ROCKY MOUNTAIN LIQUOR INC

Ticker: “RUM”

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the period ended September 30, 2018

As at November 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated November 27, 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 September 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:

- Sales are $12.1M (2017 - $12.3M) with 32 stores operating this period, versus 40 in 2017
- EBITDA increased to $442,580 (2017 – $356,793)
- Net loss reduced to $43,069 (2017 - $156,784)
- Gross margin percentage is 21.7% (2017 – 23.1%)

Key operational and financial highlights, year over year 9-month comparison:

- Sales are $32.7M (2017 - $32.9M) with 32 stores operating this period, versus 40 in 2017
- EBITDA increased to $650,248 (2017 – $116,779)
- Net loss decreased to $939,836 (2017 – $1,350,913)
- Gross margin percentage is 22.1% (2017 – 23.5%)

RECENT DEVELOPMENTS SINCE PERIOD ENDED SEPTEMBER 30, 2018

Subsequent to period end, the Company closed a retail store in Central Alberta.

OUTLOOK

The Company continues to achieve increased average per store sales growth. For the first 9 months of 2018 the Company operated 32 stores versus 40 in the same period in 2017. The average sales per store increased from $821,806 in 2017 to $1,022,034. The $200,228 increase represents a 24.36% improvement. The Company attributes these enhanced operating results to its continued focus on higher volume, lower price point, destination style stores under one brand called Great Canadian Liquor ("GCL").

To date, the Company has rebranded 15 of its existing 30 stores. Management's focus is to achieve a balance between costs and customer experience, offer competitive pricing strategies, and establish a consistent brand message that appeals to our existing customers and is attractive to new customers.

For the first nine months of 2018 we have reduced our operating and administrative expenses by over $1M, and improved our expense ratio as a percentage of sales from 23.1% to 20.1%. We expect to continue to see improvements in this ratio as non-performing stores are disposed and the GCL brand continues to grow.

On October 1, 2018 the final increase in the Government of Alberta's $15.00 per hour minimum wage legislation became effective. The increase from $13.60 to $15.00 per hour will have an impact on wage costs going forward, however we expect a long period of stable wage costs where minimum wage will not be increased in Alberta.

In the short time since legalization of cannabis, we have seen no impact on liquor sales at our locations. As more cannabis locations open throughout the Province there is a risk that we may see an impact in the future. Management believes our strategy of the GCL re-branding, changes in our business model, and our marketing and promotional plans will assist with a reduction in the impact from cannabis. Our Company has not applied for cannabis licenses to date.

The Company has an available $10 million revolving credit facility of which $1.1 million was unused as of November 27, 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.

OPERATING RESULTS - 3 Months ending September 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 September 30, 2018 and 2017.

Period	3 months ending Sep 2018		3 months ending Sep 2017	
Sales	$ 12,064,114	100.00%	$ 12,325,553	100.00%
Gross margin	2,623,301	21.74%	2,848,922	23.11%
Operating and administrative expense	2,181,419	18.08%	2,492,945	20.23%
Operating Margin (1)	$ 441,882	3.66%	$ 355,977	2.89%
Stores at Period End	31		38	

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 September 30, 2017, the Company has closed one store and sold six stores. As a result of the success of the GCL stores, where each transitioned store experienced an increase in revenue, the Company increased average sales per store by $68,865, when evaluating sales based on number of stores in operation during the period.

Cost of Goods Sold and Gross Margin

Margins have decreased from 23.1% to 21.7% 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. As a result of an increase in sales volume at the GCL stores, gross margin per store has increased from an average of $71,223 in 2017 to $81,978 in 2018.

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 September 30, 2018 were $2.18 million, compared to $2.49 million for the same period in 2017. These expenses are lower due to the sale of six stores

and closure of one in the last 12 months, 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, however overall, the Company reduced operating and administrative expense as a percent of sales to 18.1% in 2018, versus 20.2% in 2017.

Finance Costs

Interest on the bank loan increased by $34,208 to $122,397 for the three month period ending September 30, 2018. This increase is due to an increase in interest rates and a higher loan balance for the period in 2018; $8.9 million on average for the three month period in 2018 versus $8.6 million for 2017.

OPERATING RESULTS - 9 Months ending September 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 nine month period ending September 30, 2018 and 2017.

Period	9 months ending September 2018		9 months ending September 2017	
Sales	$ 32,705,110	100.00%	$ 32,872,263	100.00%
Gross margin	7,221,681	22.08%	7,723,898	23.50%
Operating and administrative expense	6,573,543	20.10%	7,604,815	23.13%
Operating Margin (1)	$ 648,138	1.98%	$ 119,083	0.36%
Stores at Period End	31		38	

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 September 30, 2017, the Company has closed one store and sold six stores. As a result of the success of the GCL stores, where each transitioned store experienced an increase in revenue, the Company increased average sales per store by $200,227, when evaluating sales based on number of stores in operation during the period.

Cost of Goods Sold and Gross Margin

Margins have decreased from 23.5% to 22.1% as compared to the same nine 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 nine month period in prior year. As a result of an increase in sales volume at the GCL stores, gross margin per store has increased from an average of $183,902 to $225,678.

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 nine month period ended September 30, 2018 were $6.6 million, compared to $7.6 million for the same period in 2017. These expenses are lower due to the sale of six stores and closure of one in the last 12 months, 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, however overall, the Company reduced operating and administrative expense as a percent of sales to 20.1% in 2018, versus 23.1% in 2017.

Finance Costs

Interest on the bank loan increased by $86,461 to $342,637 for the nine month period ending September 30, 2018. This increase is due to an increase in interest rates and a higher loan balance for the period in 2018; $8.8 million on average for the nine month period in 2018 versus $8.6 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 September 30, 2018 is $6,064,667. 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

Effective September 20, 2018, the Company amended its bank agreement with lender TD, adjusting rates to prime plus 265 basis points for prime based loans, and to 415 basis points for bankers' acceptances, per annum. Current terms of the agreement are for a $10 million uncommitted, revolving demand credit. Current utilization of the facility is $8.9 million.

As of September 30, 2018, there was $8.3 million 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. At September 30, 2018 the Company has $7.0 million of its bank loan in bankers' acceptances.

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 September 30, 2018 or November 27, 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 September 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 September 30, 2018 the Company had a net comprehensive loss of $939,836 and had incurred negative cash flow from operations for the twelve month period ending December 31, 2017, and three month period ending March 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 September 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 September 2018	**3 months ended September 2017**	**9 months ended September 2018**	**9 months ended September 2017**
Net comprehensive loss	$ (43,069)	$ (156,784)	$ (939,836)	$ (1,350,913)
Interest expense	318,254	276,236	919,794	811,076
Depreciation	145,236	154,651	397,780	469,395
(Gain) loss on disposal of property and equipment and goodwill	(1,391)	56,475	153,867	78,045
Store closure expenses	23,550	26,215	118,643	109,176
EBITDA	**$ 442,580**	**$ 356,793**	**$ 650,248**	**$ 116,779**

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.