ROCKY MOUNTAIN LIQUOR INC

Ticker: "RUM"

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended June 30, 2018

As at August 28, 2018

ROCKY MOUNTAIN LIQUOR INC

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated August 28, 2018

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 interim financial statements and accompanying notes of the Company for the period ended June 30, 2018. 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 consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. References to notes are to notes of the consolidated financial statements unless otherwise stated.

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

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

FORWARD LOOKING INFORMATION AND STATEMENTS ADVISORY

This management discussion and analysis contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "might" and similar expressions is intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this management discussion and analysis contains forward-looking information and statements pertaining to the following: (i) the stability of retail liquor sales; (ii) increased revenues and decreased margins due to re-branding strategy; (iii) the ability to purchase inventory at a discount; (iv) ongoing impact from price inflation; (v) potential conversion of debentures; (vi) equity issuance; and (vii) other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance. All statements other than statements of historical fact contained in this 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 MD&A reflect several material factors, expectations and assumptions including, without limitation: (i) demand for adult beverages; (ii) expectations of the Corporation's ability to continue as a going concern; (iii) the ability to acquire additional liquor stores and/or locations; (iv) the Company's ability to secure financing to suit its strategy; (v) the Company's future operating and financial results; (vi) treatment under governmental regulatory regimes, tax, and other laws; (vii) the ability to attract and retain employees for the Company; and (viii) the integration risk and requirements for the purchase or development of liquor stores.

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) the impact of increases in labour costs; (ii) impact of economic events affecting discretionary consumer spending; (iii) impact from competition in the markets where the Company operates; (iv) the impact of weather on its effect on consumer demand; (v) actions by governmental or regulatory authorities including changes in income tax laws and excise taxes; (vi) the impact of cannabis legalization on alcoholic drink consumption; (vii) the impact of supplier disruption or delays; (viii) the maintenance of management information systems; (ix) the ability of the Company to retain key personnel; (x) the availability of financing; (xi) the ability of the Company to meet its financial obligations; (xii) the importance of the Company's integrated inventory system; (xiii) market volatility and share price; (xiv) the impact of a limited trading market; and (xv) importance of cybersecurity.

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:

- Gross margin percentage is 21.2% (2017 – 23.1%)
- Sales increased to $11.9M (2017 - $11.8M) with 33 stores operating this period, versus 41 in 2017
- EBITDA increased to $338,055 (2017 – $143,296)
- Net loss is $316,270 (2017 - $240,697)

Key operational and financial highlights, year over year 6-month comparison:

- Gross margin percentage is 22.3% (2017 – 23.7%)
- Sales increased to $20.6M (2017 - $20.5M) with 33 stores operating this period, versus 41 in 2017
- EBITDA increased to $207,671 (2017 loss – $240,013)
- Net loss decreased to $896,764 (2017 – $1,194,128)

RECENT DEVELOPMENTS SINCE PERIOD ENDED JUNE 30, 2018

Subsequent to period end, as part of the previously discussed rebranding strategy, an additional two stores transitioned to the Great Canadian Liquor ("GCL") trade name after renovations, rebranding and implementation of new pricing strategies. These stores held grand openings in August 2018. The Company has now transitioned fifteen of its stores to GCL.

OUTLOOK

The Company is satisfied with the second quarter results. We have achieved much stronger average per store sales growth throughout the quarter and continued to create efficiencies that are delivering operating leverage. As previously reported we continue to concentrate on converting a number of stores to higher volume, lower price point destination type stores under one brand called Great Canadian Liquor ("GCL"). To date, the Company has rebranded 15 stores, including three new locations in the first quarter, two locations in the second quarter and a further two stores in the third quarter of 2018.

Throughout Q2 2018 the Company operated 33 stores, selling a store on June 28, 2018, resulting in average sales per store of $359,729. This is an increase of over 25% in average sales per store when compared to the same period in 2017, where we had 41 stores and an average of $286,955 sales per store. This is a further significant increase in the over 20% rise in average sales per store we reported last quarter.

