Rocky Mountain Liquor

Ticker: “RUM”

MANAGEMENT’S DISCUSSION AND ANALYSIS
For the period March 31, 2022

As at May 5, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis is dated May 5, 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 unaudited consolidated interim financial statements and accompanying notes of the Company for the period ended March 31, 2022. The Company owns 100% of Andersons Liquor Inc. ("Andersons") headquartered in Edmonton Alberta, which owns and operates private liquor stores in that province.

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

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

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

FORWARD LOOKING INFORMATION AND STATEMENTS ADVISORY

This management discussion and analysis contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "might" and similar expressions is intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this management discussion and analysis contains forward-looking information and statements pertaining to the following: (i) the stability of retail liquor sales; (ii) increased revenues and decreased margins due to re-branding strategy; (iii) the ability to purchase inventory at a discount; (iv) ongoing impact from price inflation; (v) 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, three month comparison:

Period	**3 Months Ending Mar 2022**	**3 Months Ending Mar 2021**	**3 Months Ending Mar 2020**	**3 Months Ending Mar 2019**
Sales	$ 8,643,349	$ 9,496,824	$ 9,436,875	$ 9,076,521
Sales of Existing Stores (1)	$ 8,643,349	$ 9,496,824	$ 8,942,868	$ 8,436,218
Gross Margin	22.4%	22.3%	22.0%	21.3%
EBITDAR (2)	$ 319,525	$ 498,759	$ 491,262	$ 263,010
Net Loss	$ (211,590)	$ (87,108)	$ (275,182)	$ (699,496)

Notes:
(1) Sales existing stores are sales from stores that are in operation during the applicable year.
(2) Calculation of EBITDAR is described under the heading “Non-IFRS Measures”

OUTLOOK

Management’s focus for the remainder of the fiscal year will be on improving the in-store experience for our customers. Increased focus and efforts on sales and average basket-building techniques will be deployed. Standardization of the in-store merchandising and layouts of the stores will improve product listing decisions and provide consumers with a consistent shopping experience.

While it is anticipated that increased inflation may potentially have an impact on wages, this is expected to be offset by inflationary increases on product pricing.

The creation of a single brand to operate all stores will be another key priority of Management in the upcoming year. The unification under one brand may result in some cost savings and will allow the Company to focus on creating a recognizable brand in the marketplace. A single brand will allow us to communicate through our social and digital platforms more concisely. Management will be focused on evaluating opportunities to grow the brand.

While the effects of Covid 19 appear to be subsiding, Management is committed to putting the safety of our staff and communities at the forefront. 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:

- Employees are encouraged to wear and are provided a mask while working
- Increased sanitation
- Plexiglass shields at each till
- Touchless sanitation units at each entrance for customer and staff use
- Encouraging contactless payments
- Screening staff for symptoms before they come to work
- Providing disposable masks to customers

SALES AND OPERATING RESULTS - 3 Months ending March 31, 2022

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. Historically sales in the Q1 period are the lowest, having earned 21% of total sales in 2021. 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.

Sales

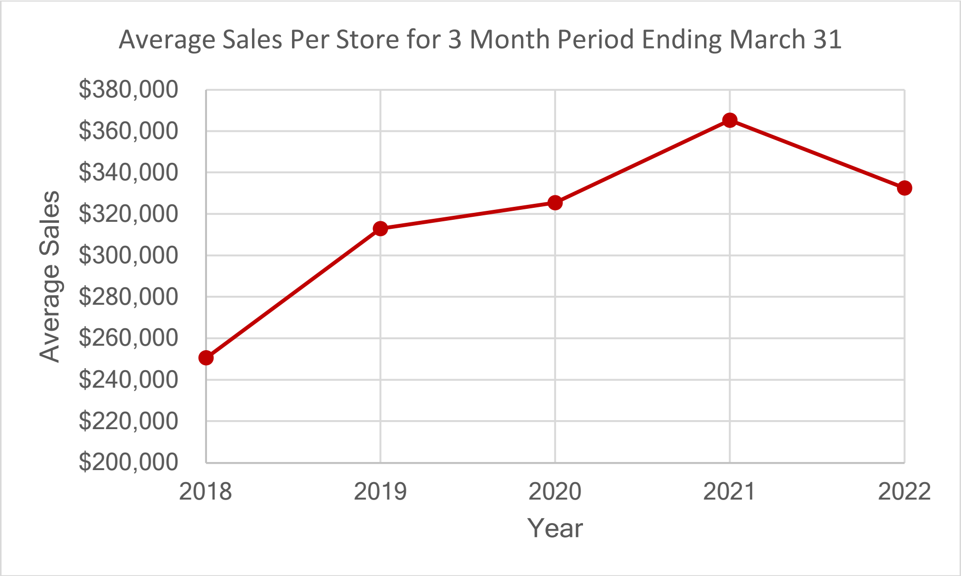
The following table shows the sales of the Company for the three months ending March 31, 2022, 2021, 2020 and 2019.

