ROCKY MOUNTAIN LIQUOR

Ticker: “RUM”

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the year ended December 31, 2022

As at April 25, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis is dated April 25, 2023.

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, 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 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: (is) 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) impact of economic events affecting discretionary consumer spending; (ii) the impact of increases in labour costs; (iii) the possibility of a potential decline in consumption of alcoholic beverages and products sold; (iv) Cybersecurity; (v) impact from competition in the markets where the Company operates; (vi) the impact of weather on its effect on consumer demand (vii) the impact of supplier disruption or delays; (viii) the impact of the pandemic; (ix) actions by governmental or regulatory authorities including changes in income tax laws and excise taxes; (x) the ability of the Company to retain key personnel; (xi) the availability of financing (xii) the ability of the Company to meet its financial obligations; (xiii) the maintenance of management information systems; (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 three month comparison:

	3 months ended	
	Dec 2022	**Dec 2021**
Sales	$ 10,416,242	$ 11,037,322
Gross Margin	22.7%	21.6%
EBITDAR (1)	$ 758,259	$ 616,426
Net Income	$ 131,673	$ 214,221

Key operational and financial highlights, year over year 12-month comparison:

	12 months ended	
	Dec 2022	**Dec 2021**
Sales	$ 41,981,133	$ 44,789,043
Gross Margin	22.6%	22.4%
EBITDAR (1)	$ 2,681,137	$ 3,271,553
Net Income	$ 277,529	$ 1,142,665

Notes:

(1) Calculation of EBITDAR is described under the heading “Non-IFRS Measures”

SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company purchased capital assets and inventory from a store in Central Alberta and combined its operations with with an existing store of the Company in the same market.

OUTLOOK

Management's focus remains on providing customers with an exceptional in-store experience. 2022 continued to be a profitable year with $277,529 in net income for the year. The Company is continually evaluating its marketing plans to ensure that the strategies are generating and maintaining brand awareness and brand engagement as well as driving customer traffic to our stores. Management will continue focusing on improving category management through standardization of store layouts, pricing strategies and a strong promotional focus.

According to the Provincial Governments Economic Outlook, an uptick in population growth is expected to provide relief to Alberta's tight labour market and buoy job gains. However, rising borrowing costs and elevated prices will continue to dampen consumer spending. Over the medium term, economic growth is expected to pick up and become more broad-based. Real GDP is forecast to rise to 3.0% in 2024 and average 2.9% between 2025 and 2026[1]. Economic conditions as described could impact consumer buying habits, and substitutions to lower priced products. The Great Canadian Liquor brand serves this market and has adapted pricing to anticipate trends.

In the past year, the Company reduced debt by $971,000, improving the balance sheet position and helping offset interest costs due to increases in the prime rate. The company remains focused on reducing debt and related interest costs, while identifying opportunities for increasing shareholder value.

