LIQUOR STORES N.A. LTD.

ANNUAL INFORMATION FORM

For the Year-Ended December 31, 2017

Dated as of March 28, 2018

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1. Defined Terms

Please refer to the "Glossary of Terms" in **Schedule "A"** attached hereto for a list of defined terms used in this Annual Information Form.

2. Currency

All dollar amounts in this Annual Information Form are in Canadian dollars unless otherwise stated. On March 27, 2018, the Bank of Canada closing rate for one United States dollar was $1.29 Canadian dollars.

3. Forward Looking Statements

This Annual Information Form contains forward-looking statements or information (collectively, "**forward-looking statements**") within the meaning of the "safe harbour" provisions of applicable securities legislation. All statements and information other than statements of historical fact contained in this Annual Information Form are forward-looking statements. In particular, this Annual Information Form contains forward-looking statements regarding, without limitation:

- the Company's cannabis strategy and business transformation strategy;
- government regulation of liquor and cannabis;
- the legalization of marijuana/cannabis for recreational use in Canada;
- our expectations regarding legislation, regulations and licensing relating to the sale of cannabis products for recreational use;
- our applications for retail cannabis licenses in Alberta and British Columbia, the number of cannabis stores we expect to open in those provinces and the products we plan to sell;
- the establishment of an adult use recreational cannabis market in Canada in general and a retail Cannabis business of the Company;
- the Company's financial position and future prospects;
- the Additional Investment by Aurora in the Company and the receipt of required approvals;
- the use of proceeds of the Private Placement;
- the payment of cash dividends on the Common Shares;
- the Company's dividend policy; and
- proposed acquisitions and dispositions of or involving Liquor Stores.

Prospective investors can identify many of these statements by looking for words such as "believes", "may", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words and the negative thereof.

Forward-looking statements reflect the Company's current plans, intentions and expectations, which are based on Management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's plans, intentions and expectations are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in this Annual Information Form. Although Management believes that the plans, intentions and expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to:

- risks relating to federal, provincial and municipal government liquor and cannabis regulation and changes thereto;
- competition;
- the state of the economy, including general economic conditions in Canada (including the Province of Alberta) and the U.S.;
- restrictions on potential growth (including the Province of British Columbia's moratorium on granting new liquor licenses and the granting of retail cannabis licenses in the Provinces of Alberta and British Columbia);
- the unpredictability and volatility of Common Share and Convertible Debenture prices;
- the payment of cash dividends on the Common Shares and interest on the Convertible Debentures representing a substantial amount of the Company 's operating cash flow;
- dilution and future sales of Common Shares or securities convertible into Common Shares;
- the availability of sufficient financial resources to fund the Company's capital expenditures and strategies;
- changes in commodity tax rates and government mark-ups or other taxes that impact the price of alcoholic beverages and cannabis;
- risks relating to future acquisitions and dispositions;
- risks relating to the development of new liquor stores;
- risks relating to the development of cannabis stores, the conversion of existing stores and branding of cannabis stores;
- the ability of Management to execute the Company's business transformation and cannabis strategies;
- Liquor Stores' ability to locate and secure acceptable store sites and to adapt to changing market conditions;
- poor weather conditions;
- dependence on key personnel;
- labour costs, shortages of labour and labour relations, including Liquor Stores' ability to hire and retain staff at current wage levels and the risk of possible future unionization;
- supply interruption or delays;
- dependence on suppliers and wholesalers;
- reliance on information and control systems;
- income tax changes;
- leverage and restrictive covenants in the Credit Agreement, the Debenture Indenture and any agreements relating to the future indebtedness of Liquor Stores;
- credit risks arising from operations; and
- the potential lack of an active trading market for the Common Shares and the Convertible Debentures.

These factors should not be construed as exhaustive. The information contained in this Annual Information Form, and as disclosed in other filings made by the Company with Canadian securities regulatory authorities and available on SEDAR at www.sedar.com, identifies additional factors that could affect the business, financial condition, operating results and performance of Liquor Stores.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Annual Information Form are made as of the date of this Annual Information Form and Liquor Stores assumes no obligation to update or revise them to reflect new events or circumstances, except as expressly required by applicable securities legislation.

4. Effective Date of Information

Except where otherwise indicated, the information in this Annual Information Form is presented as at the end of Liquor Stores' most recently completed financial year, being December 31, 2017.

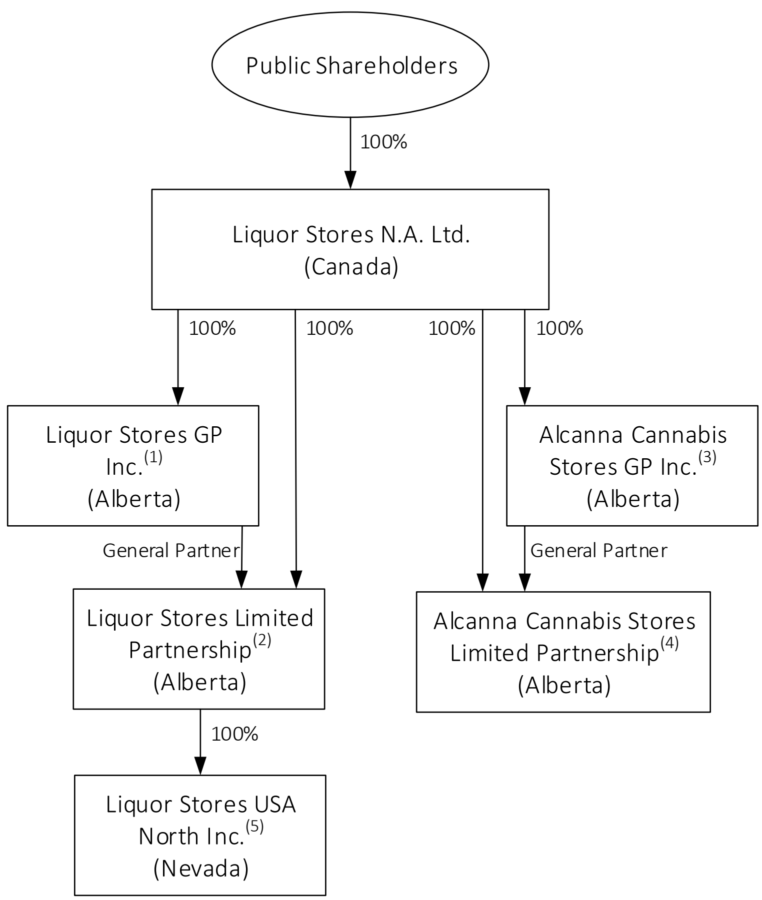
5. Corporate Structure

A. Name, Address and Incorporation

Liquor Stores is a corporation incorporated under the CBCA and commenced operations as such on December 31, 2010 following the completion of a plan of arrangement under the CBCA pursuant to which Liquor Stores Income Fund was reorganized into a corporation. The Company's head office is located at Suite 101, 17220 Stony Plain Road Edmonton, Alberta, T5S 1K6, and its registered office is located at Suite 2500, 10303 Jasper Avenue, Edmonton, Alberta T5J 3N6. The Common Shares and the Convertible Debentures trade on the TSX under the trading symbols "LIQ" and "LIQ.DB.B", respectively.

B. Intercorporate Relationships

The following chart lists, as of the date of this Annual Information Form, the intercorporate relationships of Liquor Stores and its material Subsidiaries; the percentage of voting securities of the Subsidiaries owned, controlled or directed by Liquor Stores; and the governing jurisdiction of incorporation or registration of these corporations and partnerships. Except as noted below, all material Subsidiaries listed herein are, directly or indirectly, 100% owned and controlled by Liquor Stores.



Notes:

(1) Liquor Stores GP Inc. is the general partner of Liquor Stores Limited Partnership and owns a general partnership interest in Liquor Stores Limited Partnership.
(2) Liquor Stores Limited Partnership owns and operates all liquor stores located in the Provinces of Alberta and British Columbia.
(3) Alcanna Cannabis Stores GP Inc. is the general partner of Alcanna Cannabis Stores Limited Partnership and owns a general partnership interest in Alcanna Cannabis Stores Limited Partnership.
(4) Alcanna Cannabis Stores Limited Partnership will own and operate all cannabis stores located in the Province of Alberta and potentially British Columbia.
(5) Liquor Stores USA North Inc. owns and operates all stores located in the State of Alaska.

6. General Development of the Business

The following is a description of the general development of Liquor Stores' business over the three (3) most recently completed financial years.

A. Recent Developments

On February 14, 2018, the Company announced the closing of the first phase of a strategic investment made by Aurora in Liquor Stores by way of a non-brokered private placement (the "**Private Placement**") pursuant to the terms of the Investment Agreement. The Private Placement has been structured in two (2) phases, with an Initial Investment made by an indirect, wholly-owned subsidiary of Aurora (the "**Investor**") of $103.5 million for an approximately 19.9% ownership interest in the Common Shares, with an Additional Investment (described further below) that could bring the Investor's interest in the Common Shares up to approximately 40%.

The Company intends to use the net proceeds from the Private Placement to establish and launch cannabis retail outlets, whereby it will convert some number of Liquor Stores' existing retail outlets into cannabis retail outlets and establish new cannabis retail outlets. Liquor Stores will also use a portion of the proceeds to continue to strengthen its existing liquor retail brands by renovating existing liquor store outlets and for general corporate purposes.

Terms of the Private Placement – Initial Investment

The Investor made an initial $103.5 million investment in Liquor Stores by subscribing for 6.9 million Common Shares at a price of $15.00 per Common Share (the "**Initial Investment**").

Additional Investment

In addition, the Investor has also subscribed for 2.3 million subscription receipts of Liquor Stores (the "**Subscription Receipts**") at a price of $15.00 per Subscription Receipt for aggregate proceeds of $34.5 million. Under the terms of the Subscription Receipt Agreement, upon receiving approval from the Shareholders (other than Aurora, the Investor and their respective associates or affiliates) at its next annual general meeting and the satisfaction of the other escrow release conditions, the proceeds from the sale of Subscription Receipts will be released to Liquor Stores and the Investor will increase its ownership of the Common Shares to approximately 25% (on a non-diluted basis).

Liquor Stores has also issued to the Investor, for no additional consideration, two (2) classes of Common Share purchase warrants: (1) 10,130,000 warrants at an exercise price of $15.75 per Common Share to allow the Investor to increase its *pro rata* equity interest in Liquor Stores to approximately 40% on a fully diluted basis prior to 5:00 p.m. (Edmonton time) on August 14, 2019 (the "**Sunshine Warrants**"); and (2) up to 1,750,000 warrants exercisable by the Investor at an exercise price of $15.00 per Common Share upon the conversion of any of the outstanding Convertible Debentures to allow the Investor to maintain its *pro rata* equity interest in Liquor Stores prior to 5:00 p.m. (Edmonton time) on January 31, 2022 (the "**Pro Rata Warrants**", and together with the Subscription Receipts and the Sunshine Warrants, the "**Additional Investment**"). Under the terms of the Sunshine Warrant Certificate and the Pro Rata Warrant Certificate, the exercise of each of the Sunshine Warrants and the Pro Rata Warrants, respectively, will be conditional upon the approval of the Shareholders (other than Aurora, the Investor and their respective associates or affiliates) at the next annual general meeting of Liquor Stores. The Additional Investment will also be condition upon the receipt of required approvals under the *Competition Act* (Canada). If the required shareholder and regulatory approvals are not obtained, the Subscription Receipts, Sunshine Warrants and Pro Rata Warrants will be cancelled for no consideration.

None of the Subscription Receipts, Sunshine Warrants nor the Pro Rata Warrants will be transferable by the Investor and will not be listed for trading on the TSX.

The Common Shares, Subscription Receipts, Sunshine Warrants and Pro Rata Warrants will each be subject to a hold period that will expire four (4) months and one (1) day after the closing of the Private Placement, which occurred on February 14, 2018. The parties have agreed that the Common Shares issued pursuant to the Private Placement as well as any Common Shares issuable pursuant to the conversion of the Subscription Receipts or the exercise of the Sunshine Warrants or the Pro Rata Warrants will be subject to a contractual escrow of twelve (12) months from the closing of the Private Placement. The Common Shares will not be registered in the United States.

Aurora, the Investor and Liquor Stores have also entered into an Investor Rights Agreement pursuant to which: (i) the Investor shall be entitled to participate in future equity offerings of Liquor Stores in order to maintain its *pro rata* equity interest in Liquor Stores; (ii) Aurora was given the right to nominate one (1) director for election to the Board following the completion of the Initial Investment (and subject to it maintaining an equity ownership of at least ten percent (10%) of the Common Shares) and shall have the right to nominate a second director if it increases its equity ownership in Liquor Stores to 33 1/3% or more; (iii) the Investor shall, in certain circumstances, be granted demand and piggy-back registration rights; (iv) Aurora and the Investor have agreed to a twelve (12) month standstill from the closing of the Initial Investment and a twelve (12) month restriction on any dispositions of the securities acquired pursuant to the Private Placement; and (v) Liquor Stores and Aurora have agreed to take certain actions in furtherance of the development of a retail cannabis business together with limitations on certain transactions that Liquor Stores can undertake with Aurora's competitors until the date of the 2018 Shareholder meeting.

Resignations and Appointments

On March 21, 2018, the Company announced that Mr. Paul Wilson has been appointed President and Chief Operating Officer of the Company's new cannabis division.

On March 15, 2018, the Company announced that Mr. Matthew Rudd, the Senior Vice President and Chief Financial Officer of the Company, would be leaving and that Mr. David Gordey, the President and Chief Operating Officer of the Company will assume Mr. Matthew Rudd's responsibilities effective April 13, 2018.

On March 14, 2018, the Company appointed Mr. Terry Booth to the Board.

On February 16, 2018, Mr. Gary Collins resigned from the Board.

On February 5, 2018, the Company appointed Ms. Bernadette (Bernie) Kollman to the Board.

B. Three Year History

2017

On May 3, 2017, the Company completed the redemption of the Prior Debentures.

