ROCKY MOUNTAIN LIQUOR

Ticker: "RUM"

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period September 30, 2022

As at November 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis is dated November 21, 2022.

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, 2022. The Company owns 100% of Andersons Liquor Inc. ("Andersons") headquartered in Edmonton Alberta, which owns and operates private liquor stores in that province.

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

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

Additional information relating to the Company, including all other public filings is available on SEDAR (www.sedar.com) and 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 decreased margins due to re-branding strategy; (iii) the ability to purchase inventory at a discount; (iv) ongoing impact from price inflation; (v) equity issuance; and (vi) other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance. All statements other than statements of historical fact contained in this management's discussion and analysis are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed or recent acquisitions and the benefits to be derived 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 ability to acquire additional liquor stores and/or locations; (iv) the Company's ability to secure financing to suit its strategy; (v) the Company's future operating and financial results; (vi) treatment under governmental regulatory regimes, tax, and other laws; (vii) the ability to attract and retain employees for the Company; and (viii) the integration risk and requirements for the purchase or development of liquor stores.

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates and projections that involve several risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking information or statements including, without limitation: (i) the impact of the pandemic; (ii) impact of economic events affecting discretionary consumer spending; (iii) the impact of supplier disruption or delays; (iv) impact from competition in the markets where the Company operates; (v) the impact of weather on its effect on consumer demand; (vi) the impact of increases in labour costs; (vii) importance of cybersecurity; (viii) the availability of financing; (ix) the ability of the Company to meet its financial obligations; (x) actions by governmental or regulatory authorities including changes in income tax laws and excise taxes; (xi) the possibility of a potential decline in consumption of alcoholic beverages and products sold; (xii) the maintenance of management information systems; (xiii) the ability of the Company to retain key personnel; (xiv) the ability to maintain acceptable store sites and adapt to changing market conditions; (xv) market volatility and share price; and (xvi) the impact of a limited trading market.

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

KEY OPERATING AND FINANCIAL METRICS

The following table summarizes key operating and financial metrics of the Company's financial performance for the three and nine months ended September 30, 2022 and 2021:

	3 months ended		9 months ended	
	Sep 2022	**Sep 2021**	**Sep 2022**	**Sep 2021**
Sales	$ 11,867,942	$ 11,778,727	$ 31,564,891	$ 33,751,721
Gross Margin	22.4%	23.1%	22.5%	22.7%
EBITDAR (1)	$ 884,749	$ 992,588	$ 1,990,454	$ 2,573,485
Net Income	$ 270,303	$ 459,320	$ 288,821	$ 919,076

Notes:

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

RECENT DEVELOPMENTS SINCE PERIOD ENDED SEPTEMBER 30, 2022

Subsequent to September 30, 2022 the Company sold one store in Central Alberta.

OUTLOOK

Management's focus remains on the improvement of the in-store experience for our consumers. The Company is continually evaluating its marketing strategies to ensure that our strategies are generating and maintaining brand awareness and brand engagement as well as driving customer traffic to our stores. The goal is to ensure the customer is provided with an exceptional experience in-store. Management will continue focusing on improving category management through standardization of store layouts, pricing strategies and a strong promotional focus.

In the past 12 months the Company has reduced debt by over $500,000, improving the balance sheet position and helping offset interest costs due to increases in the prime rate.

Unemployment in Alberta is at 5.2%[1], an improvement over the past two years, resulting in a stronger economy and inflationary pressures. The Company has been experiencing an impact to its costs due to inflation and remains focused on managing operating costs and profitability.

OPERATING RESULTS – 3 Months ending September 30, 2022

Basis of Comparison

The retail liquor industry is subject to seasonal variations in sales. Sales are typically lowest early in the year and increase in the latter half.

The following table shows sales results of the Company for the three months ending September 30, 2022 and 2021.

Period	3 months ended	
	Sep 2022	**Sep 2021**
Sales	$ 11,867,942	$ 11,778,727
Stores at Period End	**26**	**26**

Sales

Sales for the three month period ended September 30, 2022 increased $89,215 over the same period in 2021 as a result of promotional events in the quarter and favorable weather.

The following table shows operating results of the Company for the three months ending September 30, 2022, and 2021.

