ROCKY MOUNTAIN LIQUOR

Ticker: "RUM"

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2021

As at April 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis is dated April 14, 2022.

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, 2021. 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) Cybersecurity; (v) the impact of increases in labour costs;(vi) impact from competition in the markets where the Company operates (vii) the possibility of a potential decline in consumption of alcoholic beverages and products sold; (viii) the impact of weather on its effect on consumer demand; (ix) the availability of financing (x) the ability of the Company to meet its financial obligations; (xi) the maintenance of management information systems; (xii) actions by governmental or regulatory authorities including changes in income tax laws and excise taxes; (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:

	12 months ended		
	Dec 2021	Dec 2020	Dec 2019
Sales	$ 44,789,043	$ 48,428,493	$ 43,970,823
Sales of Existing Stores (1)	$ 44,789,043	$ 47,303,718	$ 40,851,733
Gross Margin	22.4%	22.5%	22.0%
EBITDAR	$ 3,271,553	$ 4,097,717	$ 2,833,399
EBITDAR of Existing Stores (1)	$ 3,271,553	$ 4,019,789	$ 2,946,455
Net Income (Loss) (2)	$ 1,142,665	$ 1,520,605	(634,773)

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

	3 months ended		
	Dec 2021	Dec 2020	Dec 2019
Sales	$ 11,037,322	$ 11,475,489	$ 11,103,630
Sales of Existing Stores (1)	$ 11,037,322	$ 11,475,489	$ 10,276,067
Gross Margin	21.6%	21.5%	22.5%
EBITDAR	$ 616,426	$ 750,984	$ 714,078
EBITDAR of Existing Stores (1)	$ 616,426	$ 750,984	$ 671,772
Net Income (3)	$ 214,221	$ 134,317	168,551

Notes:

(1) Sales/EBITDAR of existing stores are sales/EBITDAR from stores that are in operation during the applicable year.
(2) 2019 is adjusted for one time gain on extinguishment of convertible debenture, $3,472,811
(3) 2021 includes recognition of deferred income tax recovery of $196,373 and professional fees associated with the recruitment of a new CEO

SUBSEQUENT EVENTS

On March 15, 2022 the Company announced that Allison Radford stepped down from her role as Chief Executive Officer. The Board of Directors appointed Scott Morrow to succeed Ms. Radford effective April 4, 2022. Ms. Radford continues to serve as a Director on the Boards of RML and Andersons.

OUTLOOK

The Company had a successful year in 2021. The results of the rebranding strategy first conceived and implemented in 2017 have continued to drive growth and we were able to operate all locations uninterrupted during the pandemic.

Throughout the year the Company reduced debt by a further $1.1 million, improving the balance sheet position and reducing finance costs by 37%. The Bank of Canada has announced increases to its benchmark interest rate however, reductions in finance costs are expected in 2022 due to continued debt repayment strategies.

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 6.5%[1] and it is unknown how long the province will be experiencing high levels of unemployment. 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.

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. The Company is continually evaluating its marketing strategies to ensure that our tactics are generating and maintaining brand awareness and brand engagement as well as driving customer traffic to our stores. The goal is to ensure the customer is provided with an exceptional experience in-store.

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] Alberta, Economic Dashboard – published April 8, 2022 retrieved on April 14, 2022 from https://economicdashboard.alberta.ca/Unemployment

Liquidity Update

On May 31, 2021 the Company signed a new financing agreement with the Toronto-Dominion bank (“TD”) providing an available $8.05 million revolving credit facility on that date. Details of the agreement are explained under the heading “Financing & Credit Agreements.”

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

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.

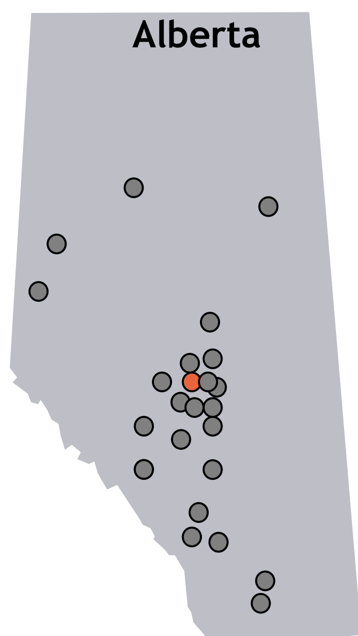
OVERVIEW OF THE COMPANY

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, 2021. In 2020 and 2021 Andersons has focused on store operations and optimizing its operating margin.