On May 10, 2017, the Company filed an information circular (the "**Circular**") in connection with its 2017 annual and special meeting of Shareholders (the "**Meeting**"). The Circular disclosed, among other things, that a Shareholder, PointNorth, had acquired approximately 9.9% of the Common Shares. Prior to the filing of the Circular, representatives of the Company and PointNorth had engaged in numerous discussions regarding the Company, its business and performance, as well as discussions regarding appointing or nominating PointNorth nominees to the Board. PointNorth requested that a majority of the Board be reconstituted through the appointment or election of PointNorth's independent nominees which the Company rejected. PointNorth subsequently filed its dissident proxy circular dated May 15, 2017, nominating six (6) independent directors to pursue a new strategy.

On June 19, 2017, the Company announced that six (6) incumbent directors, being Jim Dinning, Stephen Bebis, Henry Bereznicki, Susan Doniz, Robert Green and David Margolous, advised Liquor Stores that they would not stand for re-election at the Meeting.

On June 20, 2017, the Company announced that all six (6) of PointNorth's independent nominees were elected to the Board at the Meeting, including Messrs. Derek Burney, Kenneth Barbet, John Barnett, James Burns, Richard Perkins and Ms. Karen Prentice. Two (2) incumbent directors from the Board, Messrs. Gary Collins and Peter Lynch were re-elected to the Board. Mr. Derek Burney was appointed Chair of the Board.

On July 7, 2017, the Company announced its intention to appoint Mr. Kenneth Barbet as President and Chief Executive Officer in early August, with Mr. Stephen Bebis, the then President and Chief Executive Officer departing the Company. During the interim period, Mr. Peter Lynch acted as interim President and Chief Executive Officer of the Company.

On August 9, 2017, the Company announced the appointment of Mr. Kenneth Barbet as Chief Executive Officer. Concurrently, Mr. Richard Perkins resigned from the Board to join management and Mr. Denis Ryan was appointed to the Board. Subsequent to year-end, Mr. Richard Perkins left the employment of the Company.

On November 20, 2017, the Company closed the sale of its 15 retail liquor stores in Kentucky for gross proceeds of approximately $33.4 million and announced its intention to sell its 51% interest in Birchfield and its store in Norwalk, Connecticut. The dispositions were intended to focus the Company's operations on its core markets of Alberta, British Columbia and Alaska, reduce debt, eliminate a put-option relating to the Birchfield interest and eliminate renovation costs associated with these stores. Concurrently, the Company announced that it would close its United States head office and no longer have any U.S.-based executives or senior management.

On December 7, 2017, the Company completed the sale of its indirect 51% interest in Birchfield, which owns two (2) stores in New Jersey, to certain other members of Birchfield for gross proceeds of approximately $3.8 million.

On December 8, 2017, Mr. James Burns was appointed Vice Chair, assuming primary responsibility for the development of a cannabis strategy and to be the lead executive for business transformation and investor relations.

On December 15, 2017, Mr. James Burns was appointed as Chief Executive Officer in addition to his previously announced position of Vice Chair. Concurrently, Mr. Kenneth Barbet resigned as Chief Executive Officer and a director.

2016

Liquor Stores opened one (1) store in Alberta, one (1) large-format store in Connecticut and acquired a 51% interest in Birchfield (with an option to acquire the remaining 49%) which owns two (2) large-format liquor stores in New Jersey operating under the name "Joe Canal's Discount Liquor Outlet". Liquor Stores also closed two (2) stores in Alberta due to underperformance and one (1) store in British Columbia as a result of a property redevelopment by the landlord.

The Company issued $77,625,000 aggregate principal amount of Convertible Debentures due January 31, 2022. Liquor Stores used the net proceeds of the offering of the Convertible Debentures to initially repay indebtedness, and then subsequently (when permitted) to repay the Prior Debentures. See "*Material Debt – Convertible Debentures*" for a detailed description of the terms of the Convertible Debentures.

2015

Liquor Stores opened nine (9) new stores in Alberta, one (1) in British Columbia and three (3) in Kentucky and closed four (4) stores in total.

7. Description of the Business

A. General

As of the date of this Annual Information Form, Liquor Stores operates in 173 stores in Alberta, 33 stores in British Columbia, 22 stores in Alaska and one (1) store in Connecticut, which the Company intends to sell. Liquor Stores also supplies liquor in Alberta on a wholesale basis to a number of restaurants, lounges, nightclubs and other licensees. For the year-ended December 31, 2017, approximately 98.1% of Liquor Stores' sales in Canada (2016 – 98.4%) and approximately 88.3% of its sales in the United States (2016 – 88.1%) from continuing operations were derived from the sale of alcoholic beverages.

On December 8, 2017, the Company announced the appointment of James Burns as Vice Chair (Mr. James Burns was subsequently appointed Chief Executive Officer on December 15, 2017) with the responsibility for the development of a cannabis strategy. In furtherance of the cannabis strategy, on February 14, 2018, Aurora invested $103.5 million in the Company through the Private Placement with the proceeds to be used by the Company to establish a retail cannabis business.

B. Liquor Retail

Liquor Stores primarily operates under the brand name "Liquor Depot" for its convenience format locations in Alberta and British Columbia, which range in size from 2,000 to 10,000 square feet. While several of the locations in Alberta and British Columbia operate under the brand name "Liquor Barn" currently, the Company is actively rebranding these locations to "Liquor Depot". The Company also operates five (5) large-format locations in Alberta under the brand name "Wine and Beyond" with significantly expanded product selection compared to the convenience format stores and range in size from 10,000 to 20,000 square feet. The Company's stores in Alaska, which operate under the brand name "Brown Jug", range in size from 1,400 to 14,000 square feet, with one (1) combined store and warehouse premises being in excess of 40,000 square feet. Of the 229 stores currently owned by the Company as of the date of this Annual Information Form, eight (8) are large-format "destination" stores, 220 are full liquor stores, and one (1) is a wine only store. Product selection throughout the various brands is tailored to each location.

For the two (2) most recently completed financial years, the Company's sales and number of store locations have changed as follows:

- Sales from continuing operations have decreased approximately 2.5% to $621.4 million.
- The number of store locations has decreased from 253 stores in 2016 to 231 stores in 2017.

The decrease in the number of store locations has primarily resulted from the sale of locations in the lower 48 states of the United States and the closure of five (5) underperforming stores in Alberta in 2017.

The following table shows the number of Liquor Stores' retail liquor outlets in Alberta, British Columbia, Alaska and Connecticut as well as major markets within those jurisdictions, as at December 31, 2017.

	2017				
	1-Jan-17	Opened or Acquired(6)	Sold(7)	Closed(7)	31-Dec-17
Alberta					
Edmonton (1)	83	-	-	(1)	82
Calgary (1)	44	1	-	(2)	43
Other (2)	52	-	-	(2)	50
British Columbia	179	1	-	(5)	175
Interior(3)	10	-	-	-	10
Lower Mainland(4)	13	2	(1)	(2)	12
Vancouver Island	11	-	-	-	11
Alaska	34	2	(1)	(2)	33
Anchorage	18	-	-	-	18
Other (5)	4	-	-	-	4
Kentucky	22	-	-	-	22
Lexington	6	-	(6)	-	-
Louisville	6	-	(6)	-	-
Other	3	-	(3)	-	-
Connecticut	15	-	(15)	-	-
Norwalk	1	-	-	-	1
New Jersey	1	-	-	-	1
Lawrenceville	1	-	(1)	-	-
Woodbridge	1	-	(1)	-	-
	2	-	(2)	-	-
Total	253	3	(18)	(7)	231

See notes on next page.

Notes:

(1) References to Edmonton and Calgary are to stores located in or near those urban centres.
(2) Other stores in Alberta by region: Northern (25), Southern (ten), Central (13) and resort (two).
(3) 2016 Annual Information Form recorded eleven (11) stores due to misclassification of a closed store due to property redevelopment to residential.
(4) 2016 Annual Information Form recorded twelve (12) stores due to misclassification of a closed store due to property redevelopment to residential.
(5) Other communities served in Alaska include Wasilla (three) and Fairbanks (one).
(6) One (1) opened store in Alberta was independently opened and developed by the Company. Two (2) opened stores in British Columbia were due to relocation of existing stores to higher traffic locations.
(7) The stores closed or otherwise disposed of by region:
    - Edmonton – one (1) store closed due to underperformance;
    - Calgary – one (1) store closed due to underperformance and one (1) store closed due to a consolidation of the Company's warehousing operations;
    - Other Alberta – two (2) stores closed due to underperformance;
    - Lower Mainland British Columbia – two (2) stores closed due to relocation to higher traffic location and one (1) store sold due to underperformance;
    - Kentucky – 15 stores sold as part of disposition of Kentucky business; and
    - New Jersey – interest in two (2) stores sold as part of the disposition of the Birchfield interest.

As at the date of this Annual Information Form, there have been no changes to the above other than two (2) store closures in Other Alberta locations due to underperformance.

The Alcoholic Beverage Market

In Canada, beer and liquor stores and agencies sold $22.1 billion worth of alcoholic beverages during the twelve-months ended March 31, 2016, an increase of 3.5% from the previous year. Beer is the most popular category at 42% of sales (2015 – 42%), while wine's market share has remained roughly consistent at 32% (2015 – 31%) and spirits at 23% (2015 – 23%). In 2016, Alberta's share of the Canadian alcoholic beverage market remained at 11.9% (2015 – 11.9%) and British Columbia's share had decreased to 14.3% (2015 – 14.5%) Alcoholic beverage sales in British Columbia totalled $3.2 billion for the twelve-months ended March 31, 2016, increasing 2.0% over the previous year. In British Columbia, sales of spirits increased 1.9%, beer decreased 0.5%, and wine increased 4.1%. In Alberta, alcoholic beverage sales totalled $2.6 billion for the twelve-months ended March 31, 2016, a 3.7% increase over the previous year. In Alberta, beer sales increased 2.2%, wine sales increased 6.4%, and spirits increased 2.6%. Sales of ciders, coolers and other refreshment beverages in British Columbia increased 7.0% and in Alberta by 11.9% in 2016 (all figures cited in this paragraph are from the most recent information published by Statistics Canada).

Our Brands

The retail liquor store industry in Alberta, British Columbia and Alaska is a fragmented market. Liquor Stores' operates some of the leading liquor retail brands in its respective markets. The Company's major brands are:

- *Liquor Depot* – Convenience-focused stores located in Alberta and British Columbia, focused on convenient locations and store layouts, and a large selection at competitive prices.
- *Wine and Beyond* – Large-format "destination" stores located in Alberta that are dedicated to having a large selection of wine, spirits and beer and strong customer service.
- *Brown Jug* - Convenience-focused stores located in Alaska, focused on convenient locations and store layouts, and a large selection at competitive prices.

Location

Liquor Stores' business model is based on highly visible and accessible store locations. The Company endeavours to locate its stores in areas where access to customers is maximized, such as near grocery stores or on main arteries in or near residential areas. Approximately 60% of Liquor Stores' Canadian outlets are located in or near shopping centres with major grocery stores or other anchor tenants. With respect to its Alaska operations, Management believes that its Alaska stores enjoy easy-customer access and enhanced street visibility.

Product Selection

The Company's stores offer a large selection of wine, spirits, coolers, liqueurs, beer and specialty products. Product selection is individually tailored to store brands and formats. In convenience-focused stores, product selection varies between 1,000 and 4,000 wine, spirit, cooler and beer items, which Management believes is a larger product selection and inventory than the industry average. The Wine and Beyond large-format "destination" stores offer over 10,000 items. New, exclusive and preferred label varieties and products arrive in stores throughout the year.

Knowledgeable Sales Staff

The Company strives to provide high-quality customer service through its employees who are highly knowledgeable in each liquor category to best serve our customers. Staff is trained to have strong product knowledge that is shared with customers. Liquor Stores' endeavours to maintain product knowledgeable managers, assistant managers and line-staff through frequent seminars and training.

Strategic Markets

Management's primary strategy is to focus on urban centres such as the Calgary, Edmonton, Vancouver and Anchorage metropolitan areas. The Company believes that urban centres provide the best opportunities for larger per store revenues and likelihood of population increases. While the Company's focus is primarily on urban centres, it also has stores in other communities, including rural or smaller urban centres where demographic and economic conditions warrant, such as those with resource-based economies. Such communities include Ft. McMurray, Alberta (seven (7) stores), Grande Prairie, Alberta (eight (8) stores) and a large-format "destination" store in Fairbanks, Alaska.

Store Design and Format

Liquor Stores generally designs its stores to optimize traffic flow and present its products in an upscale environment. The Company has launched an initiative to modernize and renovate a large number of stores. In 2017, the Company renovated 13 stores and intends to renovate a further 50 stores in 2018 and a similar number of stores in 2019.

Economies of Scale

Liquor Stores' leading market position and large-scale operations (relative to most other industry participants) provide it with a number of competitive advantages, including: the benefit of operating efficiencies relative to non-liquor expenses (including finance, marketing, human resources and corporate); and greater access to capital.

Industry Conditions

The retail liquor business in the Company's current geographic markets is characterized by a decline in market demand. Preliminary studies indicate that the legalization of recreational cannabis could negatively impact the retail liquor market. Notwithstanding the downward trend, Liquor Stores is actively implementing new and innovative strategies to increase the stability and demand of the retail liquor business.

Competition in Liquor Market

In all jurisdictions in which the Company operates, the liquor retail market is competitive and ownership of private retail liquor stores is fragmented.

A number of liquor stores associated with grocery chains also compete in the Alberta market. Liquor Stores currently operates 173 liquor stores in Alberta where there are approximately 1,497 retail liquor stores in total.[1] Management believes that Liquor Stores is the largest liquor store chain in Alberta by number of stores and revenue.

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[1] Source: Alberta Gaming and Liquor Commission, as at February 2018.

As at March 31, 2017, there were approximately 871 liquor retail stores in British Columbia[2], with the Province of British Columbia being the largest liquor retailer in the province, operating 200 stores as at February 20, 2018. Liquor Stores, with 33 stores, is the largest private liquor store chain in British Columbia.