Period	3 months ended			
	Sep 2022		**Sep 2021**	
Gross margin	2,663,593	22.4%	2,720,959	23.1%
Operating and administrative expense	1,778,844	15.0%	1,728,371	14.7%
Operating Margin (1)	**$ 884,749**	7.5%	$ 992,588	8.4%
Non-recurring Items	-	0.0%	34,314	0.3%
Operating Margin before non- recurring items (2)	**$ 884,749**	7.5%	$ 1,026,902	8.7%
Stores at Period End	**26**		**26**	

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

Cost of Goods Sold and Gross Margin

Margins are 22.4% for the three month period ended September 30, 2022 and 23.1% for the same period in 2021. The change in margin is partially due to an increase in the number of promotional events held in the quarter.

[1] Alberta, Economic Dashboard – October 2022 retrieved on November 14, 2022 from https://economicdashboard.alberta.ca/Unemployment

Operating and Administrative Expenses

The major expenses included in operating and administrative expenses are salaries and location costs such as utilities, property taxes, and insurance. Total operating and administrative expenses for the three months ended September 30, 2022, are higher than 2021 as a result of increased adverting costs due to an increase in the number of promotional events held in the quarter.

OPERATING RESULTS - 9 Months ending September 30, 2022

Basis of Comparison

The retail liquor industry is subject to seasonal variations in sales. Sales are typically lowest early in the year and increase in the latter half.

The following table shows sales results of the Company for the nine months ending September 30, 2022 and 2021.

Period	9 months ended	
	Sep 2022	Sep 2021
Sales	$ 31,564,891	$ 33,751,721
Stores at Period End	26	26

Sales

Sales for the nine month period ending September 30, 2022 are 6% lower than the same period in 2021. For the nine month period 2021, restrictions were in place to on-site liquor consumption establishments resulting in a positive effect on retail liquor sales in that period. As restrictions were removed February 2022, there was subsequent decrease to retail liquor sales in 2022.

The following table shows operating results of the Company for the nine months ending September 30, 2022 and 2021.

Period	9 months ended			
	Sep 2022		Sep 2021	
Gross margin	7,110,054	22.5%	7,669,421	22.7%
Operating and administrative expense	5,178,837	16.4%	5,095,936	15.1%
Operating Margin (1)	**$ 1,931,217**	6.1%	$ 2,573,485	7.6%
Non-recurring item	116,038		79,314	
Operating Margin before non-rcurring items (2)	**$ 2,047,255**	6.5%	$ 2,573,485	7.6%
Stores at Period End	26		26	

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

Cost of Goods Sold and Gross Margin

Margins are 22.5% in 2022 compared to 22.7% in 2021. The Company continues to refine its marketing, pricing and promotional strategies along with timing of limited time offer purchasing to maximize gross margins. It uses competitive pricing strategies to optimize market share while balancing costs and customer experience.

Operating and Administrative Expenses

The major expenses included in operating and administrative expenses are salaries and location costs such as utilities, property taxes, and insurance. Total operating and administrative expenses for the nine months ended September 30, 2022, are higher than 2022 as a result of higher energy costs, costs associated with a new website design and security backups, increased advertising expense, as well as share-based compensation in Q2 2022, awarded under the Company's Option Plan. These costs were offset by a reduction in supplies relating to the one-time costs in 2021, required for the purchase of items relating to the health and safety of employees and customers.

FINANCING AND CREDIT FACILITIES

Credit Agreement

Through the Toronto-Dominion Bank ("TD"), the Company has a credit agreement providing total availability up to a maximum of $8,050,000 split between two facilities: 1) a demand, "operating facility" of $5,400,000 and 2) a "term loan" of $2,650,000. Both facilities bear interest at prime plus 1.25% per annum.

The operating facility availability is calculated as the lesser of i) $5,400,000 and ii) 75% of accounts receivable to a maximum of $1,000,000, plus 70% of the value of inventory plus goods and services tax and bottle deposits, less trade payables related to liquor and unremitted source deductions plus up to $250,000 cash-in-transit allowances. Interest only payments are due monthly.

The term loan was initially amortized over 39 months, due August 31, 2024 with monthly payments of interest and principal. On November 1, 2022, the Company extended the term loan with TD a further 12 months, to August 31, 2025.

