Ticker: "RUM"

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2024

As at April 29, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated April 29, 2025.

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, 2024. 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 audited consolidated financial statements unless otherwise stated.

Throughout this MD&A, references are made to "Adjusted EBITDA", "Gross margin", "Non-recurring items", "Normalized current liabilities", "Normalized working capital ratio", "Operating margin", "Operating margin before non-recurring items", and "Operating margin as a percentage of sales". 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.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 is intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this management discussion and analysis contains forward-looking information and statements pertaining to the following: (i) the stability of retail liquor sales; (ii) increased revenues and margins due to pricing strategy; (iii) the ability to purchase inventory at a discount; (iv) ongoing impact from price inflation; 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; (v) treatment under governmental regulatory regimes, tax, and other laws; and (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) the possibility of a potential decline in consumption of alcoholic beverages and products sold; (iii) impact of economic events affecting discretionary consumer spending; (iv) the impact of weather on its effect on consumer demand; (v) actions by governmental or regulatory authorities, including changes in income tax laws and excise taxes; (vi) cybersecurity; (vii) impact of U.S. tariffs and Alberta's import restrictions on U.S. alcohol; (viii) the impact of increases in labour costs; (ix) the impact of supplier disruption or delays; (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 management 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.

OVERALL PERFORMANCE: KEY OPERATING AND FINANCIAL METRICS

Key operational and financial highlights, quarter over quarter three and 12 month's comparison:

	3 months ended		12 months ended	
	December 2024	**December 2023**	**December 2024**	**December 2023**
Sales	$ 10,171,265	$ 10,240,815	$ 39,707,715	$ 41,746,067
Gross margin [(1)]	22.8%	22.4%	23.0%	23.0%
Net comprehensive (loss) income	$ (1,690,059)	$ 179,193	$ (2,115,029)	$ 463,062
Adjusted EBITDA [(1)]	$ 143,945	$ 96,757	$ 309,859	$ 1,090,092

Gross margin percentages for the three months ended December 31, 2024, increased over the prior year as the Company aligned the purchasing strategy with limited time offers available on inventory.

Adjusted EBITDA for the three months ended December 31, 2024 is higher than the same period in 2023 due to higher gross margins in the quarter combined with lower lease payments.

Net comprehensive (loss) income and adjusted EBITDA are lower for the twelve months ended December 31, 2024, compared the same periods in 2023, primarily due to:

- **Lower Sales**: Sales were impacted by the closure of one location in Q2 2024, intensified competition in certain markets, road construction limiting customer access in a key market, and milder-than-usual weather in Alberta during Q2.
- **Increased Operating and Administrative Expenses:** Operating costs for the year rose due to annual salary increases and higher non-recurring expenses, including the implementation and other costs related to the new point-of-sale system.
- **Greater Loss on Asset Disposal:** The closure of a store resulted in increased losses from the disposal of property and equipment related to the return of the building.
- **Impairment Charge of Goodwill:** As at December 31, 2024, goodwill was tested for impairment and the recoverable amount of the CGU grouping was estimated to be less than its carrying amount. The impairment charged is a result of the impact of challenging results in the current year, including increased competition and a decline in economies of key markets that the Company's stores operate in.

Notes:
(1) The calculation of Gross margin and Adjusted EBITDA are described under the "Non-IFRS Measures" section below.

SUBSEQUENT EVENT

Subsequent to December 31, 2024, the Company closed one store and sold one store.

OUTLOOK

The Company remains committed to delivering exceptional customer experiences and maintaining competitive pricing amid evolving economic conditions. Alberta's retail sector showed early strength in 2025, with retail trade increasing in January. However, recent forecasts suggest that retail sales growth may slow to 1.7% for the year, lagging behind the projected population expansion[1]. Consumer spending remains under pressure as households adjust to lingering inflation and high debt servicing costs.

The broader economic landscape presents additional challenges. The province faces potential fiscal challenges if proposed U.S. tariffs are implemented, which could impact overall economic growth. Additionally, consumer confidence has softened, raising concerns about a slowdown in discretionary spending. Despite these headwinds, Alberta's population growth and a strong labor market continue to provide a foundation for long-term stability in retail activity.