As at the date of this Annual Information Form, Liquor Stores owns and operates 22 stores in Alaska, representing approximately six percent (6%) of the 365 licensed liquor stores in the state. Liquor Stores operates approximately 19% of the approximately 113 stores in the Greater Anchorage, Wasilla and Fairbanks areas[3].

C. Cannabis Retail

The Company intends to establish a retail cannabis business in Alberta and British Columbia, through the conversion of existing retail outlets and the establishment of new cannabis retail outlets, once the use of cannabis is legalized and subject to the receipt of necessary licenses and government approvals. In furtherance of its cannabis strategy, on March 21, 2018, the Company announced that Mr. Paul Wilson has been appointed President and Chief Operating Officer of the Company's new cannabis division.

The Company has applied to the AGLC for retail cannabis licenses. Liquor Stores believes that it is well-positioned to obtain retail cannabis licenses given its strong track record in liquor retail, which is also regulated by the AGLC. Subject to applicable regulation, the Company intends to open up to 37 cannabis retail stores in Alberta in 2018.

In accordance with AGLC rules on products for sale, the Company intends to sell cannabis and cannabis accessories as permitted by the AGLC. Details regarding accessories that can be carried in a retail cannabis store are currently being developed. The Company intends to apply for retail cannabis licenses in British Columbia but has not yet submitted applications, as that regulatory regime has not yet been created. Subject to the receipt of necessary licenses and government approvals, the Company intends to open between ten (10) and 20 cannabis retail stores in British Columbia in 2018.

Additionally, the Company will continue to monitor the retail cannabis environment in other provinces to assess opportunities in those areas.

The Cannabis Market

No legal adult use retail cannabis market exists in Canada as of the date of this Annual Information Form. Currently, cannabis may only be sold for medical purposes in Canada.

Each of the Canadian provinces and territories will be responsible for implementing their own legislation to regulate the sale of cannabis. Provincial legislation may vary in material respects, including the minimum age to buy cannabis (eight (8) provinces have set the minimum age at 19, with Alberta and Quebec at 18), cannabis products available for sale (dry, fresh, oil cannabis, seeds and plants) and whether cannabis will be sold by government liquor boards or licensed private retailers.

The Company's principal Canadian markets are Alberta and British Columbia. The Company may establish retail cannabis stores in other provinces and territories but does not intend to establish a retail cannabis business in the United States at this time. Set forth below is a summary of Alberta's and British Columbia's plans for the sale of cannabis:

Alberta

The AGLC licencing process began on March 6, 2018, and is expected to take approximately two (2) months to complete. Retailers and associated persons have to submit criminal background checks and licenses will not be issued

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[2] Source: Government of British Columbia – Liquor Regulation & Licensing http://www2.gov.bc.ca/gov/content/employment-business/business/liquor-regulation-licensing/licensed-establishment-locations.

[3] Alcohol & Marijuana Control Office https://www.commerce.alaska.gov/web/amco/OtherAlcoholResources.aspx.

to anyone with links to organized crime or with a history of drug trafficking. However, an applicant will not be automatically disqualified by a minor cannabis possession conviction. Stores cannot be built within 100 meters of schools or healthcare facilities and will be allowed to open between 10 a.m. and 2 a.m., mirroring liquor store hours. The AGLC licencing process can occur simultaneously with the municipal business licence application process. Final approval of an AGLC licence will be provided once a copy of the municipal business licence has been received.

While rules and regulations around cannabis retail operations have been established province-wide, municipalities will also have the ability to adjust certain regulations to best suit their communities. Municipalities may adopt or vary provincial regulations concerning distance separation between cannabis stores and other types of land uses and retail store hours of operation.

As of the date of this Annual Information Form, it is unknown whether the Government of Canada will implement wholesale pricing of recreational cannabis, provincial taxes and AGLC supply quantities. The Government of Canada has proposed rules regarding advertising, marketing and packaging regulations in connection with the retail sale of recreational cannabis and cannabis accessories, which includes no promotion, packaging or labelling of cannabis which may be considered appealing to young people and generally mirror the rules in place for the advertising and packaging of tobacco products. The Province of Alberta is expected to establish additional rules to address any gaps in such advertising policies and regulations.

British Columbia

On February 5, 2018, the Province of British Columbia released preliminary details on the retail implementation of adult use of recreational cannabis in British Columbia. The Province of British Columbia has confirmed cannabis and liquor cannot be sold at the same location. Further, to apply for a cannabis retail license, potential retailers are required to receive municipal government approval prior to applying to the Province of British Columbia, who will then conduct more stringent licensing investigations. As of the date of this Annual Information Form, the Province of British Columbia has indicated that each municipality will implement their own land use by-laws and regulations; however, licensing processes and applications have not yet been formalized.

Cannabis Retail

The Company has established infrastructure, logistics and capacity to build and operate a network of outlets to service the retail cannabis market. Liquor Stores is an experienced liquor retailer in the Provinces of Alberta and British Columbia, and Management believes it has a strong working relationship with the provincial regulatory authorities and commercial landlords. Liquor Stores' existing store footprint in both provinces is expected to allow for the timely conversion of some number of liquor outlets should the Company be awarded licenses to operate retail cannabis stores.

Competition in Cannabis Market

The Company expects that the retail cannabis business will be highly competitive. In Alberta, the Company will compete with other public or private companies or persons for licenses. The Province of Alberta has stated that it estimates licensing 250 stores in the first year following legalization, with no one business or person being able to own more than 15% of the locations or an estimated maximum of 37 stores in the first year.

In British Columbia, cannabis will be sold by a combination of private and government-owned retailers with such licenses to be awarded through the British Columbia Liquor Control and Licensing Branch (the "BCLCLB"). The British Columbia Liquor Distribution Branch (the "BCLDB") will be responsible for wholesale distribution of cannabis products. The Province of British Columbia has not yet determined the number of licenses available in the first year of operation.

The Province of British Columbia may place restrictions on the business relationship between a producer and a retailer of cannabis. Where there is a close association (financial or otherwise) between a licensed producer and a recreational cannabis retail business, the retail business may be restricted from selling any products from the licensed producer.

D. Store Leases

In Canada and the United States, Liquor Stores leases its head office, warehouses and all of its store premises. Liquor Stores' typical store lease has a ten (10) year initial term with numerous five (5) year options to renew, which may extend the lease a further ten (10) to 20 years. The average time to expiration of its leases, including renewals, is approximately 11.2 years.

E. Maintenance and Capital Expenditures

Liquor Stores' expenditures on facilities and equipment fall into three (3) categories: (i) repairs and maintenance; (ii) renovations and replacements; and (iii) growth. Repairs and maintenance expenditures are budgeted in operations and expensed in the year incurred. Renovation and replacement expenditures are made to renovate stores and replace equipment and are capitalized. Growth expenditures, which include the costs of building new stores, acquiring and renovating existing stores and purchasing of new equipment, are also capitalized. Liquor Stores renovated 13 stores in 2017 and intends to renovate a further 50 stores in 2018 and a similar number of stores in 2019.

F. Management Information Systems

Liquor Stores presently utilizes a centralized point of sale system in all of its stores called the Retail Management System. Following a recently-completed in-depth review of the Retail Management System, Management believes it has the ability to further build on its competitive position by replacing the Retail Management System with a new enterprise resource planning information technology system.

The selected enterprise resource planning system is expected to improve business operations, enhance inventory management and procurement to further reduce capital invested in inventory, enhance internal data management, create significant insight into customer shopping behavior, and provide a scalable growth platform. The implementation cost is estimated to be between $12-15 million and Liquor Stores is targeting implementation in early to mid-2019 for liquor, and is expected to be fully in place to be launched for the Company's cannabis business. The project has already commenced and is currently on schedule and on budget.

G. Seasonality

The retail liquor industry is subject to seasonal variations. Liquor Stores' sales are typically lowest early in the year and increase in the latter half. In 2017, 21% (2016 - 21%) of annual same store sales occurred in the first quarter, 26% (2016 - 26%) in the second quarter, 26% (2016 - 26%) in the third quarter, and 27% (2016 - 27%) in the fourth quarter. Liquor Stores' working capital requirements are greatest in the second and third quarters as inventory is accumulated for the summer and the holiday seasons, respectively.

H. Employees

Liquor Stores had approximately 2,000 full and part-time employees as of December 31, 2017, comprised of approximately 1,740 employees in its Canadian operations and 260 employees in its U.S. operations. Liquor Stores has no unionized employees. Liquor Stores' management team, certain head-office employees, store managers and assistant managers are salaried. The Company anticipates increasing staffing in 2018 as it executes its strategy to launch a market leading cannabis business.

I. Dependence on Foreign Operations

Approximately 16.2% (2016 – 16.6%) of Liquor Stores' annual sales from continuing operations for the year-ended December 31, 2017 were attributable to Liquor Stores' continuing operations in the United States. Management anticipates that its U.S. operations will contribute a roughly consistent percentage of Liquor Stores' annual sales from continuing operations for the year-ending December 31, 2018.

J. Liquor Industry Regulation

The supply and distribution of alcoholic beverages in Canada and the U.S. is regulated primarily by provincial or state legislation and is subject to policy changes that may positively or negatively impact Liquor Stores' business, operations and financial performance. Regulations generally require, among others, the licensing of distribution outlets, the separation of liquor from other types of products and a prohibition on sales to minors or intoxicated persons.

In Alberta and Alaska, retail alcohol sales are conducted by private industry only. In British Columbia, retail alcohol sales are conducted by both private industry and provincial government-owned stores.

a) The Alberta Retail Liquor Regulatory Environment

Alberta is the only Canadian province with a fully privatized retail liquor industry.

The AGLC regulates the retail liquor business pursuant to the *Gaming and Liquor Act* (Alberta). Licenses to operate retail liquor stores must be renewed annually and are issued by the AGLC. The *Gaming and Liquor Act* (Alberta) does not restrict the total number of outlets or their location. Specific store locations, however, may be subject to regulation through local and municipal by-laws and zoning requirements. AGLC inspectors regularly conduct inspections of liquor stores.

Alberta Liquor Store Operations

Liquor store operators in Alberta are free to set their own retail prices, including selling at or below the wholesale cost, and may adjust prices based on the customer, the amount of the sale or any other factor determined relevant by the store operator.

In addition to selling alcoholic beverages, liquor stores may also sell certain related items, such as soft drinks and other drink mixes, ice, de-alcoholized beverages, glassware and other accessories, although sales of such items may not exceed ten percent (10%) of total sales. Liquor stores may sell liquor to other liquor stores, other licensed premises (e.g., lounges, restaurants, pubs, taverns, etc.) and special event license holders. A liquor store in Alberta must either be a freestanding building or, if it is in a building in which there are other businesses, must be physically separated from the other businesses. If the liquor store is in a building with other businesses, it must have its own entrance and exit, its own receiving and storage area, and a wall between the liquor store and any other business. A liquor store cannot be operated within the same commercial development as an existing non-liquor store business owned by the licensee if the existing business is larger than 929 square meters (10,000 square feet) unless certain requirements are met, including a separate building envelope. In that case, the premises for the liquor store must be physically separated and subject to approval by AGLC.

A person may own more than one (1) liquor store and/or certain other licensed premises and operate them under the same or different names. While liquor stores must normally store their liquor products on site, the AGLC may approve a separate warehouse to enable a retail liquor store licensee to serve multiple liquor stores operated by the licensee. Liquor manufacturers or agents for manufacturers may not hold licenses in liquor stores (subject to certain exceptions for off-sales).

Alberta Liquor Supply

The AGLC is the sole importer of liquor products into Alberta. Liquor stores must purchase liquor products at wholesale prices through the AGLC warehouse, from a manufacturer authorized by the AGLC to warehouse and distribute liquor products, or from other liquor stores. A number of domestic beers may be purchased from the AGLC by placing orders with the respective brewery. Breweries may set minimum order quantities for delivery service. Liquor stores are required to pay for products ordered before they are released from the warehouse.

The Company obtains wine, spirits and imported beer from Connect Logistics Services Inc. ("CLS"), which operates from its main warehouse in St. Albert and carries approximately 19,000 products. Liquor Stores obtains domestic beer from the three other licensed Alberta warehouse companies: Brewers Distributor Ltd., which warehouses and distributes beer products for Molson Canada and Labatt Brewing Company Limited in Edmonton and Calgary; Big Rock Brewery Inc., which distributes its products from its brewery/warehouse in Calgary; and Sleeman Breweries Ltd., which warehouses and distributes its products from a warehouse in Calgary.

The AGLC operates a consignment system of inventory management, where the ordering, consolidation, shipment and ownership of inventory are the responsibility of manufacturers and/or agents representing the manufacturers. In order to import liquor into Alberta, manufacturers must use a liquor agent registered with the AGLC. Manufacturers and/or their agents determine which products will be sold in Alberta and are responsible for promoting and marketing their products to retailers.

Alberta Liquor Wholesale and Delivery Pricing System

The AGLC requires that there be one wholesale price quoted for each product and individual retailers are not allowed to negotiate discounts with liquor suppliers. Supplier price changes are permitted on a biweekly basis. Approximately every two (2) to four (4) months, licensed manufacturers offer discounts through limited time offers ("LTO"), primarily on spirits and wine. The Company believes that it achieves savings and has a competitive advantage by appropriately using its cash flow and warehousing capabilities to purchase larger volumes at the discounted LTO prices and managing inventories to maintain stock until the next LTO, a practice known as "bridge buying".

The AGLC imposes a flat mark-up that is added to the supplier's price quotation and is levied in dollars per litre and varies by product class. The warehouse storage, handling, order processing and distribution charges are paid to the warehouse operator.