For the first six months of 2018 we have executed on cost reduction opportunities that have resulted in a decrease in operating and administrative expense from $5,111,870 to $4,392,122, a reduction from 24.9% to 21.3% as a percentage of sales. Further expense reductions will be sourced from reductions in the number of employees arising from organizational structure changes, process improvements, store transitions, and productivity efficiencies on an enterprise-wide basis. In October of 2018 the final increase in the Government of Alberta's $15.00 per hour minimum wage will occur. Notwithstanding the unprecedented quantum of legislated wage increases, the Company has achieved a 16% reduction in wage costs for the first two quarters of 2018 ($2,345,685) as compared with the same two quarters in 2017 ($2,800,668) as a result of our strategic rebranding and related initiatives.

There may be some impact on liquor sales when cannabis is legalized in the coming year. Some of the cannabis related loss of alcohol sales will impact restaurant and on-premise sites, which may reduce the impact on retail liquor locations. Our Company does not have material revenue from restaurants and on-premise customers. Management believes the effect on our liquor sales may also be lessened by the improvements we have seen in relation to the GCL branding and changes in our business model, marketing and promotional plans. Our Company has not applied for cannabis licenses to date.

According to the Alberta Government's Economic Outlook, economic activity in Alberta has improved. "The Alberta economy is forecast to expand at a solid rate of 2.7% in 2018. Beyond 2018, Alberta's economy will move from recovery to expansion, with continued growth of around 2.5% per year expected from 2019 to 2021. Albertans are expected to keep spending in 2018 and over the next few years. The increase is being driven by rising employment, wages, and population growth."[1]

The Company has an available $10 million revolving credit facility of which $1 million is unused as of August 28, 2018. Management believes this is sufficient for the successful execution of our current business plan. We will remain focused on our strategic framework, utilizing the insights provided by our custom enterprise reporting systems. Management's focus is to achieve a balance between costs and customer experience, competitive pricing strategies, and establishing a consistent brand message that appeals to our existing customers and is attractive to new customers.

OPERATING RESULTS - 3 Months ending June 30, 2018

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

The following table shows the operating results of the Company for the three-month period ending June 30, 2018 and 2017.

[1] Alberta Government Economic Outlook – Overview, retrieved August 22, 2018 from https://www.alberta.ca/budget-economic-outlook.aspx

Period	3 months ending Jun 2018		3 months ending Jun 2017	
Sales	$ 11,871,072	100.00%	$ 11,765,181	100.00%
Gross margin	2,520,424	21.23%	2,722,516	23.14%
Operating and administrative expense	2,183,053	18.39%	2,580,940	21.94%
Operating Margin (1)	$ 337,371	2.84%	$ 141,576	1.20%
Stores at Period End	32		41	

Notes:

(1) *Operating Margin and Operating Margin before non-recurring expenses has been calculated as described under "Non-IFRS Measures"*

Sales

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

Since June 30, 2017, the Company has closed two stores and sold seven stores. As a result of the success of the GCL stores, where each transitioned store experienced an increase in revenue, the Company increased sales revenue by $105,891 despite a reduction in the number of stores.

Cost of Goods Sold and Gross Margin

Margins have decreased from 23.1% to 21.2% as compared to the same quarter last year. The Company has altered its marketing, pricing and promotional strategies to grow market share through its rebranding strategy. The GCL brand provides customers with lower pricing on all product offerings, resulting in a reduction in margin when compared to the same quarter in prior year.

Operating and Administrative Expenses

The major expenses included in operating and administrative expenses are salaries, rents, and location costs such as utilities, property taxes, and insurance. Total operating and administrative expenses for the three month period ended June 30, 2018 were $2.18 million, compared to $2.58 million for the same period in 2017. These expenses are lower due to the sale of seven stores and closure of two during 2017 resulting in reduced lease and premise costs. There was also a reduction in automotive costs as a result of the closure of the Company's warehouse operations during the last quarter of 2017. There has been an increase in wages as a result of the minimum wage changes effective October 1, 2017.

