ROCKY MOUNTAIN LIQUOR

Ticker: "RUM"

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2020

As at April 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis is dated April 14, 2021.

The following is a discussion of the consolidated financial condition and operations of Rocky Mountain Liquor Inc. ("RML" or the "Company") for the periods indicated and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. This discussion and analysis should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2020. The Company owns 100% of Andersons Liquor Inc. ("Andersons") headquartered in Edmonton Alberta, which owns and operates private liquor stores in that province.

The Company's audited 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 management discussion and analysis ("MD&A") references are made to "EBITDA," "EBITDAR," "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 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) equity issuance; and (vi) 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 several 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 the pandemic; (ii) impact of economic events affecting discretionary consumer spending; (iii) the impact of supplier disruption or delays; (iv) impact from competition in the markets where the Company operates; (v) the impact of weather on its effect on consumer demand; (vi) the impact of increases in labour costs; (vii) importance of cybersecurity; (viii) the availability of financing; (ix) the ability of the Company to meet its financial obligations; (x) actions by governmental or regulatory authorities including changes in income tax laws and excise taxes; (xi) the possibility of a potential decline in consumption of alcoholic beverages and products sold; (xii) the maintenance of management information systems; (xiii) the ability of the Company to retain key personnel; (xiv) the ability to maintain acceptable store sites and adapt to changing market conditions; (xv) market volatility and share price; and (xvi) the impact of a limited trading market.

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 12 month comparison:

- Sales increased by $4.5M or 10%, to $48.4M (2019 was $44.0M) with 26 stores contributing to sales at the end of the year in 2020 versus 29 at the end of the year in 2019
- EBITDA increased by 119% to $2.4M (2019 was $1.1M)
- Gross margin percentage increased to 22.5% (2019 was 22.0%)
- Net income is $1.5M (2019 net loss of $634,773 after adjusting for a non-recurring gain of $3.5M as a result of Convertible Debenture redemption)

Key operational and financial highlights, year over year 3 month comparison:

- Sales increased by $371,859 or 3% to $11.5M (2019 was $11.1M) with 26 stores contributing to sales at the end of the period in 2020 versus 29 at the end of the period in 2019
- EBITDA increased by 21% to $359,324 (2019 was $297,184)
- Gross margin percentage is 21.5% (2019 was 22.5%)
- Net income is $134,317 (2019 was $168,551)

OUTLOOK

The Company had a successful year in 2020. The results of the rebranding strategy first conceived and implemented in 2017 have continued to propel growth and we were able to operate all locations uninterrupted during the pandemic. The Company sold three stores in the year, continuing the plan to right-size the organization and reduce operating and administrative expenses.

Throughout the year the Company reduced debt by $2.6 million, improving the balance sheet position. The combination of the lower bank loan and the elimination of the convertible debenture in July 2019 have reduced finance costs by over 50% in the year. Through further loan repayments and the low interest rate environment, additional reductions in finance costs are expected in 2021.

Demand increased in the year as consumers shifted away from licensed establishments into dining and entertaining at home. The Company has seen this trend continue into 2021 as these consumer behaviors appear to have become ingrained in people's daily activities and preferences. The future impact of COVID-19 is uncertain and dependent on the duration, the spread and intensity of the virus, and the administration of vaccines. Unemployment rates in Alberta are currently at 9.1% (1) and it is unknown how long the Province will be experiencing this economic downturn. In difficult economic times, substitution for lower-priced products can occur. The Company remains focused on delivering efficiency and process improvements while managing operating costs to respond to the slowdown in the economy.

The Company is innovating marketing strategies to transition to a digital platform and continues to focus on providing an exceptional customer experience in-store and through social media interactions. Management's top priorities include the health and safety of employees, customers and communities. The Company has continued to invest in increased safety and sanitization products and procedures to ensure customers and employees are protected while shopping and working in stores.

COVID – 19

Operations Update

The Company has been able to continue to operate all of its retail stores since the onset of the pandemic. The Company took immediate action in implementing extensive policies and procedures to protect its employees and customers across the Province, following the guidelines issued for non-health care essential businesses as follows;

- All employees in all stores across the Province are required to wear a mask while working
- Increased sanitation
- Plexiglass shields at each till
- Touchless sanitation units at each entrance for customer and staff use
- Restrictions on number of customers in a store based on the ability to social distance in each location
- Floor markings to ensure social distancing
- Encouraging contactless payments
- Screening staff for symptoms before they come to work
- Providing disposable masks to customers
- Temporarily suspending tasting events at our locations

1 - Statistics Canada, Labour Force Survey – March 2021 retrieved on April 12, 2021 from https://www150.statcan.gc.ca/n1/daily-quotidien/210409/t003a-eng.htm

Liquidity Update

On June 30, 2020 the Company signed a new financing agreement with the Toronto-Dominion bank ("TD"). The agreement currently provides an available $8.05 million revolving credit facility of which $1.9 million was unused as of April 14, 2021. Details of the agreement are explained under the heading "Financing & Credit Agreements."

Current use of the credit facility is for investing in property and equipment. The Company previously financed growth through the issuance of shares, convertible debentures, and using available credit facilities.