Andersons operated 26 liquor stores in Alberta at December 31, 2021. 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.

In 2017 the Company embarked on its re-branding strategy focusing on higher volume, lower margin destination type stores under the Grant Canadian Liquor brand. As part of that strategy stores identified as under performing sold or closed.

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 utilize various marketing and promotional tactics to help drive customer traffic to our stores, increase and maintain brand awareness and engagement as well as generate sales at our stores. These tactics include radio, TV, print (in-store flyer), email marketing, social media and at out of home advertising throughout the communities where our stores are located. These tactics are constantly monitored and adjusted to ensure that we're generating the best return on investment possible.

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

Scott Morrow, CEO	Mr. Morrow is the Chief Executive Officer of RML and has extensive experience in retailing over the past 25 years, leading organizations such as Liquor Stores NA (now Alcanna), Rexall Drug Stores, Medicentres Canada, and most recently as CEO of FOUR20 Premium Market.
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, 2021

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, 2021, 2020 and 2019.

Period	**3 months ended**					
	Dec 2021		**Dec 2020**		**Dec 2019**	
Sales of existing stores	$ 11,037,322	100.0%	$ 11,475,489	100.0%	$ 10,276,067	92.5%
Sales of other stores (1)	-	0.0%	-	0.0%	827,563	7.5%
Total Sales	**11,037,322**		11,475,489		11,103,630	
Gross margin	2,379,628	21.6%	2,471,393	21.5%	2,496,614	22.5%
Operating and administrative expense	1,763,213	16.0%	1,720,421	15.0%	1,783,106	16.1%
Operating Margin (2)	**$ 616,415**	5.6%	$ 750,972	6.5%	$ 713,508	6.4%
Stores at Period End	**26**		26		29	

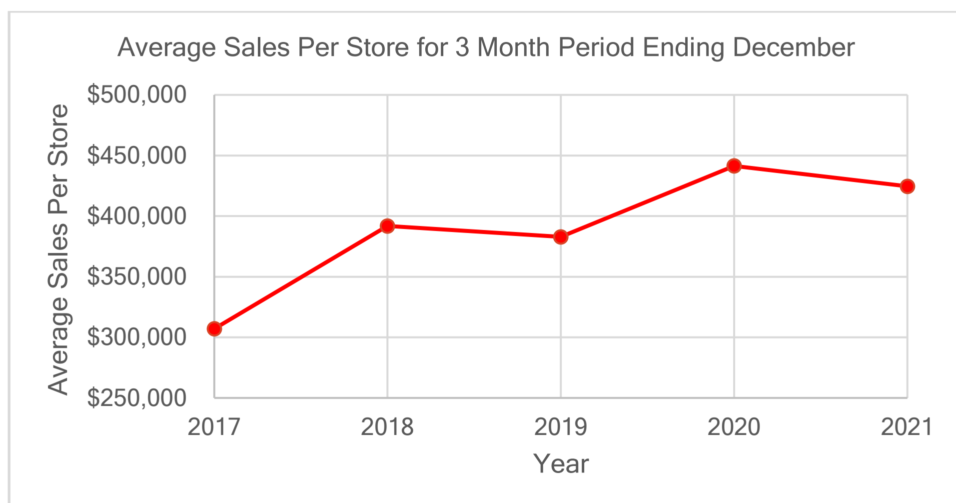
Notes:
(1) Sales of other stores are sales from stores that were sold in 2020. .
(2) Operating Margin has been calculated as described under "Non-IFRS Measures."

Sales

Upon the onset of the COVID-19 pandemic in March 2020 and the closure of onsite liquor consumption establishments, there was a resulting increase in consumption of liquor in the retail sector. During 2020 and into Q1 2021 amid various openings and closings of consumption establishments, the retail sector maintained its increase in sales. Throughout the remainder of 2021 the Alberta Government relaxed restrictions to onsite consumption establishments, resulting in a reduction to sales from 2020 of 3.8% during the quarter. To fully assess the Company’s sales trends and exclude the impact of COVID-19 on sales it is important to review pre-covid periods.