The Company remains focused on adapting to these shifting market conditions. Investments in customer engagement, competitive pricing, and an optimized product mix will continue to be priorities, ensuring resilience and positioning the Company to capture opportunities in Alberta's evolving retail environment.

OVERVIEW OF THE COMPANY

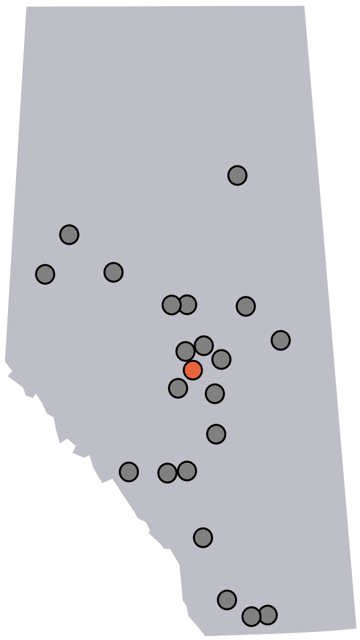
The Company is incorporated under the laws of the Canada Business Corporations Act with its common shares ("shares") trading on the TSX Venture Exchange under the symbol ("RUM"). RML is the parent to wholly owned subsidiary, Andersons, headquartered in Edmonton, Alberta, owns and operates private liquor 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, 2024.

Andersons operated 24 liquor stores in Alberta as at December 31, 2024. 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.

As of April 29, 2025, Andersons operates seven stores in Northern Alberta, 11 stores in Central Alberta and four stores in Southern Alberta.

1ATB The Seven, https://www.atb.com/company/insights/the-twenty-four/atb-economics-the-seven-march-21-2025/?utm_source=chatgpt.com retrieved on March 28, 2025

Alberta



Head Office - Edmonton

Retail locations

Athabasca	2
Beaumont	1
Cochrane	1
Devon	1
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	1
Sylvan Lake	2
Wetaskiwin	1
	22

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. 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 successfully implemented a new point-of-sale (POS) system across its retail liquor chain, enhancing both operational efficiency and the customer experience. Following a comprehensive sourcing and testing process completed in 2023, the Company refactored all custom reporting to integrate seamlessly with the new system. The phased training and rollout, which took place from January to August 2024, ensured a smooth transition for employees and minimized disruption to operations.

The new POS system offers a more intuitive interface, making transactions quicker and easier for employees while delivering a faster, more seamless checkout experience for customers. This investment reflects the Company's commitment to staying up to date with technology, ensuring that its retail operations remain efficient, competitive, and aligned with evolving consumer expectations. This modernization initiative supports the Company's strategic focus on leveraging innovation to drive operational improvements.

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 POS 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.

Some retailers have been affected by new vulnerabilities and malware targeting a variety of POS 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. 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 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.

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.

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 holds a Bachelor of Commerce degree from Memorial University and the ICD.D designation from the Institute of Corporate Directors.

OPERATING RESULTS: Three months ended December 31, 2024

Operating Income and Cash flows

The following table is a summary of select quarterly results for the Company for the three months ended December 31, 2024 and 2023:

	3 months ended			
	December 2024		**December 2023**	
Sales	$ 10,171,265		$ 10,240,815	
Gross margin (1)	2,323,039	22.8%	2,294,062	22.4%
Operating and administrative expenses	1,835,187	18.0%	1,835,717	17.9%
Operating margin (1)	**$ 487,852**	**4.8%**	$ 458,345	4.5%
Non-recurring items (1)	-	0.0%	100,000	1.0%
Operating margin before non-recurring items (2)	**$ 487,852**	**4.8%**	$ 558,345	5.5%
Cash flow from operating activities	$ 1,396,630		$ 843,075	
Cash flow used in investing activities	(46,960)		(61,489)	
Cash flow used in financing activities	$ (1,334,233)		$ (633,590)	

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

Sales

Sales for the three months ended December 31, 2024, are marginally lower than the same three month period in 2023 due to the closure of a store in the second quarter of the year, offset by an increase in sales of existing stores for the three month period.

Cost of Sales and Gross Margin

Gross margins for the three month period ending December 31, 2024, increased compared to the same period in 2023, driven by the Company's purchasing strategies and the promotional initiatives implemented throughout the fourth quarter

Operating and administrative expenses

Operating and administrative expenses primarily consist of salaries and location-related costs such as utilities, property taxes, and insurance. For the three months ended December 31, 2024, these expenses are consistent with the same period in 2023.

