SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

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Executive Summary

Highlights for the three-month period ended December 31, 2017 ("Q4 2017") and the year ended December 31, 2017 ("Fiscal 2017") for SIR Royalty Income Fund (the "Fund") include:

- Net earnings of the Fund were $2.3 million and $9.8 million for Q4 2017 and Fiscal 2017, respectively, as compared to $2.2 million and $8.9 million for the three-month period ended December 31, 2016 ("Q4 2016") and the year ended December 31, 2016 ("Fiscal 2016"), respectively. Net earnings per Fund unit were $0.28 and $1.17 for Q4 2017 and Fiscal 2017, respectively, as compared to $0.26 and $1.13 for Q4 2016 and Fiscal 2016.

- Distributable cash(1) per Fund unit, both on a basic and diluted basis, was $0.28 and $1.18 for Q4 2017 and Fiscal 2017, respectively, compared to $0.28 and $1.15 for Q4 2016 and Fiscal 2016, respectively. Please refer to the Distributions section on page 6 and Distributable Cash(1) on page 12.

- The Fund's payout ratio(1) increased to 109.6% in Q4 2017 compared to 101.2% in Q4 2016, and decreased to 98.4% in Fiscal 2017 from 99.1% in Fiscal 2016. The increase in the Q4 2017 payout ratio(1) compared to Q4 2016 is primarily the result of a $0.02 per unit special distribution paid to Fund unitholders in December 2017. The payout ratio(1) since the Fund's inception, up to and including Q4 2017, is 99.3%.

- Pooled Revenue increased by 3.0% to $69.5 million, compared to $67.5 million in Q4 2016. Pooled Revenue for Fiscal 2017 increased by 1.8% to $283.0 million, up from $278.0 million in Fiscal 2016.

- SIR has reported to the Fund that the Royalty Pooled Restaurants generated same store sales growth ("SSSG")(2) of 4.6% and 3.0% in Q4 2017 and Fiscal 2017, respectively.

- Jack Astor's®, which accounted for approximately 75% of Pooled Revenue in Q4 2017, generated SSSG(2) of 5.5% and 2.5% in Q4 2017 and Fiscal 2017, respectively. Canyon Creek® generated SSSG(2) of 1.5% and 1.8% in Q4 2017 and Fiscal 2017, respectively. Scaddabush Italian Kitchen & Bar® ("Scaddabush") generated SSSG(2) of 10.6% and 13.1% in Q4 2017 and Fiscal 2017, respectively. SIR's Signature Restaurants had a percentage decline in SSS(2) of 5.4% in Q4 2017 and generated SSSG(2) of 1.0% in Fiscal 2017.

- During Q4 2017, SIR completed renovations at two Jack Astor's locations. These locations (both in London, Ontario) were closed for a total of 17 days in the quarter.

- During Q4 2017, effective October 15, 2017, SIR closed the Canyon Creek restaurant in Etobicoke, Ontario, located near the Sherway Gardens shopping centre. A new Scaddabush restaurant was opened at this location on November 28, 2017.

- During Q4 2017, on December 11, 2017, SIR opened a new Reds® restaurant at the Square One shopping centre in Mississauga, Ontario.

- During Q3 2017, SIR completed renovations at one Jack Astor's location. The location in Dartmouth, Nova Scotia was closed for a total of nine days in the quarter.

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(1) *Distributable cash and payout ratio are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). However, the Fund believes that distributable cash and the payout ratio are useful measures as they provide investors with an indication of cash available for distribution. The Fund's method of calculating distributable cash and the payout ratio may differ from that of other issuers and, accordingly, distributable cash and the payout ratio may not be comparable to measures used by other issuers. Investors are cautioned that distributable cash and the payout ratio should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows of the Fund. The payout ratio is calculated as cash distributed for the period as a percentage of the distributable cash for the period. Distributable cash represents the amount of money which the Fund expects to have available for distribution to Unitholders of the Fund, and is calculated as cash provided by operating activities of the Fund, adjusted for the net change in non-cash working capital items including a reserve for income taxes payable and the net change in the distribution receivable from the SIR Royalty Limited Partnership.*