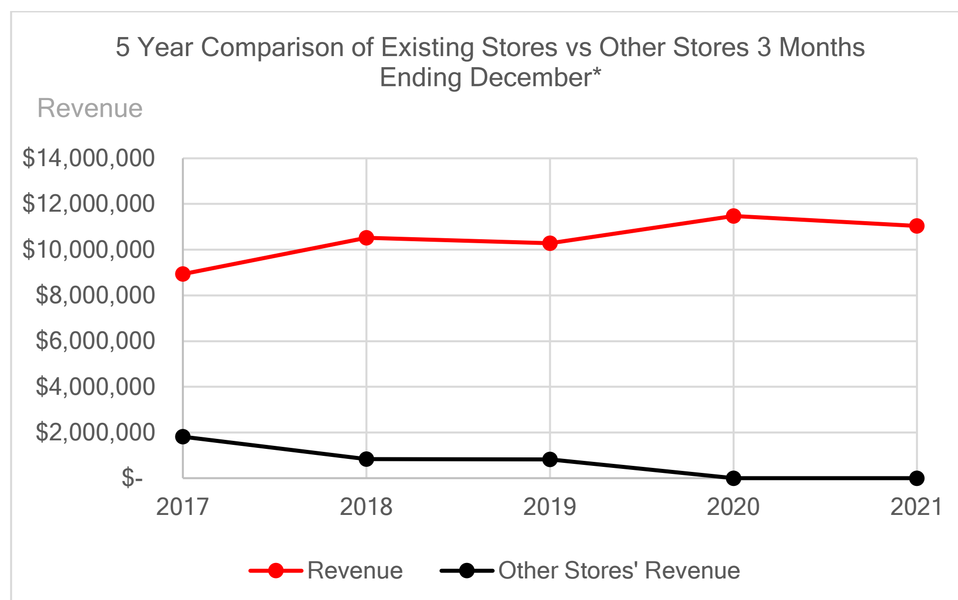
Sales of existing stores have increased by $29,279 per store in Q4 2021 versus Q4 2019, and overall sales from existing stores increased 7.4%, as a result of the success of the GCL rebranding strategy and improvement of the customer experience. This sustained increase is the result of the Company’s focus on its marketing and promotion strategies for the Great Canadian Liquor (“GCL”) brand and its sustainable model to focus on increased market share.

Sales Per Store



Average sales per store are based on the average number of stores in operation during the three months ending December. To fully assess the Company’s sales trends and exclude the impact of COVID-19 on average sales per store it is important to review pre-covid periods. Average sales per store have increased since 2017 when the Company initiated its rebranding strategy to grow its market share. As discussed, COVID-19 had a one-time positive impact on 2020 sales, however, the Company has been achieving increases to its average sales per store since 2017. The Company has experienced overall growth of 10.9% on average sales per stores in 2021 since 2019.

Five Year Comparison of Q4 Revenue from Existing Stores to Other Stores



*Other stores revenue are the revenues from those stores sold in 2020.

Existing store revenue is defined as revenues from the 26 stores in operation at the end of the period in 2021. As the Company reduced its number of operating stores from 35 in 2017 to 26 in 2021, revenues of those 26 stores have increased over the last 5 years as a result of the Company's focus on growing market share and development of the GCL brand. 2021 existing stores revenue increased by 7.4% when compared to 2019.

Cost of Goods Sold and Gross Margin

Margins have remained consistent at 21.6% in 2021 compared to 21.5% for the same period in 2020. Margins fluctuate between periods as the Company refines its marketing, pricing and promotional strategies to maximize gross margins. The Company continually uses competitive pricing strategies to maintain market share. Margins are typically higher during Q1 and Q2, and reduce during Q3 and Q4 as a result of the holiday season.

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 months ended December 31, 2021, are higher than the same three months in 2020 primarily as a result of professional fees associated with the recruitment of a new CEO.

OPERATING RESULTS - 12 Months ending December 31, 2021

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 twelve months ending December 31, 2021, 2020 and 2019

Period	12 months ended					
	Dec 2021		Dec 2020		Dec 2019	
Sales of existing stores	$ 44,789,043	100.0%	$ 47,303,718	97.7%	$ 40,851,733	92.9%
Sales of other stores (1)	-	0.0%	1,124,775	2.3%	3,119,090	7.1%
Total Sales	**44,789,043**		48,428,493		43,970,823	
Gross margin	10,049,049	22.4%	10,885,284	22.5%	9,686,914	22.0%
Operating and administrative expense	6,777,507	15.1%	6,788,829	14.0%	6,854,985	15.6%
Operating Margin (2)	**$ 3,271,542**	7.3%	$ 4,096,455	8.5%	$ 2,831,929	6.4%
Stores at Period End	**26**		26		29	

Notes:

(1) Sales of other stores are sales from stores that were sold in 2020.

