ROCKY MOUNTAIN LIQUOR

Ticker: “RUM”

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the year ended December 31, 2023

As at April 25, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis is dated April 25, 2024.

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, 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 audited consolidated financial statements and the notes thereto have been prepared in accordance with IFRS Accounting Standards 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", "Adjusted 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.sedarplus.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 are 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 about the following: (i) the stability of retail liquor sales; (ii) the ability to purchase inventory at a discount; (iii) ongoing impact from price inflation; (iv) equity issuance; and (v) 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 therefrom, 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 Company's ability to secure financing to suit its strategy; (iv) the Company's future operating and financial results; and (v) treatment under governmental regulatory regimes, tax, and other laws; (vi) the ability to attract and retain employees for the Company.

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 from competition in the markets where the Company operates; (ii) impact of economic events affecting discretionary consumer spending; (iii) the impact of increases in labour costs; (iv) the possibility of a potential decline in consumption of alcoholic beverages and products sold; (v) cybersecurity; (vi) the impact of weather on its effect on consumer demand (vii) the impact of supplier disruption or delays; (vii) actions by governmental or regulatory authorities including changes in income tax laws and excise taxes; (ix) the ability of the Company to retain key personnel; (x) the availability of financing (xi) the ability of the Company to meet its financial obligations; (xii) the maintenance of management information systems; (xiii) the ability to maintain acceptable store sites and adapt to changing market conditions; (xiv) market volatility and share price; and (xv) 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 under applicable laws.

KEY OPERATING AND FINANCIAL METRICS

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

	3 months ended	
	December 2023	December 2022 Restated (1) (4) (5)
Sales	$ 10,240,815	$ 10,693,521
Gross margin (2)	22.4%	22.1%
EBITDAR (2)	$ 520,135	$ 717,653
Net comprehensive income (3)	$ 179,193	$ (11,292)

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

	12 months ended	
	December 2023	December 2022 Restated (1) (5)
Sales	$ 41,746,067	$ 43,222,133
Gross margin	23.0%	21.9%
EBITDAR (2)	$ 2,660,921	$ 2,790,740
Net comprehensive income (3)	$ 463,062	$ 277,529

Notes:

(1) Prior year sales restated to reflect bottle deposit collections. Previously, bottle deposit collection revenue was netted against bottle deposit payments and reported under cost of sales.
- For the 3 months ended, refer to the “CONDENSED QUARTERLY INFORMATION’ heading below in this report for reconciliation of previously reported sales to restated sales.
- For the 12 months ended, see Note 19 in the Company’s audited consolidated financial statements for a reconciliation of previously reported sales to restated sales.

(2) Calculation of Gross Margin and EBITDAR are described under the heading “Non-IFRS Measures” below.

(3) ‘Net Income’ was used in previous reports but changed to ‘Net comprehensive income’ in this year’s report to be consistent with the wording used throughout this report and in the Company’s audited consolidated financial statements.

(4) Net comprehensive income for the 3 months ended December 31, 2022, is restated due to amounts previously reported in the 2022 Management Discussion and Analysis report not representing the correct amount. Refer to “CONDENSED QUARTERLY INFORMATION’ heading below in this report for reconciliation of quarterly net comprehensive income reported in the 2022 Management Discussion and Analysis report to net comprehensive income reported in each quarter’s interim financial statements.

(5) Prior year EBITDAR restated due to amounts previously reported in the 2022 Management Discussion and Analysis report not representing the correct amount. See pages 22 and 23 below under "Non-IFRS Measures for a reconciliation of previously reported EBITDAR to restated EBITDAR.

SUBSEQUENT EVENT

Subsequent to December 31, 2023, the Company closed one underperforming store.

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 pricing strategies and a strong promotional focus.

According to the Provincial Government's 2024 Economic Outlook, an uptick in the oil and gas sector will drive economic growth. However, consumer confidence remains an issue and will continue to curtail spending. Over the medium term, economic growth is expected to pick up and become more broad-based. Real GDP is forecast to rise to 2.9% in 2024, 3.3% in 2025, and average 2.7% between 2026 and 2027[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.

2023 continued to be a profitable year with $463,062 in net comprehensive income for the year. In the past year, the Company reduced debt by $1,082,130, improving the statement of financial position and helping offset interest costs due to increases in the prime interest rate. The Company remains focused on reducing debt and related finance costs, while identifying opportunities for increasing shareholder value.