Cash flow from operating activities

Cash flow from operating activities for the three months ended December 31, 2024, increased compared to the same period in 2023, primarily driven by increases in non-cash working capital related to inventory.

Cash flow used in investing activities

Cash flow used in investing activities remained consistent for the three months ended December 31, 2024, compared to the same period in 2023, primarily reflecting expenditures on property and equipment to maintain and upgrade stores.

Cash flow used in financing activities

Cash flow used in financing for the three months ended December 31, 2024, was higher than the same period in 2023 due to increased repayments on the operating facility for the period.

OPERATING RESULTS: 12 months ended December 31, 2024

Operating Income and Cash flows

The following table is a summary of select quarterly results for the Company for the 12 months ended December 31, 2024 and 2023:

	December 2024		December 2023	
Sales	$ 39,707,715		$ 41,476,067	
Gross margin (1)	9,141,535	23.0%	9,537,465	23.0%
Operating and administrative expenses	7,433,070	18.7%	7,070,873	17.0%
Operating margin (1)	**$ 1,708,465**	**4.3%**	2,466,592	5.9%
Non-recurring items (1)	149,240	0.4%	100,000	0.2%
Operating margin before non-recurring items (2)	**$ 1,857,705**	**4.7%**	$ 2,566,592	6.2%
Cash flow from operating activities	$ 1,234,963		$ 2,197,831	
Cash flow used in investing activities	(447,496)		(205,539)	
Cash flow used in financing activities	$ (842,234)		$ (1,872,307)	

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

Sales

Sales for the 12 months ended December 31, 2024, are lower than the same period in 2023, primarily due to increased competition in certain markets, road construction in one significant market impacting customer access to the store, less favorable weather conditions in the second quarter compared to 2023, and one store closure in the second quarter.

Cost of Sales and Gross Margin

Margins remained consistent, at 23.0%. Management continues to focus on enhancing profitability through strategic marketing, pricing, and promotional initiatives.

Operating and administrative expenses

Operating and administrative expenses primarily consist of salaries and location-related costs such as utilities, property taxes, and insurance. For the 12 months ended December 31, 2024, these expenses increased compared to the same period in 2023. The rise is largely due to higher salary expenses stemming from annual staff salary adjustments and non-recurring costs associated with implementing the Company's new POS system. This reflects the Company's ongoing investment in operational enhancements and employee retention. Additionally there is an increase in professional expenses linked to shareholder agreements, previously disclosed in a Company press release on March 15, 2024.

Cash flow from operating activities

Cash flow from operating activities was lower for the 12 months ended December 31, 2024, compared to the same period ended in 2023, due to the net comprehensive loss incurred compared to net comprehensive income in 2023.

Cash flow used in investing activities

Cash flow used in investing activities for the 12 months ended December 31, 2024, was higher than in 2023 due to costs related to the installation and implementation of the Company's new POS system.

Cash flow used in financing activities

For the 12 months ended December 31, 2024, cash flow used in financing activities was lower than in the same period in 2023, primarily due to increased utilization of the operating facility driven by the net comprehensive loss.

CONDENSED QUARTERLY INFORMATION

The following table summarizes information derived from the Company's annual audited consolidated financial statements and unaudited interim consolidated financial statements for each of the eight most recently completed quarters.

Expressed in (000's)	2024				2023			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
# stores end of period	24	24	24	25	25	25	25	25
Sales	$ 10,171	$ 10,908	$ 10,183	$ 8,445	$ 10,241	$ 11,380	$ 11,242	$ 8,613
Net comprehensive (loss) income	$ (1,690)	$ 112	$ (171)	$ (366)	$ 179	$ 261	$ 312	$ (290)
Basic (loss) income per share	$ (0.04)	$ (0.00)	$ (0.00)	$ (0.01)	$ 0.01	$ 0.01	$ 0.01	$ (0.01)
Diluted (loss) income per share	$ (0.04)	$ (0.00)	$ (0.00)	$ (0.01)	$ 0.01	$ 0.01	$ 0.01	$ (0.01)

Sales

Sales in 2024 are lower for all quarters compared to the same quarters in 2024 due to increased competition in certain markets, road construction in one significant market impacting customer access to the store, less favorable weather conditions in the second quarter compared to 2023, and one store closure in the second quarter.