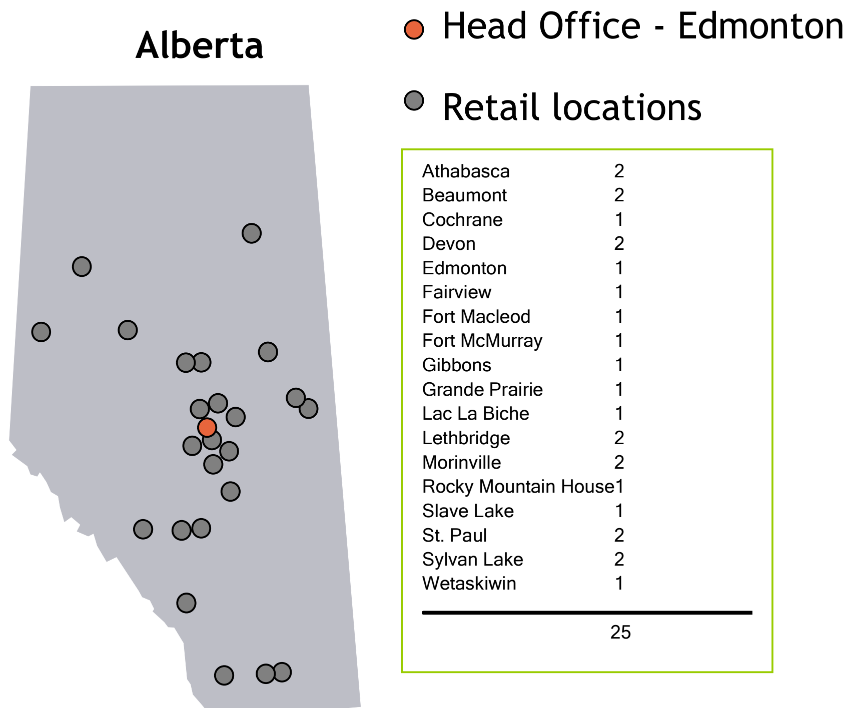
OVERVIEW OF THE COMPANY

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. 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 99% of total sales as of December 31, 2022.

Andersons operated 25 liquor stores in Alberta at December 31, 2022. 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 in its retail operations, allowing it to take advantage of procurement opportunities.

Currently, Andersons operates seven stores in Northern Alberta, 14 stores in Central Alberta and four stores in Southern Alberta.

[1] Alberta, Economic Outlook – Budget 2023 retrieved on April 10, 2023 from https://www.alberta.ca/economic-outlook.aspx,



Location	Count
Athabasca	2
Beaumont	2
Cochrane	1
Devon	2
Edmonton	1
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
	25

BUSINESS STRATEGY

Margin Focus

The Company is continuously monitoring and examining its gross margins. 16 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 strategies are constantly monitored and adjusted to ensure that we're generating the best return on investment.

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 $15, under $20, and premium.

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, 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 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. 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. 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 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 connection which substantially reduces the risk of loss of customer credit card data and the associated reputational loss.

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 supervisors that includes Canadian privacy awareness training. Employees in a digital environment are frequently exposed to sophisticated social engineering, phishing and ransomware attacks. Avoidance of these threats are best managed by continually training employees who act as human firewalls.

The Company's approach to risk planning for its information technology systems encompasses risk assessment, risk mitigation, periodic evaluation and assessment as well as daily automatic logging and reporting of system performance. In this way, our technology investment remains aligned with operational goals. Our key operational leaders and our support staff review our enterprise resource planning process reporting

requirements. This direct collaboration and timely accountability results in improvements to existing technologies, and ideas for new automated processes.

MANAGEMENT TEAM

Allison Radford, CEO	Mrs. Radford is the Chief Executive Officer of RML. She previously held the position of Chief Operating Officer from 2007 to 2019. Prior to joining Andersons, she worked at Deloitte & Touche LLP from 2002 to 2007, receiving her Chartered Accountant designation in 2005.
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, 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. 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, 2022 and 2021.

Period	**3 months ended**			
	Dec 2022		**Dec 2021**	
Sales	$ 10,416,242		$ 11,037,322	
Gross margin	2,366,306	22.7%	2,379,628	21.6%
Operating and administrative expense	1,675,648	16.1%	1,763,213	16.0%
Operating margin (1)	**$ 690,658**	6.6%	$ 616,415	5.6%
Non-recurring Items	3,732	0.0%	17,157	0.2%
Operating margin before non-Recurring Items (2)	$ 694,390	6.7%	$ 633,572	5.7%
Stores at period end	**25**		26	

Notes:
(1) Operating Margin has been calculated as described under "Non-IFRS Measures."
(2) Operating margin before non-recurring items is adjusted to remove non-recurring costs and has been calculated as described under "Non-IFRS Measures."

Sales

Sales for the three months ending December 31, 2022 are 5.6% lower than the same period in 2021. For the 2021 period, restrictions were in place to on-site liquor consumption establishments resulting in a positive effect on retail liquor sales in 2021. As restrictions were removed February 2022, there was subsequent decrease to retail liquor sales in 2022. Q4 2022 sales are also impacted from the sale of one store in October 2022.

Cost of Goods Sold and Gross Margin

Margins have increased to 22.7% in Q4 2022 compared to 21.6% for the same period in 2021. Margins fluctuate between periods as the Company aligns its marketing, pricing, and promotional strategies to maximize gross margins. The Company strategizes the timing of Limited Time Offer purchases with in store promotions, to realize margin growth while balancing costs and customer experience.

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, 2022, are lower than the same three months in 2021 primarily as a result of savings on short term incentive payments issued in 2021 which were not awarded in 2022. Occupancy costs saved related to the store sold in October 2022 also lowered overall operating expenses for the quarter.

