ROCKY MOUNTAIN LIQUOR INC

Ticker: “RUM”

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the period ended September 30, 2017

As at November 23, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated November 23, 2017

The following is a discussion of the consolidated financial condition and operations of Rocky Mountain Liquor Inc. ("RML" or the "Company") for the periods indicated and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. This discussion and analysis should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes of the Company for the period ended September 30, 2017. The Company owns 100% of Andersons Liquor Inc. ("Andersons") headquartered in Edmonton Alberta, which owns and operates private liquor stores in that province.

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

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

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

FORWARD LOOKING INFORMATION AND STATEMENTS ADVISORY

This management discussion and analysis contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "might" and similar expressions is intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this management discussion and analysis contains forward-looking information and statements pertaining to the following: (i) the stability of retail liquor sales; (ii) the ability to acquire additional liquor stores and/or locations; (iii) increased revenues and margins due to tax increase, (iv) the ability to purchase inventory at a discount, (v) ongoing impact from price inflation, (vi) potential exercise of warrants, (vii) equity issuance and (viii) other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance. All statements other than statements of historical fact contained in this management's discussion and analysis are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed or recent acquisitions and the benefits to be derived there from, and plans and objectives of or involving the Company.

The forward-looking information and statements contained in this management discussion and analysis reflect several material factors, expectations and assumptions including, without limitation: (i) demand for adult beverages; (ii) the ability to acquire additional liquor stores and/or locations; (iii) the Company's ability to secure financing to suit its growth strategy; (iv) the integration risk and requirements for the purchase or development of liquor stores; (v) the Company's future operating and financial results; (vi) treatment under governmental regulatory regimes, tax, and other laws; and (vii) 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 a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking information or statements including, without limitation: (i) impact of economic events affecting discretionary consumer spending; (ii) impact from competition in the markets where the Company operates; (iii) the impact of increases in labour costs; (iv) actions by governmental or regulatory authorities including changes in income tax laws and excise taxes; (v) the impact of weather on its effect on consumer demand; (vi) the impact of supplier disruption or delays; (vii) the maintenance of management information systems; (viii) the ability of the Company to retain key personnel; (ix) the availability of financing; (x) the ability of the Company to meet its financial obligations; (xi) the importance of the Company's integrated inventory and distribution systems; (xii) market volatility and share price; (xiii) the impact of a limited trading market; (xiv) importance of cybersecurity; and (xv) the ability to source locations and acquisitions for growth strategy and to complete construction projects.

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The forward looking information and statements contained in this discussion and analysis speak only as of the date of this management discussion and analysis, and the Company assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

KEY OPERATING AND FINANCIAL METRICS

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

- Sales increased to $12.3M (2016 - $12.2M)
- Gross margin percentage is 23.1% (2016 – 24.5%)
- EBITDA is $356,793 (2016 – $424,210)
- Loss is $156,784 (2016 - loss $467,358)

Key operational and financial highlights, year over year 9-month comparison:

- Sales are $32.9M (2016 - $34.3M)
- Gross margin percentage is 23.5% (2016 – 24.3%)
- EBITDA is $116,779 (2016 – $654,478)
- Net loss is $1,350,913 (2016 – income $50,168)

RECENT DEVELOPMENTS SINCE PERIOD ENDED SEPTEMBER 30, 2017

On Oct 4, 2017 the Company closed its distribution centre. On each of Oct 11, 2017 and Nov 2, 2017, the Company sold one liquor store, along with the store's individual assets. Both stores were located in Central Alberta.

OUTLOOK

The Company's strategy to reduce the number of underperforming stores and to respond to low margin competitors in the Alberta market is having a positive effect. In Q3 we experienced an increase in top line sales compared to Q3 2016, after 10 consecutive quarters of declining quarterly sales with four less stores than we operated in Q3 2016.