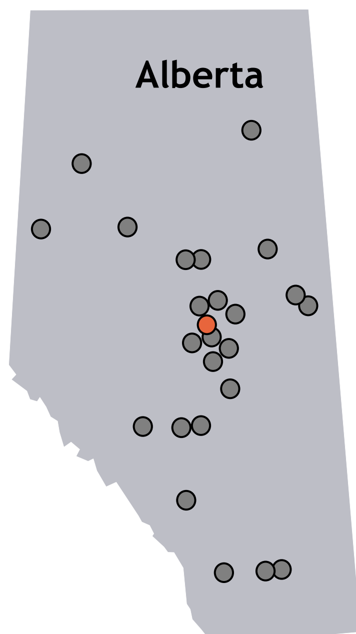
OVERVIEW OF THE COMPANY

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, 2023.

Andersons operated 25 liquor stores in Alberta as at December 31, 2023. 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.

[1] Alberta, Economic Outlook – Budget 2024 retrieved on April 16, 2024 from https://www.alberta.ca/economic-outlook

Andersons operates six stores in Northern Alberta, 14 stores in Central Alberta and four stores in Southern Alberta, as of April 25, 2024.



Head Office - Edmonton

Retail locations

Location	Stores
Athabasca	2
Beaumont	1
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
	24

BUSINESS STRATEGY

Margin Focus

The Company is continuously monitoring and examining its gross margins. 19 of the Company's stores are under the Great Canadian Liquor ("GCL") brand. This branding 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

The Company utilizes various marketing and promotional tactics to help drive customer traffic to stores, increase and maintain brand awareness and engagement as well as generate sales at stores. These tactics include radio, print (in-store flyer), email marketing, and social media advertising throughout the communities where stores are located. These strategies are constantly monitored and adjusted to ensure they are 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. Store 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. The Company maintains internal Information Technologies support staff for enterprise continuity and help desk support. Computers and associated hardware at store locations are serviced by a contract with an external supplier that has been used since 2004. Their onsite work is co-supervised by internal support staff. In 2024 the Company will be implementing a new point-of-sale application.

All of the Company's 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 the enterprise's security perimeter. To increase certainty and scalability, management has outsourced enterprise servers to a secure data centre. Automated data replication programs are utilized at each store location. This data is replicated to enterprise servers for backup and security.

The Company has implemented an automated environment where scheduled software is used to push reporting output on a regular and timely basis to the store level, operations level, and enterprise level for resource planning purposes. The Company is focused on having an industry-leading and secure enterprise network.

At the store level, multiple redundancies allow the point-of-sale systems to operate in a non-network or non-enterprise-dependent manner. Stores can continue to operate autonomously. Redundant infrastructure has provided 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 time and attendance systems are cloud-based and integrated with a web-based payroll system. Employees receive their pay records in a secure cloud-based, self-service environment. The efficiencies realized allow the Company 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. No credit card or debit card customer information is stored in the Company's transactional databases at stores or head office servers. Additionally, the Company has developed a custom system that reconciles transactions with 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.

The Company believes it has a premier technology base that has consistently and reliably met operational requirements. The Company has successfully maintained 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 the network and enterprise environment. A security awareness program is utilized for 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, technology investment remains aligned with operational goals.

MANAGEMENT TEAM

Peter J. Byrne, Executive Chairman & Acting CEO	Mr. Byrne is the Executive Chairman & Acting CEO of Rocky Mountain Liquor Inc. He previously held the role of Chief Executive Officer until 2019. Mr. Byrne has previously been Chief Executive Officer and Chairman of the Board of Channel Drugs Limited, a private company that owned and operated the PharmaCare franchise until its sale in 2004.
Allison Radford, President and CFO	Mrs. Radford is the President and CFO of Rocky Mountain Liquor Inc. She served as CEO from 2019 to 2024. She was Chief Operating Officer from 2009 to 2019, and Vice President of Operations at Andersons from 2007 to 2009. She worked at Deloitte & Touche LLP, receiving her Chartered Accountant designation in 2005. Mrs. Radford is a Director and Chair of the Governance and HR Committee on the board of the Edmonton Humane Society, and a Director of ParticiPACTION. Mrs. Radford holds a Bachelor of Commerce degree from Memorial University and the ICD.D designation from the Institute of Corporate Directors.

OPERATING RESULTS - 3 Months ending December 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. 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 3 months ending December 31, 2023 and 2022.