Wholesale prices for products shipped from CLS' warehouse are available when the order is a minimum of 25 cases. Customers must also pay order processing and distribution charges based on a delivery schedule (urgent or regular), pickup or delivery, and the number of cases ordered. Suppliers are charged for warehouse handling and storage. Wholesale prices are also available for beer purchased directly from a number of Alberta breweries that brew, warehouse and distribute their own products to retailers. The individual breweries set minimum order quantities. The AGLC collects the wholesale price from the purchaser and, in turn, remits to the brewer its portion of the wholesale price.

A "postage stamp" delivery system applies for the delivery of liquor products from the warehouse, which means that the delivery charge per case shipped from CLS' warehouse is the same no matter where in Alberta the receiving store is located. A similar system exists for purchases of beer from certain beer manufacturers that are licensed to operate warehouses in Alberta.

Alberta Liquor Store Association

Liquor Stores is a member of the Alberta Liquor Store Association ("ALSA"), which has the objective of providing independent liquor store retailers with a collective voice when dealing with the Province of Alberta and the AGLC. ALSA's principal function is to liaise with the AGLC on legislation, regulations and operating guidelines as they affect the retail liquor store industry. Liquor Stores' Vice President of Government & Community Relations is a member of the board of directors of ALSA.

Alberta Liquor Advertising and Promotion

Advertising is permitted in any medium, but is subject to restrictions imposed by advertising policy guidelines contained in the terms and conditions of the licenses issued by the AGLC as well as by the CRTC. The common owner/operator of a liquor store and another non-liquor business may not conduct cross-market or co-operative advertising or promotions between the liquor store and the other business or company but can if not commonly owned. There are further limits on co-operative advertising between a liquor store and an affiliated non-liquor business or a liquor store and a manufacturer. The consequence of this rule is that liquor retailers who are owned by grocers cannot cross-market.

Subject to restrictions in the advertising policy guidelines contained in the terms and conditions of the licenses issued by the AGLC, liquor stores are permitted to promote specific brands of liquor within their stores by such means as in-store tastings, displaying brand posters or banners, giving away small value items with brand logos and holding contests. Generally, a liquor store may give away merchandise it otherwise is not permitted to sell, other than liquor or food, to promote the store; provided the merchandise identifies the store and is not given to the store by suppliers. A liquor store may give away merchandise it is permitted to sell, with our without store identification. Suppliers' promotional activities must be directed to store customers and may not benefit a store owner directly.

b) The British Columbia Retail Liquor Regulatory Environment

The Province of British Columbia regulates the importation, distribution and retailing of liquor through the *Liquor Control and Licensing Ac*t (British Columbia) and the *Liquor Distribution Act* (British Columbia). The BCLCLB enforces the *Liquor Control and Licensing Act* (British Columbia) and the BCLDB enforces the *Liquor Distribution Act*. Liquor store licenses may only be issued to residents of British Columbia who normally reside in the province, which includes a corporation whose agent or manager is a resident of, and normally resides in, the province.

In November of 2007, British Columbia extended indefinitely a moratorium initially imposed in 2002 on new retail liquor store licenses. Anyone wishing to enter the market must acquire a license from an existing private operator. As a result, the number of private industry stores, government-owned stores and independent wine stores has remained relatively stable at approximately 871 stores since then. As discussed further below under "*British Columbia Liquor Store Operations*", a new class of license has become available in British Columbia.

British Columbia Liquor Store Operations

In British Columbia, privately-owned retail liquor stores may set their own prices for products, subject to the minimum price for each product established by the BCLDB. All government-owned liquor stores and rural agency stores charge an identical price for the same product throughout the province. Since April 1, 2015, government-owned, private and rural liquor stores pay the same wholesale price for alcohol; whereas, previously, there were differential discounts based off the government store retail price. In addition to beer, wine, cider, coolers, liqueurs and spirits, a privately-owned retail liquor store may sell liquor-related items such as glasses, bottle openers and corkscrews and, in most cases, other goods such as soft drinks and other drink mixes, tobacco, confectionary goods and British Columbia lottery tickets.

If a privately-owned retail liquor store is located on the same property as a primary liquor establishment, both establishments may share a common lobby but must have full-height walls between them and separate entrances. If a privately-owned retail liquor store is not located on the same property as the primary establishment, it may not appear to be part of any other business in close proximity to it. Customers must enter the store from a public thoroughfare such as a street or mall entrance and not through any other business.

On January 31, 2014, the British Columbia Ministry of Justice released its Liquor Policy Review Report and commenced implementing the 73 recommendations contained therein. Of the 73 recommendations, 29 required changes to the *Liquor Control and Licensing Act*. Bill 15, which was given Royal Assent on May 29, 2014, provided authority to implement 15 of the 29 recommendations. As of January 23, 2017, an updated *Liquor Control and Licencing Act* and regulations came into force. The new *Liquor Control and Licensing Act,* has implemented the remainder of the 29 recommendations outstanding from the Liquor Policy Review Report. These implementations include, but are not limited to, the following:

(1) An existing requirement that a Licensed Retail Store ("LRS") is limited to relocating within its current local jurisdiction or a 5 (five) km radius of the originally licensed store if moving outside that jurisdiction has been removed.

(2) The "1 (one) km rule" that requires that no new store be located within 1 (one) km of an existing store should remain in force. The recommendation also ensures that government-owned liquor stores ("GLS") should be covered by this rule (subject to some grandfathering).

(3) The LRS license moratorium will remain in effect until July 1, 2022.

(4) Some alcohol sales should be permitted in grocery stores, in particular 100% B.C. agricultural alcohol products; either with a retail liquor store license as a "store within a store" or for particular 100% B.C. agricultural alcohol on dedicated shelf space within an eligible grocery store.

(5) Pricing for liquor products has been changed from a "discount" model, whereby LRS's purchase product on a price based on the retail price at the GLS, to a wholesale model whereby the LRS's and GLS stores purchase product from the government wholesaler at the same price.

(6) GLS should be separated from the Liquor Distribution Branch's wholesale operation.

(7) GLS should operate on the same basis as private LRS stores.

(8) Licensees should be permitted to store liquor in secure, off-site locations, subject to notifying the regulator.

As of February 23, 2018, the Province of British Columbia formed a Business Technical Advisory Panel (the "**Panel**") of liquor industry representatives to provide recommendations related to British Columbia's private liquor businesses' interactions with Province of British Columbia. The Panel will advise on possible law and policy reforms to improve efficiencies and outcomes for business and government, in terms of how government responsibilities, regulations and oversight interact with British Columbia's private liquor businesses. As part of its work, the Panel will consult with industry stakeholders, including manufacturing, retail and hospitality representatives.

British Columbia Liquor Advertising and Promotion

Advertising is permitted subject to restrictions imposed by advertising policy guidelines under the *Liquor Control and Licensing Act* (British Columbia) and the CRTC. Liquor advertising may include the prices and brands of liquor available (including pricing specials) and licensees may enter into agreements with liquor manufacturers to promote and feature their products. Advertisements that encourage intoxication or target minors are prohibited, amongst other rules.

British Columbia Liquor Supply

Liquor Stores, like other retailers, purchases most of its products from the BCLDB, the sole importer of liquor products into British Columbia. BCLDB has distribution centers in Vancouver and Kamloops and purchases products from suppliers and manufacturers in British Columbia and in other provinces and countries. Licensed manufacturing sites in British Columbia include 346 wineries, 145 breweries and brew pubs and 60 distilleries[4].

Liquor Stores, again like other retailers, purchases B.C. wine directly from the wineries and domestic beer from Brewers Distributor Ltd. Privately-owned retail liquor stores must purchase all other liquor products directly from BCLDB.

British Columbia Liquor Wholesale and Delivery Pricing System

In British Columbia, public and private retailers purchase liquor products from the government wholesaler at the same price. Retailers, including GLS', purchase their product from the BCLDB at a common wholesale price. Previously, different retailers operated with different discounts based off the GLS display price.

The BCLDB has month-long LTOs and three-month long temporary price reductions with a limited time frame to purchase. As in Alberta, Liquor Stores strives to achieve savings by purchasing larger volumes at the discounted prices and managing inventories to maintain stock until the next discount; however, in British Columbia, storing inventory off-site and transfers amongst stores are not permitted.

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[4]Source: BCLDB website, report "All Licensed Establishments in B.C.".

Akin to the Alberta system of liquor distribution, a "postage stamp" rate (i.e. every retailer pays the same delivered price per case for delivery regardless of the location of the retailer) applies to all products distributed from BCLDB in British Columbia. Similarly, the beer manufacturers deliver with freight charges included in the price per unit so every retailer pays the same landed price for beer.

c) The Alaska Liquor Retail Regulatory Environment

The supply and distribution of alcoholic beverages in the United States is regulated through state and federal legislation. Federally, the *Federal Alcohol Administration Act*, Title 27 Chapter 8 of the United States Code regulates the alcohol industry; however the sale of alcoholic beverages is regulated by individual states. Alaska issues licenses to private sellers and regulates alcohol sales through the ABCB (a division of the Alaska Department of Commerce, Community, and Economic Development), which controls the manufacture, barter, possession and sale of alcoholic beverages.

Operating pursuant to the authority of Chapter 6, Title IV of the State of Alaska Statutes, the ABCB enforces the Alcoholic Beverage Statutes and Regulations contained in the Alaska Statutes and Administrative Code. The ABCB issues operating licenses to private business under Alaska law, which limits the number of retail liquor (package liquor) stores in urban areas to one (1) license per 3,000 people. Licenses are transferable within each municipality but cannot be used outside of the municipality. Licenses may be obtained by application for a newly available license if the population has grown to warrant a new license or by purchasing a license from an existing licensee.

Alaska's cities, such as Anchorage, Fairbanks and Juneau have a wet designation (no restriction on volume of sales within community) with liquor stores, restaurants and bars that serve alcohol. Some grocery retailers have liquor stores adjacent to their location; however, the alcohol and grocery premises are separate. Local communities have the right to elect a dry designation (prohibiting barter, possession or sale of alcohol) or a damp designation (prohibiting licensed premises but allowing and limiting the possession and import of alcohol). Urban retailers, when receiving orders involving the shipment of alcohol, are required to respect dry and damp community regulations.

On March 13, 2017, initiated by the ABCB to respond to several problems identified with Chapter 6, Title IV, an ABCB Steering Committee introduced Senate Bill 76, which seeks to streamline the licensing process for the alcohol industry. Proposed changes include allowing limited in-store sampling of small quantities of alcohol and changing the way package-stores can hold larger tasting events. The proposed amendments also include restrictions on actions taken by manufacturers and wholesalers to exercise undue influence on retailers. The proposed amendments include restrictions related to prohibiting financial interests of manufactures and retailers wholesalers, as well as places restrictions on wholesale license holders from being an employee or agent of a manufacturer-tier license, and restricts manufacturers manufacturing above the annual production threshold (300,000+ barrels of beer; 50,000+ cases of wine; 50,000+ cases of distilled spirits) from owning a wholesale-tier license or retail-tier license. While the proposed legislation retains current restrictions for wholesale licensees from owning a manufacturing-tier license or retail tier license, restrictions on small manufacturers owning a retail-tier license are removed.

It is unclear whether Senate Bill 76 will be passed.

Alaska Store Operations

The minimum age to purchase alcohol in Alaska is 21 years, and persons under the age of 21 may not enter or remain in package-store licensed premises unless accompanied by a parent, legal guardian or spouse over the age of 21 years. Liquor stores may exclude underage persons from licensed premises at any time.

Licensed businesses, including liquor stores, are permitted to remain open from 8 a.m. to 5 a.m. every day of the week. Municipalities are permitted to limit hours of operation by ordinance. The municipality of Anchorage has elected to restrict liquor store operating hours, as a result of which Brown Jug stores open at 10 a. m. Monday through Saturday, and 12 p.m. on Sunday. The stores in Anchorage are required to be closed by 1 a.m. Sunday through Thursday nights, and 2 a.m. on Friday and Saturday nights. Brown Jug's operating hours vary by location depending on specific markets. The Fairbanks store is required to be closed at midnight.

Business premises occupied by a holder of a liquor license may not be connected to a door, opening or other means of passage intended for access to the public to an adjacent retail business, unless approved by the ABCB (grocery stores operate in this manner).

Each liquor license must be issued to a specific individual, corporation, limited liability organization or partnership. If issued to a corporation or a limited liability organization, the registered agent must be a resident of Alaska. A liquor license may not be issued if the licensed premises would be located in a building where the public entrance is within 200 feet of a school ground or church building.

In addition to a liquor license, in most cases the holder must have a Conditional Use Permit issued by the municipality, approving the placement and operation of the license.

Alaska Advertising and Promotion

Alaska has few state requirements or regulations relative to the advertising of alcoholic beverages for liquor stores (dealing only with false advertising or disclosure of mixed beverages being wine based, if applicable); however, except for certain limited exceptions, federal laws prohibit co-operative advertising between a liquor store and a manufacturer or wholesaler.

Alaska Supply

Alaska utilizes a three-tiered distribution system comprised of manufacturers, wholesalers and retailers. Package-store retailers may only purchase product from Alaska licensed wholesalers or Alaska licensed breweries, wineries or distilleries or other Alaska licensed package-stores who in turn purchased the product from Alaska licensed wholesalers.

Alaska Wholesale and Delivery

Unlike Alberta where there is a requirement that wholesalers sell product to all public and private customers at the same price, in Alaska Liquor Stores is able to fully negotiate the wholesale cost of products directly from the distributors. Retailers are also offered retailer incentive programs ("**RIPs**") for large volume discounts. Liquor Stores' operations and ordering system is aligned to take full advantage of RIPs, and has leased a large warehouse in Anchorage to store significant volumes of discounted products. Further advantages flow to the larger retailers in Alaska (such as Liquor Stores) at fiscal quarter-ends and year-ends of distributors because distributors routinely offer clearance pricing on products.

