



# ***ROCKY MOUNTAIN LIQUOR***

**Ticker: "RUM"**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the period September 30, 2024

As at November 27, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated November 27, 2024.

The following is a discussion of the consolidated financial condition and operations of Rocky Mountain Liquor Inc. ("RML" or the "Company") for the periods indicated and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. This discussion and analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes of the Company for the 3 months and 9 months ended September 30, 2024, and the Company's 2023 audited annual consolidated financial statements and notes thereto for the years ended December 31, 2023, and 2022 (the "Annual Financial Statements"). 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 condensed consolidated financial statements and the notes thereto have been prepared in accordance with IFRS Accounting Standards ("IFRS") and are reported in Canadian dollars. References to notes are to notes of the interim condensed consolidated financial statements unless otherwise stated.

Throughout this MD&A, references are made to "Adjusted EBITDA", "EBITDA", "EBITDAR", "Gross margin", "Interest coverage ratio", "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](http://www.sedarplus.com)) and the Company's website [www.ruminvestor.com](http://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) the impact of increases in labour costs; (viii) the impact of supplier disruption or delays; (ix) the ability of the Company to retain key personnel; (x) the availability of financing; (xi) the ability of the Company to meet its financial obligations; (xii) the maintenance of management information systems; (xiii) the ability to maintain acceptable store sites and adapt to changing market conditions; (xiv) market volatility and share price; and (xv) the impact of a limited trading market.

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The forward looking information and statements contained in this 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 nine month's comparison:

	3 months ended		9 months ended	
	September 2024	September 2023 Restated <sup>(1)</sup>	September 2024	September 2023 Restated <sup>(1)</sup>
Sales	\$ 10,907,795	\$ 11,380,346	\$ 29,536,450	\$ 31,235,252
Gross margin <sup>(2)</sup>	23.4%	23.6%	23.1%	23.2%
Net comprehensive income (loss) <sup>(3)</sup>	\$ 112,111	\$ 261,436	\$ (424,970)	\$ 283,869
Adjusted EBITDA <sup>(2)</sup>	\$ 343,347	\$ 536,675	\$ 165,914	\$ 961,555

Notes:

- (1) The Company previously presented under cost of sales the net amount of bottle deposit charges collected from customers and the bottle deposits paid to suppliers. The Company has determined that the correct presentation is to show the collections and payments on a gross basis in sales. For the 3 and 9 months ended, refer to the "CONDENSED QUARTERLY INFORMATION" heading below in this report for reconciliation of previously reported sales to restated sales.
- (2) The calculation of Gross margin and Adjusted EBITDA are described under the "Non-IFRS Measures" section below.
- (3) "Net income (loss)" was used in previous reports but changed to "Net comprehensive income (loss)" in this year's report to be consistent with the wording used throughout this report and in the Company's unaudited interim condensed consolidated financial statements.

Gross margin percentages for the three and nine months ended September 30, 2024, remained consistent with previous periods. As we move through the remainder of 2024, we will continue to evaluate and enhance our marketing strategies to strengthen brand recognition, foster customer engagement, to drive increased foot traffic to our retail locations.

Net comprehensive income (loss) and Adjusted EBITDA are lower for the three and nine months ended September 30, 2024, compared the same three and nine month 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, milder-than-usual weather in Alberta during Q2, and persistently low consumer confidence levels.
- **Increased Operating and Administrative Expenses:** Operating costs rose due to annual salary increases and higher non-recurring expenses, including the implementation of a new point-of-sale system and costs associated with the store closure.
- **Greater Loss on Asset Disposal:** The closure of a store resulted in increased losses from the disposal of property and equipment, including the loss on the sale of the building.

## OUTLOOK

The Company remains focused on delivering an exceptional customer experience and maintaining competitive pricing as it navigates evolving economic conditions. In 2024, persistent inflation and high interest rates weighed heavily on consumer spending, with many households prioritizing essential purchases and managing elevated debt servicing costs<sup>1</sup>. While inflation showed signs of easing by late 2024, consumer confidence remained historically low throughout the year, as highlighted by the Bank of Canada's consumer expectations surveys<sup>2</sup>.