The Company has rebranded eight stores in 2017. Results under the Great Canadian Liquor ("GCL") brand have been encouraging, and management has plans to rebrand additional stores in 2018. Rebranding includes store renovations, competitive pricing strategies and establishing a consistent brand message that appeals to our existing customers and is attractive to new customers. As part of the strategy, the Company has launched a new website and digital advertising platform to support the introduction of the brand.

Any remaining stores not compatible with our current business plan will be offered for sale, ensuring the most effective use of our capital. We expect this approach will be sustainable in the long term. The Alberta government suggests there have been improvements in the economy[1] and our new investments and store level initiatives could benefit the Company should consumer spending improve in the coming year.

While our main focus is on the new initiatives, we will evaluate greenfield and acquisition opportunities in 2018.

The Alberta government increased the minimum wage to $13.60 on October 1, 2017, and has announced one further increase of $1.40 per hour on October 1, 2018, raising the minimum wage to $15.00. Management expects to incur increased salary costs in Q4 this year and in the 2018 fiscal year. To offset some of the impact from increased wages at store level, management

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[1] Government of Alberta - 2017 – 2018 First Quarter Fiscal Update and Economic Statement, Published August 23 2017, Retrieved November 16, 2017 from https://open.alberta.ca/dataset/9c81a5a7-cdf1-49ad-a923-d1ecb42944e4/resource/d805fedc-63cb-4f62-aba8-92bbaf604fc5/download/2017-18-1st-Quarter-Fiscal-Update.pdf

implemented a plan to reduce overhead costs in Q4 which included closing the internal distribution centre in Edmonton reducing head count at Head Office.

The Company has an available $10 million revolving credit facility of which $806,000 was unused as of November 23, 2017. Management believes this is sufficient for the successful execution of our business plan.

OPERATING RESULTS - 3 Months ending September 30, 2017

Basis of Comparison

The retail liquor industry is subject to seasonal variations with respect to sales. Sales are typically lowest early in the year and increase in the latter half. It is key to note that given the changes in the composition of stores of the Company, historical performance does not reflect the annualized results from recently acquired liquor stores, and more recent periods do not include results from stores that have been sold or closed.

The following table shows the operating results of the Company for the three-month period ending September 30, 2017 and 2016.

Period	**3 months ending September 2017**		**3 months ending September 2016**	
Sales	$ 12,325,553	100.00%	$ 12,210,492	100.00%
Gross margin	2,848,922	23.11%	2,993,175	24.51%
Operating and administrative expense	2,492,945	20.23%	2,572,649	21.07%
Operating Margin (1)	$ 355,977	2.89%	$ 420,526	3.44%
Non-recurring Items (1)	-	0.00%	-	0.00%
Operating Margin before non-Recurring Items (1)	$ 355,977	2.89%	$ 420,526	3.44%
Stores at Period End	38		42	

Notes:
(1) *Operating Margin and Operating Margin before non-recurring expenses has been calculated as described under "Non-IFRS Measures"*

Sales

Sales represent the combination of adult beverages including spirits, beer, and wine, with other ancillary products such as ice, juice, and mix.

Total sales for the three-month period ended September 30, 2017 were $12.3 million. Sales are higher than the same quarter in 2016 as a result of an increase in revenue from the eight transitioned GCL stores.

Cost of Goods Sold and Gross Margin

Margins have decreased from 24.5% to 23.1% as compared to this quarter last year as a result of the implementation of competitive pricing strategies at our rebranded stores. Further, Alberta consumers have been substituting the products they purchase to lower margin items.

Operating and Administrative Expenses

The major expenses included in operating and administrative expenses are salaries, rents, and location costs such as utilities, property taxes, and insurance. Total operating and administrative expenses for the three-month period ended September 30, 2017 were $2.51 million, compared to $2.57 million for the same period in 2016. There has been an increase in advertising costs related to the rebranding strategy, as well as an increase in wages as a result of the minimum wage changes. These are offset by the property cost savings from closing/selling four stores.