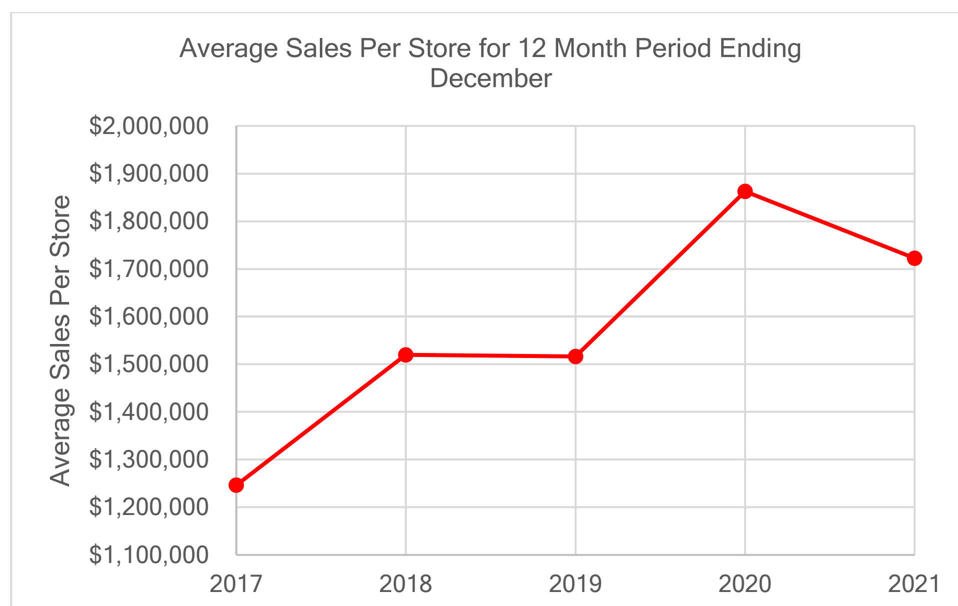
(2) Operating Margin has been calculated as described under "Non-IFRS Measures."

Sales

Upon the onset of the COVID-19 pandemic in March 2020 and the closure of onsite liquor consumption establishments, there was a resulting increase in consumption of liquor in the retail sector. During 2020 and into Q1 2021 amid various openings and closings of consumption establishments, the retail sector maintained its increase in sales. Throughout the remainder of 2021 the Alberta Government relaxed restrictions to onsite consumption establishments, resulting in a reduction to sales from 2020 of 7.5% during the twelve months ending 2021 as compared to 2020. To fully assess the Company's sales trends and exclude the impact of COVID-19 on sales it is important to review pre-covid periods.

Sales per store on existing stores increased by $151,380 per store in 2021 versus 2019, and overall sales of existing stores increased by 9.6% as a result of the continued growth as a result of the GCL rebranding strategy and improvement of the customer experience.

