
August 24, 2013	Stock Option Plan (Directors)	0.3000 to 0.3900	300,000	150,000
Outstanding, March 31, 2011			**1,587,137**	**1,217,137**

	Number of options
Outstanding, December 31, 2008	1,887,500
Granted, May 15, 2009	300,000
Granted, June 29, 2009	300,000
Exercised, Agents Options, 2009	(51,200)
Exercised, Pre-RTO Options, 2009	(892,863)
Exercised, Agents Options, March 2010	(337,500)
Expired, Agents Options, April 2010	(248,800)
Granted, Executive Options, Jun 2, 2010	330,000
Granted, Directors Options, Aug 24, 2010	300,000
Outstanding, March 31, 2011	**1,587,137**

Convertible Debenture

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

Credit Facilities

On March 31, 2011 the Company had an available $6 million operating line, $3 million in sub-debt financing and a $19 million acquisition facility.

As of March 31, 2011, the Company had $3.0 million in cash on hand and its operating line drawn at $0.7 million. The $19 million acquisition term loan facility was drawn at $9.4 million.

With total credit of $28 million less net utilization of $7.1 million, the Company has access to $20.9 million to continue its growth strategy.

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 coverage ratio. For the 3 months ended March 31, 2011, Andersons continues to be in compliance with all covenants.

Capital Expenditures

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

Liquidity Risk

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

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

Credit Risk

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

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

The risk for accounts receivable is that a wholesale customer of 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 20% of the Company's sales. This has increased with the recent acquisition of the store in North Central Alberta. Risk associated with respect to accounts receivable is mitigated by credit management policies. Historically, bad debts from these accounts have been insignificant. The Company is not subject to significant concentration of credit risk with respect to its customers; however, all trade receivables are due from organizations in the Alberta hospitality industries. No bad debts have been recorded for the period ended March 31, 2011.

Interest Rate Risk

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

As a further part of their interest rate strategy, as of March 31, 2011 Andersons has contracted with a Canadian Chartered Bank to hedge interest rates for a 5-year period in the amount of $5.5 million at 2.14% plus the applicable credit spread. These hedges mature February 12, 2014 and are subject to re-pricing of credit risk. On April 6, 2010 Andersons has also contracted a 5-year

hedge for $4.5 million at 3.35% plus the applicable credit spread. This hedge matures April 6, 2015.

Subsequent to March 31, 2011, the Company cancelled $5.5 million of our interest rate swap. It was in the money by $14,700. We would note that in our financial statement reporting, our swap mark to market 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 June 3, 2011 Andersons has $4.5 million in hedges representing 16% of Andersons available credit facilities.

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as at March 31, 2011.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these interim 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 financial statements and the reported amounts of revenues and expenses during the period. However, uncertainties about these assumptions and estimates could result I 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:

Inventory

Management has estimated the value of inventory based upon their assessment of the realizable amount less selling costs. No slow moving merchandise has been identified by management.

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.

Impairment of Goodwill

At each reporting date, the Company assesses whether there are any indicators of impairment for all non-financial assets. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

Useful lives of property, plant and equipment

Management has estimated the useful lives of property, plant and equipment as outlined in Note 2 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.

CHANGES IN ACCOUNTING POLICIES

Explanation of Transition to IFRS

The Q1, 2011 interim condensed consolidated financial statements are the Company's first interim consolidated financial statements to be presented in accordance with IFRS. As such, the Company's transition activities with respect to IFRS technical analysis, preparation of IFRS comparatives for 2010, transition training, and systems and controls reviews are now complete. The changes arising from the adoption of IFRS relate to accounting differences only.

Refer to note 3 of the Company's interim financial statements for a detailed discussion of the Company's compliance with IFRS.

Elections under IFRS 1, "First-time Adoption of IFRS Standards"

Business Combinations
The Company has made use of the exemption available under IFRS 1, business combinations, in which it elects to apply IFRS 3 prospectively to business combinations after the date of transition for which the initial carrying amount of assets and liabilities acquired in such business combinations is deemed to be equivalent to cost. The cost of goodwill arising on business combinations prior to Jan 1, 2010 is stated at the previous carrying amount under Canadian GAAP.

Deemed Cost
The Company elected under IFRS 1 to retain Canadian GAAP carrying values of freehold and leasehold property including revaluations as deemed cost at transition. The final election the Company made refers to borrowing costs. RML elects to capitalize its borrowing costs on the date of transition to IFRS and not retrospectively.

Leases
IFRS 1 permits a first-time adopter to determine whether an arrangement contains a lease in accordance with IFRIC 4, "Determining whether an Arrangement contains a Lease" ("IFRIC 4"), based on the facts and circumstances existing at the date of transition rather than at the date the arrangement was entered into. The Company has applied IFRIC 4 on a retrospective basis. There was no impact on the Company's financial position or results of operations as a result of applying IFRIC 4 retrospectively, as there were no such arrangements.