Period	**3 months ended**			
	December 2023		**December 2022** Restated (1)	
Sales	$ 10,240,815		$ 10,693,521	
Gross margin (2)	2,294,062	22.4%	2,366,306	22.1%
Operating and administrative expense	1,835,717	17.9%	1,675,648	15.7%
Operating margin (2)	**$ 458,345**	4.5%	$ 690,658	6.5%
Non-recurring Items	100,000	1.0%	3,732	0.0%
Operating margin before non-recurring Items (3)	$ 558,345	5.5%	$ 694,390	6.5%
Stores at period end	**25**		25	

Notes:

(1) Prior year sales restated to reflect bottle deposit collections. Previously, bottle deposit collection revenue was netted against bottle deposit payments and reported under cost of sales. Refer to the “CONDENSED QUARTERLY INFORMATION’ heading below in this report for reconciliation of previously reported sales to restated sales

(2) Calculation of Gross Margin and Operating margin are described under the heading “Non-IFRS Measures” below.

(3) 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 items and has been calculated as described under “Non-IFRS Measures.”

Sales

Sales for the 3 months ending December 31, 2023 are 4.2% lower than the same period in 2022 due to increased competition in certain locations.

Cost of Sales and Gross Margin

Gross margin percentage increased to 22.4% in Q4 2023 compared to 22.1% for the same period in 2022 as management has been focusing on its marketing, pricing, and promotional strategies to improve margins.

Operating and Administrative Expenses

The major expenses included in operating and administrative expenses are salaries and location costs such as utilities, repairs & maintenance, property taxes, and insurance. Total operating and administrative expenses for the 3 months ended December 31, 2023, are higher than the same 3 months in 2022, primarily due to higher utility costs after the renewal of contracts in 2023 and higher salary costs.

OPERATING RESULTS - 12 Months ending December 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. 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, 2023 and 2022.

Period	**12 months ended**			
	December 2023		**December 2022** Restated (1)	
Sales	$ 41,476,067		$ 43,222,133	
Gross margin (2)	9,537,465	23.0%	9,476,360	21.9%
Operating and administrative expense	7,070,873	17.0%	6,854,485	15.9%
Income from operations before depreciation and other	**$ 2,466,592**	5.9%	$ 2,621,875	6.1%
Non-recurring Items	100,000	0.2%	119,770	0.3%
Operating margin before non-recurring Items (3)	$ 2,566,592	6.2%	$ 2,741,645	6.3%
Stores at period end	**25**		25	

Notes:

(1) Prior year sales restated to reflect bottle deposit collections. Previously, bottle deposit collection revenue was netted against bottle deposit payments and reported under cost of sales. See Note 19 in the Company's audited consolidated financial statements.

(2) Calculation of Gross margin and Operating margin are described under the heading "Non-IFRS Measures" below.

(3) 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 items and has been calculated as described under "Non-IFRS Measures."

Sales

Sales for the 12-month period ending December 31, 2023 are 4.0% lower than the same period in 2022. This is mainly due to increased competition in markets along with one less store due to a store sale in the fourth quarter of 2022.

Cost of Sales and Gross Margin

Gross margin percentage increased to 23.0% in 2023 compared to 21.9% for the 12-month period ending December 31, 2023. Management has been focusing on its marketing, pricing, and promotional strategies to improve gross margin percentage.

Operating and Administrative Expenses

The major expenses included in operating and administrative expenses are salaries and location costs such as utilities, repairs & maintenance, property taxes, and insurance. Total operating and administrative expenses for the 12 months ended December 31, 2023, are higher than the 12 months ended December 31, 2022, as a result of higher utility costs after the renewal of contracts in 2023, higher audit fees, and higher salary costs, partially offset by lower advertising expenses.

CONDENSED QUARTERLY INFORMATION

The following table summarizes information derived from the Company's audited consoldiated financial statements for each of the eight most recently completed quarters.

Expressed in (000's)	2023				2022			
	December 31	September 30 Restated (1)	June 30 Restated (1)	March 31 Restated (1)	December 31 Restated (1) (2)	September 30 Restated (1) (2)	June 30 Restated (1) (2)	March 31 Restated (1) (2)
# stores end of period	25	25	25	25	25	26	26	26
Sales	10,241	11,380	11,242	8,613	10,693	12,244	11,392	8,893
Net comprehensive income (loss)	179	261	312	(290)	(11)	271	230	(212)
Basic income (loss) per share	0.01	0.01	0.01	(0.01)	0.00	0.01	0.01	(0.00)
Diluted income (loss) per share	0.01	0.01	0.01	(0.01)	0.00	0.01	0.01	(0.00)

Notes:

(1) Prior year sales restated to reflect bottle deposit collections. Previously, bottle deposit collection revenue was netted against bottle deposit payments and reported under cost of sales. Below is a reconciliation of previously reported sales to restated sales.