OPERATING RESULTS - 12 Months ending December 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. 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 12 months ending December 31, 2022 and 2021.

Period	**12 months ended**			
	Dec 2022		**Dec 2021**	
Sales	$ 41,981,133		$ 44,789,043	
Gross margin	9,476,360	22.6%	10,049,049	22.4%
Operating and administrative expense	6,854,485	16.3%	6,777,507	15.1%
Operating margin (1)	**$ 2,621,875**	6.2%	$ 3,271,542	7.3%
Non-recurring Items	119,770	0.3%	96,471	0.2%
Operating margin before non-Recurring Items (2)	$ 2,741,645	6.5%	$ 3,368,013	7.5%
Stores at period end	**25**		26	

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

(2) Operating margin before non-recurring items is adjusted to remove 2022 share-based compensation awarded under the Company's Option Plan in Q2, 2022 and other non-recurring costs and has been calculated as described under "Non-IFRS Measures."

Sales

Sales for the 12 month period ending December 31, 2022 are 6.2% lower than the same period in 2021. This is mainly due to restrictions in place in 2021 to on-site liquor consumption establishments resulting in a positive effect on retail liquor sales in that period. As restrictions were removed February 2022, there was subsequent decrease to retail liquor sales in 2022. 2022 sales are also impacted from the sale of one store in October 2022.

Cost of Goods Sold and Gross Margin

Margins have increased to 22.6% 2022 compared to 22.4% for 12-month period ending December 31, 2022. Margins fluctuate between periods as the Company aligns its marketing, pricing, and promotional strategies to maximize gross margins. The Company strategizes the timing of Limited Time Offer purchases with in store promotions, to realize margin growth while balancing costs and customer experience.

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 12 months ended December 31, 2022, are higher than 2021 as a result of a change to the terms of a lease, resulting in $91,000 in additional costs being expensed on the income statement under operating and administrative expenses rather than flowing through right-of use asset depreciation and finance costs on lease liabilities.

CONDENSED QUARTERLY INFORMATION

Expressed in (000's)	2022				2021			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
# stores end of period	25	26	26	26	26	26	26	26
Sales	10,416	11,868	11,054	8,643	11,037	11,779	12,476	9,497
Net comprehensive income (loss)	132	222	183	(259)	214	468	548	(87)
Basic income (loss) per share	0.00	0.01	0.00	(0.00)	0.00	0.01	0.01	(0.00)
Diluted income (loss) per share	0.00	0.01	0.00	(0.00)	0.00	0.01	0.01	(0.00)

Quarterly sales in 2022 as compared to 2021:

- Quarterly sales in Q1, Q2 and Q4 2022 are lower based on the impact of COVID-19 on sales in 2021 where 2021 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 sales were also impacted by COVID-19 in Q3 2022, however due to favorable weather, quarterly sales at Q3 2022 are higher than the same quarter in 2021.

Quarterly net income and loss in 2022 as compared to 2021:

- Quarterly net income through 2022 was lower than 2021 due to a reduction in sales and decreased operating margin as a result of COVID-19 impacts to 2021 sales.

CONDENSED ANNUAL INFORMATION

Expressed in (000's)	2022	2021	2020
# stores end of period	25	26	26
Sales	41,981	44,789	48,428
Net comprehensive income	278	1,143	1,521
Total assets	23,778	25,956	26,788
Total liabilities	15,292	17,807	19,781
Basic income per share (1)	0.01	0.02	0.03
Diluted income per share (1)	0.01	0.02	0.03
Adjusted basic income per share (2)	0.01	0.02	0.03
Adjusted diluted income per share (2)	0.01	0.02	0.03

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

Annual comparison

- Total assets in 2022 have reduced from 2020 and 2021 mainly as a result of a reduction in the right-of-use asset assets due to the recognition of right-of-use assets depreciation.
- Total liabilities have reduced from 2020 and 2021 and as a result of the Company's focus on reducing its debt held with TD as well as a reduction to the lease liability as a result of lease payments made, reducing the overall liability.

