ROCKY MOUNTAIN LIQUOR

Ticker: “RUM”

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the period March 31, 2023

As at May 23, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis is dated May 23, 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 unaudited consolidated interim financial statements and accompanying notes of the Company for the period ended March 31, 2023. 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: (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	
	Mar 2023	**Mar 2022**
Sales	$ 8,382,233	$ 8,643,349
Gross Margin	22.8%	22.4%
EBITDA (1)	$ (92,805)	$ (78,421)
Net Loss	$ (290,258)	$ (211,590)

Notes:

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

OUTLOOK

Management’s focus remains on providing customers with an exceptional in-store experience. 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.

In the 12 months ending March 31, 2023, the Company reduced debt by $1,012,000, improving the balance sheet position and helping offset interest costs due to increases in the prime rate. The company remains dedicated to reducing debt and related interest costs, while identifying opportunities for increasing shareholder value.

The Great Canadian Liquor brand is strategically focused on providing and exceptional customer experience while maintaining competitive pricing. The Company continues to adapt to changing economic conditions. A recent economic review released from the Government of Alberta states that Alberta's consumer sentiment continues to improve as more Albertans were optimistic about job prospects and making major purchases. Despite higher interest rates and prices, the Conference Board of Canada's index of consumer confidence has increased to its highest level since May 2022[1].

Currently, there are a number of wildfires throughout the Province. As we experience a warmer and dryer spring than is historically common, there could be potential impacts on operations in our rural communities. We will continue to monitor any emergency situations and support our team members and communities.

SALES AND OPERATING RESULTS - 3 Months ending March 31, 2023

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 20% of total sales in 2022. 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 sales of the Company for the three months ending March 31, 2023, and 2022.

Period	**3 months ended**					
	Mar 2023			**Mar 2022**		
Sales of existing stores	$	8,382,233	100.0%	$	8,470,722	98.0%
Sales of other stores (1)		-			172,627	2.0%
Total sales	$	8,382,233	100.0%	$	8,643,349	100.0%
Gross margin		1,914,191	22.8%		1,935,485	22.4%
Operating and administrative expense		1,669,442	19.9%		1,642,842	19.0%
Operating margin (2)	**$**	**244,749**	2.9%	$	292,643	3.4%
Non-recurring Items		-	0.0%		8,965	0.1%
Operating margin before non-Recurring Items (3)	$	244,749	2.9%	$	301,608	3.5%
Stores at period end	**25**			26		

Notes:

(1) Sales of other stores are sales from stores that were not in operation in 2023.

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

(3) 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 March 31, 2023 are lower than the same period in 2022, primarily due to the sale of a store in Q4, 2022. In addition, at the beginning of 2022, restrictions were in place to on-site liquor consumption establishments resulting in a positive effect on retail liquor sales during the first quarter. As restrictions were removed February 2022, there was an impact to retail liquor sales.

Cost of Goods Sold and Gross Margin

Margins are higher at 22.8% in 2023 compared to 22.4% in 2022 as management has been focusing on its marketing, pricing and promotional strategies by using competitive pricing strategies to support profitable

[1] Weekly Economic Review – May 12, 2023, retrieved on May 15, 2023 from: https://open.alberta.ca/dataset/aee01e89-147f-4f32-90bd-c3eba4834c5c/resource/0c7231c1-1ee3-4ea8-bd4a-a073e314ab88/download/tbf-weekly-economic-review-2023-05-12.pdf

growth. 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, 2023 are slightly higher than 2022 due to an increase in salaries and wages due to inflationary pressures, as well as an increase in travel costs as store support teams are more active in the period since covid restrictions have lifted.

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

	Mar 31, 2023	Dec 31, 2022	Mar 31, 2022
Current Liability:			
Operating facility loan	**$ 2,309,698**	$ 1,622,322	$ 2,662,986
Bank loan	**526,459**	519,487	792,995
Total current	**2,836,157**	2,141,809	3,455,981
Long term portion of bank loan	**821,701**	952,005	1,213,876
Total Credit Facility Use	**$ 3,657,858**	$ 3,093,814	$ 4,669,857

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 March 31, 2023, 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.

Finance Costs on Credit Facility

Period	3 months ended	
	Mar 31, 2023	Mar 31, 2022
Finance costs	**$ 72,538**	$ 45,615

Finance costs on the credit facility increased by $26,923 for the three months ending March 31, 2023 as a result of increasing prime rates throughout 2022, offset by the repayment of debt. Prime at March 31, 2022 was 2.70% and increased to 6.45% by the end of 2022. To reduce the impact from rising interest rates, the Company reduced debt by $1,012,000 from March 31, 2022 to March 31, 2023. In addition, the Company's interest rate reduced to prime + 1.25% September 30, 2022, from prime + 1.50%.

Liquidity

The Company's use of its operating line fluctuates with the seasonality of sales trends. 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 2023	Q4 Dec 2022	Q3 Sep 2022	Q2 Jun 2022	Q1 Mar 2022	Q4 Dec 2021	Q3 Sep 2021	Q2 Jun 2021
Total credit facility use in (000's)	**$ 3,658**	$ 3,094	$ 3,838	$ 5,448	$ 4,670	$ 4,065	$ 4,410	$ 5,890

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.

Non-IFRS Normalized Presentation of Working Capital

	Period Ended Mar 31, 2023	Period Ended Mar 31, 2022
Current assets	$ 5,858,459	$ 6,021,792
Non-IFRS Current Liabilities		
Current liabilities	4,847,211	5,518,724
Less:		
Current portion of lease liabilities	(1,371,621)	(1,487,070)
Normalized current liabilities	3,475,590	4,031,654
Normalized working capital ratio	**1.69**	1.49

Working capital, as represented by the current ratio at March 31, 2023, is 1.69 vs 1.49 on March 31, 2022, when calculated using the non-IFRS calculation for current liabilities, removing lease liabilities from the calculation. The increase of 0.20 for 2023 over 2022 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, 2023, or May 23, 2023.

PROPOSED TRANSACTIONS

There were no proposed transactions at March 31, 2023, or May 23, 2023 that have not been disclosed.

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, 2022.

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, 2023, 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 25, 2023 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. 2023 and 2022 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 2023**	3 Months Ended Mar 2022
Net comprehensive loss	$ (290,258)	$ (211,590)
Finance costs	72,538	45,615
Property and equipment depreciation	55,657	63,229
Right-of-use assets depreciation	250,472	231,756
Finance costs on lease liabilities	146,558	163,305
Loss on disposal of property and equipment and goodwill	817	328
Store closure expenses	8,965	-
EBITDAR	**$ 244,749**	**$ 292,643**
Rent expense	(337,554)	(371,065)
EBITDA	**$ (92,805)**	**$ (78,421)**