(2) *Same store sales ("SSS") and same store sales growth ("SSSG") are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. However, the Fund believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. The Fund's method of calculating SSS and SSSG may differ from those of other issuers and, accordingly, SSS and SSSG may not be comparable to measures used by other issuers. SSS includes revenue from all SIR Restaurants included in Pooled Revenue except for those locations that were not open for the entire comparable periods in fiscal 2017 and fiscal 2016. The seasonal Abbey's Bakehouse and Abbey's Bakehouse retail outlet are not SIR Restaurants. SSSG is the percentage increase in SSS over the prior comparable period. When a SIR Restaurant is closed, the revenue for the closed restaurant is excluded from the calculation of SSS and SSSG for both the quarter in which the restaurant is closed and the current year-to-date.*

- During Q2 2017, SIR completed renovations at three Jack Astor's locations. These locations (on Front Street in downtown Toronto, and in Vaughan, and Brampton, Ontario) were closed for a combined total of 39 days during the quarter.
- During Q2 2017, effective June 18, 2017, SIR permanently closed the Alice Fazooli's restaurant in Vaughan, Ontario. A new Scaddabush restaurant was opened at this location on July 5, 2017.
- During Q1 2017, SIR completed renovations at two Jack Astor's locations. These locations (Barrie and Whitby, Ontario) were closed for a combined total of 16 days during the quarter.
- During Q1 2017, effective March 19, 2017, SIR permanently closed the Alice Fazooli's restaurant in Oakville, Ontario. A new Scaddabush restaurant opened at this location on April 5, 2017.
- SIR elected, per its option, under the License and Royalty Agreement, to treat the closed Alice Fazooli's restaurants in Oakville and Vaughan, and the closed Canyon Creek restaurant in Etobicoke, as New Closed Restaurants and to treat the new Scaddabush restaurants in Oakville, Vaughan, and Etobicoke as New Additional Restaurants. SIR paid a Make-Whole Payment from the effective dates of closure to December 31, 2017 in the amount of $0.3 million. The Alice Fazooli's restaurants in Oakville and Vaughan, and the Canyon Creek restaurant in Etobicoke, ceased to be part of Royalty Pooled Restaurants on January 1, 2018.
- On January 1, 2018, the Scaddabush restaurants on Front Street in Toronto (opened November 3, 2016), Oakville (opened April 5, 2017), and Vaughan, Ontario (opened July 5, 2017) were added to Royalty Pooled Restaurants. The Scaddabush restaurant in Etobicoke that opened on November 28, 2017 will be added to Royalty Pooled Restaurants on January 1, 2019.
- While SIR is not owned by the Fund, the Fund is economically dependent upon SIR. SIR files its unaudited interim and audited annual consolidated financial statements and Management's Discussion and Analysis ("MD&A") on SEDAR under the Fund's SEDAR profile under the heading "Other". SIR's first quarter unaudited interim consolidated financial statements and MD&A were filed on SEDAR on December 22, 2017.
- SIR continues to monitor economic conditions and consumer confidence and has advised the Fund that it is considering new restaurants developments and renovations to existing restaurants where appropriate and subject to availability of acceptable long-term financing. Based on its assessment of these conditions, the timing of new restaurant construction and renovations as well as related opening schedules will be reviewed regularly by SIR and adjusted as necessary.

Same Store Sales Growth(2) ("SSSG")

SIR reported to the Fund SSSG(2) of 4.6% and 3.0% in Q4 2017 and Fiscal 2017, respectively. SSSG(2) by operating segment are summarized in the following table.