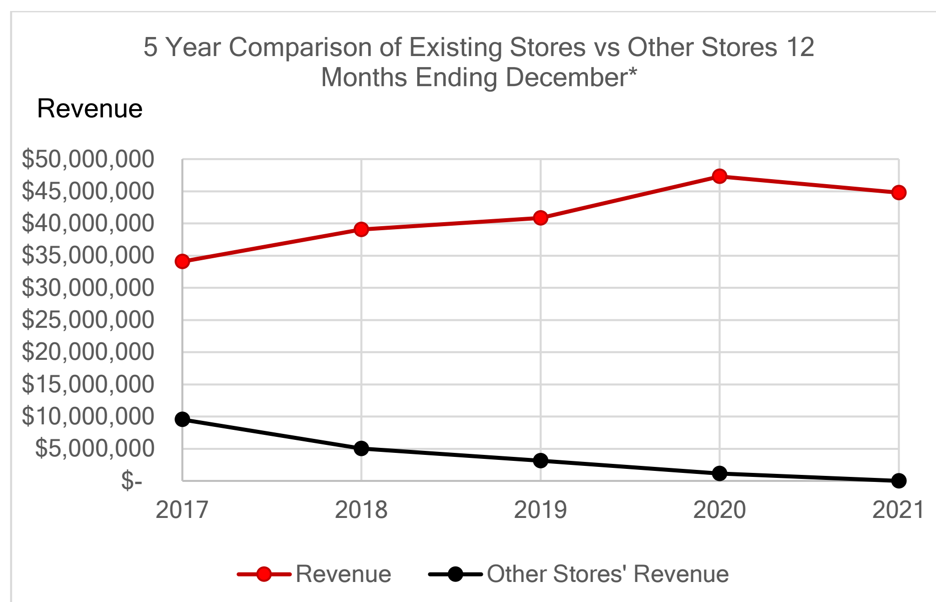
Sales per Store



Average sales per store are based on the average number of stores in operation during the twelve months ending December. Average sales per store have been increasing since 2017 when the Company initiated its rebranding strategy to grow its market share. 2020 average sales per store were impacted by the closing of onsite liquor

consumption establishments at the end of Q1 2020 and well into Q3 2020. The Company has experienced overall growth in average sales per store of 13.6% in 2021 since 2019.

Five Year Comparison of Q4 Revenue from Existing Stores to Other Stores



*Other stores' revenue is the revenues from those stores that were sold in 2020.

Existing store revenue is defined as revenues from the 26 stores in operation at the end of the period in 2021. As the company reduced its number of operating stores from 35 in 2017 to 26 in 2021, revenues of those 26 stores have increased over the last 5 years as a result of the Company's focus on growing market share and growth of the GCL brand. 2021 existing stores increased by 9.6% when compared to 2019.

Cost of Goods Sold and Gross Margin

Margins have remained consistent at 22.4% in 2021 compared to 22.5% for the same period in 2020. Gross Margins have increased when compared to the 2019. Margins fluctuate between periods as the Company refines its marketing, pricing and promotional strategies to maximize gross margins. The Company continually uses competitive pricing strategies to maintain market share.

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 twelve months ended December 31, 2021, are lower than the same period in 2020 as a result of the additional investment and onetime costs required for the purchase of items relating to the health and safety of employees and customers in 2020. Savings in operating costs for locations sold in 2019 and 2020 are offset by increases in advertising and travel as the company begins to resume normal operations as well as professional fees associated with the recruitment of the new CEO.

CONDENSED QUARTERLY INFORMATION

Expressed in (000's)	2021				2020			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
# stores end of period	26	26	26	26	26	26	28	28
Sales	11,037	11,779	12,476	9,497	11,476	13,210	14,306	9,437
Net comprehensive income (loss)	214	468	548	(87)	134	691	971	(275)
Basic income (loss) per share	0.00	0.01	0.01	0.00	0.00	0.01	0.02	(0.01)
Diluted income (loss) per share	0.00	0.01	0.01	0.00	0.00	0.01	0.02	(0.01)

Quarterly sales in 2021 as compared to 2020:

- Quarterly sales in Q1 2021 are higher than 2020 as Q1 2020 was impacted by the onset of COVID, its uncertainty and restrictions starting March 2020.
- Quarterly sales in Q2, Q3 and Q4 2021 are lower based on the impact of COVID on sales in 2020 where 2020 sales were positively impacted by consumers choosing liquor retailers in lieu of licensed establishments as a result of covid-19 restrictions and the closure of some licensed establishments.

Quarterly net income and loss in 2021 as compared to 2020:

- Net income in Q1 2021 is higher than 2020 due to higher sales in Q1 2021 over 2020.
- Net income in Q2 2021 to Q3 2021 was lower than 2020 due to a reduction in sales and decreased operating margin as a result of COVID 19 impacts to 2020 sales. Net income Q4 2021 is higher than the same quarter in 2020 due to the recognition $196,373 in deferred tax recovery.