LIQUIDITY AND CAPITAL RESOURCES AS OF DECEMBER 31, 2022

Authorized - Unlimited common shares

	Number		Amount
Balance Dec 31, 2021	47,489,937	$	7,377,311
Issued May 9, 2022	337,838		50,000
Balance Dec 31, 2022	**47,827,775**	**$**	**7,427,311**

On May 12, 2022 the Company issued shares worth $25,000 to each of two individual officers of the Company as approved by the TSX Venture Exchange in accordance with the Company's Option Plan. A total number of 337,838 shares were issued at a price of $0.148, based on applying the volume-weighted average trading price of listed shares traded for the five trading days immediately preceding the issuance of shares. $50,000 (2021 – $nil) in compensation expense was recognized for this transaction.

Options

<u>Stock option plan ("Option Plan")</u>

On May 9, 2022, 192,308 incentive options were issued under the Option Plan, representing 0.4% of the outstanding common shares, vesting immediately. All options expire May 8, 2025. Any shares issued under the Stock Option Plan are subject to the regulatory hold periods.

The options have an exercise price of:

- Year 1: $0.105
- Year 2: $0.113
- Year 3: $0.121

	# of options	Exercise Price	Estimated fair value of options	Weighted average exercise price	Weighted average contractual life remaining
Outstanding Dec 31, 2021	-	-	-	-	-
Issued May 9, 2022	192,308	$0.105 - $0.121	9,237	0.113	0.950
Outstanding Dec 31, 2022	**192,308**	**$0.105 - $0.121**	**9,237**	**0.115**	**0.784**

The options have a term of three years from the date of grant with no vesting period. Share based compensation expense was $9,237 (2021 – $nil) in 2022. This is accounted for in operating and administrative expenses in the consolidated statements of comprehensive income.

FINANCING AND CREDIT FACILITIES

Credit Agreement

Through the Toronto-Dominion Bank ("TD"), the Company has 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 1.25% 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 was initially amortized over 39 months, due August 31, 2024 with monthly payments of interest and principal. On November 1, 2022, the Company extended the term loan with TD a further 12 months, to August 30, 2025 from August 30, 2024. The extension did not result in a loan modification under IFRS 9.

Summary Of Credit Facilities

	Dec 31, 2022	Dec 31, 2021
Current Liability:		
Operating facility loan	**$ 1,622,322**	$ 1,861,671
Bank loan	**519,487**	815,388
Total current	**2,141,809**	2,677,059
Long term portion of bank loan	**952,005**	1,387,751
Total Credit Facility Use	**$ 3,093,814**	$ 4,064,810

Both facilities are 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 - unfinanced net capital expenditures - permitted distributions - cash taxes / (scheduled principal payments + interest), calculated based on a rolling four-quarter period. As at December 31, 2022 the Company is in compliance with this covenant.

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.

Finance Costs on Credit Facility

Period	3 months ended		12 months ended	
	Dec 2022	Dec 2021	**Dec 2022**	Dec 2021
Finance costs	**$ 75,299**	$ 49,367	**$ 260,146**	$ 258,742

Finance costs on the credit facility increased by $29,932 for the three months ending December 31, 2022, and $1,404 for the 12 months ending December 31, 2022 as a result of increasing prime rates throughout 2022, offset by the repayment of debt. Prime at December 31, 2021 was 2.45% and increased to 6.45% by the end of 2022. To reduce the impact from rising interest rates, the Company reduced debt by $970,996 in 2022 over 2021.

The Company is subject to interest rate risk as its bank loan and operating facility bears interest rates that vary in accordance with prime borrowing rates. Assuming outstanding operating facility and bank loan balance of $3,093,814, a one percent increase in interest rates would have an effect on net comprehensive income of $30,938 on an annual basis. The Company manages its interest rate risk through credit facility negotiations and cost management.

Liquidity

The Company's use of its operating line fluctuates with the seasonality of sales trends, which normally peaks at the end of the second quarter of the year, and is at its lowest value at the end of Q4 Total credit facility use from December 2021 to December 2022 has reduced by $970,996 as a result of debt repayments.

	Q4 Dec 2022	**Q3 Sep 2022**	**Q2 Jun 2022**	**Q1 Mar 2022**	Q4 Dec 2021	Q3 Sep 2021	Q2 Jun 2021	Q1 Mar 2021
Total credit facility use in (000's)	**$ 3,094**	**$ 3,838**	**$ 5,448**	**$ 4,670**	$ 4,065	$ 4,410	$ 5,890	$ 6,093

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 1.54 ending December 31, 2022 from 0.95 in 2018. This is attributed to increased EBITDA and simultaneous debt reduction 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 December 31, 2018, of 0.75 to 4.7 for the rolling four quarters ending December 31, 2022. This is due to a reduction in funded debt, an increase in EBITDA, and lower interest costs. The Company manages its interest rate risk through credit facility negotiations.