Moving into 2025, Alberta's economic outlook is optimistic, with forecasted GDP growth of 2.8%, outpacing national growth rates. This expansion is driven by increased energy production enabled by new pipeline capacity, robust population growth, and investments in emerging sectors like renewable energy, hydrogen, and advanced manufacturing. These factors are expected to contribute to gradual improvements in household spending and retail activity<sup>3</sup>.

The retail sector in Alberta, including liquor sales, is anticipated to rebound modestly in 2025. Following subdued performance in 2023 and 2024, consumer spending is projected to stabilize as interest rates decline and household budgets adjust. However, challenges remain, including heightened competition, and shifting consumer preferences.

The Company continues to refine its operational and marketing strategies to align with these trends. Investments in customer engagement initiatives, competitive pricing strategies, and an optimized product mix will remain key priorities. By focusing on these areas, the Company is well-positioned to adapt to changing market dynamics and capture opportunities in Alberta's retail environment.

<sup>1</sup>Alberta Central Economic Outlook 2024, <https://albertacentral.com/wp-content/uploads/2024/01/2024-Economic-Outlook.pdf>, retrieved on November 19, 2024

<sup>2</sup> Bank of Canada Canadian Survey of Consumer Expectations – Thurs Quarter of 2024. <https://www.bankofcanada.ca/2024/10/canadian-survey-of-consumer-expectations-third-quarter-of-2024/>, retrieved on November 19, 2024.

<sup>3</sup> ATB Financial Quarterly Economic Outlook October 3, 2024. <https://www.atb.com/company/news/releases/albertas-economy-heading-into-2025/>, retrieved November 19, 2024

## OPERATING AND QUARTERLY RESULTS: Three months ended September 30, 2024

### Operating Income and Cash flows

The following table is a summary of select quarterly results for the Company for the three months ended September 30, 2024 and 2023:

	3 months ended					
	September 2024		September 2023 Restated <sup>(1)</sup>			
Sales	\$	10,907,795	\$	11,380,346		
Gross margin <sup>(2)</sup>		2,548,845	23.4%	2,681,096	23.6%	
Operating and administrative expenses		1,858,364	17.0%	1,771,532	15.6%	
Operating margin <sup>(2)</sup>	\$	690,481	6.3%	\$	909,564	8.0%
Non-recurring items <sup>(2)</sup>		27,094	0.2%	-	0.0%	
Operating margin before non-recurring items <sup>(3)</sup>	\$	717,575	6.6%	\$	909,564	8.0%
Cash flow from operating activities	\$	782,993		\$	1,429,724	
Cash flow used in investing activities		(187,012)			(10,341)	
Cash flow used in financing activities	\$	(736,017)		\$	(1,415,263)	

#### Notes:

- (1) The Company previously presented under cost of sales the net amount of bottle deposit charges collected from customers and the bottle deposits paid to suppliers. The Company has determined that the correct presentation is to show the collections and payments on a gross basis in sales. For the 3 months ended, refer to the "CONDENSED QUARTERLY INFORMATION" heading below in this report for reconciliation of previously reported sales to restated sales.
- (2) Gross margin, Operating margin, and Non-recurring items have been calculated as described under the "Non-IFRS Measures" section below.
- (3) 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 September 30, 2024, are lower than the same three month period in 2023, primarily due to increased competition in certain markets, road construction in one significant market impacting customer access to the store, and one less store in the quarter.

### Cost of Sales and Gross Margin

Margins remained comparable, at 23.4% in 2024 versus 23.6% for the same three-month period in 2023. Management continues to focus on enhancing profitability through strategic marketing, pricing, and promotional initiatives. Increased competition in certain markets has contributed to minor fluctuations but has not materially impacted the Company's margin consistency.

### 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 September 30, 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 point-of-sale system. This reflects the Company's ongoing investment in operational enhancements and employee retention.

#### **Cash flow from operating activities**

Cash flow from operating activities for the three months ended September 30, 2024, decreased compared to the same period in 2023. This decline is primarily due to lower changes in non-cash working capital related to inventory and a reduction in net comprehensive income (loss).