CONDENSED ANNUAL INFORMATION

Expressed in (000's)	2021	2020	2019
# stores end of period	26	26	29
Sales	44,789	48,428	43,971
Net comprehensive income	1,143	1,521	2,838
Total assets	25,956	26,788	27,201
Total liabilities	17,807	19,781	21,714
Basic income per share (1)	0.02	0.03	0.10
Diluted income per share (1)	0.02	0.03	0.10
Adjusted basic income per share (2)	0.02	0.03	0.06
Adjusted diluted income per share (2)	0.02	0.03	0.06

(1) Basic and diluted income per share is calculated using weighted average shares during the year. 2019 included a one-time gain on extinguishment of convertible debenture resulting in higher income per share in that year.
(2) Adjusted basic and diluted income per share is calculated using outstanding shares at end of each year

Annual comparison

- Total assets in 2021 have reduced from 2019 and 2020 mainly as a result of a reduction in the right-of-use asset assets due to the reduction in number of stores held and the extinguishment of leases associated with those stores.
- Total liabilities have reduced from 2019 and on as a result of the Company's focus on reducing its debt held with TD as well as a reduction in number of stores held and the extinguishment of leases associated with those stores.

LIQUIDITY AND CAPITAL RESOURCES AS OF DECEMBER 31, 2021

Shareholders' Equity

Authorized - Unlimited common shares

	Number	Amount
Balance December 31, 2020 and 2021	**47,489,937**	**$ 7,377,311**

FINANCING AND CREDIT FACILITIES

Credit Agreement

On May 31, 2021, through the Toronto-Dominion Bank ("TD"), the Company executed a credit agreement providing total availability up to a maximum of $8,050,000 split between two facilities: 1) a demand, "operating facility" of $5,400,000 and 2) a "term loan" of $2,650,000. Both facilities bear interest at prime plus 1.5% per annum.

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 plus up to $250,000 cash-in-transit allowances. Interest only payments are due monthly.

The term loan is amortized over 39 months, with monthly payments of interest and principal.

Summary OF Credit Facilities

	Dec 31, 2021	Dec 31, 2020
Current Liability:		
Operating facility loan	**$ 1,861,671**	$ 2,257,731
Bank loan	**815,388**	2,950,000
Total current	**2,677,059**	5,207,731
Long term portion of bank loan	**1,387,751**	-
Total Credit Facility Use	**$ 4,064,810**	$ 5,207,731

Credit facilities are held by TD and secured by a general security agreement representing a first charge on all assets. Drawdowns and repayments are disclosed on the consolidated statements of cash flows on a net basis. The agreement includes a debt service covenant of adjusted EBITDA less unfinanced net capital expenditures less permitted distributions less cash taxes / (scheduled principal payments plus interest), calculated based on a rolling four-quarter period, requiring the Company to maintain a ratio of actual earnings before interest, taxes,

depreciation, and amortization (EBITDA) to projected EBITDA, on a standalone quarterly basis. As of December 31, 2021 the Company complies with this covenant.

Finance Costs on Credit Facility

Period	3 months ended			12 months ended		
	Dec 2021	Dec 2020	Dec 2019	**Dec 2021**	Dec 2020	Dec 2019
Bank loan interest	$ 49,367	$ 82,180	$ 141,365	$ 258,742	$ 407,751	$ 575,306
Convertible debenture and notional interest	-	-	-	-	-	$ 402,092
Finance costs	**$ 49,367**	$ 82,180	$ 141,365	**$ 258,742**	$ 407,751	$ 977,398

Finance costs on the credit facility reduced by $32,813 for the three months ending December 31, 2021, and $149,009 for the twelve months over December 31, 2020 mainly as a result of a reduction of $1.14M in utilization of credit facilities from December 2020 to December 2021. Finance costs on the credit facility were further reduced as a result of a reduction to interest rates under the new agreement implemented May 31, 2021 with TD, reducing interest rates from prime plus 2.65% to prime plus 1.5%.

2019 included interest costs associated with a convertible debenture of $402,092. When reviewing the impact to bank loan interest as a result of a reduction in total utilization of credit facilities of $3.8M from December 2019 to December 2021, bank loan interest decreased by $91,998 for the 3 months and $316,564 for the 12 months.

Liquidity

The Company's use of its operating line fluctuates with the seasonality of sales trends, which normally peaks at the end of the first quarter and into the second quarter of the year, and is at its lowest value at the end of Q4 Total credit facility use from December 2020 to December 2021 has reduced by $1.14M as a result of debt repayments.