Summary Of Credit Facilities

	Sep 30, 2022	Dec 31, 2021	Sep 30, 2021
Current Liability:			
Operating facility loan	**$ 2,218,316**	$ 1,861,671	$ 2,011,862
Bank loan	**519,094**	815,388	815,388
Total current	**2,737,410**	2,677,059	2,827,250
Long term portion of bank loan	**1,100,916**	1,387,751	1,582,507
Total Credit Facility Use	**$ 3,838,326**	$ 4,064,810	$ 4,409,757

Credit facilities are provided by TD and secured by a general security agreement representing a first charge on all assets. Drawdowns and repayments are disclosed on the consolidated statements of cash flows on a net basis. The agreement includes a debt service covenant of adjusted EBITDA less unfinanced net capital expenditures less permitted distributions less cash taxes / (scheduled principal payments plus interest), calculated based on a rolling four-quarter period. The bank has provided a waiver as this covenant of 120% was not met at September 30, 2022, as the Company achieved 117%. The term loan is presented as a non-current liability as at September 30, 2022.

Finance Costs on Credit Facility

Period	3 Months Ending		9 Months Ending	
	Sep 30, 2022	Sep 30, 2021	Sep 30, 2022	Sep 30, 2021
Finance costs	**$ 75,650**	$ 56,629	**$ 184,847**	$ 209,375

Finance costs increased by $19,021 for the three-month period ending September 30, 2022 due to a 2.25% increase to the prime rate. Through its agreement with TD, the Company's interest rate is prime + 1.25% or 5.95% with prime at 4.7% at September 30, 2022. At September 30, 2021, the rate with TD was prime +1.5% or 3.95% with prime at 2.45%.

For the nine month period, finance costs decreased by $24,528 due to an overall reduction in debt at TD of $571,431 from September 30, 2021.

The Company is subject to interest rate risk as its bank loan and operating facility bears interest rates that vary in accordance with prime borrowing rates. Assuming outstanding operating facility and bank loan balance of $3,838,326 (2021 - $4,409,757), a one percent increase in interest rates would have an effect on net comprehensive income of $38,383 (2021 - $44,098) on an annual basis. The Company manages its interest rate risk through credit facility negotiations and cost management.

Liquidity

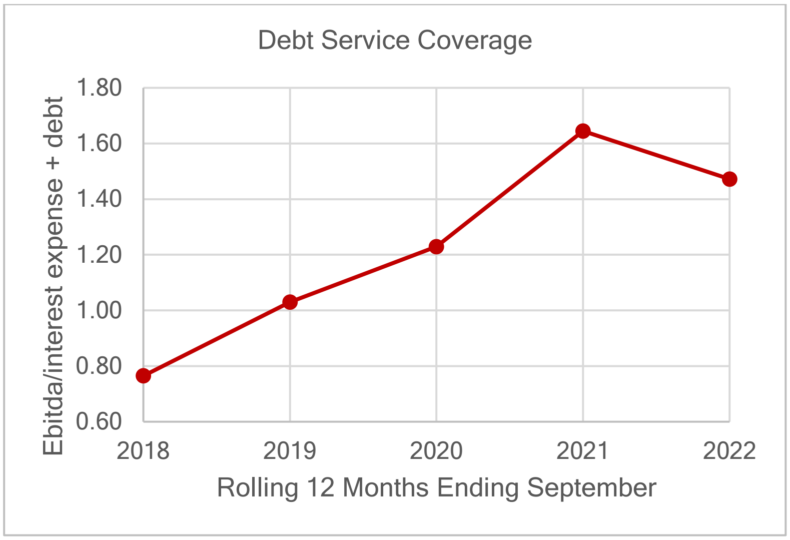
The Company's use of its operating line fluctuates with the seasonality of sales. The Company's use of its operating facility normally peaks in the first and second quarters of the year, and is at its lowest value at the end of Q4.

	Q2 Sep 2022	**Q2 Jun 2022**	**Q1 Mar 2022**	Q4 Dec 2021	Q3 Sep 2021	Q2 Jun 2021	Q1 Mar 2021	Q4 Dec 2020
Total credit facility use in (000's)	**$ 3,838**	**$ 5,448**	**$ 4,670**	$ 4,065	$ 4,410	$ 5,890	$ 6,093	$ 5,208

Current use of the credit facility is for investing in inventory, property and equipment, and used for operating expenses. The Company previously financed growth through the issuance of convertible debentures and available credit facilities.