SSSG(2) for the Royalty Pooled Restaurants (unaudited)	**Three-month period ended December 31, 2017**	**Three-month period ended December 31, 2016**	**12-month period ended December 31, 2017**	**12-month period ended December 31, 2016**
Jack Astor's	5.5%	(1.2%)	2.5%	(0.2%)
Canyon Creek	1.5%	(2.0%)	1.8%	0.6%
Scaddabush	10.6%	7.3%	13.1%	12.7%
Signature Restaurants	(5.4%)	5.7%	1.0%	11.7%
Overall SSSG(2)	**4.6%**	**(0.1%)**	**3.0%**	**1.6%**

Jack Astor's, which accounted for approximately 75% of Pooled Revenue in Q4 2017, generated SSSG(2) of 5.5% and 2.5% in Q4 2017 and Fiscal 2017, respectively. Jack Astor's sales in Q4 2017 and Fiscal 2017 were favourably impacted by improved sales performance at certain locations that were renovated in 2016 and 2017. SIR has implemented enhanced beverage programs as part of its renovation program, including the rollout of a new craft beer program during Q4 2017, which have resulted in increases in beverage sales at these renovated locations. SIR plans to continue with renovations at additional Jack Astor's locations to drive SSSG(2). Q4 2017 sales were positively impacted by a major nationwide media marketing campaign that was active during Q3 2017. SIR completed renovations at two Jack Astor's locations in London, Ontario in Q4 2017. These two locations were closed for a combined total of 15 days in Q4 2017, compared to the closure of four Jack Astor's locations for renovations in Q4 2016 for a combined total of 25 days. Certain Jack Astor's locations near the Air Canada Centre and the Rogers Centre in downtown Toronto were negatively impacted in Q4 2017 by an overall decrease in event attendance compared to Q4 2016. In addition to the aforementioned factors that impacted SSS(2) in Q4 2017, Fiscal 2017 SSSG(2) was impacted by the closure of six Jack Astor's locations for renovations (Barrie, Whitby, Front Street in downtown Toronto, Vaughan, Brampton, Ontario and Dartmouth, Nova Scotia), for a combined total of 64 days, compared to two Jack Astor's renovations completed in Fiscal 2016, that resulted in the closure of these restaurants for a combined total of 16 days. The Jack Astor's location on Front Street in Toronto is one of SIR's highest sales volume locations. This location underwent a more extensive renovation than other locations, which resulted in a longer than normal closure of 20 days during Q2 2017.

Canyon Creek had SSSG(2) of 1.5% in Q4 2017 and 1.8% in Fiscal 2017. During Q4 2017, effective October 15, 2017, the Canyon Creek location in Etobicoke, Ontario, which had been impacted by a competitive intrusion, was permanently closed. A new Scaddabush restaurant was opened at this location on November 28, 2017. The sales from this closed Canyon Creek location have been excluded from the calculation of SSSG(2) for both Q4 2017 and Fiscal 2017.

Scaddabush SSSG(2) performance for Q4 2017 includes three Scaddabush locations (Richmond Hill and Mississauga, Ontario, and Yonge and Gerrard in downtown Toronto). Scaddabush generated SSSG(2) of 10.6% and 13.1% in Q4 2017 and Fiscal 2017, respectively, reflecting the continued strong performance of the Scaddabush brand. During the quarter, a new Scaddabush restaurant was opened in Etobicoke, Ontario near the Sherway Gardens shopping centre. During Q1 2017, effective March 19, 2017, SIR permanently closed the Alice Fazooli's location in Oakville, Ontario and opened a new Scaddabush restaurant at this location at the beginning of Q2 2017 on April 5, 2017. During Q2 2017, effective June 18, 2017, SIR permanently closed the Alice Fazooli's location in Vaughan, Ontario and opened a new Scaddabush restaurant at this location during Q3 2017 on July 5, 2017. Beginning in the quarter that each of these Alice Fazooli's restaurants were closed, their respective sales have been excluded from the calculation of SSSG(2) for that quarter and the current year-to-date, similar to any permanently closed location. Accordingly, the Fiscal 2017 SSSG(2) performance for Scaddabush does not include the Alice Fazooli's locations in Oakville or Vaughan, Ontario. The new Scaddabush locations in Scarborough, on Front Street in downtown Toronto, and in Etobicoke are also excluded from the calculation of SSSG(2) in Q4 2017 and Fiscal 2017, since they were not open for the entire comparable periods in 2017 and 2016.