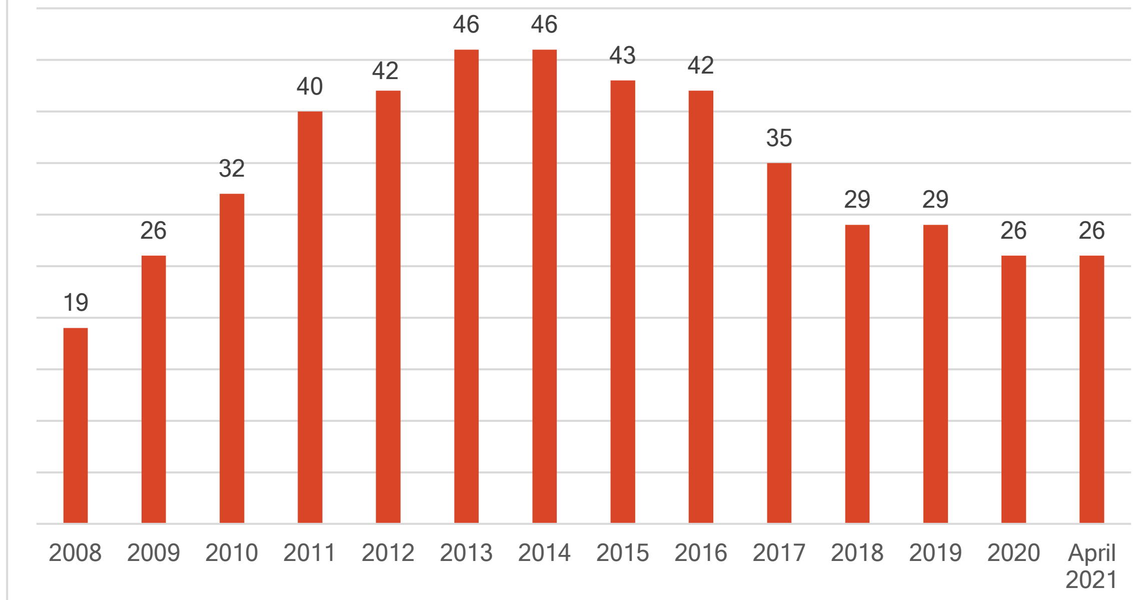
The Company is not eligible for the Canada Emergency Wage Subsidy program or the Emergency Commercial Rent Assistant from the Federal government as it does not meet the programs' revenue reduction requirements. It has not entered into any deferral arrangements on its financial obligations. Further, the Company has not had to rely on filing extension relief of up to 45 days to file these or any other statements.

We remain focused on our current business plans, utilizing the insights provided by our custom enterprise reporting systems to optimize inventory, and providing a safe customer experience.

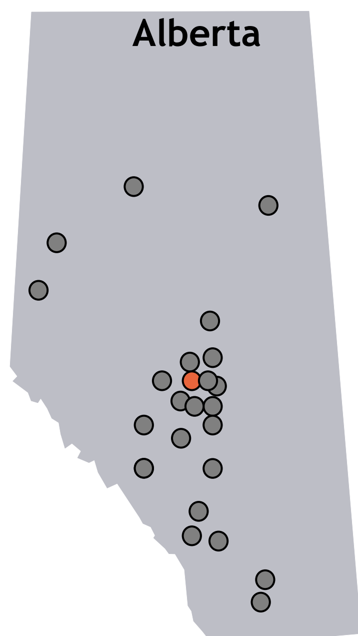
OVERVIEW OF THE COMPANY

The Company is incorporated under the laws of the Canada Business Corporations Act with its common shares ("shares") trading on the TSX Venture Exchange under the symbol ("RUM"). RML is the parent to wholly owned subsidiary Andersons. Andersons, headquartered in Edmonton, Alberta, owns and operates private liquor stores in that province. Alberta is the only province in Canada that has a fully privatized retail distribution system for adult beverages. The product mix generally offered by Andersons at its retail stores includes beer, spirits, wine and ready to drink liquor products, as well as ancillary items such as juice, ice, mix and giftware. The business is mainly cash-based with alcohol-based products accounting for approximately 97% of total sales as of December 31, 2020. In 2019 and 2020 Andersons has focused on store operations and optimizing its operating margin.

Andersons operated 26 liquor stores in Alberta at December 31, 2020. The primary drivers of liquor store sales are price, location and convenience. Management believes that the range of product selection and service also play a role in the competitive market. The Company previously pursued an acquisition strategy that closely analyzed 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 an integrated inventory system into its retail operations, allowing it to take advantage of procurement opportunities.



Currently, Andersons operates nine stores in Northern Alberta, 14 stores in Central Alberta and three stores in Southern Alberta.



Head Office - Edmonton

Retail locations

Location	Stores
Athabasca	2
Beaumont	2
Cochrane	1
Devon	2
Edmonton	2
Fairview	1
Fort Macleod	1
Fort McMurray	1
Gibbons	1
Grande Prairie	1
Lac La Biche	1
Lethbridge	2
Morinville	2
Rocky Mountain House	1
Slave Lake	1
St. Paul	2
Sylvan Lake	2
Wetaskiwin	1
	26

BUSINESS STRATEGY

Margin Focus

The Company is continuously monitoring and examining its gross margins. 14 of the Company's stores have been rebranded to the Great Canadian Liquor ("GCL") brand. This transition has had a positive impact on sales by lowering prices to drive sales volume at those stores while offering a wider variety of product listings, resulting in a consistent brand message that appeals to our existing customers and is attractive to new customers. For

stores that have not transitioned to the GCL brand, the Company's strategy is to find the optimal gross margin based on the store's geographical location, consumer base and competitive environment. These strategies are aimed to maintain and grow market share.

Marketing

We apply various marketing and promotional strategies at stores to engage customers including Facebook, Instagram, advertising on our website, and using traditional flyer mail outs. The Company utilizes Short Message System ("SMS") advertising, which is direct text messages to consumers. Customers opt-in to the service and are sent a text to their phone informing them of our promotions.

Differentiation: Product and Operations

Through the use of the company's centralized ordering system, management will continue to focus on product optimization by providing more product choices for its customers. Stores product offerings are distinct from other stores and are selected according to popularity with Alberta consumers to achieve our goal of high volume, low priced operations. Wine is selected and organized at GCL stores within specific price points, under $10, under $15, and under $20.

Stores that are not under the GCL brand offer a diverse product offering to customers and organize the wine selection based on country.

Technology and Management Information Systems

The Company utilizes a combination of third party and custom designed applications for point of sale, reconciliation, accounting, business intelligence and reporting. We maintain internal Information technologies support staff for enterprise continuity and help desk support. Computers and associated hardware at store locations is serviced by a contract with an external supplier we have been using since 2004. Their onsite work is co-supervised by our internal support staff.

All our applications run on Windows operating systems both at the store and enterprise level. Laptop and remote services, like scanning tools, use a combination of virtual private network and terminal services to interface from outside our enterprise security perimeter. To increase certainty and scalability, and to allow for future growth of stores, management has outsourced our enterprise servers to a secure data centre. We maintain a redundancy on internal servers. We utilize automated data replication programs at each store location. This data is replicated to our enterprise servers for backup and security.