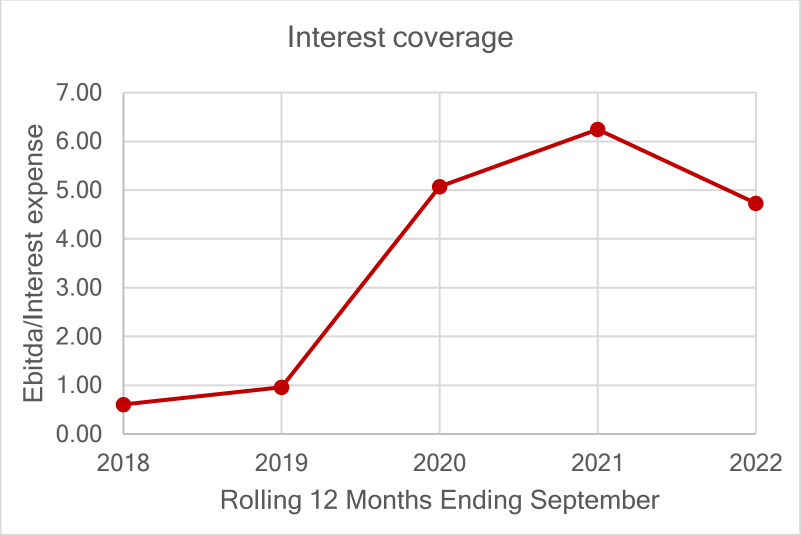
Debt Service Coverage

In 2017 the Company embarked on its plan to grow its market share, increase income from operations and improve its balance sheet. The Company's debt service coverage ratio has increased to 1.47 for the rolling four quarters ending September 30, 2022, from 0.76 in 2018. This is attributed to increased EBITDA and simultaneous debt reduction a result of the Company's focused deleveraging strategy.



Interest Coverage Ratio

The interest coverage ratio, calculated using bank loan and debenture interest payments has increased from the rolling four quarters ending September 30, 2018, of 0.6 to 4.7 for the rolling four quarters ending September 30, 2022. This is due to a reduction in funded debt, an increase in EBITDA, and lower interest costs. The Company manages its interest rate risk through credit facility negotiations.



SHARE CAPITAL

Authorized - Unlimited common shares

	Number		Amount
Balance Dec 31, 2021	47,489,937	$	7,377,311
Issued May 9, 2022	337,838		50,000
Balance Sep 30, 2022	**47,827,775**	**$**	**7,427,311**

On May 9, 2022, the Company issued shares worth $25,000 to each of two individual officers of the Company as approved by the TSX Venture Exchange in accordance with the Company's Option Plan. A total number of

337,838 shares were issued at a deemed price of $0.148, based on applying the volume-weighted average trading price of listed shares traded for the five trading days immediately preceding the issuance of shares. $50,000 (2021 – $nil) in share-based compensation expense was recognized for this transaction for the nine month period, and $nil (2021 - $nil) for the three month period.

Options

Stock option plan (“Option Plan”)

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

The options have an exercise price of:

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

	# of options	Exercise Price	Estimated fair value of options	Weighted average exercise price	Weighted average contractual life remaining
Outstanding Dec 31, 2021	-	-	-	-	-
Issued May 9, 2022	192,308	$0.105 - $0.121	9,237	0.113	0.950
Outstanding Sep 30, 2022	**192,308**	**$0.105 - $0.121**	**9,237**	**0.113**	**0.868**

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

COVID – 19

The Company has been able to continue to operate all of its retail stores since the onset of the pandemic. The Company took immediate action in implementing extensive policies and procedures to protect its employees and customers across the province, following the guidelines issued for non-health care essential businesses. It continues to monitor changes in guidelines.

OFF BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements as at September 30, 2022 or November 21, 2022.

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, 2021.