Finance Costs

Interest on the bank loan and convertible debentures increased by $33,040 to $310,126 for the three month period ending June 30, 2018. This increase is due to an increase in interest rates and a higher loan balance for the period in 2018; $9.1 million on average in 2018 versus $8.9 million for 2017.

OPERATING RESULTS - 6 Months ending June 30, 2018

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

The following table shows the operating results of the Company for the six-month period ending June 30, 2018 and 2017.

Period	6 months ending June 2018		6 months ending June 2017	
Sales	$ 20,640,996	100.00%	$ 20,546,710	100.00%
Gross margin	4,598,380	22.28%	4,874,977	23.73%
Operating and administrative expense	4,392,122	21.28%	5,111,870	24.88%
Operating Margin (1)	$ 206,258	1.00%	$ (236,893)	-1.15%
Stores at Period End	32		41	

Notes:

(1) *Operating Margin and Operating Margin before non-recurring expenses has been calculated as described under "Non-IFRS Measures"*

Sales

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

Since June 30, 2017, the Company has closed two stores and sold seven stores. As a result of the success of the GCL stores, where each transitioned store experienced an increase in revenue, the Company increased sales revenue by $94,286 despite a reduction in the number of stores.

Cost of Goods Sold and Gross Margin

Margins have decreased from 23.7% to 22.3% as compared to the same six month period last year. The Company has altered its marketing, pricing and promotional strategies to grow market share through its rebranding strategy. The GCL brand provides customers with lower pricing on all product offerings, resulting in a reduction in margin when compared to the same six month period in prior year.

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 six month period ended June 30, 2018 were $4.4 million, compared to $5.1 million for the same period in 2017. These expenses are lower due to the sale of seven stores and closure of two during 2017 resulting in reduced lease and premise costs. There was also a reduction in automotive costs as a result of the closure of the Company's warehouse operations during the last quarter of 2017. There has been an increase in advertising costs related to the

rebranding strategy as well as an increase in wages as a result of the minimum wage changes effective October 1, 2017.

Finance Costs

Interest on the bank loan and convertible debentures increased by $66,699 to $601,539 for the six month period ending June 30, 2018. This increase is due to an increase in interest rates and a higher loan balance for the period in 2018; $8.7 million on average in 2018 versus $8.5 million for 2017.

CONVERTIBLE DEBENTURE

On April 1, 2016 the Company announced that holders of the convertible debenture ("Debenture") issued on April 1, 2011, agreed to amendments extending the maturity date to April 30, 2021, and adjusted the conversion price to $0.25 and coupon rate to 7.50%. In addition, the Company redeemed $1,211,000 of the outstanding principal amount of the amended Debenture on June 10, 2016.

On the Company's Consolidated Statements of Financial Position the balance of the Debenture at June 30, 2018 is $5,933,698. For accounting purposes, the fair value of the convertible option was calculated and the difference was recorded as equity. The remaining liability for the Debenture will be increased to $6,865,000 over the five year term.

FINANCING & CREDIT FACILITIES

On June 30, 2018 the Company had a bank agreement with lender, TD for a $10 million uncommitted, revolving demand credit facility. This agreement is not subject to any monitoring ratios. Current utilization of the facility is $9 million.

As of June 30, 2018, there was $8,507,235, drawn on the bank loan net of cash in transit. Drawdowns and repayments are disclosed on the consolidated statements of cash flows on a net basis as the facility acts as an operating line. The Company paid interest at prime plus 1.9% or bankers' acceptances plus 3.4% per annum during this six month period, 2018. At June 30, 2018 the Company has $5.0 million of its bank loan in bankers' acceptances and $7.0 million as at Aug 28, 2018.

The interest rate on the convertible debenture remains fixed at 7.5%.

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

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as at June 30, 2018 or August 28, 2018.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

There are no updates to the Company's critical accounting judgements, estimates and assumptions. For further discussion, refer to the Company's annual MD&A for the year ended December 31, 2017.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers. IFRS 15 supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard establishes a framework based on transfer of control for determining how much and when revenue is recognized and includes expanded disclosure requirements for annual financial statements. Adoption of IFRS 15 has had no material impact on the Company's interim financial statements.