We have implemented an automated environment where scheduled software is used to push reporting output on a regular and timely basis to store level, operations level and enterprise level for resource planning purposes. Our ability to accommodate change is network-centric and we utilize our own and third-party networks. We are focused on having an industry-leading and secure enterprise network.

At store level, we have multiple redundancies that allow our point of sale systems to operate in a non-network or non-enterprise dependent manner. Our stores can continue operations autonomously. Our redundant infrastructure has provided us with an up-time of almost 100% since Andersons began operations in 2001. Notwithstanding the lack of downtime, the system is designed so that any store experiencing connectivity constraints will not affect any other store in the enterprise.

All our time and attendance systems are cloud-based and integrated with our web-based payroll system. Our employees receive their pay records in a secure cloud-based, self-service environment. The efficiencies we realize allow us to reduce and manage administrative and overhead costs. Regular periodic internal audits of the payroll functions that utilize video technologies over our network are used to ensure employee accuracy and timekeeping compliance.

Some retailers have been affected by new vulnerabilities and malware targeting a variety of Point of Sale devices, systems and vendors. We do not connect our credit and debit card systems to our transactional database. No

credit card or debit card customer information is stored in our transactional databases at stores or on our head office servers. Additionally, we have developed a custom system that reconciles our transactions with our third party supplied banking transactions utilizing a daily automated process. This occurs offline from any cloud or network inter-connection which substantially reduces the risk of loss of customer credit card data and the associated reputational losses experienced by other retailers.

We believe we have an industry-leading technology base that has consistently and reliably met our operational requirements. Our Company has successfully maintained our enterprise resource planning systems and their integrated capabilities throughout the rapid evolution of Microsoft Windows operating software and compatible hardware replacement.

The Company also has installed anti-virus, malware protection and ransomware protection through our network and enterprise environment. We utilize a security awareness program for our head office administration and enterprise supervisors that includes Canadian privacy awareness training. Employees in a digital environment are frequently exposed to sophisticated social engineering, phishing and ransomware attacks. Avoidance of these threats are best managed by continually training employees who act as human firewalls.

The Company's approach to risk planning for its information technology systems encompasses risk assessment, risk mitigation, periodic evaluation and assessment as well as daily automatic logging and reporting of system performance. In this way, our technology investment remains aligned with operational goals. Our key operational leaders and our support staff review our enterprise resource planning process reporting requirements. This direct collaboration and timely accountability results in improvements to existing technologies, and ideas for new automated processes.

MANAGEMENT TEAM

Allison Radford, CEO	Mrs. Radford is the Chief Executive Officer of RML. She previously held the position of Chief Operating Officer from 2007 to 2019. Prior to joining Andersons, she worked at Deloitte & Touche LLP from 2002 to 2007, receiving her Chartered Accountant designation in 2005.
Peter J. Byrne, Executive Chairman	Mr. Byrne is the Executive Chairman of RML 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.
Sarah Stelmack, CFO	Ms. Stelmack is the Chief Financial Officer of RML. She articled at Deloitte & Touche LLP from 2005 to 2008 receiving her Chartered Accountant designation in 2008. Ms. Stelmack previously held the position of Controller with RML.

OPERATING RESULTS - 3 Months ending December 31, 2020

Basis of Comparison

The retail liquor industry is subject to seasonal variations in sales. Sales are typically lowest early in the year and increase in the latter half. It is important 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 months ending December 31, 2020, and 2019.

Period	3 months ending Dec 2020		3 months ending Dec 2019	
Sales of existing stores	$ 11,475,489	100.0%	$ 10,276,067	92.5%
Sales of other stores (1)	-	0.0%	827,563	7.5%
Total Sales	11,475,489		11,103,630	
Gross margin	2,471,393	21.5%	2,496,614	22.5%
Operating and administrative expense	1,720,421	15.0%	1,783,106	16.1%
Operating Margin (2)	$ 750,972	6.5%	$ 713,508	6.4%
Stores at Period End	26		29	

Notes:

(1) Sales of other stores are sales from stores that were not in operation at the end of 2020.

(2) Operating Margin has been calculated as described under "Non-IFRS Measures."

Sales

Sales have increased by $371,859 notwithstanding the reduction in the overall number of stores operated during the period. Average sales per store have increased by $58,481. The 3% increase in sales is a result of the success of the GCL rebranding strategy and improvement of the customer experience. The Company has focused on its marketing and promotion strategies for the Great Canadian Liquor ("GCL") brand and has a sustainable model to capitalize on the growth realized and focus on increased market share.

In 2020 the Company sold three stores however fourth quarter sales on existing stores increased by $1,199,422 or 11.7% as a result of the Company's focus on expanding its market share by focusing on ideal locations.

Cost of Goods Sold and Gross Margin

Margins have decreased from 22.5% to 21.5% as compared to this quarter last year. The Company has altered its marketing, pricing and promotional strategies to maintain market share through its pricing 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 and location costs such as utilities, property taxes, and insurance. Total operating and administrative expenses for the three month period ended December 31, 2020 have decreased by $62,685 or 1.1% as a percentage of sales as a result of reduced advertising costs associated with the transition in 2020 from print to digital advertising methods as well as the reduction in number of stores in operation. These savings were partially offset by the additional investment required for the purchase of items relating to the health and safety of employees and customers.

Finance Costs

Period	3 months ending Dec 2020	3 months ending Dec 2019
Finance costs	**$ 82,180**	$ 144,180

Finance costs reduced by $62,000 for the three month period ending December 31, 2020 as a result of a reduction on the bank loan balance in 2020 over 2019 resulting in reduced interest.

OPERATING RESULTS - 12 Months ending December 31, 2020

Basis of Comparison

The retail liquor industry is subject to seasonal variations concerning sales. Sales are typically lowest early in the year and increase in the latter half. It is important 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 year ending December 31, 2020, and 2019.

Period	**12 months ending Dec 2020**		12 months ending Dec 2019	
Sales of existing stores	$ 47,303,363	97.7%	$ 40,851,733	92.9%
Sales of other stores (1)	$ 1,125,130	2.3%	$ 3,119,090	7.1%
Total Sales	$ 48,428,493		$ 43,970,823	
Gross margin	10,885,284	22.5%	9,686,914	22.0%
Operating and administrative expense	6,788,828	14.0%	6,854,985	15.6%
Operating Margin (2)	$ 4,096,456	8.5%	$ 2,831,929	6.4%
Stores at Period End	26		29	

Notes:

(1) Sales of other stores are sales from stores that were not in operation at the end of 2020.