Expressed in (000's)	2023			2022			
	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Sales as previously reported	11,057	10,921	8,383	10,416	11,868	11,054	8,643
Sales from bottle deposits	323	321	230	277	376	338	250
Restated Sales	11,380	11,242	8,613	10,693	12,244	11,392	8,893

(2) All prior year quarterly net comprehensive income (loss) amounts restated due to amounts previously reported in the 2022 Management Discussion and Analysis report not representing the correct amounts. Below is a reconciliation of previously reported to restated net comprehensive income.

Expressed in (000's)	2022			
	December 31	September 30	June 30	March 31
Net comprehensive income (loss) in 2022 Management and Discussion Analysis for the year ended December 31, 2022	132	222	183	(259)
Correction	(143)	49	47	47
Net comprehensive income (loss) in 2022 quarterly interim financial statements	(11)	271	230	(212)

<u>Quarterly comparison</u>

Sales

- Sales in 2023 are lower for all quarters compared to the same quarters in 2022 due to increased competition in certain markets along with one less store in 2023.

Net comprehensive income (loss)

- Quarterly net comprehensive loss in Q1 2023 is higher compared to Q1 2022 primarily due to higher salary costs due to inflation and higher finance costs due to increasing prime interest rate in 2023.
- Quarterly net comprehensive income in Q2 2023 is higher compared to Q2 2022 primarily due to a higher gross margin percentage and lower salary costs offset by higher finance costs due to increasing prime interest rate in 2023.
- Quarterly net comprehensive income in Q3 2023 is higher compared to Q3 2022 primarily due to a higher gross margin percentage and lower right-of-use asset depreciation expense offset by higher finance costs due to increasing prime interest rate in 2023 and higher utility costs.
- Quarterly net comprehensive income (loss) is higher in Q4 2023 compared to Q4 2022 primarily due to lower right-of-use asset depreciation expense and an income tax recovery partially offset by lower gross margin due to lower sales and higher salary costs due to inflation.

CONDENSED ANNUAL INFORMATION

The following table summarizes information derived from the Company's audited consolidated financial statements for the financial years ended December 31, 2023, 2022 and 2021.

Expressed in (000's)	2023	2022 Restated (1)	2021 (2)
# stores end of period	25	25	26
Sales	41,476	43,222	46,138
Net comprehensive income	463	278	1,143
Total assets	22,786	23,778	25,956
Total liabilities	13,837	15,292	17,807
Basic income per share (3)	0.01	0.01	0.02
Diluted income per share (3)	0.01	0.01	0.02

Notes:

(1) Prior year sales restated to reflect bottle deposit collections. Previously, bottle deposit collection revenue was netted against bottle deposit payments and reported under cost of sales. See Note 19 in the Company's audited consolidated financial statements for details of 2022 restatement.

(2) Below is the 2021 comparative, reflecting bottle deposits included in sales.

Expressed in (000's)	2021
Sales as previously reported	44,789
Sales from bottle deposits	1,349
Adjusted sales	46,138

(3) Basic and diluted income per share is calculated using weighted average shares during the year.

Annual comparison

- Total sales in 2023 are lower compared to 2022 and 2021 due to increased competition in certain markets along with one less store in 2023.
- Net comprehensive income is higher in 2023 compared to 2022 due to a higher gross margin percentage and lower right-of-use asset depreciation expense partially offset by higher audit fees, higher salary costs due to inflation and higher finance costs due to an increasing prime interest in 2023.
- Total assets in 2023 have reduced from 2022 mainly due to less inventory on hand at the end of 2023 and right-of-use assets being depreciated partially offset by lease remeasurements.
- Total liabilities have reduced from 2022 to 2023 as a result of the Company's focus on reducing its debt held with the bank as well as a reduction to the lease liabilities as a result of lease payments made partially offset by lease remeasurements.

LIQUIDITY AND CAPITAL RESOURCES AS OF DECEMBER 31, 2023

Authorized - Unlimited common shares

	Number	Amount
Balance December 31, 2022 and December 31, 2023	47,827,775	$ 7,427,311

Options

Share option plan ("Option Plan")

The Company's Option Plan ceased effective Jun 27, 2023, as a result of a vote at the annual and special meeting of shareholders. Outstanding options issued prior to that date remain valid. The maximum number of common shares that were reserved for issuance under the Option Plan was 2,500,000 shares.