Non-IFRS Calculation of Working Capital

	Dec 31, 2022	Dec 31, 2021
Current assets	**$ 5,488,483**	$ 5,671,339
Non-IFRS Current Liabilities		
Current Liabilities	**4,130,199**	4,811,683
Less:		
Current portion of lease liabilities	**(1,443,806)**	(1,481,750)
Normalized current liabilities	**2,686,393**	3,329,933
Normalized working capital ratio	**2.04**	1.70

Working capital, as represented by the current ratio at December 31, 2022, is 2.04 vs 1.70 on December 31, 2021, when calculated using the non-IFRS calculation for current liabilities, removing lease liabilities from the calculation. The increase of 0.34 is a result of an overall reduction to liabilities as a result of debt repayments made to TD.

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, point of sale upgrades and asset replacements.

Net Change in Non-cash Working Capital

Non-cash working capital is $1,211,366 for the period ending December 31, 2022 and was $741,641 at December 31, 2021. Non-cash working capital has increased as a result of a decrease in current liabilities as a result of an overall reduction to the current portion of the credit facility use of $535,250.

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 2022 or 2021.

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 + 1.25%. At December 31, 2022 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, 2022, or April 25, 2023.

PROPOSED TRANSACTIONS

There were no proposed transactions at December 31, 2022, or April 25, 2023 that have not been disclosed in the "Subsequent Event" section.

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.

In conducting its annual goodwill impairment test, the Company performed a discounted cash flow ("DCF") analysis on its group of CGU's making the operating segment to which goodwill has been allocated 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 2% (2021 assumption 1% - 2%) was based on industry statistics and past performance and was applied to revenue. Inflation of 1.5% (2021 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 12.8% and 14.0% (2021 range 11.4%-12.3%) 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 9.4% to the 2023 sales or 4.6% to 2024 sales would reduce the recoverable amount to zero. An increase in the WACC to approximately 15.4% 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 January 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 January 1, 2023 and must be applied retrospectively. These amendments are not expected to have an impact on the Company's financial statements.

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. These amendments are not expected to have an impact on the Company's financial statements.

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. These amendments are not expected to have an impact on the Company's financial statements.

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 $5,200 to a director for consulting fees associated with the CEO transition (2021 – $nil). During 2022 the Company paid rents of $90,711 (2021 - $89,100) in respect of three retail liquor stores (2021 – three) to privately held companies in which a director is a significant shareholder. The rent is at market rates. Included in accounts payable at Dec 31, 2022 is $92,717 due to a director. The loan agreement between related parties provides an interest rate of 5% per annum. Interest expense is $1,194 (2021 - $nil).

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, 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 are defined below;

Impact due to Economic Conditions

The Company's financial results for fiscal 2022 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.

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.

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 favoring 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.

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.

Regulated Competitive Environment

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

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

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

Weather

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

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.

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 25, 2023, all locations are open and operational.

Impact from 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.

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.

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.

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 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 share-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, share based compensation, 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 2022**	3 months ended Dec 2021	**12 months ended Dec 2022**	12 months ended Dec 2021
Net comprehensive income	$ 131,673	$ 214,221	$ 277,529	$ 1,142,665
Deferred income tax recovery	52,234	(196,373)	52,234	(196,373)
Finance costs	75,299	49,367	260,146	258,742
Depreciation	61,296	67,190	262,633	276,033
Right-of-use assets depreciation	294,790	281,771	1,133,746	1,075,953
Finance costs on lease liabilities	145,309	198,245	632,749	703,740
Share based compensation	-	-	59,237	-
(Gain) loss on disposal of property and equipment and goodwill	(9,377)	2,005	(4,172)	7,958
Store closure expenses	7,035	-	7,035	2,835
EBITDAR	**$ 758,259**	$ 616,426	**$ 2,681,137**	$ 3,271,553
Rent expense	(358,912)	(376,690)	(1,480,518)	(1,570,430)
EBITDA	**$ 399,347**	$ 239,736	**$ 1,200,619**	$ 1,701,123