Alaska Industry and Lobbying Activities

Liquor Stores (through Brown Jug) is a member of the Alaska Cabaret, Hotel, Restaurant and Retailers Association ("**CHARR**"), a state-wide non-profit lobbying organization dedicated to serving the needs of the hospitality and retail liquor store industry in the State of Alaska. Lobbying activities at the local, state and national levels assist CHARR in its top priorities of instituting legislative changes directed toward: reducing drunk driving, providing responsible service and reducing the illegal consumption of alcohol by minors. Brown Jug was also a founding member of the Anchorage Responsible Beverage Retailers Association ("**ARBRA**") which promotes responsible retailing, and works to alleviate problems associated with chronic inebriates. In 2015, Liquor Stores ceased its affiliation with ARBRA instead focusing time and financial resources on engaging directly with communities where Liquor Stores does business, allowing Liquor Stores more direct community involvement and involvement in other initiatives in the state.

(i) <u>Cannabis Industry Regulation</u>

In 2015, the Government of Canada announced a platform advocating for the legalization of recreational cannabis in order to regulate the illegal market and restrict access by under-aged individuals. On December 13, 2016, the Task Force on Cannabis Legalization and Regulation, which was established by the Government of Canada to seek input on the design of a new system to legalize, strictly regulate and restrict access to cannabis, published its report outlining its recommendations.

On April 13, 2017, the Government of Canada released Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act*, *the Criminal Code and other Acts* (the "**Cannabis Act**"), which proposes to regulate the production, distribution and sale of cannabis for unqualified adult use. On November 27, 2017, the House of Commons passed the Cannabis Act, and on December 20, 2017, the Prime Minister communicated that despite previous reports of a July 1, 2018 deadline, legalization of cannabis is expected to be delayed. Once legalized, it is anticipated that there could be a further delay before recreational cannabis is available for purchase by consumers due to the time required for industry participants to adapt to the strict packaging rules and requirements for the legal shipping of cannabis products. The impact of such regulatory changes on the Company's business is unknown, and the proposed regulatory changes may not be implemented at all. See "*Risk Factors*" in our MD&A, incorporated by reference in this Annual Information Form and filed on SEDAR at www.sedar.com.

The Province of Alberta and Province of British Columbia have also announced partial regulatory regimes for the distribution and sale of cannabis for recreational purposes in those provinces. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for recreational purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the growth opportunities that the Company currently anticipates. Set forth below is a summary of Alberta's and British Columbia's plans for the sale of cannabis:

Alberta

On November 30, 2017, the Province of Alberta passed Bill 26, *An Act to Control and Regulate Cannabis* ("**Bill 26**"), which amends the *Gaming and Liquor Act* (Alberta). Bill 26 confirms that the AGLC will be responsible for managing oversight and compliance functions for the provincial retail cannabis industry, including wholesaling, distribution and licensing. Federally licensed producers will be required to sell cannabis directly to the AGLC, which will then distribute cannabis to licensed private retailers for sale to the public. In particular, the AGLC is given authority to oversee the provincial licensing process undertaken in Alberta, policies related to advertising and promotion of the sale of cannabis, and allowing an AGLC inspector to review and temporarily remove any records, documents, books of account and receipts relating to cannabis, a cannabis licence or licensed premises in the course of an inspection.

Bill 26 also establishes provincial offences related to youth possession, public consumption and consumption of cannabis in vehicles, and allows all consumers over the age of 18 to possess up to 30 grams of cannabis in a public place.

Updates to Alberta's Gaming and Liquor Regulation, Alta Reg. 143/96 (amended to Gaming, Liquor and Cannabis Regulation) were introduced on February 16, 2018. The draft regulations govern how private retailers will operate by regulating who can own cannabis stores, where such stores can be located and the staffing, security and safety requirements. These updates have not been passed as of the date of this Annual Information Form.

British Columbia

On February 5, 2018, the Province of British Columbia announced decisions on public consumption, retail sales model and personal cultivation of cannabis. As of the date of this Annual Information Form, the Province of British Columbia has made the following regulatory decisions: (i) 19 years of age has been set as the minimum age of possession; (ii) the BCLDB will be the wholesale distributor of non-medical cannabis in British Columbia; (iii) adults aged 19 and above will be allowed to possess up to 30 grams of recreational cannabis in a public place, which aligns with the Province of Canada's proposed possession limit for adults; and (iv) the Province of British Columbia will generally allow adults to use recreational cannabis in public spaces where tobacco smoking and vaping are permitted; however, local governments will be able to set additional restrictions.

Municipalities will also need to establish cannabis licencing and retail systems that provide jurisdictional authority for inspection, enforcement and sale of recreational cannabis. This will require updated by-laws to reflect new federal and provincial laws regarding cannabis legalization.

8. Risk Factors

For a review of the risks pertaining to Liquor Stores, please refer to our MD&A, pages 31 to 43, incorporated by reference in this Annual Information Form and filed on SEDAR at www.sedar.com.

9. Dividends and Dividend Policy

A. Dividend Policy

In the fourth quarter of 2017, the Board revised the Company's dividend policy to pay a cash dividend of $0.09 per Common Share every quarter on or about the 15th day of each month following the end of each quarter to Shareholders of record on the last business day of the previous month. Prior to this, the Company paid cash dividends on a monthly basis.

The amount of future cash dividends, if any, will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, including the prevailing economic and competitive environment, Liquor Stores' results of operations and earnings, financial requirements for Liquor Stores' operations and the execution of its growth strategy, fluctuations in working capital, capital expenditures and debt service requirements, contractual restrictions and financing agreement covenants, the satisfaction of solvency tests imposed by the CBCA for the declaration and payment of dividends, and other factors and conditions existing from time to time. Depending on these and various other factors, many of which are beyond the control of the Company, the Board may change the dividend policy from time to time, and as a result, future cash dividends could be reduced or suspended entirely. The market value of the Common Shares may deteriorate if the Board reduces or suspends the amount of cash dividends that Liquor Stores pays in the future and such deterioration may be material. See "*Risk Factors*" in our MD&A, incorporated by reference in this Annual Information Form and filed on SEDAR at www.sedar.com.

Although it is expected that dividends declared and paid will qualify as "eligible dividends" for the purposes of the *Income Tax Act* (Canada), and thus qualify for the enhanced gross-up and tax credit regime available to certain holders of Common Shares, no assurances can be given that all dividends will be designated as "eligible dividends" or qualify as "eligible dividends".

The Credit Agreement contains provisions which restrict our ability to pay dividends to Shareholders in the event of the occurrence of certain events of default. The full text of the Credit Agreement is available on SEDAR at www.sedar.com. For additional information regarding the Credit Facility, see Note 10 to the Financial Statements and "*Liquidity and Capital Resources*" in the related MD&A, both of which are available on SEDAR at www.sedar.com. The Financial Statements and the MD&A are both incorporated by reference into this Annual Information Form.

B. Dividends Declared to Shareholders

The table below describes the dividends declared to Shareholders for the past three (3) years. The Company's current dividend policy is to a $0.09 cash dividend quarterly, on or about the 15th day of the month following the declaration of the dividend. Prior to this, the Company declared and paid cash dividends on a monthly basis.

Month	2017 ($)	2016 ($)	2015 ($)
January	0.03	0.09	0.09
February	0.03	0.09	0.09
March	0.03	0.03	0.09
April	0.03	0.03	0.09
May	0.03	0.03	0.09
June	0.03	0.03	0.09
July	0.03	0.03	0.09
August	0.03	0.03	0.09

Month	2017 ($)	2016 ($)	2015 ($)
September	0.03	0.03	0.09
October	0.00	0.03	0.09
November	0.00	0.03	0.09
December	0.09	0.03	0.09
Total	0.36	0.48	1.08

10. Description of Capital Structure

The authorized capital of Liquor Stores consists of an unlimited number of Common Shares and 4,500,000 preferred shares, issuable in series. The following is a summary of the rights, privileges, restrictions and conditions attaching to the share capital of Liquor Stores.

A. Common Shares

Each Common Share entitles the holder to receive notice of, to attend, and to one (1) vote at, all meetings of the Shareholders, except meetings of holders of another class of shares. The Shareholders will be, at the discretion of the Board and subject to the preferences accorded to any class of shares of Liquor Stores ranking senior to the Common Shares from time to time with respect to the payment of dividends, entitled to receive any dividends declared by the Board on the Common Shares. The Shareholders will also be entitled, subject to the preferences accorded to holders of any class of shares of Liquor Stores ranking senior to the Common Shares from time to time, to share equally, share for share, in any distribution of the assets of Liquor Stores upon the liquidation, dissolution, bankruptcy or winding-up of Liquor Stores or other distribution of its assets among the Shareholders for the purpose of winding-up its affairs.

B. Preferred Shares

Each series of preferred shares of Liquor Stores shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board prior to the issuance thereof. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of Liquor Stores, whether voluntary or involuntary, each series of preferred shares are entitled to preference over the Common Shares and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over Common Shares and any other shares ranking junior to the preferred shares as may be determined by the Board at the time of creation of such series.

The preferred shares of Liquor Stores are intended to provide future financing flexibility. There are currently no preferred shares issued and outstanding.

C. Other Provisions Affecting the Rights of Shareholders

Pursuant to the articles of incorporation of Liquor Stores, but subject to applicable laws, Liquor Stores may take such actions as it, in its sole discretion, determines necessary or advisable if, in the opinion of the Board, a person (including a Shareholder), or group of persons acting in concert, fails to comply with any requirement of any regulatory authority having jurisdiction over the liquor store licenses of Liquor Stores and its Subsidiaries, including failing to provide the information required in connection with the conduct of background checks, or if the holding of Common Shares by a person, or group of persons acting in concert, could result in the revocation or non-renewal of any of the aforementioned liquor store licenses. In such circumstances, and without limitation of any other power or authority of Liquor Stores, it shall be entitled to take any of the following actions (i) place a stop transfer on all or any of the Common Shares of the person, or group of persons, (ii) suspend or terminate all voting and dividend rights on all or any of the Common Shares of the person, or group of persons, (iii) apply to a court of competent jurisdiction seeking an injunction to prevent a breach or continuing breach, or (iv) make application to the relevant securities commission, its successors, assigns or such other governmental regulatory agency having jurisdiction over the affairs of Liquor Stores, to effect a cease trading order or such similar restriction against such person or group of persons, until such time as such person or group of persons complies with such constraints.

D. Material Debt

Liquor Stores has issued the Convertible Debentures. In addition, Liquor Stores has a $180 million credit facility ($15 million of which is in U.S. dollars). A description of the material indebtedness of Liquor Stores is set forth below. This description is a summary only. Shareholders are encouraged to read the full text of the Debenture Indenture governing the Convertible Debentures and the Credit Agreement governing the Credit Facility, which are both available on SEDAR at www.sedar.com.

Convertible Debentures

Liquor Stores issued the Convertible Debentures in September and October of 2016. There are $77,625,000 aggregate principal amount of the Convertible Debentures outstanding. The Convertible Debentures bear interest at a rate of 4.70% per annum payable semi-annually in arrears on January 31 and July 31 in each year. The Convertible Debentures mature on January 31, 2022 and are convertible at the holder's option into fully paid and non-assessable Common Shares at any time prior to the close of business on the earlier of the business day immediately prior to the maturity date and the date, if any, specified by Liquor Stores for redemption of the Convertible Debentures at a conversion price of $14.60.

The Convertible Debentures are not redeemable prior to January 31, 2020, except upon the satisfaction of certain conditions after a Change of Control has occurred. On or after January 31, 2020 and prior to January 31, 2021, the Convertible Debentures are redeemable in whole or part from time to time at the option of Liquor Stores on not more than 60 days and less than 30 days' notice at the principal amount thereof plus accrued and unpaid interest provided the current market price (as defined in the Debenture Indenture) of the Common Shares on the date of the notice of redemption is not less than 125% of the conversion price. On and after January 31, 2021 and prior to maturity, the Convertible Debentures are redeemable in whole or part from time to time at the option of Liquor Stores on not more than 60 days and less than 30 days' notice at the principal amount thereof and plus accrued and unpaid interest.

Liquor Stores has the option, subject to regulatory approval and provided that no event of default has occurred and is continuing, to satisfy all or part of its obligation to repay the principal amount of the Convertible Debentures which are to be redeemed or have matured by issuing and delivering that number of freely tradeable Common Shares obtained by dividing the aggregate principal amount to be redeemed or which have matured by 95% of the current market price of the Common Shares on the date fixed for redemption or maturity, as the case may be.

Liquor Stores may elect, subject to regulatory approval and provided that no event of default has occurred and is continuing, from time to time to satisfy its obligation to pay interest on the Convertible Debentures by delivering Common Shares to the Debenture Trustee for sale with the proceeds of such sales being delivered to holders of Convertible Debentures in satisfaction of the interest obligation.

The payment of the principal of, and interest on, the Convertible Debentures is subordinated and postponed in right of payment, as set forth in the Debenture Indenture, to the prior payment in full of all Senior Indebtedness of Liquor Stores including indebtedness to trade and other creditors of Liquor Stores.

The Debenture Indenture provides that an event of default in respect of the Convertible Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to such Convertible Debentures: (i) failure for 30 days to pay interest on such Convertible Debentures when due; (ii) failure to pay the principal of such Convertible Debentures when due, whether at maturity, upon redemption, on a Change of Control, by declaration or otherwise; (iii) default in the delivery, when due, of any Common Shares or other consideration, including any make whole premium, payable upon conversion of a Convertible Debenture, which default continues for 15 days; (iv) default in the observance or performance of any material covenant or condition of the Debenture Indenture by Liquor Stores which remains unremedied for a period of 30 days after notice in writing has been given by the Debenture Trustee, or from Debentureholders holding not less than 25% of the aggregate principal amount of Convertible Debentures outstanding, to Liquor Stores specifying such default and requiring Liquor Stores to remedy such default; or (v) certain events of bankruptcy, insolvency or reorganization of Liquor Stores under bankruptcy or insolvency laws. If an event of default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall upon request of holders of not less than 25% of the principal amount of the Convertible Debentures then outstanding, declare the principal of and interest on all outstanding Convertible Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of such Convertible Debentures then outstanding may, on behalf of the holders of all such Convertible Debentures, waive any event of default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Within 30 days following the occurrence of a Change of Control, Liquor Stores will be required to make an offer in writing to purchase, in whole or in part, the Convertible Debentures then outstanding, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest. If 90% or more of the aggregate principal amount of the Convertible Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to Liquor Stores pursuant to such offer, Liquor Stores will have the right to redeem all the remaining Convertible Debentures at the offer price. Notice of such redemption must be given by Liquor Stores to the Debenture Trustee within ten (10) days following the expiry of the offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Convertible Debentures not tendered pursuant thereto.