Period	3 Months Ending Mar 2022		3 Months Ending Mar 2021		3 Months Ending Mar 2020		3 Months Ending Mar 2019	
Sales of existing stores	$ 8,643,349	100.0%	$ 9,496,824	100.0%	$ 8,942,868	94.8%	$ 8,436,218	92.9%
Sales of other stores (1)	-	0.0%	-	0.0%	494,007	5.2%	640,303	7.1%
Total Sales	8,643,349		9,496,824		9,436,875		9,076,521	

Notes:
(1) Sales of other stores are sales from stores that were not in operation in 2022.

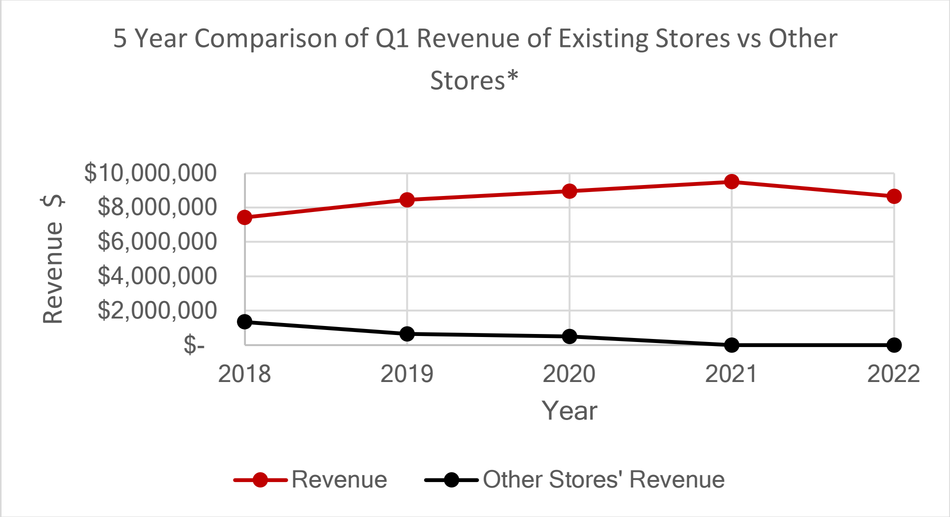
Upon the onset of the COVID-19 pandemic in March 2020 and the closure of onsite liquor consumption establishments, there was a resulting increase in consumption of liquor in the retail sector. During Q1 2020 and Q1 2021 amid various openings and closings of onsite sales establishments, the retail sector experienced an increase in sales. In Q1 2022 the Alberta Government relaxed restrictions to onsite consumption establishments, resulting in a reduction to sales from 2021 of 9% during the quarter and 3% during the 2020 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-19 periods.

Sales per Store



Average sales per store are based on the average number of stores in operation during the three months ending March 31st. Average sales per store have increased in 2022 over 2018, 2019 and 2020 as a result of the Company's rebranding strategy to grow its market share. 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 as COVID-19 had a positive impact on both Q1 2020 and Q1 2021. When comparing to a period without an impact from covid, the Company has experienced overall growth of 6.2% on average sales per stores in 2021 since 2019.

Five Year Comparison of Q1 Revenue from Existing Stores to Other Stores



*Other stores' revenue are the revenues from those stores no longer in operation come the end of March 31, 2022.

Existing store revenue is defined as revenues from the 26 stores in operation at the end of the period in 2022. The Company has reduced its number of operating stores from 35 in 2018 to 26 in 2022. Sales of existing stores have increased by $7,966 per store in Q1 2022 versus Q1 2019 (pre-covid period), and overall sales from existing stores increased 2.5%, as a result of the success of the Great Canadian Liquor ("GCL") rebranding strategy and improvement of the customer experience. This increase is the result of the Company's focus on its marketing and promotion strategies for the GCL brand and its model to focus on increased market share.

The following table shows operational results of the Company for the three months ending March 31, 2022, and 2021.

Period	**3 Months Ending Mar 2022**		**3 Months Ending Mar 2021**	
Gross margin	1,935,485	22.4%	2,115,588	22.3%
Operating and administrative expense	1,642,841	19.0%	1,640,338	17.3%
Operating Margin (1)	$ 292,644	3.4%	$ 475,250	5.0%
Stores at Period End	26		26	

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

Cost of Goods Sold and Gross Margin

Margins have remained consistent at 22.4% in 2022 compared to 22.3% in 2021. 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 summer and 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-month period ended March 31, 2022 are slightly higher than 2021 as a result of an increase in computer expense for cybersecurity monitoring. Operating and administrative expenses as a percent of sales are higher in 2022 versus 2021 as a result of higher sales in 2022 and consistent costs throughout both years.