Net comprehensive (loss) income

Net comprehensive (loss) income was lower in each quarter of 2024 compared to the same periods in 2023, driven by several factors. The main driver in Q4 2024 is the impairment charge of goodwill of $1,962,145. Other factors for Q1 – Q3 includes lower sales, as previously discussed, as well as higher annual salaries, one-time costs associated with the implementation of the Company's new POS system, and increased one-time professional fees. These combined impacts contributed to the overall change in net comprehensive (loss) income throughout the year.

CONDENSED ANNUAL INFORMATION

The following table summarizes information derived from the Company's audited consolidated financial statements for the financial years ended December 31, 2024 and 2023.

Expressed in (000's)	2024	2023
# stores end of year	24	25
Sales	$ 39,708	$ 41,476
Net comprehensive (loss) income	(2,115)	463
Total assets	19,756	22,786
Total liabilities	12,922	13,837
Basic and diluted income per share	(0.04)	0.01

Sales

Total sales in 2024 are lower due to increased competition in certain markets, road construction in one significant market impacting customer access to the store, less favorable weather conditions in the second quarter compared to 2023, and one store closure in the second quarter.

Net comprehensive (loss) income

Net comprehensive (loss) income was lower for the year ended December 31, 2024 compared to the same period in 2023. The main reason is the impairment charge of goodwill. Other factors include lower sales, as previously discussed, as well as higher annual salaries, one-time costs associated with the implementation of the Company's new POS system, and increased one-time professional fees. These combined impacts contributed to the overall decline in net comprehensive (loss) income for the year.

Total assets

Total assets have decreased due to the impairment of goodwill, timing differences in cash, accounts receivable and inventory balances. Prepaid expenses have decreased as the computer hardware purchased in 2023 has been received and installed at stores as part of the new POS system integration. Property and equipment included additions of computer hardware for the new POS system, and decreased due to the sale of a building.

Total liabilities

Total liabilities decreased primarily due to a reduction in lease liabilities, driven by lease payments made and remeasurements of leases for renewals, a store closure in 2024, and stores designated for closure and sale in 2025, as disclosed in the subsequent events note.

LIQUIDITY AND CAPITAL RESOURCES

Credit Agreement

On June 21, 2024, through Toronto-Dominion Bank ("TD"), the remaining outstanding principal balance of $731,809 on the original bank loan of $2,650,000 was repaid using the demand operating facility. On July 17, 2024, the credit agreement with TD was updated. Additionally, the maximum availability of the operating facility was reduced from $5,400,000 to $4,000,000. The interest rate on the operating facility remained at prime plus 1.25% per annum. References to bank loan were removed, including the requirement to comply with a debt service covenant. As at December 31, 2024, the interest rate applicable to the operating facility was 6.70% (2023 – 8.45%).

The operating facility availability is calculated as the lesser of i) $4,000,000 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.

Below is a summary of the operating facility and bank loan as at December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Current liability:		
Operating facility	**$ 1,981,915**	$ 1,052,185
Bank loan	**-**	559,472
Total current	**1,981,915**	1,611,657
Long term portion of bank loan	**-**	400,027
Total credit facility use	**$ 1,981,915**	$ 2,011,684

The total credit facility use is consistent at December 31, 2024 and December 31, 2023.

The operating facility is for the purchase of inventory, investing in property and equipment, and used for operating and administrative expenses. The operating facility is secured by a general security agreement representing a first charge on all assets. Principal repayments on and proceeds from the operating facility are disclosed on the consolidated statements of cash flows on a gross basis.

Finance Costs on Operating Facility and Bank Loan

3 months ended		**12 months ended**	
December 31, 2024	December 31, 2023	**December 31, 2024**	December 31, 2023
$ 57,940	$ 60,536	**$ 259,225**	$ 284,924

Finance costs for the three and 12 month periods ended December 31, 2024 decreased compared to the same periods in 2023. This reduction is primarily due to a combination of lower average debt balances and reductions in interest rates during the year.

Interest Rate Risk

The Company is subject to interest rate risk as its operating facility bears interest rates that vary by prime borrowing rates. Assuming an outstanding operating facility and bank loan balance of $1,981,915, a one percent increase in interest rates would have an effect on net comprehensive income of $19,819 on an annual basis. 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%.