Credit Facility

In Canada, Liquor Stores has a secured revolving credit facility with a term ending on September 30, 2019 (the "**Credit Facility**"). The Credit Facility has a committed aggregate borrowing limit of $180 million ($15 million of which is in U.S. dollars) with the potential for an additional $50 million (the latter provided on request and on a "best efforts" basis by the lenders). As at the date of this Annual Information Form, $nil is outstanding under this Credit Facility.

For additional information regarding the Credit Facility, see Note 10 to the Financial Statements and the MD&A, both of which are available on SEDAR at www.sedar.com and are incorporated by reference into this Annual Information Form.

11. Market for Securities

A. Trading Price and Volume

Common Shares

The Common Shares are listed and posted for trading on the TSX under the symbol "LIQ". The following table sets forth certain trading information for the Common Shares in 2017 as reported by the TSX.

Period	High ($)	Low ($)	Volume
2017			
January	10.69	9.80	1,252,024
February	10.77	10.20	694,623
March	10.58	8.80	1,614,156
April	10.34	9.37	919,659
May	11.05	9.25	1,904,299
June	10.61	9.59	1,983,104
July	10.74	9.72	820,080
August	10.21	8.78	1,402,157
September	10.13	8.91	1,088,790
October	10.36	9.39	964,524
November	10.19	9.06	1,165,671
December	10.79	9.74	1,110,992

Convertible Debentures

The Convertible Debentures are listed and posted for trading on the TSX under the symbol "LIQ.DB.B". They commenced trading on September 29, 2016. The following table sets forth certain trading information for the Convertible Debentures in 2017 as reported by the TSX.

Month	High ($)	Low ($)	Volume
2017			
January	104.00	99.90	19,170
February	103.00	101.49	11,085
March	103.00	101.00	11,630
April	104.50	102.25	7,680
May	105.01	103.50	13,150
June	104.26	101.20	11,120
July	104.00	101.75	5,200
August	102.51	100.00	7,140
September	104.00	101.51	7,770
October	103.00	100.15	8,070
November	103.25	101.24	7,730
December	105.00	102.25	6,740

The following table describes the outstanding securities of Liquor Stores that are not listed or quoted on a marketplace that were issued during the last completed financial year:

Date of Grant	Number and Type of Security	Issue Price per Security ($) (on a 5-day volume weighted average trading price)
2017		
January	10,000 DSUs(1)	10.52
March	89,926 performance awards(2) 89,926 restricted awards(2) 2,757 DSUs(1)	9.12 9.12 9.43
June	5,540 DSUs(1)	10.17
August	96,467 performance awards(2)	8.97
September	9,134 DSUs(1)	9.95
December	11,996 DSUs(1)	10.53

Notes:

(1) Issued pursuant to the DSU Plan.
(2) Issued pursuant to the Incentive Award Plan.

12. Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer

Designation of Class	Number of Securities	Percentage of Class
Common Shares	6,900,000	19.9%

Pursuant to the Investor Rights Agreement, all of the securities issued to Aurora pursuant to the Private Placement, including the Common Shares issuable upon the conversion of the Subscription Receipts and the exercise of each of the Pro Rata Warrants and the Sunshine Warrants, are subject to a twelve (12) month contractual restriction on transfer commencing February 14, 2018 in addition to the statutory hold period of four (4) months and one (1) day. This twelve (12) month contractual restriction on transfer will be lifted prior to February 14, 2019 in the event that a governmental authority, having jurisdiction in the circumstances, enacts, issues, promulgates, enforces or enters any applicable law that restrains, enjoins or otherwise prohibits Aurora or the Investor's ownership of securities of Liquor Stores.

For a further description of the Private Placement, see "*General Development of the Business – Recent Developments.*"

13. Directors and Executive Officers

A. Names, Occupation and Security Holding

Directors

The following table sets forth the name, province or state and country of residence and positions and offices held for each of the directors of Liquor Stores as at the date of this Annual Information Form, together with their principal occupations. Biographies for each of the directors follow in the table below. The term of office of the directors expires at the next annual meeting of Shareholders.

Name and Jurisdiction of Residence	Position with Liquor Stores	Date Appointed as a Director[1]	Principal Occupation
Derek H. Burney[1] Ontario, Canada	Chair and Director	June 20, 2017	Senior Strategic Advisor at Norton Rose Fullbright Canada LLP
John R. Barnett[2] Florida, U.S.	Director	June 20, 2017	Corporate Director
Terry Booth[3] Alberta, Canada	Director	March 14, 2018	Chief Executive Officer of Aurora
James F.C. Burns Alberta, Canada	Vice Chair, Chief Executive Officer and Director	June 20, 2017	Vice Chair, Chief Executive Officer
Bernadette (Bernie) Kollman[4] Alberta, Canada	Director	February 5, 2018	Forum Chair at MacKay CEO Forums
Karen Prentice[5] Alberta, Canada	Director	June 20, 2017	Corporate Director
Denis J. Ryan[6] Nova Scotia, Canada	Director	August 9, 2017	Corporate Director
Peter Lynch[7] Florida, U.S.	Director	May 13, 2014	Corporate Director

Notes:

(1) Chair of Governance Committee, Compensation Committee member.
(2) Chair of Audit Committee, Governance Committee member.
(3) Governance Committee member.
(4) Compensation Committee member.
(5) Chair of Compensation Committee, Audit Committee member.
(6) Governance Committee member and Audit Committee member.
(7) Compensation Committee member and Audit Committee member.

The following are brief profiles of the directors of Liquor Stores.

Derek Burney, Chair, Director

Mr. Burney joined the Board in June 2017. He currently serves as the Senior Strategic Advisor to Norton Rose Fulbright LLP, a global law firm, is the Chair of the International Advisory Board of Garda World Security Corporation and sits on the board of TransCanada Pipelines Limited, which is a fully owned main operating subsidiary of TransCanada Corporation. Mr. Burney served as Chief of Staff to the Prime Minister of Canada from 1987-1989, and as the Prime Minister's Personal Representative at G7 Summits from 1990-1992. He was also the Canadian Ambassador to the

United States from 1989 to 1993. In 1993, Mr. Burney was named Officer of the Order of Canada and was awarded the Public Service of Canada's outstanding Achievement Award. Mr. Burney was appointed as Chair and Chief Executive Officer of Bell Canada International in 1993, and later served as President and Chief Executive Officer of CAE Inc., a leading independent provider of commercial aviation training from 1999 to 2004. Mr. Burney has also served as a director of Quebecor World Inc., Canwest Global Communications Corp., Teleglobe Inc., Bruncor Inc., Moore Wallace Inc. and Rio Algom Limited. He serves as an advisor to Paradigm Capital Inc.

John Barnett, CPA, CA, Director

Mr. Barnett joined the Board in June 2017. Mr. Barnett currently serves as a director of Clairvest Group Inc., a private equity management firm. Previously, Mr. Barnett served as the President, Chief Executive Officer and director of Rothmans Inc. (manufacturer and distributor of tobacco products) from June 1999 until it was acquired by Phillip Morris International in 2008. Prior to his service in these roles, Mr. Barnett was an officer of Molson Breweries and its predecessor Carling O'Keefe from 1972 through 1998, acting as the company's President and Chief Executive Officer from November 1995 to November 1998. Mr. Barnett also served on the board of directors of Granite REIT (previously known as MI Developments Inc.) from 2006 to 2008, and the board of directors of Mosaic Group Inc. from 2002 to 2003. Mr. Barnett holds a Chartered Professional Accountant designation.

Terry Booth, Director

Mr. Booth joined the Board in March 2018. Prior to joining the Board, Mr. Booth co-founded Aurora in 2013 when the Canadian federal government created a new regulatory regime for the national medical cannabis system. Investing $2.5 million of his own capital in start-up funding, he secured a 160-acre parcel of land in the foothills of the Rocky Mountains, and designed and built Aurora's first advanced cannabis production facility. Mr. Booth has assembled a diverse and highly skilled team of experts from a broad range of disciplines to execute on Aurora’s business strategy and vision to build the world’s foremost cannabis company. Prior to founding Aurora, Mr. Booth was involved in the industrial permitting and governmental regulatory sector for over 20 years. Mr. Booth also has served as President and Chief Executive Officer of six (6) other highly successful businesses including Superior Safety Codes Inc., where he continues to serve as President. Mr. Booth is a strong supporter of many charitable organizations dedicated to ending family violence and violence against women, including the “Walk a Mile in Her Shoes” campaign, Kids Up Front, WINGS and WIN House.

Bernadette (Bernie) Kollman, Director

Ms. Kollman joined the Board in February 2018. Ms. Kollman brings over 30 years (1986-2016) of experience from various roles with IBM Canada Ltd., including being the Vice President, Public Sector, Alberta and Senior Location Executive for Edmonton. She also founded and co-chaired (2005-2016) the IBM Alberta Centre for Advanced Studies. She is currently the Chair of the board of Travel Alberta, serving on its board since 2013. Additionally, she is a board member of United Way, Alberta Capital Region, a board member of Edmonton Global, Chair of MacKay CEO Forums, an Advisory Board member for Arrkann Trailer and RV Center, and serves on the board of Compute Canada. Bernie holds the designation of ICD.D from the Institute of Corporate Directors and is a member of the International Women's Forum. She was formerly a board member and Chair of the Edmonton Chamber of Commerce and also Chair of the 2007 United Way campaign. Ms. Kollman has been recognized as a Global TV "Woman of Vision", Top 50 Most Influential Albertans by Alberta Venture Magazine and by her alumni, University of Regina, for Distinguished Humanitarian and Community Service. She was named a Fellow, Canadian Information Processing Society for her commitment to advancing the IT profession particularly for young women.

Peter Lynch, BSc, Director

Mr. Lynch joined the Board in May 2014, and served as Interim President and Chief Executive Officer from July to August 2017. He is a director of NYSE-listed Retail Properties of America, Inc. of Oak Brook, Illinois, a real estate investment trust; he is also Chair of its Nominating and Corporate Governance Committee and member of its Compensation Committee. Mr. Lynch also serves on the board of advisors of Sid Wainer & Son, a private produce and specialty foods company based in New Bedford, Massachusetts and is on the Board of Nichols College in Dudley, Massachusetts. From 2004 until 2012 he was Chair, President and Chief Executive Officer of Winn-Dixie Stores Inc., a Florida-based retailer with 500 grocery stores, 150 liquor stores and 280 in-store pharmacies throughout the five (5) southeastern states of Alabama, Florida, Georgia, Louisiana and Mississippi. Before that he was President and Chief Operating Officer and Executive Vice President-Operations with Boise, Idaho-based Albertson's, Inc., one of the largest national U.S. retail food and drug chains, comprised of 2,500 stores. Mr. Lynch graduated from Nichols College in Dudley, Massachusetts in 1974 with a Bachelor of Science Degree in Finance.

Karen Prentice, Q.C., Director

Ms. Prentice joined the Board in June 2017. Most recently, Ms. Prentice was a director of Matrix Solutions Inc., chaired the board of trustees of CANMARC Real Estate Investment Trust and served for six (6) years as a member of the Alberta Securities Commission. Prior to her service in these roles, Ms. Prentice was an Executive Vice-President of ENMAX Corporation, where she was responsible for legal services, corporate governance, human resources, facilities, environment, health and safety, government relations and corporate communication functions. Ms. Prentice holds an L.L.B. from the University of Calgary and the designation of ICD.D from the Institute of Corporate Directors.

Denis Ryan, Director

Mr. Ryan joined the Board in August 2017. Mr. Ryan's career includes serving as an investment advisor with CIBC Wood Gundy, an executive with BGH Investment Management Limited, Vice-President Institutional Asset Management with Altamira, an investment banking role for Griffiths McBurney and Partners and a founding partner with Morrison Williams Investment Management Limited. Mr. Ryan's career also includes serving as co-founder and director of Keeper Resources Inc., as well as serving as director of Front Street Capital. Other publicly listed past directorships include serving as a member of the board and as a financier of Immnovaccine.

James Burns, Vice Chair, Chief Executive Officer, Director

Mr. Burns joined the Board in June 2017. He is a former private equity investor and former Partner at Gordon Investment Corporation based in Toronto, Ontario where he was responsible for their investments, including Specialty Equipment Ltd., Sound Warehouse Inc., Empire Realty Credit Corp., ConCap Equities Inc., Windmill Bakeries and Shepherd Manufacturing Ltd. Previously, Mr. Burns was the former managing director at CIBC Wood Gundy and served as the director and CFO of Scott's Restaurants located in Markham, Ontario. Mr. Burns also served twelve (12) years in the Government of Canada where he held several positions including Chief of Staff to the Deputy Prime Minister of Canada.

Officers

The following table sets forth, for each of the executive officers of Liquor Stores, the person's name, province or state and country of residence, principal occupation as at the date of this Annual Information Form, and date of first appointment as an executive officer, together with their principal occupations during the last five (5) years. Biographies for each of the executive officers are available on Liquor Stores' website at www.liquorstoresna.ca.

Name and Jurisdiction of Residence	Position with Liquor Stores and Principal Occupation	Executive Since	Principal Occupations in the Last 5 Years
James Burns Alberta, Canada	Vice Chair and Chief Executive Officer	December 8, 2017	Vice Chair and Chief Executive Officer of Liquor Stores (since December 2017); prior thereto independent business person.
Paul Wilson Alberta, Canada	President and Chief Operating Officer, Cannabis	March 21, 2018	Chief Executive Officer of Hold It All Inc. (May 2015 to February 2017); President of Spence Diamonds (September 2014 to May 2015); President and Chief Executive Officer of Princess Auto Ltd. (October 2012 to March 2014).
David Gordey Alberta, Canada	President and Chief Operating Officer, Liquor	April 8, 2014	Executive Vice President and Chief Operating Officer, Canada of Liquor Stores (July 2016 to December 2017); Chief Financial Officer of Liquor Stores (April 2014 to July 2016); Vice President, Finance of Liquor Stores (March 2012 to April 2014).