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 December 31, 2022	192,308	$0.105 - $0.121	9,237	0.115	0.784
No Issuances during 2023	-	-	-	-	-
Outstanding December 31, 2023	**192,308**	**$0.113 - $0.121**	**9,237**	**0.119**	**0.451**

The options have a term of three years from the date of grant with no vesting period. Share based compensation expense was $0 (2022 – $9,237) in 2023. This is accounted for in operating and administrative expenses in the consolidated statements of comprehensive income.

FINANCING AND CREDIT AGREEMENT

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 "bank loan" of $2,650,000. Both facilities bear interest at prime plus 1.25% per annum. As at December 31, 2023, the interest rate applicable to the operating facility and bank loan was 8.45% (2022 – 7.70%)

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 payments are due monthly. The bank loan is amortized over 36 months, with monthly payments of interest and principal to August 30, 2025.

Below is a summary of the operating facility and bank loan for the 12 months ending December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
Current Liability:		
Operating facility	**$ 1,052,185**	$ 1,622,322
Bank loan	**559,472**	519,487
Total current	**1,611,657**	2,141,809
Long term portion of bank loan	**400,027**	952,005
Total Credit Facility Use	**$ 2,011,684**	$ 3,093,814

The operating facility and bank loan are both secured by a general security agreement representing a first charge on all assets. Proceeds from and repayments are disclosed on the consolidated statements of cash flows on a gross 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, 2023, the Company is in compliance with this covenant.

Finance Costs Operating Facility and Bank loan

Below is a summary of finance costs for the 3 and 12 months ending December 31, 2023 and 2022.

Period	**3 months ended**		**12 months ended**	
	December 2023	December 2022	**December 2023**	December 2022
Finance costs	**$ 60,536**	$ 75,299	**$ 284,924**	$ 260,146

Finance costs decreased by $14,763 for the 3 months ending December 31, 2023 as a result of lower balances on both the operating facility and bank loan in the quarter compared to the previous year's quarter.

Finance costs increased $24,778 for 12 months ending December 31, 2023 as a result of a rising prime interest rate in 2023 partially offset by repayments on the operating facility and bank loan. The prime interest as at December 31, 2022 was 6.45% and increased to 7.20% by the end of 2023. To reduce the impact of rising interest rates, the Company reduced debt by $1,082,130 in 2023.

The Company is subject to interest rate risk as its operating facility and bank loan bear interest rates that vary by prime borrowing rates. Assuming an outstanding operating facility and bank loan balance of $2,011,684, a one percent increase in interest rates would have an effect on net comprehensive income of $20,117 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 facility 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 operating facility and bank loan usage from December 2022 to December 2023 has been reduced by $1,082,130 as a result of repayments.

Below is a summary of the total bank loan and operating facility usage for each of the eight most recently completed quarters.

	Q4 December 2023	**Q3 September 2023**	**Q2 June 2023**	**Q1 March 2023**	Q4 December 2022	Q3 September 2022	Q2 June 2022	Q1 March 2022
Total bank loan and operating facility use in (000's)	**$ 2,012**	**$ 2,443**	**$ 3,651**	**$ 3,658**	$ 3,094	$ 3,838	$ 5,448	$ 4,670

The current use of the operating 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.

The Company remains focused on our current business plans, utilizing the insights provided by the custom enterprise reporting systems to optimize inventory, and provide great customer experience.

Debt Service Coverage Ratio

The Company's debt service coverage ratio has decreased to 1.3 ending December 31, 2023 from 1.5 in 2022. The decrease is attributed to an increase in finance costs as a result of the rising prime interest rate in 2023. The calculation of the debt service coverage ratio is described under the heading "Non-IFRS Measures" below.

Interest Coverage Ratio

The interest coverage ratio, calculated using bank loan and operating facility finance costs has decreased from December 31, 2022, of 4.6 to 3.8 for the rolling four quarters ending December 31, 2023. This is primarily due to higher interest finance costs due to a rising prime interest rate in 2023. The Company manages its interest rate risk through credit facility negotiations. The calculation of the interest coverage ratio is described under the heading "Non-IFRS Measures" below.