Normalized Working Capital Ratio

Below is a summary of the normalized working capital ratios as at December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Current assets	$ 4,559,938	$ 5,089,793
Non-IFRS Current Liabilities		
Current liabilities	3,878,777	3,576,338
Less:		
Current portion of lease liabilities	(1,326,736)	(1,327,584)
Normalized current liabilities	$ 2,552,041	$ 2,248,754
Normalized working capital ratio	**1.79**	2.26

The Company's normalized working capital ratio of 1.79 reflects strong liquidity and a solid ability to meet short-term obligations while maintaining operational flexibility. This aligns with industry standards for financial stability. The decrease from 2.26 as of December 31, 2023, is primarily due to lower current assets, driven by timing differences in cash and accounts receivable balances, as well as higher current liabilities, with the entire operating facility now classified as a current liability.

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 the year. The current use of the operating facility is for investing in inventory, property and equipment, and used for operating expenses.

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

	Q4 December 2024	**Q3 September 2024**	**Q2 June 2024**	**Q1 March 2024**	Q4 December 2023	Q3 September 2023	Q2 June 2023	Q1 March 2023
Total bank loan and operating facility use in (000's)	**$ 1,982**	**$ 3,115**	**$ 3,651**	**$ 2,952**	$ 2,012	$ 2,443	$ 3,651	$ 3,658

The Company manages liquidity risk through the preparation of detailed annual budgets, regular cash flow forecasts, and ongoing monitoring of actual results against forecast. Liquidity is also assessed in the context of maintaining compliance with financial covenants under the Company's operating facility, and by evaluating current market conditions, capital needs, and available sources of financing.

The Company is currently reliant on its revolving operating credit facility, which is a demand facility with a maturity date in 2025. While the facility remains available and the borrowing base condition as at December 31, 2024, showed a surplus of $1,190,917, the facility is subject to periodic review and renewal by the lender in the normal course.

Despite the net comprehensive loss in the current year, management believes that the Company's existing credit facilities, combined with forecasted operating cash flows, will be sufficient to meet its obligations as they come due over the next 12 months. Management is actively monitoring cash flows and evaluating strategic and operational initiatives to support improved performance and to ensure continued access to liquidity.

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 2024 or 2023.

Outstanding Common Shares

Below is a summary of outstanding common shares for the Company:

	Number	Amount
Balance December 31, 2023 and 2024	47,827,775	$ 7,427,311

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as at December 31, 2024, or April 29. 2025.

PROPOSED TRANSACTIONS

There were no proposed transactions as at December 31, 2024, or April 29, 2025, that have not been disclosed.

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:

Deferred tax assets and liabilities

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 non-financial assets

The Company reviews goodwill and non-financial assets under construction at least annually, and other non-financial assets when there is any indication that the asset may be impaired. The recoverable amounts of cash-generating units ("CGUs") have been determined, where applicable, using discounted cash flow models that require assumptions about future cash flows, terminal growth rate, and discount rate. Refer to note 7 in the audited consolidated financial statements for further details regarding the estimation of recoverable amounts.

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.

Provisions are not recognized for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Company is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

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. 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.

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 constitutes a CGU 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 CGUs 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 determines 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. Extension options (or periods after termination options) are included in the lease term only if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the lease will be extended. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

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 these assets will be used by the Company. These assumptions may differ from the actual useful life of the assets.

CHANGES IN ACCOUNTING POLICIES

Future Accounting Pronouncements

IFRS Accounting Standard 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS Accounting Standard 18, Presentation and Disclosure in Financial Statements (IFRS 18), which replaces IAS 1, Presentation of Financial Statements. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented into the three main categories of operating, investing and financing, and by specifying certain defined totals and subtotals.

IFRS 18 requires companies to disclose explanations around these measures, which are referred to as management-defined performance measures. IFRS 18 will not affect the recognition and measurement of items in the consolidated financial statements, nor will it affect which items are classified in other comprehensive (loss) income and how these items are classified. The standard is effective for reporting periods beginning on or after January 1, 2027, including for interim financial statements. Retrospective application is required and early application is permitted. The Company is currently assessing the effect of this new standard on the consolidated financial statements.