#### **Cash flow used in investing activities**

Cash flow used in investing activities was higher for the 3 months ended September 30, 2024, compared to the same period ended in 2023, due to costs associated with the installation and implementation of the Company's new point-of-sale system.

#### **Cash flow used in financing activities**

Cash flow used in financing for the 3 months ended September 30, 2024, are lower compared to the same period ended in 2023, primarily due to less usage of the operating facility during the period.

### **OPERATING AND QUARTERLY RESULTS: Nine months ended September 30, 2024**

#### **Operating Income and Cash flows**

The following table is a summary of select quarterly results for the Company for the nine months ended September 30, 2024 and 2023:

	9 months ended			
	September 2024		September 2023 Restated <sup>(1)</sup>	
Sales	\$ 29,536,540		\$ 31,235,252	
Gross margin <sup>(2)</sup>	6,818,496	23.1%	7,243,403	23.2%
Operating and administrative expenses	5,597,883	19.0%	5,235,156	16.8%
Operating margin <sup>(2)</sup>	\$ 1,220,613	4.1%	2,008,247	6.4%
Non-recurring items <sup>(2)</sup>	149,240	0.5%	-	0.0%
Operating margin before non-recurring items <sup>(3)</sup>	\$ 1,369,853	4.6%	\$ 2,008,247	6.4%
Cash flow (used in) from operating activities	\$ (161,667)		\$ 1,353,081	
Cash flow used in investing activities	(400,536)		(144,050)	
Cash flow from (used in) financing activities	\$ 491,999		\$ (1,238,716)	

Notes:

- (1) The Company previously presented under cost of sales the net amount of bottle deposit charges collected from customers and the bottle deposits paid to suppliers. The Company has determined that the correct presentation is to show the collections and payments on a gross basis in sales. For the 9 months ended, refer to the "CONDENSED QUARTERLY INFORMATION" heading below in this report for reconciliation of previously reported sales to restated sales.
- (2) Gross margin, Operating margin, and Non-recurring items have been calculated as described under the "Non-IFRS Measures" section below.
- (3) 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 nine months ended September 30, 2024, are lower than the same nine month 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, one store closed in April, and low consumer confidence throughout the period.

### ***Cost of Sales and Gross Margin***

Margins remained comparable, at 23.1% in 2024 versus 23.2% for the same nine-month period in 2023. Management continues to focus on enhancing profitability through strategic marketing, pricing, and promotional initiatives. Increased competition in certain markets has contributed to minor fluctuations but has not materially impacted the Company's margin consistency.

### ***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 nine months ended September 30, 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 point-of-sale system. This reflects the Company's ongoing investment in operational enhancements and employee retention. Additionally there is an increase in non-recurring professional expenses linked to shareholder agreements, previously disclosed in a Company press release on March 15, 2024.

### ***Cash flow (used in) from operating activities***

Cash flow (used in) from operating activities was higher for the 9 months ended September 30, 2024, compared to the same period ended in 2023, primarily due to the net comprehensive loss incurred during the first six months of 2024 and higher use non-cash working capital related to inventory, compared to the same period in 2023.

### ***Cash flow used in investing activities***

Cash flow used in investing activities was higher for the 9 months ended September 30, 2024, compared to the same period ended in 2023, due to costs associated with the installation and implementation of the Company's new point-of-sale system.

### ***Cash flow from (used in) financing activities***

Cash flow from (used in) financing activities was higher for the 9 months ended September 30, 2024, compared to the same period ended in 2023, primarily due to additional uses of the operating facility driven by the net comprehensive losses for the first two quarters of 2024.

### ***Balances***

The following table is a summary of select quarterly results for the Company as at September 30, 2024 and 2023 and year-ended December 31, 2023:

	September 30, 2024	December 31, 2023	September 30, 2023
Current assets	\$ 5,683,231	\$ 5,089,793	\$ 5,496,398
Non-current assets	17,533,577	17,696,477	18,618,718
Total assets	\$ 23,216,808	\$ 22,786,270	\$ 24,115,116
Current liabilities	\$ 5,106,390	\$ 3,576,338	\$ 3,970,708
Non-current liabilities	9,585,956	10,260,500	11,374,169
Total liabilities	\$ 14,692,346	\$ 13,836,838	\$ 15,344,877
Stores at period end	24	25	25

## Assets

As of September 30, 2024, total assets decreased compared to September 30, 2023. This decrease was mainly driven by the disposal of a building under property and equipment, depreciation, and the removal of one right-of-use asset, as part of the closure of one store.