Normalized Working Capital Ratio

	December 31, 2023	December 31, 2022
Current assets	**$ 5,089,793**	$ 5,488,483
Non-IFRS Current Liabilities		
Current Liabilities	**3,576,338**	4,130,199
Less:		
Current portion of lease liabilities	**(1,327,584)**	(1,443,806)
Normalized current liabilities	**2,248,754**	2,686,393
Normalized working capital ratio	**2.26**	2.04

Normalized working capital ratio as at December 31, 2023, is 2.26 vs 2.04 as at December 31, 2022. The increase of 0.22 is primarily a result of an overall reduction in liabilities as a result of less usage of the operating facility in 2023. The calculation of the Normalized Working Gross ratio is described under the heading "Non-IFRS Measures" below.

Maintenance Capital Expenditures and Capital Expenditures point-of-sale

The Company incurs expenses for routine maintenance, invests and upgrades information systems, and replaces assets as required 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 $1,246,552 for the period ending December 31, 2023 and was $1,211,366 for the period ending December 31, 2022. Non-cash working capital has increased as a result of an overall reduction in liabilities as a result of less usage of the operating facility in 2023 partially offset by a lower inventory balance in 2023 compared to 2022. The calculation of non-cash working capital is described under the heading "Non-IFRS Measures" below.

Credit Risk

The Company's financial assets exposed to credit risk consist primarily of cash and cash equivalents, 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 is due from one credit card processing organization. The Company has not experienced any expected or actual credit losses from accounts receivable in either 2023 or 2022.

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, 2023 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, 2023, or April 25, 2023.

PROPOSED TRANSACTIONS

There were no proposed transactions at December 31, 2023, 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 Accounting Standards, 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:

Taxation

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. The determination of the recoverability of deferred tax assets requires management to make judgements related to the assessment of management's planned implementation of tax strategies and its future ability to be realized. Assumptions underlying the composition of deferred tax assets and liabilities include estimates of future results of operations and the timing of 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, terminal growth rates and discount rates.

In conducting its annual goodwill impairment test, the Company performed a fair value less cost to dispose ("FVLCD") method on the CGU grouping. The recoverable amount of the CGU grouping was based on calculations and projections over five-years of cash flows from financial budgets prepared by management.

Management believes that any reasonable change in the key assumptions used to determine the recoverable amount would not cause the carrying amount of the 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.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Leases

The Company estimates the incremental borrowing rate used to measure the lease liability for each lease contract if the rate implicit in the lease cannot be determined. This includes estimation in determining the asset-specific security impact. There is also estimation uncertainty arising from certain leases containing variable lease terms that are linked to operational results or an index or rate.

Judgments:

Cash-generating units

The determination of CGUs was based on the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or group of assets. The Company has determined that each retail location based on their independent cash inflows for non-financial assets other than goodwill.

For the purposes of goodwill impairment testing, the Company has grouped its CGU's consistent with its sole operating segment, which consists of all retail locations as the synergies of multiple locations operating under a common regulatory environment are realized across all related retail locations.

Leases

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability.

Useful lives of property and equipment and intangible assets

Management has estimated the useful lives of property and equipment and intangible assets 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.

CHANGES IN ACCOUNTING POLICIES

Future Accounting Pronouncements

Classification of Liabilities as Current or Non-current and Information about long-term debt with Covenants – Amendments to IAS 1

In January 2020, the IASB amended IAS 1 Presentation of Financial Statements, clarifying that the classification of liabilities as current or non-current is based on existing rights at the end of the reporting period, independent of whether the Company will exercise its right to defer settlement of a liability.

Subsequently, in October 2022, the IASB introduced additional amendments to IAS 1, emphasizing that covenants for long-term debt, regardless whether the covenants were compliant after the reporting date, should not affect debt classification; instead, companies are required to disclose information about these covenants in the notes accompanying their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company does not expect any the impact of adopting these amendments on its 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 $nil to a director for consulting fees associated with the CEO transition (2022 – $5,200). During 2023 the Company paid rents of $95,784 (2022 - $90,711) in respect of three retail liquor stores (2022 – three) to privately held companies in which a director is a significant shareholder.

Included in accounts payable at December 31, 2023 is $nil (2022 - $92,717) due to a director. The loan agreement between related parties provides an interest rate of 5% per annum. Interest expense in 2023 is $1,283 (2022 - $1,194).

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, 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 are defined below.

Impact from competition in the markets where the Company operates

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. The Alberta government has recently indicated they will be looking at recommendations for beer and wine to be available in convenience and grocery stores.