IFRS Accounting Standard 9, "Financial Instruments" and IFRS Accounting Standard 7, "Financial Instruments: Disclosures"

In May 2024, amendments to IFRS Accounting Standard 9, "Financial Instruments" and IFRS Accounting Standard 7, "Financial Instruments: Disclosures" were issued. The amendments clarify the timing of recognition and derecognition for a financial asset or financial liability, including clarifying that a financial liability is derecognized on the settlement date. Further, the amendments introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specific conditions are met. The amendments also require additional disclosures for financial instruments with contingent features and investments in equity instruments classified at fair value through other comprehensive (loss) income. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to early adopt only the amendments related to the classification of financial assets. The Company is currently assessing the effect of these new standards on the consolidated financial statements.

FINANCIAL INSTRUMENTS

For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and operating facility, the carrying value approximates fair value due to the short-term nature of the instruments.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During 2024 the Company paid rents of $100,964 (2023 - $95,784) in respect of three retail liquor stores (2023 – three) to a privately held company in which a director is a significant shareholder.

A loan agreement between related parties provides an interest rate of 5.0% per annum. Interest expense included in finance costs on the consolidated statements of comprehensive (loss) income is $nil (2023 - $1,283).

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, 2024, 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 2024 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 2023 and 2024 could have impacted disposable income resulting in reduced spending in this sector.

Impact of U.S. Tariffs and Alberta's Import Restrictions on U.S. Alcohol

The Company relies on imported alcohol products from the United States as part of its product offerings. Changes in U.S. trade policy, including the introduction or increase of tariffs could impact the cost of these products and affect overall profitability. Higher import costs may result in increased prices for consumers, potentially reducing demand and impacting sales volumes. Additionally, supply chain disruptions related to tariff changes could lead to delays or shortages in key products. Retaliatory actions by the Alberta government to restrict access to U.S. alcohol products could exacerbate these challenges, limiting availability and affecting the Company's ability to meet consumer demand.

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. 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 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

Adjusted EBITDA, Gross margin, Non-recurring items, Normalized current liabilities, Normalized working capital ratio, Operating margin, Operating margin before non-recurring items, and Operating margin as a percentage of sales 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 (loss) income (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 net comprehensive (loss) income of the Company and adding back the following: finance costs, current and deferred income tax, depreciation, impairment charges of goodwill, finance costs on lease liabilities, gain/loss on disposal of property and equipment and intangible assets, gain/loss on lease terminations, store closure expenses, and adjusting for actual lease payments. Adjusted EBITDA is a useful measure as it provides management with a better view of the Company's operating profitability, removing non-operating, and non-recurring expenses.

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.

Non-recurring items include expenses incurred and recoveries received by the Company that are not part of ongoing operations and that are not expected to recur. In the three and 12 month periods ending December 31, 2024 a significant portion of these items include costs associated with implemented the new POS system.

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 normalized 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 (Loss) 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 the 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 – Three months" and "Operating Results – 12 months."

The following table for the three and 12 months ended December 31, 2024 and 2023, reconciles net comprehensive (loss) income to Adjusted EBITDA.

	3 months ended		12 months ended	
	December 2024	December 2023	**December 2024**	December 2023
Net comprehensive (loss) income	**$ (1,690,059)**	$ 179,193	**$ (2,115,029)**	$ 463,062
Deferred income tax recovery	**(296,506)**	(156,375)	**(384,506)**	(74,988)
Finance costs	**57,940**	60,536	**259,225**	284,924
Property and equipment depreciation	**72,188**	56,155	**244,226**	233,263
Intangible asset depreciation	**2,630**	-	**8,218**	-
Right-of-use assets depreciation	**233,728**	191,730	**945,844**	962,767
Finance costs on lease liabilities	**143,875**	127,405	**586,960**	586,359
(Gain) loss on disposal of property and equipment and intangible assets	**(5)**	-	**192,457**	2,539
Impairment charge of goodwill	**1,962,145**	-	**1,962,145**	-
Gain on lease termination	**-**	-	**(26,509)**	-
Store closure expenses (recovery)	**3,304**	(262)	**36,252**	8,703
Lease payments	**345,295**	361,625	**1,399,424**	1,376,537
Adjusted EBITDA	**$ 143,945**	**$ 96,757**	**$ 309,859**	**$ 1,090,092**