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

		Mar 31, 2022		Dec 31, 2021		Mar 31, 2021
Current Liability:						
Operating facility loan	$	**2,662,986**	$	1,861,671	$	3,442,828
Bank loan		**792,995**		815,388		2,650,000
Total current		**3,455,981**		2,677,059		6,092,828
Long term portion of bank loan		**1,213,876**		1,387,751		-
Total Credit Facility Use	$	**4,669,857**	$	4,064,810	$	6,092,828

Credit facilities are provided 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 March 31, 2022 the Company complies with this covenant.

Finance Costs on Credit Facility

Period	**3 Months Ending Mar 2022**	3 Months Ending Mar 2021
Finance costs	**$ 45,615**	$ 72,923

Finance costs reduced by $27,308 for the three-month period ending March 31, 2022 as a result of repayments to the bank loan balance in 2022 over 2021. Finance costs on the credit facility were further reduced as a result of a decrease in interest rates under the new agreement implemented May 31, 2021 with TD, moving rates from prime plus 2.65% to prime plus 1.5%. While increases in interest rates during the 2022 fiscal year due to increases in prime lending rate are anticipated, they are not expected to have a material effect on the company's results as a result of a significant reduction in debt over the last three years.

Liquidity

The Company's use of its operating line fluctuates with the seasonality of sales trends. Historically sales in the Q1 period are the lowest, having earned 21% of total sales in 2021. The Company's use of its operating facility 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.

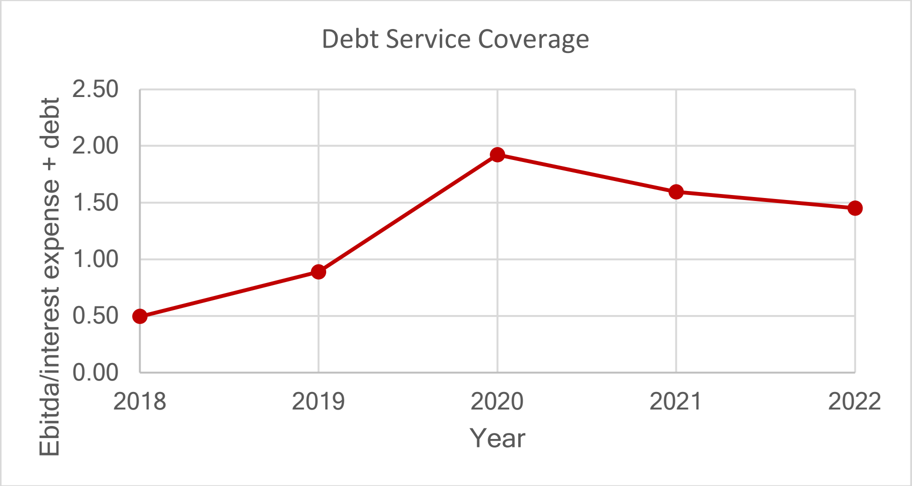
	Q1 Mar 2022	Q4 Dec 2021	Q3 Sep 2021	Q2 Jun 2021	Q1 Mar 2021	Q4 Dec 2020	Q3 Sep 2020	Q2 Jun 2020
Total credit facility use in (000's)	**$ 4,670**	$ 4,065	$ 4,410	$ 5,890	$ 6,093	$ 5,208	$ 6,199	$ 7,836

Current use of the credit facility is for investing in inventory, property and equipment, and used for 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.