(2) Operating Margin 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.

Total sales have increased by $4.5M notwithstanding the reduction in the overall number of stores operated. Average sales per store have increased by $346,399. During 2020 the Company sold three stores. Sales on existing stores increased by $6,451,630 or 15.8%. In conjunction with the continued sales increases in GCL branded locations, the Government of Alberta's decision to close bars and restaurants to the public due to COVID-19 in March 2020 and recognize liquor retail as an essential service resulted in increased demand at retail liquor stores. The Government reopened licensed establishments with limitations in June, closing them again mid December 2020.

The Company continues to experience increases in basket sizes and customer transactions. The Company has focused on its marketing and promotion strategies for the GCL brand and has a sustainable model to capitalize on the growth realized and focus on increased market share.

Cost of Goods Sold and Gross Margin

Margins have increased from 22.0% to 22.5% as compared to this period last year. The Company strategizes the timing of Limited Time Offer purchases with in store promotions, to realize margin growth. The Company aligns its marketing, pricing and promotional strategies to maximize gross margins.

Operating and Administrative Expenses

The significant 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 12 month period ended December 31, 2020, were $6.79 million, compared to $6.85 million for the same period in 2019. These savings are a result of a reduced advertising costs associated with the transition in 2020 from print to digital advertising methods as well as the reduction in number of stores in operation. The savings realized by selling stores are offset by the additional investment required for the purchase of items relating to the health and safety of employees and customers.

Finance Costs

Period	**12 months ending Dec 2020**	12 months ending Dec 2019
Bank loan interest	$ 407,751	$ 575,306
Convertible debenture interest	-	258,177
Notional accretive interest	-	143,915
Finance costs	**$ 407,751**	$ 977,398

Finance costs have reduced in 2020 as the operating facility and bank loan balance reduced by $2.6M since December 31, 2019 resulting in lower interest costs. Furthermore, finance costs reduced by $402,092 for the year ended December 31, 2020 a result of the extinguishment of the convertible debenture on July 3, 2019. Cash interest payments and accretive interest costs on the convertible debenture ceased July 2, 2019.

CONDENSED QUARTERLY INFORMATION

Expressed in (000's)	**2020**				**2019**			
	Dec 31	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**
# stores end of period	26	26	28	28	29	29	29	29
Sales	11,476	13,210	14,306	9,437	11,104	11,785	12,005	9,077
Net comprehensive income (loss)	134	691	971	(275)	168	3,392	(23)	(699)
Basic income (loss) per share	0.00	0.01	0.02	(0.01)	0.00	0.12	(0.00)	(0.02)
Diluted income (loss) per share	0.00	0.01	0.02	(0.01)	0.00	0.12	(0.00)	(0.02)

Quarterly sales in 2020 as compared to 2019:

- Quarterly sales through 2020 are consistently higher than 2019 as a result of the success of the GCL rebranding strategy.
- During all four quarters in 2020 sales were positively impacted by consumers choosing liquor retailers in lieu of licensed establishments as a result of covid-19 restrictions.

Quarterly net income and loss in 2020 as compared to 2019:

- Net loss in Q1 2020 was lower than Q1 2019 as a result of the number of stores in operation
- Net income in Q2 2020 was higher than Q2 2019 as a result of an increase in sales and increased operating margin due to a reduction of stores in operation.

- Net income in Q3 2019 was impacted by a onetime gain of $3.5 million on the redemption of the convertible debenture.
- Net income in Q4 2020 is a result of a reduction to finance costs from the redemption of the convertible debenture in Q3 2020.

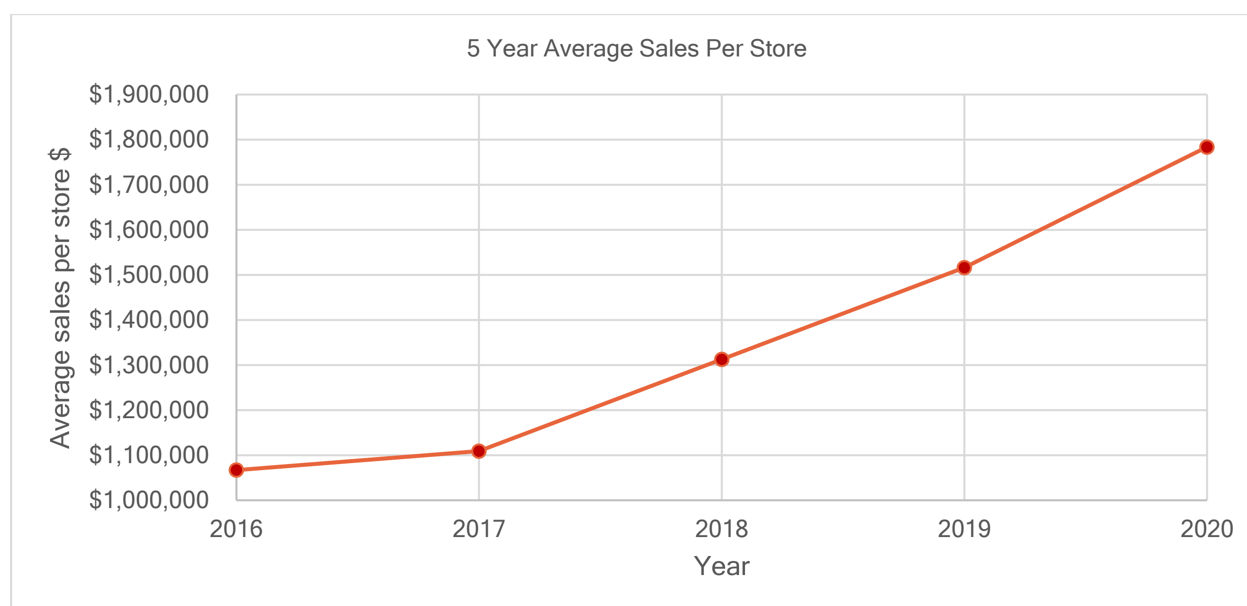
CONDENSED ANNUAL INFORMATION

Expressed in (000's)	2020	2019	2018
# stores end of period	26	29	29
Sales	48,428	43,971	44,068
Net comprehensive income (loss)	1,521	2,838	(1,227)
Total assets	26,788	27,201	14,843
Total liabilities	19,781	21,714	14,905
Basic income (loss) per share (1)	0.03	0.10	(0.16)
Diluted income (loss) per share (1)	0.03	0.10	(0.16)
Adjusted basic income (loss) per share (2)	0.03	0.06	(0.02)
Adjusted diluted income (loss) per share (2)	0.03	0.06	(0.02)