However, when compared to December 31, 2023, total assets increased. This rise is largely attributable to a higher inventory balance, consistent with seasonal fluctuations typical of the Company's operations.

## Liabilities

As of September 30, 2024, total liabilities decreased compared to September 30, 2023. This reduction was primarily due to a decline in lease liabilities following the closure of one store and remeasurements of existing leases. These remeasurements resulted from lease renewals and renegotiated rental rates.

In contrast, total liabilities increased compared to December 31, 2023. This increase was mainly driven by higher utilization of the operating facility, which was necessitated by the repayment of a bank loan in June 2024, combined with the net comprehensive loss recorded during the first two quarters of 2024.

## CONDENSED QUARTERLY INFORMATION

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

Expressed in (000's)	2024			2023			2022	
	September 30	June 30	March 31	December 31	September 30 Restated (1)	June 30 Restated (1)	March 31 Restated (1)	December 31 Restated (1)(2)
# stores end of period	24	24	25	25	25	25	25	25
Sales	\$ 10,908	\$ 10,183	\$ 8,445	\$ 10,241	\$ 11,380	\$ 11,242	\$ 8,613	\$ 10,693
Net comprehensive income (loss)	\$ 112	\$ (171)	\$ (366)	\$ 179	\$ 261	\$ 312	\$ (290)	\$ (11)
Basic (loss) income per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ 0.01	\$ 0.01	\$ 0.01	\$ (0.01)	\$ (0.00)
Diluted (loss) income per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ 0.01	\$ 0.01	\$ 0.01	\$ (0.01)	\$ (0.00)

### Notes:

- (1) The Company previously presented under cost of sales the net amount of bottle deposit charges collected from customers and the bottle deposits paid to suppliers. The Company has determined that the correct presentation is to show the collections and payments on a gross basis in sales.

Below is a reconciliation of previously reported to restated quarterly sales:

Expressed in (000's)	2023			2022
	September 30	June 30	March 31	December 31
Sales as previously reported	\$ 11,057	\$ 10,921	\$ 8,383	\$ 10,416
Sales from bottle deposits	323	321	230	277
Restated Sales	\$ 11,380	\$ 11,242	\$ 8,613	\$ 10,693

Below is a reconciliation of previously reported to restated sales for the 9 months ended September 30, 2023:

Expressed in (000's)	2023
	9 months ended September 30
Sales as previously reported	\$ 30,361
Sales from bottle deposits	874
Restated Sales	\$ 31,235

- (2) Prior year quarterly net comprehensive income (loss) amounts restated due to amounts previously reported in the 2022 Management Discussion and Analysis report not representing the correct amounts.

Below is a reconciliation of previously reported to restated net comprehensive income.

Expressed in (000's)	2022
	December 31
Net comprehensive income in 2022 Management and Discussion Analysis for the year ended December 31, 2022	\$ 132
Correction	(143)
Net comprehensive (loss) income in 2022 quarterly interim financial statements	\$ (11)

### **Net comprehensive income (loss)**

The quarterly net comprehensive income in Q3 2024 compared to Q3 2023 is lower due to lower sales, and higher operating and administrative expenses as described above under "OPERATING AND QUARTERLY RESULTS: Three months ended September 30, 2024".