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.

Impact of economic events affecting discretionary consumer spending

The Company's financial results for fiscal 2023 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 which resulted in higher than anticipated unemployment levels and a reduction in migration to Alberta. Inflation and rising interest rates seen in 2022 and 2023 could have impacted disposable income resulting in reduced spending in this sector.

Impact of increases in labour costs

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.

The possibility of a 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.

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.

Impact of weather on its effect on consumer demand

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.

Impact of supplier disruption or delays

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.

Actions by governmental or regulatory authorities including changes in income tax laws and excise taxes

Tax changes affect sales earnings and results of operations as higher prices could impact consumer demand or behaviours. On April 1, 2024 the Federal alcohol excise tax will increase the price of alcohol by 4.7 per cent. The risk remains that the Government could increase the tax on alcohol-based products further.

Ability of the Company to retain 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.

Availability of financing

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.

Ability of the Company to meet its financial obligations

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

Maintenance of management information 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 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.

Impact of a limited 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, EBITDA, Adjusted EBITDA, and EBITDAR are not measures recognized by IFRS Accounting Standards and do not have a standardized meaning prescribed by IFRS Accounting Standards.

Investors are cautioned that these measures should not replace net comprehensive income or loss (as determined in accordance with IFRS Accounting Standards) 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.

The Company has these measures in place as they provide information to investors, analysts, and others to aid in understanding and evaluating the Company’s operating results in a similar manner to its management team.

Definitions

ADJUSTED EBITDA is defined as EBITDAR less all lease payments. Adjusted EBITDA is defined in the Company’s credit agreement with TD as part of the debt service coverage ratio financial covenant and therefore represents a useful measure to ensure the Company is in compliance with the financial covenant.

Debt service coverage ratio is Adjusted EBITDA divided by current portion of bank loan payable plus finance costs excluding notional accretive interest. Debt service coverage ratio is a financial covenant in the Company’s credit agreement with TD and therefore represents a useful measure to ensure the Company complies with the financial covenant.

EBITDA is Adjusted EBITDA adding back right-of-use lease payments, share-based compensation, gain/loss on disposal of stores and property and equipment, and store closure costs. Right-of-use lease payments are considered a financing activity, not an expense; thus they are added back to calculate EBITDA, which is a pre-financing costs measure. EBITDA is a useful measure as it provides management with a better view of the Company's operating profitability, removing non-operating expenses.

EBITDAR is defined as net comprehensive income of the Company and adding back the following: rent expense, interest expense, current and deferred income tax, depreciation, amortization, non-cash items such as share-based compensation expense and issue costs of securities, deferred taxes, write down of goodwill, right-of-use assets depreciation, finance costs on lease liabilities, gain/loss on disposal of stores and property and equipment, share-based compensation, store closure costs, and non-recurring extraordinary or one-time gains or losses from any capital asset sales. EBITDAR is a useful measure as it allows management to assess the operational performance of the Company separate from non-cash expenses, financing costs, and non-recurring items.

Gross margin under “Operating Results’ is derived by subtracting costs of sales from sales. Gross margin represents a useful measure because it allows management to assess how successfully the company can generate revenues from the cost of goods purchased.

Interest coverage ratio is Adjusted EBITDA divided by finance costs excluding accretive interest. Interest coverage ratio is a useful measure as it allows management to measure the Company’s ability to pay interest on outstanding debt.

Non-cash working capital is current assets less current liabilities less cash. Non-cash working capital ratio is a useful measure as it allows management to monitor the Company’s liquidity and operational efficiency.

Non-recurring items include costs incurred and recoveries received by the Company that are not part of ongoing operations and that are not expected to recur.

Normalized current liabilities are current liabilities less the current portion of lease liabilities. Normalized current liabilities is a useful measure as it removes the impact of short-term lease liabilities, which are not a part of working capital.

Normalized working capital ratio is calculated as current assets divided by normalized current liabilities. Normalized working capital ratio is a useful measure as it identifies any shortfalls in the ability to meet short-term obligations.

Operating margin for purposes of disclosure under “Operating Results” has been derived by subtracting Operating and Administrative expenses from Gross Margin. Operating margin is equal to “Income from operations before depreciation and other’ as reported on the Consolidated Statements of Comprehensive Income. Operating margin as a percentage of sales is calculated by dividing the operating margin by sales. Operating margin represents a useful measure because it allows management to assess the profitability of the Company.