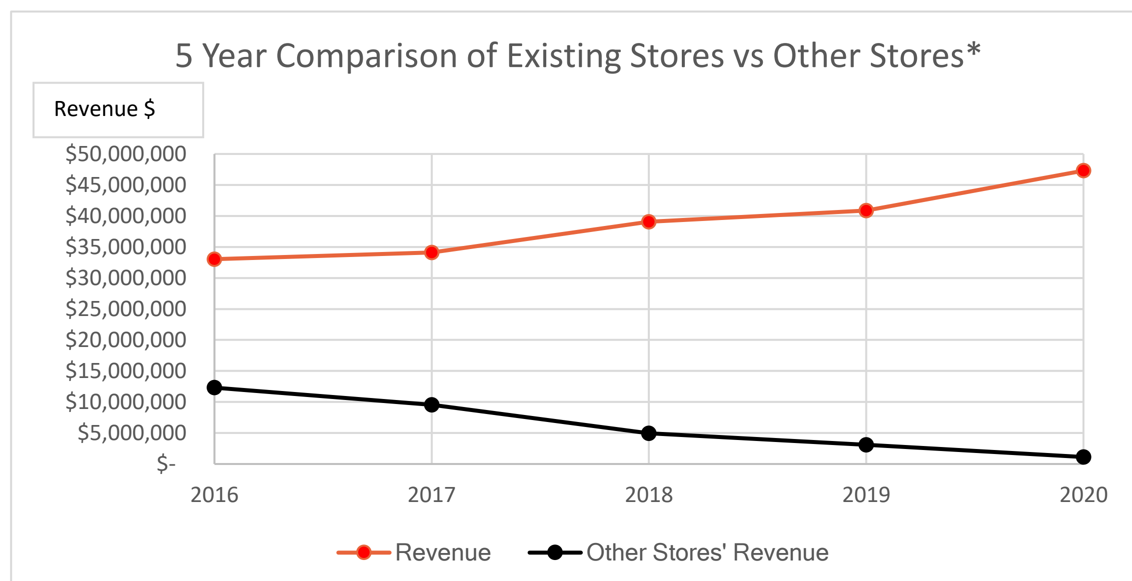
(1) Basic and diluted income (loss) per share is calculated using weighted average shares during the year
(2) Adjusted basic and diluted income (loss) per share is calculated using outstanding shares at end of each year

Annual comparison

- Total assets in 2020 and 2019 are higher than 2018 as a result of the adoption of a new accounting standard, IFRS 16, implemented in 2019 requiring the Company to record both an asset and liability for any leases it holds. This new standard resulted in an addition of $13.1 million to right-of-use assets for leases beginning 2019.
- Total liabilities have increased by $4.9 million from 2018 to 2020. $13.9 million was added as a liability in 2019 as a result of adoption of IFRS 16, offset by a $6.1 million reduction in the convertible debenture liability upon redemption in 2019 and a reduction of $2.9 million to the bank loan.



Average sales per store is based on the average number of stores in operation during the year. Average sales per store have been increasing steadily since 2017 when the Company initiated its rebranding strategy to grow market share.



*Other stores' revenue are the revenues from those stores no longer in operation come the end of 2020.

Existing store revenue is defined as revenues from the 26 stores in operation at the end of 2020. As the company reduced its number of operating stores from 42 in 2016 to 26 in 2020, revenues of those 26 stores have increased steadily over the last 5 years as a result of the Company's focus on growing market share and growth of the GCL brand.

LIQUIDITY AND CAPITAL RESOURCES AS OF DECEMBER 31, 2020

Shareholders' Equity

Authorized - Unlimited common shares

	Number		Amount
Balance January 1, 2019	11,358,358	$	4,667,442
Issued upon debenture redemption July 3, 2019	36,131,579		2,709,869
Balance December 31, 2019 and 2020	**47,489,937**	**$**	**7,377,311**

On July 3, 2019 the Company issued 36,131,579 common shares for the redemption of its convertible debenture. Effective September 23, 2019 the Company completed a share consolidation of its common shares on the basis of one post-consolidation share for every five pre-consolidation common shares. All references to the number of shares and per share amounts presented have been retroactively restated to reflect the Consolidation (post-consolidation basis) in accordance with IAS 33.

Convertible Debenture

On July 3, 2019, the Company redeemed the $6,865,000 outstanding Debenture through the issuance of 36,131,579 common shares, resulting in a onetime gain on redemption of $3,472,811.

Credit Facilities

Through TD, the Company has a credit agreement providing total availability up to a maximum of $8,350,000 at December 31, 2020, split between two facilities: 1) “operating facility” of $5,400,000 and 2) reducing “bank loan” of $2,950,000. The bank loan portion is a demand reducing facility to be repaid by quarterly payments of $300,000 and will reduce over a period of two and a half years.

The operating facility availability is calculated as the lesser of i) $5,400,000 and ii) 75% of accounts receivable to a maximum of $1,000,000, plus 70% of the value of inventory plus goods and services tax and bottle deposits, less trade payables related to liquor and unremitted source deductions. This facility is a revolving loan and is due upon demand.

Below is a summary of the utilization of the facilities. As both facilities are due upon demand, they are each classified as current liabilities under IFRS. Current utilization on April 14, 2021 of the total availability with TD is $6.2 million Drawdowns and repayments are disclosed on the consolidated statements of cash flows on a net basis.

The nature of the agreement with TD is for the bank loan facility to be repaid over a period of three years. Presentation based on the nature of the agreement would classify $1,200,000 of the bank loan as current as it is due within 12 months and $1,750,000 would be classified as long term.