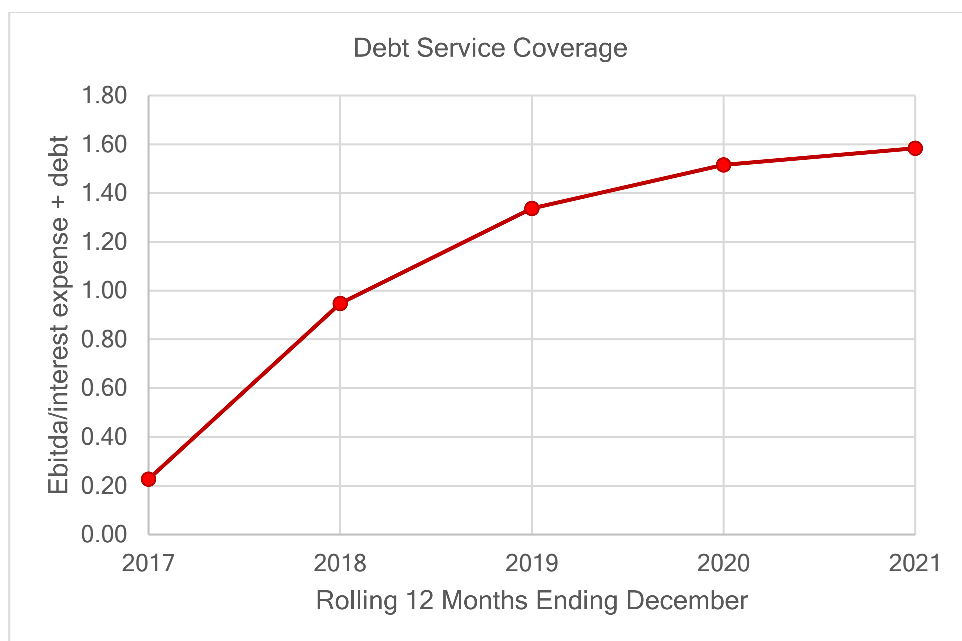
	Q4 Dec 2021	Q3 Sep 2021	Q2 Jun 2021	Q1 Mar 2021	Q4 Dec 2020	Q3 Sep 2020	Q2 Jun 2020	Q1 Mar 2020
Total credit facility use in (000's)	**$ 4,065**	$ 4,410	$ 5,890	$ 6,093	$ 5,208	$ 6,199	$ 7,836	$ 7,516

The current use of the credit facility is for investing in inventory, property and equipment, and to fund operating expenses. The Company previously financed growth through the issuance of convertible debentures and available credit facilities.

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.

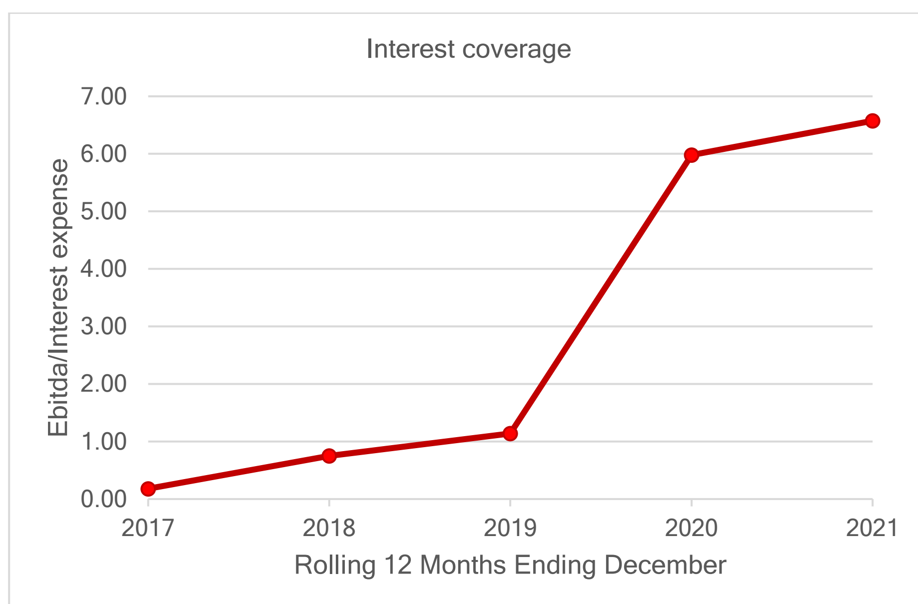
Debt Service Coverage

In 2017 the Company embarked on its plan to grow its market share, increase income from operations and improve its balance sheet. Since 2017 the Company's debt service coverage ratio has steadily increased from rolling four quarters ending December 31, 2017, of 0.23 to 1.58 for the rolling four quarters ending December 31, 2021. This is attributed to increased EBITDA and simultaneous reduction of debt as a result of the Company's focused, deleveraging strategy.