Effective January 1, 2018, the Company adopted IFRS 9 "Financial Instruments". IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement". The standard includes requirements for recognition, measurement, impairment and derecognition of financial assets and liabilities, as well as general hedge accounting. The Company has taken the modified retrospective approach to adopting the standard. The adoption of IFRS 9 has had no significant impact on the Company's interim financial statements. Refer to Note 13 for changes to the classification of financial assets and financial liabilities as a result of IFRS 9.

Effective January 1, 2019, the Company will adopt IFRS 16, "Leases." The new standard is described in our 2017 financial statements. We continue to assess the impact of this standard on our consolidated financial statements and are progressing with the implementation of the standard. As at the date of these interim financial statements, there have been no significant changes to the disclosure related to the implementation of this standard that was included in our 2017 financial statements. We intend to disclose the estimated financial effects in our annual audited 2018 consolidated statements

See Note 2 of the annual consolidated financial statements for the year ending December 31, 2017 for further information.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Disclosure Controls and Procedures

There have been no changes in the design of the Company`s disclosure controls and procedures or internal control over financial reporting that occurred during period ended June 30, 2018 that

have materially affected, or are a reasonably likely to materially affect the Company's disclosure controls and procedures or internal control over financial reporting.

a) The venture issuer is not required to certify the design and evaluation of the issuer's Disclosure Controls Procedures ("DC&P") and Internal Control over Financial Reporting ("ICFR") and has not completed such an evaluation; and

b) Inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis DC&P and ICFR for the issuer may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

RISK FACTORS

The Company's results of operations, business prospects, financial condition, and the trading price of the Shares are subject to a number of risks. These risk factors include: labour costs and labour market; impact due to economic conditions; regulated competitive environment; weather; impact from provincial tax increases; cannabis legalization; supply interruption or delay; importance of information and control systems; reliance on key personnel; available financing; credit facility and financial instrument covenants; market volatility and unpredictable share price; active trading market; and cybersecurity.

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 25, 2018, which is available at www.sedar.com.

As at June 30, 2018 the Company had a net comprehensive loss of $896,764 and had incurred negative cash flow from operations for the twelve month period ending Dec 31, 2017, and three month period ending Mar 31, 2018. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations to meet current and future obligations. The Company expects that the investment it has made in 2017 and 2018 in rebranding of fifteen of its stores to date to the Great Canadian Liquor ("GCL") brand, and investments made in sales and marketing programs will result in an increase in revenue and profits. If, for any reason, the Company is unable to continue as a going concern, it could impact the Company's ability to realize assets at their recognized values and to meet its liabilities in the ordinary course of business at the amounts stated in its consolidated financial statements at June 30, 2018.

NON-IFRS MEASURES

Operating margin for purposes of disclosure under "Operating Results" has been derived by subtracting Operating and Administrative expenses from Gross Margin. Operating margin as a percentage of sales is calculated by dividing operating margin by sales.

Operating margin before non-recurring items has been derived by adding non-recurring items to operating margin. Non-recurring items include costs incurred and recoveries received by the Company that are not part of on-going operations and that are not expected to recur. Operating

margin before non-recurring items as a percentage of sales is calculated by dividing operating margin before non-recurring items by sales.

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

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

	3 months ended June 2018	**3 months ended June 2017**	**6 months ended June 2018**	**6 months ended June 2017**
Net comprehensive loss	$ (316,270)	$ (240,697)	$ (896,764)	$ (1,194,128)
Interest expense	310,126	277,086	601,539	534,840
Depreciation	130,979	165,112	252,544	314,744
Loss (Gain) on disposal of property and equipment and goodwill	147,217	(58,205)	155,258	21,570
Store closure expenses	66,003	-	95,094	82,961
EBITDA	**$ 338,055**	**$ 143,296**	**$ 207,671**	**$ (240,013)**

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.