The downtown Toronto Signature Restaurants had a SSS(2) percentage decline of 5.4% in Q4 2017 and generated SSSG(2) of 1.0% in Fiscal 2017. The Q4 2017 SSS(2) decline is primarily attributable to the overall decline in event attendance at the Air Canada Centre and Rogers Centre during Q4 2017 and its impact on the sales performance of the Loose Moose. The Q4 2017 and Fiscal 2017 SSS(2) performance for the Signature Restaurants does not include Far Niente/FOUR/Petit Four, as this location was closed effective October 15, 2016, or the new Reds restaurant at the Square One shopping centre in Mississauga, Ontario which opened during Q4 2017 on December 11, 2017.

Restaurant Renovations

During 2017, SIR completed renovations to eight Jack Astor's locations. The locations in Barrie and Whitby, Ontario were closed for a combined total of 16 days in Q1 2017. The locations on Front Street in downtown Toronto, and in Vaughan and Brampton, Ontario were closed for a combined total of 39 days in Q2 2017. The Front Street location was closed for 20 days during Q2 2017. The location in Dartmouth, Nova Scotia was closed for nine days in Q3 2017. Two locations in London, Ontario were closed for a combined total of 17 days in Q4 2017.

Subsequent to Q4 2017, SIR completed renovations to two more Jack Astor's locations: the location at the entertainment complex at 10 Dundas East in downtown Toronto was closed for 12 days and the location in Kingston, Ontario was closed for a partial renovation for eight days.

During 2016, SIR completed renovations to six Jack Astor's locations. The location in Halifax, Nova Scotia was closed for a total of 11 days in Q2 2016. The location at Square One in Mississauga, Ontario was closed for a total of five days in Q3 2016. The locations in Pickering, Etobicoke, Kingston, and St. Catharines, Ontario were closed for a combined total of 25 days in Q4 2016.

SIR's Management is committed to maximizing the performance of all of its restaurants. SIR's Management is pleased with the performance at the recently renovated Jack Astor's locations and plans to continue to implement similar renovations at additional Jack Astor's locations in the future.

New and Closed Restaurants

During the calendar year 2017, SIR closed three restaurants: the Alice Fazooli's location in Oakville, Ontario was closed during Q1 2017 effective March 19, 2017, the Alice Fazooli's location in Vaughan, Ontario was closed during Q2 2017 effective June 18, 2017, and the Canyon Creek restaurant in Etobicoke, Ontario was closed during Q4 2017 effective October 15, 2017. SIR opened new Scaddabush restaurants at each of these locations: Oakville on April 5, 2017, Vaughan on July 5, 2017, and Etobicoke on November 28, 2017. SIR has elected, as is its option, under the License and Royalty Agreement, to treat the closed Alice Fazooli's locations and the closed Canyon Creek location as New Closed Restaurants and to treat the resulting new Scaddabush locations as New Additional Restaurants. The two closed Alice Fazooli's locations and the one closed Canyon Creek location ceased to be part of Royalty Pooled Restaurants on January 1, 2018. The two new Scaddabush restaurants in Oakville and Vaughan were added to Royalty Pooled Restaurants on January 1, 2018. The Scaddabush restaurant in Etobicoke will be added to Royalty Pooled Restaurants on January 1, 2019.

During Q4 2017, on December 11, 2017, SIR opened a new Reds restaurant in the Square One shopping centre in Mississauga, Ontario. This Reds restaurant will be added to Royalty Pooled Restaurants on January 1, 2019.

During Q3 2016, on July 12, 2016, SIR opened a new Scaddabush restaurant in Scarborough, Ontario, which was added to Royalty Pooled Restaurants on January 1, 2017. During Q4 2016, on November 3, 2016, SIR opened a new Scaddabush restaurant on Front Street in downtown Toronto, which was added to Royalty Pooled Restaurants on January 1, 2018.

SIR expects the impact to Royalty Pool Revenue in 2018 and beyond, resulting from the closure of the two Alice Fazooli's restaurants and one Canyon Creek restaurant, to be offset by the anticipated positive contributions from the addition of new Scaddabush restaurants to the Royalty Pool going forward, and from continued investments by SIR to drive future SSSG(2).