Interest Coverage Ratio

The interest coverage ratio, calculated using bank loan and debenture interest payments has increased from the rolling four quarters ending December 31, 2017, of 0.17 to 6.24 for the rolling four quarters ending December 31, 2021, as a result of a reduction in funded debt, an increase in EBITDA, and the 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 Calculation of Working Capital

	Dec 31, 2021	Dec 31, 2020
Current assets	**$ 5,671,339**	$ 5,504,331
Non-IFRS Current Liabilities		
Current Liabilities	**4,811,683**	7,394,248
Less:		
Current portion of lease liabilities	**(1,481,750)**	(1,551,951)
Normalized current liabilities	**3,329,933**	5,842,297
Normalized working capital ratio	**1.70**	0.94

Working capital, as represented by the current ratio at December 31, 2021, is 1.70 vs 0.94 on December 31, 2020, when calculated using the non-IFRS calculation for current liabilities, removing lease liabilities from the calculation. The increase of 0.76 is a result of the new agreement with TD classifying $1.4M of debt as non-current combined with an increase in current assets of $167,008 mainly due to an increase in inventory.

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.

Net Change in Non-cash Working Capital

Non-cash working capital has increased as a result of a decrease in current liabilities as a result of a portion of debt being classified as long term in addition to an overall reduction on credit facility use of $1.14M.

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 2021 or 2020.

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 150 basis points. With use of $4,064,810 of the credit facility, a one percent increase/decrease in interest rates would have an effect of $40,648 on net comprehensive income. At December 31, 2021 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, 2021, or April 14, 2022.

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.

Forecasted gross margins were based on past performance and expectations for market trends. A growth rate of between 1% to 2% (2020 assumption 0% - 2%) was based on industry statistics and past performance and was applied to revenue. Inflation between 0.5% to 1% (2020 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 11.4% and 12.3% (2020 range 9.8%-10.7%) was used and based on 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 14% to the 2022 sales or 16% to 2023 sales would reduce the recoverable amount to zero. An increase in the WACC to approximately 16.4% 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, 2023 and must be applied retrospectively. The Company has reviewed the standard and concludes it will have no impact.

In February 2021, the IASB published Definition of Accounting Estimates, amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.

In May 2021, the IASB published Deferred Tax Related to Assets and Liabilities from a Single Transaction, amendments to IAS 12, Income Taxes. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.

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 (2020 - $87,630) in respect of three retail liquor stores (2020 – 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, 2021, 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, 2022, all locations are open and operational.

Impact due to Economic Conditions

The Company's financial results for fiscal 2021 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.

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.

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.

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.

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.

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.

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, 2021.

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.

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.

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.

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 2021**	3 months ended Dec 2020	3 months ended Dec 2019	**12 months ended Dec 2021**	12 months ended Dec 2020	**12 months ended Dec 2019**
Net comprehensive income	$ 214,221	$ 134,317	$ 168,551	$ 1,142,665	$ 1,520,605	$ 2,838,038
Income tax	-	-	(203,886)	-	-	-
Deferred income tax recovery	(196,373)			(196,373)		
Finance costs	49,367	82,180	141,365	258,742	407,751	977,398
Depreciation	67,190	78,680	110,299	276,033	318,948	444,060
Right-of-use assets depreciation	281,771	279,295	348,633	1,075,953	1,139,645	1,385,303
Finance costs on lease liabilities	198,245	173,884	144,180	703,740	626,305	658,183
Loss (gain) on disposal of property and equipment and goodwill	2,005	2,707	4,936	7,958	46,487	3,470
Gain on redemption of convertible debenture	-	-	-	-	-	(3,472,811)
Store closure expenses	-	(79)	-	2,835	37,975	358
EBITDAR	**$ 616,426**	$ 750,984	$ 714,078	**$ 3,271,553**	$ 4,097,716	**$ 2,833,999**
Rent expense	(376,690)	(391,660)	(416,894)	(1,570,430)	(1,660,155)	(1,719,048)
EBITDA	**$ 239,736**	$ 359,324	$ 297,184	**$ 1,701,123**	$ 2,437,561	**$ 1,114,951**