Operating margin before non-recurring items is derived by adding non-recurring items to the operating margin. 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 before non-recurring items is a useful measure because it removes revenue or expenditures that are not likely to happen again and, therefore, presents a more meaningful comparison of quarterly and annual results.

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.”

The following table for the 3 months and 12 months ending December 31, 2023 and 2022, reconciles Net comprehensive income to EBITDAR, Adjusted EBITDA, and EBITDA.

Period	**3 months ended December 2023**	3 months ended December 2022 Restated [(1) (2)]	**12 months ended December 2023**	12 months ended December 2022 Restated [(1) (2)]
Net comprehensive income	$ 179,193	$ (11,292)	$ 463,062	$ 277,529
Rent expense [(3)]	61,753	$ 26,970	194,292	$ 109,603
Deferred income tax (recovery) expense	(156,375)	(15,342)	(74,988)	52,234
Finance costs	60,536	75,299	284,924	260,146
Property and equipment depreciation	56,155	61,296	233,263	262,633
Right-of-use assets depreciation	191,730	437,755	962,767	1,133,746
Finance costs on lease liabilities	127,405	145,309	586,359	632,749
Share based compensation	-	-	-	59,237
(Gain) loss on disposal of property and equipment and goodwill	-	(9,377)	2,539	(4,172)
Store closure expenses	(262)	7,035	8,703	7,035
EBITDAR	**$ 520,135**	$ 717,653	**$ 2,660,921**	$ 2,790,740
Rent expense [(3)]	(61,753)	(26,970)	(194,292)	(109,603)
Right-of-use lease payments [(4)]	(329,839)	(361,625)	(1,376,537)	(1,480,518)
Adjusted EBITDA	**$ 128,543**	$ 329,058	**$ 1,090,092**	$ 1,200,619
Right-of-use lease payments [(4)]	**329,839**	361,625	**1,376,537**	1,480,518
Share based compensation	-	-	-	(59,237)
Gain (loss) on disposal of property and equipment and goodwill	-	9,377	(2,539)	4,172
Store closure expenses	262	(7,035)	(8,703)	(7,035)
EBITDA	**$ 458,644**	$ 693,025	**$ 2,455,387**	$ 2,619,037

Notes:

(1) EBITDAR for the 3 and 12 months ended December 2022 is restated due to the net comprehensive income to EBITDAR reconciliation included in the 2022 Management Discussion and Analysis report for the year ended December 31, 2022 not representing the correct amounts for certain line items. Refer to "CONDENSED QUARTERLY INFORMATION' heading above in this report for a reconciliation of quarterly net comprehensive income previously reported to restated.

Below is a reconciliation of previously reported EBITDAR to restated EBITDAR.

Period	**3 months ended December 2022**	**12 months ended December 2022**
Previously reported EBITDAR	**$ 758,259**	**$ 2,681,137**
Net comprehensive income correction	(142,965)	-
Rent expense add back	26,970	109,603
Deferred income tax recovery correction	(67,576)	-
Right-of-use assets depreciation correction	142,965	-
Restated EBITDAR	**$ 717,653**	**$ 2,790,740**

(2) EBITDA for the 3 and 12 months ended December 2022 is restated due to the net comprehensive income to EBITDA reconciliation included in the 2022 Management Discussion and Analysis report for the year ended December 31, 2022 not representing the correct amounts for certain line items. Refer to "CONDENSED QUARTERLY INFORMATION' heading above in this report for a reconciliation of quarterly net comprehensive income previously reported to restated.

Below is a reconciliation of previously reported EBITDA to restated EBITDA.

Period	**3 months ended December 2022**	**12 months ended December 2022**
Previously reported EBITDA	**$ 399,347**	**$ 1,200,619**
Net comprehensive income correction	(142,965)	-
Rent expense add back	26,970	109,603
Deferred income tax recovery correction	(67,576)	-
Right-of-use assets depreciation correction	142,965	-
Lease payments correction	331,942	1,370,915
Share based compensation	-	(59,237)
Gain on disposal of property and equipment and goodwill	9,377	4,172
Store close expenses	(7,035)	(7,035)
Restated EBITDA	**$ 693,025**	**$ 2,619,037**

(3) Rent expense is defined as payments for the right to use the underlying leased asset that does not meet the definition of a lease payment under IFRS 16 and, as such, is not included in the determination of lease payments in the above table.

(4) Right-of-use lease payments are payments to use the underlying leased asset that meets the lease payment definition under IFRS 16.