Finance Costs

Interest on the bank loan and convertible debentures increased from $258,136 for the three months ending September 30, 2016 to $276,236 for the same period in 2017. The increase is mainly due to an increase in bank loan interest as a result of a higher bank loan balance for the period in 2017 of $8.3M versus $7.5M in September 2016.

OPERATING RESULTS - 9 Months ending September 30, 2017

Basis of Comparison

The retail liquor industry is subject to seasonal variations with respect to sales. Sales are typically lowest early in the year and increase in the latter half. It is key to note that given the changes in the composition of stores of the Company, historical performance does not reflect the annualized results from recently acquired liquor stores, 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 nine-month period ending September 30, 2017 and 2016.

Period	**9 months ending September 2017**		**9 months ending September 2016**	
Sales	$ 32,872,263	100.00%	$ 34,337,297	100.00%
Gross margin	7,723,898	23.50%	8,325,089	24.25%
Operating and administrative expense	7,604,815	23.13%	7,719,740	22.48%
Operating Margin (1)	$ 119,083	0.36%	$ 605,349	1.76%
Non-recurring Items (1)	-	0.00%	-	0.00%
Operating Margin before non-Recurring Items (1)	$ 119,083	0.36%	$ 605,349	1.76%
Stores at Period End	38		42	

Notes:

(1) *Operating Margin and Operating Margin before non-recurring expenses has been calculated as described under "Non-IFRS Measures"*

Sales

Sales represent the combination of adult beverages including spirits, beer, and wine, with other ancillary products such as ice, juice, and mix.

Total sales for the nine-month period ended September 30, 2017 were $32.9 million. Sales are lower than the same period in 2016 due to the closure/sale of four stores since September 30, 2016 and closure of one store during Q3 2016. The increase in revenue from the eight transitioned GCL stores offset the slowdown in the economy in Alberta which has affected sales in certain rural markets where energy is the dominant industry.

Cost of Goods Sold and Gross Margin

Margins have decreased from 24.3% to 23.5% as compared to the same period last year. Alberta consumers have been substituting the products they purchase to lower margin items. Additionally, the Company has altered its marketing, pricing and promotional strategies to maintain market share through its rebranding strategy.

Operating and Administrative Expenses

The major expenses included in operating and administrative expenses are salaries, rents, and location costs such as utilities, property taxes, and insurance. Total operating and administrative expenses for the nine-month period ended September 30, 2017 were $7.6 million, compared to $7.7 million for the same period in 2016. The decrease is mainly due to reduced property costs resulting from the closure and sale of four stores in the past year. There has been an increase in advertising costs related to the rebranding strategy, as well as an increase in wages as a result of the minimum wage changes.

Finance Costs

Interest on the bank loan and convertible debentures increased by $48,000 for the nine-month period ending September 30, 2017 compared to 2016. The increase is mainly to the accretive interest charge as a result of the amended debenture terms. Actual interest paid is lower as the coupon rate on the debenture was reduced under its new terms, as discussed below.

CONVERTIBLE DEBENTURES

In 2011 the Company issued a $9,200,000 unsecured subordinated convertible debenture (“the Debenture”) due on April 30, 2016. On April 1, 2016, the Company announced that holders of the Debenture approved the proposed amendments extending the maturity date to April 30, 2021, reducing the conversion price to $0.25 from $0.50, and reducing the coupon rate to 7.50% from 7.75%.

On June 10, 2016, the Company redeemed $1,211,000 of the outstanding principal amount of the amended Debenture reducing it to $6,865,000.

On the Company’s Consolidated Statements of Financial Position the balance of the Debenture at September 30, 2017 is $5,814,337. For accounting purposes the value of the convertible option was calculated and the difference was recorded as equity. The remaining liability for the Debentures will be increased to $6,865,000 over the five-year term.

FINANCING & CREDIT FACILITIES

On September 30, 2017, the Company had a bank agreement with lender, TD for a $10 million uncommitted, revolving demand credit facility. This agreement is not subject to any monitoring ratios. Current utilization of the facility is $9.2 million.