Name and Jurisdiction of Residence	Position with Liquor Stores and Principal Occupation	Executive Since	Principal Occupations in the Last 5 Years
Matthew Hewson Alberta, Canada	Vice President & General Counsel	April, 2016	Director, Legal Affairs of Liquor Stores (April 2013 to April 2016); Associate, Miller Thomson LLP (July 2010 to April 2013).
Matthew Rudd Alberta, Canada	Senior Vice President, Chief Financial Officer	July 7, 2016	Vice President, Finance, Liquor Stores (October 2014 to July 2016); Senior Manager at KPMG LLP (September 2012 to October 2014).

Common Share Ownership As at the date of this Annual Information Form, the directors and executive officers of Liquor Stores, as a group, own beneficially, or control or direct, directly or indirectly, an aggregate of 257,104 Common Shares, representing approximately 0.007% of the issued and outstanding Common Shares.

B. Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Liquor Stores, no director or executive officer of Liquor Stores (nor any personal holding company of any of such persons) is, as of the date of this Annual Information Form, or was within ten (10) years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including Liquor Stores), that:

(a) was subject to a cease trade order (including a cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of Liquor Stores, except as disclosed below, no director or executive officer of Liquor Stores (nor any personal holding company of any of such persons), or a shareholder holding a sufficient number of securities of Liquor Stores to affect materially the control of Liquor Stores:

(a) is, as of the date of this Annual Information Form, or has been within the ten (10) years before the date of this Annual Information Form, a director or executive officer of any company (including Liquor Stores) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the ten (10) years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

John Barnett was a director of Data & Audio-Visual Enterprises Holdings Inc. ("**Mobilicity Holdings**") from December 10, 2009 until he resigned on April 30, 2013. Mobilicity Holdings, together with its affiliates, Data & Audio-Visual Enterprises Wireless Inc. and 8440522 Canada Inc., commenced two (2) separate arrangements under the CBCA as part of their restructuring efforts before voluntarily entering into proceedings under the *Companies' Creditors Arrangement Act* ("**CCAA**"), obtaining an initial order from the Ontario Superior Court of Justice (Commercial List) granting a stay of proceedings and other ancillary relief on September 30, 2013. At the time that Mr. Barnett resigned from Mobilicity Holdings, Telus Corp. was negotiating a transaction that was announced on May 16, 2016 to acquire

Mobilicity Holdings. However, the acquisition by Telus did not receive the requisite regulatory approvals and Mobilicity Holdings was ultimately acquired in 2015 by Rogers Communications Inc. in accordance with the proceedings under the CCAA.

Derek Burney was a director of Canwest Global Communications Corp. ("**Canwest**") when it voluntarily entered into proceedings under the CCAA and obtained an initial order from the Ontario Superior Court of Justice (Commercial List) granting a stay of proceedings and other ancillary relief on October 6, 2009. Although no cease trade orders were issued, Canwest shares were de-listed by the TSX after the filing and started trading on the TSX Venture Exchange. Canwest emerged from CCAA protection, and Postmedia Network acquired its newspaper business on July 13, 2010 while Shaw Communications Inc. acquired its broadcast media business on October 27, 2010. Mr. Burney ceased to be a director of Canwest on October 27, 2010.

James Burns was a director and President of Niagara's Best Beer Ltd., ("**NBB**") an Ontario corporation involved in the craft brewery business. On October 1, 2010, NBB was placed into receivership and PricewaterhouseCoopers Inc. was appointed as receiver of NBB's assets, which were subsequently liquidated and the proceeds were distributed to NBB's secured creditor. PricewaterhouseCoopers Inc. was discharged as receiver on November 5, 2012.

To the knowledge of Liquor Stores, no director or executive officer of Liquor Stores (nor any personal holding company of any of such persons), or a shareholder holding a sufficient number of securities of Liquor Stores to affect materially the control of Liquor Stores, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

C. Conflicts of Interest

In accordance with the CBCA, directors who have a material interest in a material contract or material transaction, whether made or proposed with Liquor Stores are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract or transaction. In addition, the directors are required to act honestly and in good faith with a view to the best interests of Liquor Stores.

As of the date of this Annual Information Form, other than as disclosed above and elsewhere, there are no existing or potential material conflicts of interest between Liquor Stores or its Subsidiaries and any director or officer of Liquor Stores or its Subsidiaries.

14. Legal Proceedings and Regulatory Actions

There are no legal proceedings that Liquor Stores is or was a party to, or that any of Liquor Stores' property is or was the subject of, during the most recently completed financial year, that were or are material to Liquor Stores, and there are no such material legal proceedings that Liquor Stores knows to be contemplated. For the purposes of the foregoing, a legal proceeding is not considered to be "material" if it involves a claim for damages and the amount involved, exclusive of interest and costs, does not exceed ten percent (10%) of Liquor Stores' current assets, provided that if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, Liquor Stores' has included the amount involved in the other proceedings in computing the percentage.

There were no: (i) penalties or sanctions imposed against Liquor Stores by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year; (ii) other penalties or sanctions imposed by a court or regulatory body against Liquor Stores that would likely be considered important to a reasonable investor in making an investment decision; and (iii) settlement agreements Liquor Stores entered into before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

15. Interests of Management and Others in Material Transactions

Terry Booth is a director of Liquor Stores and is also the Chief Executive Officer and a director of Aurora. Under the Investor Rights Agreement, Aurora has the right to designate nominees to be nominated and, if elected, to serve as members of the Board. Such nomination rights permit Aurora to designate one (1) nominee if it beneficially owns or controls between ten percent (10%) and 33 1/3% of the Common Shares. If Aurora beneficially owns or controls 33 1/3% or more of the Common Shares, Aurora may designate two (2) nominees.

Pursuant to the Initial Investment, which closed on February 14, 2018, an indirect wholly-owned subsidiary of Aurora, the Investor, acquired 6,900,000 Common Shares, representing approximately 19.9% of the outstanding Common Shares. At this level of ownership, Aurora has the right to designate one (1) director nominee. Aurora exercised this right by nominating Mr. Terry Booth for election to the Board.

Liquor Stores has also issued to the Investor and Additional Investment whereby the conversion of the Subscription Receipts and the exercise of each of the Sunshine Warrants and the Pro Rata Warrants, respectively, will be conditional upon the approval of the Shareholders (other than Aurora, the Investor and their respective associates or affiliates) at the next annual general meeting of Liquor Stores. If so approved, Aurora will indirectly hold approximately 25% of the outstanding Shares, with the option to increase its equity stake to approximately 40%, assuming that the Sunshine Warrants are fully exercised.

As of the date of this Annual Information Form, other than as disclosed above and elsewhere, no director or executive officer of Liquor Stores, person or company that beneficially owns, or controls or directs, directly or indirectly, more than ten percent (10%) of any class or series of outstanding voting securities, or any associate or affiliate of Liquor Stores, has a material interest, direct or indirect, in any transaction within the three (3) most recently completed financial years or during the current financial year.

16. Transfer Agent and Registrar

The transfer agent and registrar for the Common Shares and the Convertible Debentures is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta.

17. Material Contracts

Except for contracts entered into in the ordinary course of business, the only contracts that are material to Liquor Stores and that were entered into by Liquor Stores or one of its Subsidiaries within the most recently completed financial year or before the most recently completed financial year but which are still material and are still in effect, are the following:

- the Kentucky Acquisition Agreement described under "*General Development of the Business – Three Year History – 2017*";
- the Investment Agreement described under "*General Development of the Business – Recent Developments*";
- the Investor Rights Agreement described under "*General Development of the Business – Recent Developments*";
- the Subscription Receipt Agreement described under "*General Development of the Business – Recent Developments*";
- the Pro Rata Warrant Certificate described under "*General Development of the Business – Recent Developments*";

- the Sunshine Warrant Certificate described under "*General Development of the Business – Recent Developments*";
- the Debenture Indenture described under "*Description of Capital Structure – Material Debt – Convertible Debentures*"; and
- the Credit Agreement described under "*Description of Capital Structure – Material Debt – Credit Facility*".

18. Interests of Experts

Other than as set forth below, there is no person or company who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by Liquor Stores during, or related to, its most recently completed financial year and whose profession or business gives authority to such report, valuation, statement or opinion made by such person or company.

PricewaterhouseCoopers LLP is the auditor of Liquor Stores and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants, Alberta.

19. Audit Committee

Audit Committee Charter

The Charter of Liquor Stores' Audit Committee is attached as **Schedule "B"** hereto.

Composition of the Audit Committee

Members of the Audit Committee are John Barnett, Peter Lynch, Karen Prentice and Denis Ryan. Each current member of the Audit Committee is independent and financially literate.

Relevant Education and Experience

Members	Independent	Financially Literate	Relevant Education and Experience
John Barnett	Y	Y	Mr. Barnett currently serves as a director of Clairvest Group Inc. Previously, Mr. Barnett served as President and Chief Executive Officer of Rothmans Inc., was an officer of Molson Breweries and its predecessor Carling O'Keefe, as President and Chief Executive Officer. Mr. Barnett also served on the board of directors of Granite REIT and Mosaic Group Inc. Mr. Barnett holds a Chartered Professional Accountant designation.
Peter Lynch	Y	Y	Mr. Lynch is a director of Retail Properties of America, Inc. of Oak Brook, Illinois. He also serves on the board of advisors of Sid Wainer & Son, and is on the board of Nichols College. Previously to this, Mr. Lynch was Chair, President and Chief Executive Officer of Winn-Dixie Stores Inc., and President and Chief Operating Officer and Executive Vice President-Operations with Albertson's, Inc. Mr. Lynch graduated from Nichols College with a Bachelor of Science Degree in Finance.

Members	Independent	Financially Literate	Relevant Education and Experience
Karen Prentice	Y	Y	Ms. Prentice previously served as a director of Matrix Solutions Inc., chaired the board of trustees of CANMARC Real Estate Investment Trust, was the Executive Vice-President of ENMAX Corporation and served for six (6) years as a member of the Alberta Securities Commission. Ms. Prentice holds an LLB from University of Calgary and an ICD.D designation from the Institute of Corporate Directors.
Denis Ryan	Y	Y	Mr. Ryan served as an investment advisor with CIBC Wood Gundy, was an executive with BGH Investment Management Limited and was Vice-President Institutional Asset Management with Altamira. He also served in an investment banking role for Griffiths McBurney and Partners, was a founding partner with Morrison Williams Investment Management Limited, was the co-founder and a director of Keeper Resources Inc. and was a director of Front Street Capital. Mr. Ryan holds an arts degree from Memorial University.

Pre-approval Policies and Procedures

The Audit Committee Charter provides that the Audit Committee approves in advance all permitted non-audit services to be provided to Liquor Stores or any of its affiliates by the external auditors or any of their affiliates, subject to any *de minimus* exception allowed by applicable law. The Audit Committee is permitted to, but has not, delegated any of its authority to grant pre-approvals to other Audit Committee members.

External Auditor Service Fees

The following table summarizes the fees paid by Liquor Stores to PricewaterhouseCoopers LLP for external audit and other services during the periods indicated.

Fee Description	2017	2016
	$	$
Audit services	450,500	413,500
Audit related services	-	-
Tax (1)	130,510	106,428
Other (2)	-	109,929
Total	581,010	629,857

Notes:

(1) Tax services comprising tax compliance, tax advice and tax planning, including the preparation of corporate tax returns for Canadian and U.S. reporting entities.
(2) The other services performed related to the offering of the Convertible Debentures.

Reliance on Exemptions

At no time since the commencement of Liquor Stores' most recently completed financial year has Liquor Stores relied on any of the exemptions contained in Sections 2.4, 3.2, 3.3(2), 3.4, 3.5, 3.6 or 3.8 of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 thereof.

Audit Committee Oversight

At no time since the commencement of Liquor Stores' most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

20. Additional Information

Additional information relating to Liquor Stores may be found on SEDAR at www.sedar.com and on Liquor Stores' website at www.liquorstoresna.ca.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Liquor Stores' securities and securities authorized for issuance under equity compensation plans, is contained in Liquor Stores' Information Circular for its most recent annual meeting which may be found on SEDAR at www.sedar.com.

Additional financial information is provided in the Financial Statements and MD&A, which documents may be found on SEDAR at www.sedar.com.