Non-IFRS Presentation of TD’s Facilities

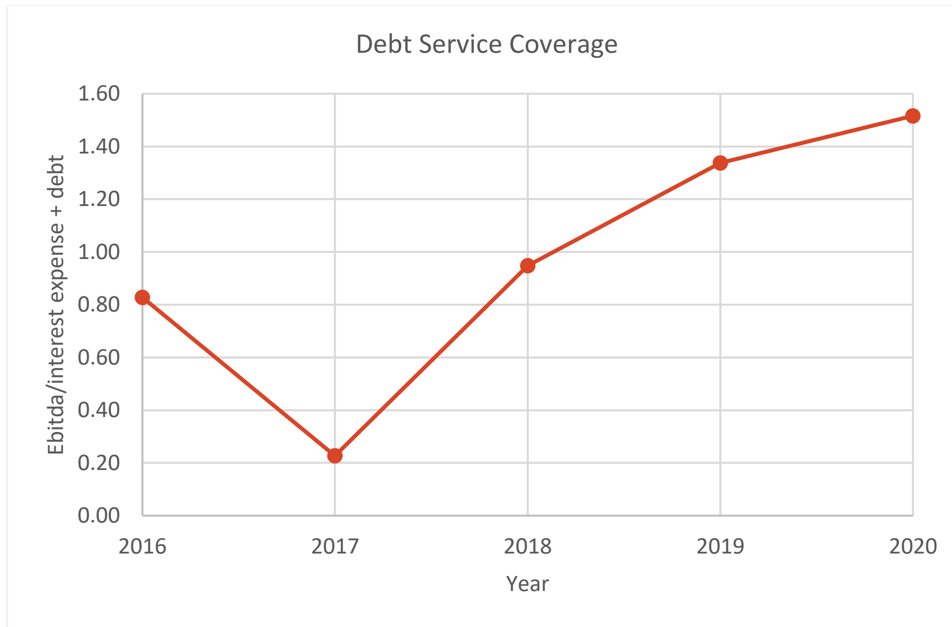
	Dec 31, 2020	Dec 31, 2019
Current Liability:		
Operating facility loan	**$ 2,257,731**	$ 7,854,890
Current portion of bank loan	**1,200,000**	-
Total current	**3,457,731**	7,854,890
Non Current Liability:		
Bank loan	**1,750,000**	-
Total utilization of TD's Facilities	**$ 5,207,731**	$ 7,854,890

Liquidity Risk

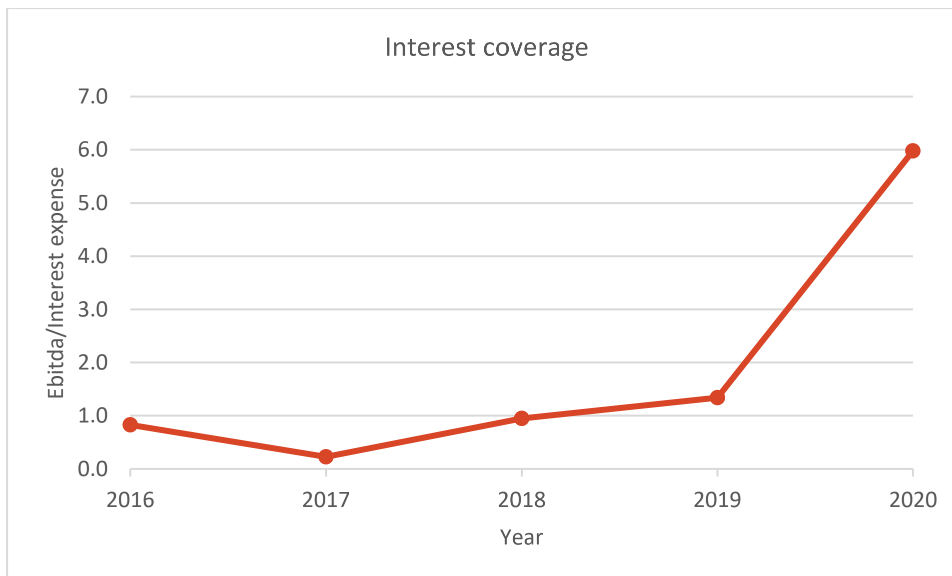
The Company uses a variety of sources of capital to fund capital expenditures including cash provided by operations, bank indebtedness, and issuance of new equity or debt instruments or a combination thereof in its operations. The decision to utilize a specific alternative is dependent upon capital market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

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents, and authorized credit facilities, to fulfill obligations associated with financial liabilities. Expected cash flows from operations will enable repayment of current liabilities. A risk relates to the ability to refinance debt. The Company may seek additional financing through debt or equity offerings.

In 2017 the Company embarked on its plan grow its market share, increase income from operations and rebalance is statement of financial position. Since 2017 the Company’s debt service coverage ratio has steadily increased from .23 in 2017 to 1.52 in 2020 due to its increased EBITDA and simultaneous reduction to debt as a result of the Company’s focused, deleveraging strategy.



Interest coverage ratio, calculated using bank loan and debenture interest payments has increased from 0.70 in 2016 to 5.98 in 2020 as a result of a reduction funded debt and an increase in EBITDA, resulting in lower interest costs. The Company manages its interest rate risk through credit facility negotiations and by identifying future credit requirements based on budgeting and forecasts.



Non-IFRS Normalized Presentation of Working Capital

	Dec 31, 2020	Dec 31, 2019
Non-IFRS Current Liabilities Adjusted for the Below		
Current liabilities	**7,394,248**	10,018,138
Less:		
Non current portion of bank loan	**(1,750,000)**	-
Current portion of lease liabilities	**(1,551,951)**	(1,731,967)
Normalized current liabilities	**4,092,297**	8,286,171
Normalized working capital ratio	**1.35**	0.71

Working capital, as represented by the current ratio at December 31, 2020 is 1.35 vs 0.71 at December 31, 2019, when calculated using a non-ifrs calculation for current liabilities as calculated above. The increase of 0.64 is a result of an increase in current assets from higher inventory levels at stores to meet increasing consumer demand, a reduction of $2.65M in total utilization of TD's facilities from December 31, 2019 to December 31, 2020 and the nature of the new agreement with TD classifying $1.75M of debt as non-current.