Estimates
The estimates used under IFRS are consistent with those made, for the same dates, in accordance with previous GAAP, except where they were impacted by a difference in accounting policy.

Financial Impacts of Adopting IFRS

The adoption of IFRS 2 "Share-based Payment" has resulted in a change in the accounting policy for share-based payments. Under IFRS, the Company charges the cost of share-based payments to the income statement over the vesting period. No impact at date of transition to IFRS.

Adoption of IFRS 3 "Business Combinations" has no impact on the statements as we elected to apply prospectively. The 2010 impact is $14,562 in legal and $169,281 in acquisition costs to be expensed under IFRS. This resulted in an additional deferred tax asset of $33,838. Refer to Schedule 4 for reconciliation.

Adoption of IAS 23 "Borrowing Costs" has no impact on the statements at transition date as we elected to apply prospectively. The 2010 impact is $2,694 in capitalized interest costs under IFRS. Refer to Schedule 4 for reconciliation.

The adoption of IFRS did not result in substantial changes to the Company's accounting policies under Canadian GAAP and as set out in the Company's financial statements for the year ended 31 December 2011.

ACCOUNTING STANDARDS ISSUED BUT NOT YET IN EFFECT

Financial Instruments – Disclosures
The IASB has issued an amendment to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7 amendment"), requiring incremental disclosures regarding transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Company will apply the amendment at the beginning of its 2012 financial year and does not expect the implementation to have a significant impact on the Company's disclosures.

Deferred Taxes – Recovery of Underlying Assets
The IASB has issued an amendment to IAS 12, "Income Taxes" ("IAS 12 amendment"), which introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The IAS 12 amendment is effective for annual periods beginning on or after January 1, 2012. The Company will apply the amendment at the beginning of its 2012 financial year. The Company has yet to assess the impact of the IAS 12 amendment on its results of operations, financial position and disclosures.

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 becomes effective on January 1, 2013. The Company has yet to assess the impact of the new standard on its results of operations, financial position and disclosures.

Consolidated Financial Statements
The IASB has issued a new standard, 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.

Joint Arrangements
The IASB has issued a new standard, IFRS 11, "Joint Arrangements" ("IFRS 11"), which classifies arrangements based on rights and obligations rather than legal structure

Disclosure of Interests in Other Entities
The IASB has issued a new standard, IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), which provides new requirements to disclose significant judgments and assumptions in determining whether an entity controls, jointly controls or significantly influences its interests in other entities.

Fair Value Measurement
The IASB has issued a new standard, IFRS 13, "Fair Value Measurement" ("IFRS 3"), which sets out a single IFRS framework for measuring fair value, and establishes disclosure requirements for fair value measurements.

These standards are effective for annual periods commencing on or after Jan 1, 2013, which earlier adoption permitted. The Company is currently evaluating the impact the new standards will have on its financial reporting.

FINANCIAL INSTRUMENTS

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

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

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

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

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

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company paid rents in respect to of a retail liquor store of $4,860 for the 3 month period ending Mar 2011 (Mar 2010 - $4,860) to Byrne Alberta, a privately held company in which Peter J. Byrne, CEO of RML is a significant shareholder. The rent is at market value.

On Jan 28, 2011, the Company engaged in a related party transaction in which it obtained an assignment of a contract for software development from Channel Drugs Limited, an incorporated, privately held company in which Peter J. Byrne, CEO of Rocky Mountain Liquor is a significant

shareholder. Consideration paid was fair market value of $92,789, (2010 - $nil). The transaction was approved by the Board of Directors

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Disclosure Controls and Procedures

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

Internal Control Over Financial Reporting

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

Based on the above evaluation of ICFR, management has concluded that ICFR was operating effectively for the year ended December 31, 2010. 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 the three months ended March 31, 2011 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.

On January 1, 2010 the Company adopted IFRS as its standard for financial reporting. The transition to IFRS did not result in any significant changes to the Company’s internal controls over financial reporting.

RISK FACTORS

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

For a discussion of these risks and other risks associated with an investment in Shares, see "Risk Factors" detailed in the Company's Management Discussion and Analysis dated April 23, 2011, which is available at www.sedar.com.

NON-IFRS MEASURES

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

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

Period	**3 months ending Mar 2011**	**3 months ending Mar 2010**
(Expressed in CDN $)	**$**	**$**
Net income	(145,502)	(60,546)
Income tax	(41,500)	(17,495)
Interest	298,520	124,516
Amortization	214,649	167,467
EBITDA	326,167	213,942
Gain on Interest Rate swap	(88,205)	(20,723)
Operating Margin	237,962	193,219

Operating margin, operating margin 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.