As of September 30, 2017, the Company had $709,513 of cash on hand, and the $10 million Facility was drawn at $8.3 million. The Company pays interest at prime plus 1.25% or bankers' acceptances plus 2.75% per annum. At September 30, 2017, the Company has $5.0 million of its bank loan in bankers' acceptances.

The interest rate on the convertible debenture is fixed at 7.5%.

The Company manages its interest rate risk through credit facility negotiations and by identifying upcoming credit requirements based on strategic plans.

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as at September 30, 2017 or November 23, 2017.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

There are no updates to the Company's critical accounting judgements, estimates and assumptions. For further discussion, refer to the Company's annual MD&A for the year ended December 31, 2016.

CHANGES IN ACCOUNTING POLICIES

There were no new accounting standards adopted in the period. See Note 2 of the annual consolidated financial statements for the year ending December 31, 2016 for further information.

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 period ended September 30, 2017 that have materially affected, or are a 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 an 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 a number of risks. These risk factors include: impact due to economic conditions; regulated competitive environment; labour costs and labour market; impact from provincial tax increases; weather; supply interruption or delay; importance of information and control systems; reliance on key personnel; available financing; credit facility and financial instrument covenants; importance of inventory and EFC; market volatility and unpredictable share price; active trading market; cybersecurity and acquisition growth strategy and development risks.

For a discussion of these risks and other risks associated with an investment in Shares, see "Risk Factors" detailed in the Company's Management Discussion and Analysis dated April 24, 2017, which is available at www.sedar.com.

NON-IFRS MEASURES

Operating margin for purposes of disclosure under "Operating Results" has been derived by subtracting Operating and Administrative expenses from Gross Margin. Operating margin as a percentage of sales is calculated by dividing operating margin by sales.

Operating margin before non-recurring items has been derived by adding non-recurring items to operating margin. Non-recurring items include costs incurred and recoveries received by the Company that are not part of on-going operations and that are not expected to recur. Operating margin before non-recurring items as a percentage of sales is calculated by dividing operating margin before non-recurring items by sales.

Operating margin 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 – 9 Months."

EBITDA is defined as the net income of the Company plus the following: interest expense, provision for income taxes, depreciation, amortization, mark to market adjustments on financial instruments, non-cash items such as stock based compensation expense and issue costs of securities, deferred taxes, write down of goodwill, gain on repurchase of convertible debentures, gain / loss on disposal of stores and property and equipment, and other restructuring charges for store closures. EBITDA is also less any non-recurring extraordinary or one-time gains or losses from any capital asset sales. Management believes that, in addition to income or loss, EBITDA is a useful supplemental measure of performance.

	3 months ended September 2017	3 months ended September 2016	9 months ended September 2017	9 months ended September 2016
Net comprehensive (loss) income	$ (156,784)	$ (467,358)	$ (1,350,913)	$ 50,168
Interest expense	276,236	258,136	811,076	763,252
Income tax	-	-	-	36,000
Depreciation	154,651	168,844	469,395	483,912
Loss on disposal of property and equipment	11,455	352,608	33,025	363,212
Store closure expenses	26,215	111,980	109,176	111,980
Goodwill disposed	45,020	-	45,020	-
Gain on repurchase of convertible debenture	-	-	-	(42,213)
Gain on extinguishment of convertible debenture	-	-	-	(1,111,833)
EBITDA	**$ 356,793**	**$ 424,210**	**$ 116,779**	**$ 654,478**

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 and EBITDA are not measures recognized by IFRS and do not have a standardized meaning prescribed by IFRS. Investors are cautioned that operating margin, operating margin as a percentage of sales, and EBITDA should not replace net income or loss (as determined in accordance with IFRS) as an indicator of the Company's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Company's method of calculating operating margin, operating margin as a percentage of sales, and EBITDA may differ from the methods used by other issuers. Therefore, the Company's operating margin, operating margin as a percentage of sales, and EBITDA may not be comparable to similar measures presented by other issuers.