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 September 30, 2022, that have materially affected or are reasonably likely to materially affect the Company’s disclosure controls and procedures or internal control over financial reporting.

a) The venture issuer is not required to certify the design and evaluation of the issuer’s Disclosure Controls Procedures (“DC&P”) and Internal Control over Financial Reporting (“ICFR”) and has not completed such evaluation; and

b) Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective basis DC&P and ICFR for the issuer may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

RISK FACTORS

The Company’s results of operations, business prospects, financial condition, and the trading price of the shares are subject to several risks. These risk factors include pandemic; impact due to economic conditions; supply interruption or delay; regulated competitive environment; weather, labour costs and labour market; available financing; credit facility; impact from provincial tax increases; potential decline in consumption of alcoholic beverages and products sold; importance of information and control systems; reliance on key personnel; ability to maintain acceptable store sites and adapt to changing market conditions; ability to maintain acceptable store sites and adapt to changing market conditions; market volatility and unpredictable share price and active trading market.

For a discussion of these risks and other risks associated with an investment in Shares, see “Risk Factors” detailed in the Company’s Management Discussion and Analysis dated April 14, 2022 which is available at www.sedar.com.

NON-IFRS MEASURES

Operating margin, operating margin as a percentage of sales, operating margin before non-recurring items, operating margin before non-recurring items as a percentage of sales, working capital ratio, interest coverage ratio, debt service coverage ratio, existing stores’ revenue, EBITDA and EBITDAR are not measures recognized by IFRS and do not have a standardized meaning prescribed by IFRS. Investors are cautioned that these measures should not replace net income or loss (as determined in accordance with IFRS) as an indicator of the Company's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. Furthermore, the Company's method of calculating these measures may differ from the methods used by other issuers. Therefore, the Company's calculation of these measures may not be comparable to similar measures presented by other issuers.

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

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

Operating margin as a percentage of sales and operating margin before non-recurring items are calculated in tables under sections “Operating Results – 3 Months” and “Operating Results – 6 Months.”

Working capital ratio is calculated as current assets divided by current liabilities, with current liabilities adjusted for a long-term potion of the bank loan and removal of current portion of lease liabilities.

Interest coverage ratio is EBITDA divided by finance costs excluding accretive interest.

Debt service coverage ratio is EBITDA divided by current portion of bank loan payable as defined on page 3, plus finance costs excluding notional accretive interest.

Existing stores’ revenue is defiend as the reveneus from the stores in operation at year end.

EBITDA is defined as the net income of the Company plus the following: interest expense, provision for income taxes, depreciation, amortization, mark to market adjustments on financial instruments, non-cash items such as share-based compensation expense and issue costs of securities, deferred taxes, write down of goodwill, gain on redemption of convertible debentures, right-of-use assets depreciation, finance costs on lease liabilities, gain/loss on disposal of stores and property and equipment, and other restructuring charges for store closures and less rent expense. EBITDA is also less any non-recurring extraordinary or one-time gains or losses from any capital asset sales.

EBITDAR is EBITDA excluding rent expense. 2022 and 2021 periods include a single lease that has its rent expense included in operating and administrative expenses rather than in finance costs on lease liabilities and right of use assets depreciation due to the terms of that lease. The calculation for EBITDAR has total cash rent payments made in the period, removed. Management believes that, in addition to income or loss, EBITDA and EBITDAR are useful supplemental measures of performance.

Period	**3 months ended**		**9 months ended**	
	Sep 2022	**Sep 2021**	**Sep 2022**	**Sep 2021**
Net comprehensive income	$ 270,303	$ 459,320	$ 288,821	$ 919,076
Income tax expense	67,576	-	67,576	-
Finance costs	75,650	56,629	184,847	209,375
Property and equipment depreciation	74,395	69,698	201,337	208,843
Right-of-use assets depreciation	232,479	247,218	695,991	741,653
Finance costs on lease liabilities	160,829	159,406	487,440	485,750
Loss on disposal of property and equipment and goodwill	3,517	317	5,205	5,953
Share-based compensation	-	-	59,237	-
Store closure expenses	-	-	-	2,835
EBITDAR	**$ 884,749**	**$ 992,588**	**$ 1,990,454**	**$ 2,573,485**
Rent expense	(379,136)	(407,893)	(1,121,606)	(1,112,098)
EBITDA	**$ 505,613**	**$ 584,695**	**$ 868,848**	**$ 1,461,387**