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Credit Agreement**

On June 21, 2024, through the 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. References to the "bank loan" were removed, including the requirement to be in compliance with a debt service covenant. Additionally, the maximum availability of the "operating facility" was changed from \$5,400,000 to \$4,000,000. The operating facility's interest rate remained at prime plus 1.25% per annum. As at September 30, 2024, the interest rate applicable to the operating facility was 7.70% (December 31, 2023 and September 30, 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 September 30, 2024 and 2023 and as at December 31, 2023:

	September 30, 2024	December 31, 2023	September 30, 2023
Current Liability:			
Operating facility	\$ 3,114,727	\$ 1,052,185	\$ 1,350,769
Bank loan	-	559,472	547,771
Total current	3,114,727	1,611,657	1,898,540
Long term portion of bank loan	-	400,027	544,296
Total Credit Facility Use	\$ 3,114,727	\$ 2,011,684	\$ 2,442,836

As of September 30, 2024, credit facility usage exceeded levels recorded as of both December 31, 2023, and September 30, 2023. While seasonal fluctuations are a contributing factor, the increased usage in the current period is primarily attributed to the net comprehensive loss incurred during the first two quarters of 2024.

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

	Q3 September 2024	Q2 June 2024	Q1 March 2024	Q4 December 2023	Q3 September 2023	Q2 June 2023	Q1 March 2023	Q4 December 2022
Total credit facility use in (000's)	\$ 3,115	\$ 3,651	\$ 2,952	\$ 2,012	\$ 2,443	\$ 3,651	\$ 3,658	\$ 3,094

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

The current use of 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. The Company is in compliance with the operating facility's borrowing base covenant and reporting requirements as at September 30, 2024. 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		9 months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Finance costs	\$ 67,477	\$ 70,351	\$ 201,285	\$ 224,388

Finance costs for the three and nine month periods ended September 30, 2024 decreased compared to the same periods in 2023. This reduction is primarily due to a combination of lower average debt balances and changes in interest rates during the year. Fluctuations in interest rates throughout the period have moderated the overall expense, reflecting the Company's efforts to optimize its debt structure and financial strategy.

#### **Normalized Working Capital Ratio**

Below is a summary of the normalized working capital ratios as at September 30, 2024 and 2023 and as at December 31, 2023:

	September 30, 2024	December 31, 2023	September 30, 2023
Current assets	\$ 5,683,231	\$ 5,089,793	\$ 5,496,398
Non-IFRS Current Liabilities			
Current liabilities	5,106,390	3,576,338	3,970,708
Less:			
Current portion of lease liabilities	(1,395,316)	(1,327,584)	(1,452,843)
Normalized current liabilities	\$ 3,711,074	\$ 2,248,754	\$ 2,517,865
Normalized working capital ratio	1.53	2.26	2.18

The Company's normalized working capital ratio of 1.53 indicates strong liquidity, and a healthy ability to meet short-term obligations while maintaining operational flexibility, aligning with industry standards for financial stability.

The decrease in the normalized working capital ratio from 2.26 at December 30, 2023 to is primarily attributed to higher utilization of the operating facility. This increased usage has elevated current liabilities, reducing the ratio despite the presence of sufficient current assets. The change reflects the Company's need to draw on the operating facility during the period to support operational requirements and the POS system implementation.

### **Outstanding Common Shares**

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

	<b>Number</b>	<b>Amount</b>
Balance December 31, 2023 and September 30, 2024	47,827,775	\$ 7,427,311

### **OFF BALANCE SHEET ARRANGEMENTS**

There were no off-balance sheet arrangements as at September 30, 2024, or November 27, 2024.

### **PROPOSED TRANSACTIONS**

There were no proposed transactions as at September 30, 2024, or November 27, 2024, that have not been disclosed.

### **COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

There are no updates to the Company's commitments and contractual obligations. For further discussion, refer to the Company's 2023 audited annual consolidated financial statements, note 14, which has details of commitments under lease arrangements.

### **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, 2023.

### **FINANCIAL INSTRUMENTS**

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximates their carrying value due to their short-term nature. The fair value of the operating facility and bank loan approximates their carrying value as the instruments carry interest rates that reflect the current market rates available to the company.

### **TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

The Company paid rents of \$26,286 (September 2023 - \$23,946) for the three months ended September 30, 2024 and \$74,678 (September 2023 - \$71,838) for the nine months ended September 30, 2024, in respect of three retail liquor stores, to privately held companies in which a key member of management is a significant shareholder.