Maintenance Capital Expenditures and Capital Expenditures

The Company incurs expenses for routine maintenance, invests and upgrades information systems, and replaces assets as required in order to maintain its productive capacity.

Capital expenditures will continue in stores requiring upgrades, routine maintenance and asset replacements. The Company has completed store renovations under the GCL rebranding plan in 2017 and 2018.

Net Change in Non-cash Working Capital

Non-cash working capital has decreased as a result of a decrease in inventory as a result of efficiencies in inventory.

Credit Risk

The Company's financial assets exposed to credit risk consist primarily of cash and cash equivalents, loans and accounts receivable. The Company maintains its cash and cash equivalents with a major Canadian chartered bank and local Alberta credit unions.

The risk of accounts receivable is that a wholesale customer might fail to meet its obligations under their credit terms. The Company, in its normal course of business is exposed to credit risk from its credit customers. The Company manages the risk associated with accounts receivables by credit management policies. All accounts receivable are due from organizations in Alberta's hospitality industry. The Company has not experienced any expected or actual credit losses from accounts receivable in either 2020 or 2019.

Interest Rate Risk

The Company manages its interest rate risk through credit facility negotiations and by identifying future credit requirements based on budgeting and forecasts.

The Company pays interest at prime plus 265 basis points. With an outstanding bank loan balance of $5,207,731, a one percent increase/decrease in interest rates would have an effect of $52,077 on net comprehensive income. At December 31, 2020 all of the Company's long term debt is exposed to interest rate risk due to floating rates.

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as at December 31, 2020, or April 14, 2021.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Estimates:

Inventory

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

Taxation

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

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

Impairment of goodwill

The Company reviews goodwill at least annually, and when there is any indication that the asset may be impaired. The recoverable amounts of cash-generating units ("CGU") have been determined, where applicable using discounted cash flow models that require assumptions about future cash flows, earning multiples of stores, EBITDA projections and discount rates. Refer to note 8 for further details regarding the estimation of recoverable amounts.

In conducting its annual goodwill impairment test, the Company performed a discounted cash flow ("DCF") analysis on its CGU to determine its value in use. The DCF was based on calculations and projections from financial budgets prepared by management and included the following significant factors.

A growth rate between 0% to 2% (2019 assumption 0% - 2%) was based on industry statistics and was applied to revenue. Inflation between 0.5% to 1% (2019 assumption 0.5% - 1%) was applied to expenditures. A terminal growth rate of 2.0% was applied to the analysis to project cash flows beyond five years, which is consistent with

the industry's expected growth rates, forecasted inflation rates and management's experience. A weighted average cost of capital ("WACC") pre-tax range of 9.77% and 10.68% (2019 range 10.3%-11.2%) was used and based on the market capital structure of debt, risk-free rate, equity risk premium, beta adjustment to the equity risk premium based on a review of betas of comparable publicly traded companies, a risk premium, and after-tax cost of debt based on corporate bond yields.

Sensitivity testing is conducted as part of the annual impairment tests. A reduction of 7% in sales in 2021 or 7% in 2022 would reduce the recoverable amount to zero. An increase in the WACC to approximately 17.6% would reduce the recoverable amount of the CGU to its carrying value.

Management believes that any reasonable change in the key assumptions used to determine the recoverable amount would not cause the carrying amount of cash generating unit to exceed its recoverable amount. Management believes its assumptions are reasonable. If future events were to differ from management's best estimate, key assumptions and associated cash flows could be materially adversely affected, and the Company could potentially experience future material impairment charges in respect of goodwill.

Useful lives of property and equipment

Management has estimated the useful lives of property and equipment based on its assumption of the time frame in which the Company will use these assets. These assumptions may differ from the actual life of the assets.

Judgments:

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are based on market conditions existing at the end of each reporting period.

Cash-generating units

The determination of CGUs was based on management's judgment and was determined to be each retail location based on their independent cash inflows for non-financial assets other than goodwill. For goodwill testing, management assesses goodwill as one group of CGUs as the synergies of multiple locations operating under a common regulatory environment are realized across all related retail locations.

CHANGES IN ACCOUNTING POLICIES

Future Accounting Pronouncements

In Jan 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after Jan 1, 2022 and must be applied retrospectively. The Company has reviewed the standard and concludes it will have no impact.

FINANCIAL INSTRUMENTS

For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, operating facility and bank loan, the carrying value approximates fair value due to the short-term nature of the instruments.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year the Company paid rents of $87,630 (2019 - $87,630) in respect of three retail liquor stores (2019 – three) to privately held companies in which a key member of management is a significant shareholder.

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 the period ended December 31, 2020, that have materially affected or are 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 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 several risks. These risk factors are defined below;

Pandemic

The novel coronavirus pandemic has had, and continues to have, a notable impact on the Company. The Company's financial results show increased sales, driven by increased demand for liquor retail product following the onset of the crisis. Additional costs were incurred for safety and sanitization measures. The full economic impact the pandemic will have on the Company, its judgements and estimates remain uncertain and is dependent on the severity and duration of the virus. In Alberta, liquor retail was immediately recognized as an essential business by the Government of Alberta and has not experienced compulsory closure as a result of the COVID-19. As at April 14, 2021, all locations are open and operational.

Impact due to Economic Conditions

The Company's financial results for fiscal 2020 and future periods are subject to numerous uncertainties, such as changes in the economy which influence consumer spending and consumer confidence. The Alberta energy sector faced an economic slowdown due to weak oil and natural gas prices over the last several years and in conjunction with the pandemic resulted in higher than anticipated unemployment levels and a reduction in the

migration to Alberta. Inflation and interest rates could impact disposable income and reduce spending in this sector.

Supply Interruption or Delay

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

Regulated Competitive Environment

The primary focus of the Company has been in rural markets. Thus most of its competitors are local single store operators. Competition in these markets focuses on product offering, location, and service. New entrants into local markets can increase competition and affect the Company.

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

Regulatory decisions by the Alberta Gaming and Liquor Commission ("AGLC") can impact the operations of the Company. All liquor stores operate under licenses issued by the AGLC, which must be re-applied for annually. The AGLC has discretion in the granting or revocation of a license to operate a liquor store.