Schedule "A"

GLOSSARY OF TERMS

In this Annual Information Form, the following terms have the meanings set forth below, unless otherwise indicated:

"ABCB" means the Alcoholic Beverage Control Board (Alaska);

"Additional Investment" means the Subscription Receipts, Sunshine Warrants and the Pro Rata Warrants issued by Liquor Stores to the Investor pursuant to the Private Placement;

"affiliate" has the meaning ascribed thereto in the *Securities Act* (Alberta);

"AGLC" means the Alberta Gaming and Liquor Commission (formerly the Alberta Liquor Control Board), established pursuant to the *Gaming and Liquor Act* (Alberta), which, among other things, administers that act and controls the manufacture, import, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta, and which, through the board of the AGLC, establishes policies, conducts hearings and makes decisions respecting licenses and registrations under the *Gaming and Liquor Act* (Alberta);

"ALSA" means the Alberta Liquor Store Association;

"ARBRA" means the Anchorage Responsible Beverage Retailers Association;

"Associate" has the meaning ascribed thereto in the *Securities Act* (Alberta);

"Aurora" means Aurora Cannabis Inc., a corporation incorporated under the laws of the Province of British Columbia;

"BCLCLB" means the Liquor Control and Licensing Branch of the Province of British Columbia;

"BCLDB" means the British Columbia Liquor Distribution Branch;

"Bill 26" means the Government of Alberta Bill 26, *An Act to Control and Regulate Cannabis,* which was passed on November 30, 2017 and amends *the Gaming and Liquor Act* (Alberta);

"Birchfield" means Birchfield Ventures, LLC;

"Board" means the board of directors of Liquor Stores;

"Cannabis Act" means the Government of Canada Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts;*

"CBCA" means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, including the regulations promulgated thereunder;

"Change of Control" means, for the purposes of the Convertible Debentures, the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over 66 2/3% or more of the aggregate votes attaching to the outstanding Common Shares;

"CHARR" means the Alaska Cabaret, Hotel, Restaurant and Retailers Association, a state-wide non-profit lobbying organization;

"CLS" means Connect Logistics Services, Inc.;

"**Common Share**" means a common share in the capital of Liquor Stores;

"**Convertible Debentures**" means the $77.6 million aggregate principal amount of 4.70% convertible unsecured subordinated debentures of Liquor Stores issued pursuant to the Debenture Indenture;

"**Credit Agreement**" means the Fourth Amended and Restated Credit Agreement made as of August 31, 2016 between the Company, as Canadian borrower, Liquor Stores USA Holdings Inc., as U.S. borrower, the lenders party thereto, Canadian Imperial Bank of Commerce, as administrative and security agent for the lenders, and Canadian Imperial Bank of Commerce, as lead arranger and book runner;

"**Credit Facility**" means the secured revolving credit facility with a term ending on September 30, 2019 with a committed aggregate borrowing limit of $180 million ($15 million of which is in U.S. dollars);

"**CRTC**" means the Canadian Radio-Television Telecommunications Commission;

"**Debenture Indenture**" means the third supplemental indenture dated September 29, 2016, creating and setting forth the terms of the Convertible Debentures;

"**Debenture Trustee**" means Computershare Trust Company of Canada;

"**DSU**" means the deferred share units issued pursuant to the DSU Plan;

"**DSU Plan**" means the director deferred share plan dated August 8, 2017;

"**Financial Statements**" means Liquor Stores' audited consolidated financial statements for the year-ended December 31, 2017;

"**Incentive Award Plan**" means the amended and restated incentive award plan dated effective April 20, 2017;

"**Initial Investment**" means the $103.5 million investment by the Investor in Liquor Stores by subscribing for 6.9 million Common Shares at a price of $15.00 per Common Share

"**Investment Agreement**" means the Investment Agreement dated February 4, 2018 among the Company, Aurora and the Investor;

"**Investor**" means 2095173 Alberta Ltd., a corporation incorporated under the laws of the Province of Alberta;

"**Investor Rights Agreement**" means the Investor Rights Agreement dated February 14, 2018 among the Company, Aurora and the Investor;

"**Kentucky Acquisition Agreement**" means the acquisition agreement dated November 18, 2017 between Liquor Stores USA South Inc., Blue Rose Spirits, LLC, Liquor Stores USA Holdings Inc., Liquor Stores Limited Partnership, the Company and the Subsidiaries a party thereto;

"**Liquor Stores**", "**Company**", "**we**", "**us**" or "**our**" means Liquor Stores N.A. Ltd., a corporation incorporated under the CBCA and where the context requires, these terms also include all of Liquor Stores' Subsidiaries on a consolidated basis;

"**MD&A**" means Liquor Stores' Management Discussion and Analysis for the year-ended December 31, 2017;

"**NI 52-110**" means National Instrument 52-110 – Audit Committees;

"**Prior Debentures**" means the 5.85% convertible unsecured subordinated debentures of Liquor Stores due April 2018;

"**Private Placement**" means the non-brokered private placement of the Company pursuant to the terms of the Investment Agreement as described under the heading "*General Development of the Business – Recent Developments*";

"**Pro Rata Warrants**" means the 1,750,000 warrants exercisable by the Investor at an exercise price of $15.00 per Common Share upon the conversion of any of the outstanding Convertible Debentures;

"**Pro Rata Warrant Certificate**" means the certificate representing the Pro Rata Warrants issued to the Investor;

"**RIPs**" means retailer incentive programs, typically for large volume discounts;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Senior Indebtedness**" means, in effect, the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness, liabilities and obligations of Liquor Stores (whether outstanding as at the date of the Debenture Indenture or thereafter created, incurred, assumed or guaranteed), other than indebtedness evidenced by the Convertible Debentures and all other existing and future debentures or other instruments of Liquor Stores which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to, the Convertible Debentures;

"**Shareholders**" mean the holders of Common Shares from time to time;

"**Subscription Receipt Agreement**" means the Subscription Receipt Agreement dated February 14, 2018 between the Company, the Investor and Computershare Trust Company of Canada;

"**Subscription Receipts**" means the subscription receipts subscribed for by the Investor pursuant to the terms of the Subscription Receipt Agreement;

"**Subsidiaries**" has the meaning ascribed thereto in the *Securities Act* (Alberta) and, for greater certainty, includes all corporations and partnerships owned, controlled or directed, directly or indirectly, by Liquor Stores;

"**Sunshine Warrants**" means the 10,130,000 warrants issued to the Investor at an exercise price of $15.75 per Common Share;

"**Sunshine Warrant Certificate**" means the certificate representing the Sunshine Warrants issued to the Investor;

"**TSX**" means the Toronto Stock Exchange; and

"**United States**" or "**U.S.**" means the United States of America.

Schedule "B"

LIQUOR STORES N.A. Ltd. - Audit Committee Charter

PURPOSE

The Audit Committee (the "**Committee**") is a standing committee appointed by the board of directors (the "**Board**") of Liquor Stores N.A. Ltd. (the "**Corporation**") to assist the Board in overseeing and monitoring, among other things:

- the Corporation's financial accounting and reporting process;
- the reliability and integrity of the Corporation's financial statements, financial disclosures and internal controls over financial reporting;
- any associated risks that could affect such reliability and integrity of the Corporation's financial statements, financial disclosures and internal controls;
- the qualifications, independence and performance of the Corporation's internal and external auditors;
- the Corporation's compliance with applicable legal and regulatory requirements; and
- facilitating communication between the external auditors, the Board and the officers of the Corporation (collectively, "**management**").

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

COMPOSITION OF COMMITTEE

1. Composition

The Committee shall consist of no fewer than three (3) members. The Board, on the recommendation of the Committee, will appoint and remove the members of the Committee by a majority vote. The members will sit on the Committee at the pleasure of the Board.

2. Independence

Each member of the Committee shall be an "independent director" (in accordance with the definition of "independent director" under applicable securities laws). Except for those boards of directors that a member of management is asked by the Corporation to join, the Committee will, with respect to boards of directors of unrelated corporations or entities, establish a limit on the number of such boards an individual member of management may participate.

3. Financial literacy

All members of the Committee must be "financially literate" (as defined under applicable securities laws) or must become financially literate within a reasonable period of time after appointment to the Committee.

4. Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by appointment from among its members. The Board shall fill any vacancy if the membership of the Committee is less than three (3) directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be elected by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of shareholders after his or her election or until his or her successor shall be duly elected and qualified.

5. Audit Committee Chair

The Board, on the recommendation of the Committee, will appoint the chair of the Committee (the "Chair") from the Committee's members by a majority vote. The Chair will hold such position at the pleasure of the Board and will be responsible for:

(a) Coordinating with the CEO and the Corporation on major strategic issues, annual and long-term business plans, and other business related issues;

(b) Coordinating with the Committee to ensure that the Committee is in compliance with its obligations, assist the Board in its recommendation of Committee members, establishing the frequency of Board meetings, chairing the Board meetings, liaising and communicating with directors and other committee Chairs to coordinate input from directors and other related matters;

(c) Coordinating with the Board to monitor and review the general business affairs of the Corporation including considering measures it may take if performance of the Corporation falls short of its goals; and

(d) Ensuring the Board is appropriately represented vis-à-vis major shareholder groups, and other stakeholder groups.

MEETINGS

6. Frequency of Meetings

The Committee will meet at least once (1) each quarter and otherwise as necessary. Any member of the Committee may call meetings of the Committee. All directors of the Corporation may attend meetings of the Committee provided, however, that no director is entitled to vote at such meetings and is not counted as part of the quorum for the Committee if he or she is not a member of the Committee.

7. Corporate Secretary

The Corporate Secretary (or his or her nominee) or the Corporation's legal counsel will act as Secretary to the Committee.

8. In-Camera Session

The Committee should hold an in-camera session without management present, including management directors, as a regular feature of each regularly scheduled Committee meeting.

9. Reporting

The Committee will report to the Board on its meetings and each member of the Board will have access to the minutes of the Committee's meetings, regardless of whether the director is a member of the Committee.

10. Quorum

The quorum necessary for the transaction of business at Committee meetings will be a majority of the members of the Committee. A quorum once established is maintained even if members of the Committee choose to leave the meeting prior to its conclusion.

11. Separate Executive Meeting

The Committee will endeavour to meet at least once every quarter, and more often as warranted, with the chief financial officer ("CFO") of the Corporation and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

SPECIFIC MANDATES OF THE COMMITTEE

The Committee will:

12. In Respect of the Corporation's External Auditors

(a) review the performance and independence of the external auditors of the Corporation and make recommendations to the Board as to the appointment or reappointment of the external auditors of the Corporation to be proposed in the Corporation's information circular for shareholder approval. The Committee shall have the authority to terminate the external auditors;

(b) review the reasons for any proposed change in the external auditors of the Corporation which is not initiated by the Committee or Board and any other significant issues related to the change and enquire as to the qualifications of the proposed replacement auditors before making its recommendation to the Board;

(c) approve the terms of engagement and the compensation to be paid to the Corporation's external auditors;

(d) approve all permitted non-audit services to be provided to the Corporation or its affiliates by the external auditors or their affiliates, subject to any *de minimus* exception allowed by applicable securities laws; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this subsection;

(e) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the Corporation's external auditors;

(f) discuss with the external auditors any difficulties or disputes that arose with management or other personnel of the Corporation during the course of the audit;

(g) approve any hiring by the Corporation or its subsidiaries of employees or former employees of the Corporation's external auditors;

(h) review a written report describing:

    (i) critical accounting policies and practices to be used in the Corporation's annual audit;

    (ii) alternative treatments of financial information within generally accepted accounting principles that have been discussed with management and that are significant to the Corporation's consolidated financial statements, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and

    (iii) other material written communication between the Corporation's external auditors and management;

(i) review with the external auditors and management the general audit approach and scope of proposed audits of the consolidated financial statements of the Corporation, the objectives, staffing, locations, co-ordination and reliance upon management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits; and

(j) if a review engagement report is requested of the external auditors, review such report before the release of the Corporation's interim consolidated financial statements.

13. In Respect of the Corporation's Financial Disclosure

(a) review with the external auditors and management:

(i) the Corporation's interim and audited consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the annual report, the annual information form, the financial information of the Corporation contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Corporation, the recommendations for approval of each of the foregoing from each of the Chair of the Board, CEO and CFO of the Corporation and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release of each of the foregoing to the public;

(ii) the quality, appropriateness and acceptability of the Corporation's accounting principles and practices used in its financial reporting, changes in the Corporation's accounting principles or practices and the application of particular accounting principles and disclosure practices by management to new transactions or events;

(iii) all significant financial reporting issues and judgments made in connection with the preparation of the Corporation's consolidated financial statements;

(iv) the effect of regulatory and accounting initiatives on the Corporation's consolidated financial statements and other financial disclosures;

(v) any reserves, accruals, provisions or estimates that may have a significant effect upon the consolidated financial statements of the Corporation;

(vi) the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Corporation and their impact on the reported financial results of the Corporation;

(vii) any legal matter, claim or contingency that could have a significant impact on the consolidated financial statements, the Corporation's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Corporation's consolidated financial statements;

(viii) review the treatment for financial reporting purposes of any significant transactions that are not a normal part of the Corporation's operations; and

(ix) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles.

(b) review and resolve disagreements between management and the Corporation's external auditors and establish and monitor procedures for the receipt and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with the management these procedures and any significant complaints received;

(c) review earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Corporation gives earning guidance;

(d) receive from the CEO and the CFO of the Corporation a certificate certifying in respect of each annual and interim report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws; and

(e) review and discuss the Corporation's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

14. In Respect of Internal Controls

(a) review periodically insurance programs relating to the Corporation and its investments;

(b) review the adequacy and effectiveness of the Corporation's internal accounting and financial controls based on recommendations from management and the external auditors for the improvement of accounting practices and internal controls; and

(c) oversee compliance with internal controls and the Code of Business Conduct.

15. In respect of Other Items

(a) annually review and evaluate the adequacy of this Charter and the position description of the Chair of this Committee, the Committee's performance, and report its evaluation and any recommendations for changes to the Board;

(b) on a quarterly basis review the prior quarter dividends and review compliance with the Disclosure Policy of the Corporation;

(c) on an annual basis review the dividend reinvestment plan; and

(d) other duties and responsibilities as are delegated to it from time to time by the Board.

GENERAL

16. Outside Advisors

The Committee may engage, set compensation and other retention terms and terminate outside advisors, at the expense of the Corporation, to provide advice on matters that the Committee determines is necessary to fulfill its duties.

17. Review of Charter

The Committee will periodically review and reassess the adequacy of this Charter as it deems appropriate and recommend changes to the Board. The Committee will evaluate its performance with reference to this Charter.

18. Reporting to the Board

The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

19. Reliance

Absent actual knowledge to the contrary (which will be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Corporation, Liquor Stores GP Inc. and Liquor Stores Limited Partnership from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by management (or their subordinates) and the external auditors, as to any information, technology, internal audit and other non-audit services provided by the external auditors to the Corporation and its subsidiaries.

20. Limitations of Committee Oversight

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's consolidated financial statements are complete and accurate or are in accordance with International Financial Reporting Standards (IFRS) and applicable rules and regulations. These are the responsibilities of management and the Corporation's external auditors. The Committee, its Chair and any Committee members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities. Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes or otherwise is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation's financial information or public disclosure.