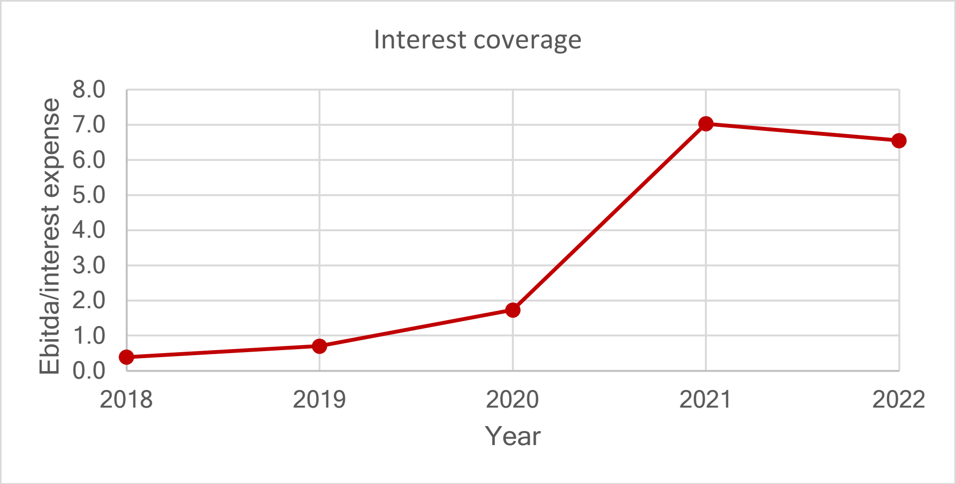
Debt Service Coverage

In 2017 the Company embarked on its plan to grow its market share, increase income from operations and improve its balance sheet. The Company's debt service coverage ratio has increased to 1.45 for the rolling four quarters ending March 31, 2022 from 0.50 in 2018. 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 March 31, 2018 of 0.4 to 6.6 for the rolling four quarters ending March 31, 2022 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 Normalized Presentation of Working Capital

	Period Ended Mar 31, 2022	Period Ended Mar 31, 2021	Period Ended Mar 31, 2020	Period Ended Mar 31, 2019
Current assets	$ 6,021,792	$ 6,210,959	$ 5,459,802	$ 5,875,655
Non-IFRS Current Liabilities				
Current liabilities	5,518,724	8,129,456	9,660,894	10,018,138
Less:				
Non current portion of bank loan	-	(1,450,000)	-	-
Current portion of lease liabilities	(1,487,070)	(1,553,361)	(1,741,206)	(1,731,967)
Normalized current liabilities	4,031,654	5,126,095	7,919,688	8,286,171
Normalized working capital ratio	**1.49**	1.21	0.69	0.71

Working capital, as represented by the current ratio at March 31, 2022, is 1.49 vs 1.21 on March 31, 2021, 0.69 on March 31, 2020 and 0.71 on March 31, 2019, when calculated using the non-IFRS calculation for current liabilities, removing lease liabilities from the calculation. The increase of 0.28 for 2022 over 2021 is a result of the new agreement with TD classifying $1.4M of debt as non-current combined with a decrease in current assets of $189,167 mostly due to a decrease in inventory. The increase for 2022 over 2020 and 2019 is a result of a reduction in overall debt as a result of the Company's focused deleveraging strategy.

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as at March 31, 2022, or May 5, 2022.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

There are no updates to the Company's critical accounting judgements, estimates and assumptions. For further discussion, refer to the Company's annual MD&A for the year ended December 31, 2021.

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 March 31, 2022, 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 include pandemic; impact due to economic conditions; supply interruption or delay; regulated competitive environment; weather, labour costs and labour market; available financing; credit facility; impact from provincial tax increases; potential decline in consumption of alcoholic beverages and products sold; importance of information and control systems; reliance on key personnel; ability to maintain acceptable store sites and adapt to changing market conditions; ability to maintain acceptable store sites and adapt to changing market conditions; market volatility and unpredictable share price and active trading market.

For a discussion of these risks and other risks associated with an investment in Shares, see “Risk Factors” detailed in the Company’s Management Discussion and Analysis dated April 14, 2022 which is available at www.sedar.com.

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.”

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 3, 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. 2022 and 2021 periods include a single lease that has its rent expense included in operating and administrative expenses rather than in finance costs on lease liabilities and right of use assets depreciation due to the terms of that lease. The calculation for EBITDAR has total cash rent payments made in the period, removed. Management believes that, in addition to income or loss, EBITDA and EBITDAR are useful supplemental measures of performance.

Period	**3 Months Ended Mar 2022**	3 Months Ended Mar 2021	3 Months Ended Mar 2020	3 Months Ended Mar 2019
Net comprehensive loss	$ (211,590)	$ (87,108)	$ (275,182)	$ (699,496)
Finance costs	45,615	72,923	128,397	335,456
Property and equipment depreciation	63,229	69,022	96,451	111,702
Right-of-use assets depreciation	231,756	249,727	329,597	346,325
Finance costs on lease liabilities	163,306	162,713	153,632	171,805
Loss on disposal of property and equipment and goodwill	328	5,138	44,300	(2,942)
Store closure expenses	-	2,835	14,067	160
Rent expense in operating and administrative expenses	26,881	23,509	-	-
EBITDAR	**$ 319,525**	$ 498,759	**$ 491,262**	$ 263,010
Rent expense	(397,946)	(393,626)	(425,794)	(427,652)
EBITDA	**$ (78,421)**	$ 105,133	**$ 65,468**	$ (164,642)