The remuneration of Directors and other members of key management personnel are as follows:

	<b>3 months ended September 30, 2024</b>	3 months ended September 30, 2023	<b>9 months ended September 30, 2024</b>	9 months ended September 30, 2023
Wages and salaries	\$ 141,929	\$ 143,125	\$ 383,891	\$ 421,125
Other	1,070	1,208	4,019	3,453
	\$ 142,999	\$ 144,333	\$ 387,910	\$ 424,578

### **CHANGES IN ACCOUNTING POLICIES**

#### ***New Accounting Pronouncements Adopted in 2024***

The Company adopted Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current, clarifying the classification requirements in the standard for liabilities as current or

non-current. The amendment was effective for the Company's interim and annual consolidated financial statements commencing January 1, 2024. The adoption of these standards has not had a material impact on the Company's financial results.

***Recent accounting pronouncements not yet adopted***

The IASB has issued IFRS 18, Presentation and Disclosure in Financial Statements (replacing IAS 1, Presentation of Financial Statements). The new standard aims to improve how information is communicated in the financial statements, with a focus on information in the statement of comprehensive income and performance reporting. The new standard will become effective on January 1, 2027, and the Company is assessing the impacts IFRS 18 will have on its consolidated financial statements.

**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, 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 include competition; consumer spending; a potential decline in consumption of alcoholic beverages and products sold; weather; governmental regulation; cybersecurity; labour costs and the labour market; supplier disruption; retention of key personnel; availability of financing; sufficient liquidity to meet financial obligations; information systems; the ability to maintain acceptable store sites and adapt to changing market conditions; financial market volatility; and a limited trading market.

For a full discussion of these risks and other risks associated with an investment in Shares, see "Risk Factors" detailed in the Company's annual Management Discussion and Analysis for the year ended December 31, 2023, dated April 25, 2024, which is available at [www.sedarplus.com](http://www.sedarplus.com).

**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 income or loss (as determined in accordance with IFRS Accounting Standards) as an indicator of the Company's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows.

Furthermore, the Company's method of calculating these measures may differ from the methods used by other issuers. Therefore, the Company's calculation of these measures may not be comparable to similar measures presented by other issuers.

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

### **Definitions**

Adjusted EBITDA is defined as net comprehensive income (loss) of the Company and adding back the following: interest expense, current and deferred income tax, depreciation, amortization, non-cash items such as share-based compensation expense and issue costs of securities, write down of goodwill, right-of-use assets depreciation, finance costs on lease liabilities, gain/loss on disposal of stores and property and equipment, share-based compensation, store closure expenses, and non-recurring extraordinary or one-time gains or losses from any capital asset sales, 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 nine month periods ending September 30, 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 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 – Nine months."

The following table for the three and nine months ended September 30, 2024 and 2023, reconciles Net comprehensive income (loss) to Adjusted EBITDA.

	3 months ended		9 months ended	
	September 2024	September 2023 <sup>(1)</sup>	September 2024	September 2023 <sup>(1)</sup>
<b>Net comprehensive income (loss)</b>	<b>\$ 112,111</b>	<b>\$ 261,436</b>	<b>\$ (424,970)</b>	<b>\$ 283,869</b>
Deferred income tax	54,000	81,387	(88,000)	81,387
Finance costs	67,477	70,351	201,285	224,388
Property and equipment depreciation	61,829	60,197	172,038	177,108
Intangible assets depreciation	2,265	-	5,588	-
Right-of-use assets depreciation	233,065	270,093	712,116	771,037
Finance costs on lease liabilities	146,560	165,838	443,085	458,954
Loss on disposal of property and equipment	6,066	262	192,462	2,539
Gain on lease termination	-	-	(26,509)	-
Store closure expenses	6,532	-	32,948	8,965
Lease payments	346,558	372,889	1,054,129	1,046,692
<b>Adjusted EBITDA</b>	<b>\$ 343,347</b>	<b>\$ 536,675</b>	<b>\$ 165,914</b>	<b>\$ 961,555</b>

(1) Adjusted EBITDA comparative figures have been changed to conform to the current quarters' presentation.