Weather

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

Labour Costs and Labour Market

The Company's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of the Company to hire or retain staff at current wage levels.

Cybersecurity

Cybersecurity has become an increasingly problematic issue for many retailers. Cyber-attacks are increasing in sophistication and are often focused on compromising sensitive data for inappropriate use or disrupting business operations. The Company continually monitors for malicious threats and adapts accordingly to ensure we maintain high security standards.

Available Financing

The Company requires additional financing to make further investments, continue its rebranding strategy, using funds to update stores to the GCL concept or take advantage of other opportunities. The Company may require additional funds to respond to business challenges, including the need to develop new services or enhance existing services, enhance operating infrastructure and acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences

and privileges superior to those of holders of shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Furthermore, additional financing may not be available on favourable terms, if at all. If the Company is unable to obtain adequate financing or financing on satisfactory terms when required, its ability to continue to support business growth and to respond to business challenges could be significantly limited.

The Company had capital and unused credit facilities available net of cash of approximately $1.7 million at December 31, 2020.

Credit Facility

The Company has terms and conditions which must remain in compliance under its credit facilities. The failure to comply with the terms of the credit facility would entitle the secured lenders to prevent the Company from further borrowing or accelerate repayment.

Impact from Provincial Tax Increases

Tax changes affect sales earnings and results of operations as higher prices could impact consumer demand or behaviours. The risk remains that the Government could increase the tax on alcohol-based products further.

Potential Decline in Consumption of Alcoholic Beverages and Products Sold

Consumer preferences may shift due to a variety of factors, including changes in demographic or social trends, public health policies, and changes in leisure, dining and beverage consumption patterns. A decline in consumption in one or more alcoholic beverage product categories could occur in the future due to a variety of factors, including:

- a general decline in economic conditions;
- concern about the health consequences of consuming alcoholic beverage products;
- consumer shopping preferences favouring online shopping, resulting in less foot traffic in shopping centers where the Company's retail liquor stores are located;
- the increased activity of anti-alcohol groups;
- a decline in the consumption of alcoholic beverage products as a result of consumers substituting legalized recreational cannabis or other similar products in lieu of alcoholic beverage products;
- increased federal, provincial and foreign excise or other taxes on alcoholic beverage products;
- inflation; and
- wars, weather and natural or man-made disasters.

There is a risk of a possible decline in consumption of alcohol-based products as a result of consumers substituting legalized cannabis or other similar products instead of alcoholic based products.

Importance of Information and Control Systems

Information and control systems play an essential role in support of the Company’s core business processes, including store operations, inventory management and loss prevention. The Company’s ability to maintain and regularly upgrade its information systems capabilities is important to maintain its timely reporting abilities. If the Company is unable to maintain its inventory or fails to upgrade its systems adequately, the Company's margins could be affected by limiting the selection of product and deep discounts available. The Company’s point of purchase system is capable of operating the supply chain through internal or external sources.

Reliance on Key Personnel

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

Ability to Maintain Acceptable Store Sites and Adapt to Changing Market Conditions

The success of retail stores is influenced by location. It is possible that the current locations or economic conditions where stores are located could decline in the future due to the opening of stores by competitors, resulting in potentially reduced sales in those locations. To the extent that the Company enters into long-term leases for its store locations, its ability to respond in a timely manner to changes at any location due to competition or demographics may be limited.

Market Volatility and Unpredictable Share Price

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

Active Trading Market

While there is currently an active trading market for the Common Shares, we cannot guarantee that an active trading market will be sustained. If an active trading market in the Common Shares is not sustained, the trading liquidity of the Common Shares will be limited, and the market value of the Common Shares may be reduced.

NON-IFRS MEASURES

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, working capital ratio, interest coverage ratio, debt service coverage ratio, existing stores' revenue, EBITDA and EBITDAR are not measures recognized by IFRS and do not have a standardized meaning prescribed by IFRS. Investors are cautioned that these measures 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. Furthermore, the Company's method of calculating these measures may differ from the methods used by other issuers. Therefore, the Company's calculation of these measures may not be comparable to similar measures presented by other issuers.

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 the operating margin by sales.

Operating margin before non-recurring items is 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 as a percentage of sales and operating margin before non-recurring items are calculated in tables under sections "Operating Results – 3 Months" and "Operating Results – 12 Months."

Working capital ratio is calculated as current assets divided by current liabilities, with current liabilities adjusted for a long-term potion of the bank loan and removal of current portion of lease liabilities.

Interest coverage ratio is EBITDA divided by finance costs excluding accretive interest.

Debt service coverage ratio is EBITDA divided by current portion of bank loan payable as defined on page 14, plus finance costs excluding notional accretive interest.

Existing stores' revenue is defiend as the reveneus from the stores in operation at year end.

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 redemption of convertible debentures, right-of-use assets depreciation, finance costs on lease liabilities, gain/loss on disposal of stores and property and equipment, and other restructuring charges for store closures and less rent expense. EBITDA is also less any non-recurring extraordinary or one-time gains or losses from any capital asset sales.

EBITDAR is EBITDA excluding rent expense. Management believes that, in addition to income or loss, EBITDA and EBITDAR are useful supplemental measures of performance.

Period	**3 months ended Dec 2020**	3 months ended Dec 2019	**12 months ended Dec 2020**	12 months ended Dec 2019
Net comprehensive income	$ 134,317	$ 168,551	$ 1,520,606	$ 2,838,038
Income tax	-	(203,886)	-	-
Finance costs	82,180	141,365	407,751	977,398
Depreciation	78,680	110,299	318,948	444,060
Right-of-use assets depreciation	279,295	348,633	1,139,645	1,385,303
Finance costs on lease liabilities	173,884	144,180	626,305	658,183
Loss (gain) on disposal of property and equipment and goodwill	2,707	4,936	46,487	3,470
Gain on redemption of convertible debenture	-	-	-	(3,472,811)
Store closure expenses	(79)	-	37,975	358
EBITDAR	**$ 750,984**	$ 714,078	**$ 4,097,717**	$ 2,833,999
Rent expense	(391,660)	(416,894)	(1,660,156)	(1,719,048)
EBITDA	**$ 359,324**	$ 297,184	**$ 2,437,561**	$ 1,114,951