During Q4 2016, effective October 15, 2016, SIR permanently closed Far Niente/FOUR/Petit Four, located in downtown Toronto. On January 1, 2017, SIR converted the same number of Class A GP units that it received for this restaurant when it was added to the Royalty Pooled Restaurants at the time of the Fund's initial public offering in October 2004, into Class B GP units. This had the net effect of increasing the Fund's share of the Partnership's earnings. Far Niente/FOUR/Petit Four ceased to be a part of Royalty Pooled Restaurants on January 1, 2017.

SIR Management continues to monitor economic conditions and consumer confidence. Based on its assessment of these conditions, the timing of restaurant construction and opening schedules will be reviewed regularly by SIR Management and adjusted as necessary.

Distributions

Distributions to unitholders are intended to be made monthly in arrears based on distributable cash(1) and cash redemptions of Fund units and subject to the Fund retaining such reasonable working capital and other reserves as may be considered appropriate by the Trustees of the Fund. It is the Fund's intention to pay even distributions and, if possible, allow the Fund to maintain consistent monthly distributions to unitholders. The Fund intends to make monthly distributions of its available distributable cash(1) to the extent possible.

During Q4 2017, monthly distributions of $0.8 million, or $0.095 per unit, were declared and paid in each of the months of October, November, and December. The Fund also declared and paid a special distribution of $0.17 million, or $0.02 per unit, in December 2017. Subsequent to December 31, 2017, distributions of $0.095 per unit were declared and paid in the months of January and February, and declared in the month of March 2018.

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the long term. Since the Fund pays even monthly distributions when its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio(1) may exceed or could be lower than 100%. The payout ratios(1) of cash distributed to distributable cash(1) for Q4 2017 and Fiscal 2017 were 109.6% and 98.4%, respectively, compared to 101.2% and 99.1% in Q4 2016 and Fiscal 2016, respectively. The payout ratio(1) since the Fund's inception in 2004 up to and including Q4 2017 is 99.3%, in line with Fund's target payout ratio of 100%.

Please refer to pages 12 and 13 for distributable cash(1) and a summary of monthly distributions since inception, and page 14 for a description of the Fund's payout ratio(1).

Overview and Business of the Fund

On October 1, 2004, the Fund filed a final prospectus for a public offering of units of the Fund. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire, directly, certain bank debt of SIR and indirectly, through SIR Holdings Trust (the "Trust"), all of the Ordinary LP Units of the Partnership. The Partnership owns the Canadian trade-marks (the "SIR Rights") formerly owned or licensed by SIR or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada. The Partnership has granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the "License and Royalty Agreement"). The Partnership also issued its own securities to SIR in return for the SIR Rights acquired. The Fund indirectly participates in the revenue generated under the License and Royalty Agreement through its investment in the Partnership. The Partnership's financial statements are provided separately at www.sedar.com under the SIR Royalty Income Fund profile "Other" category and on SIR's website at www.sircorp.com.

The units of the Fund are publicly traded on the Toronto Stock Exchange under the symbol SRV.UN.

Overview and Business of SIR and the Partnership

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at December 31, 2017, SIR owned 61 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia, and Newfoundland). The Concept Restaurants are Jack Astor's Bar and Grill®, Canyon Creek®, and Scaddabush Italian Kitchen & Bar®. The "Signature" group of restaurants are Reds® Wine Tavern, Reds® Midtown Tavern, Reds® Square One, and the Loose Moose Tap & Grill®. SIR also owns a Duke's Refresher® & Bar located in downtown Toronto. Duke's Refresher is not part of the Royalty Pooled Restaurants. SIR also owns one seasonal restaurant: Abbey's Bakehouse®, in addition to one seasonal Abbey's Bakehouse retail outlet, which are not part of Royalty Pooled Restaurants. SIR owns 100% of its Canadian restaurants. As at December 31, 2017, 57 SIR Restaurants were included in Royalty Pooled Restaurants (54 operating restaurants and three closed restaurants).

SIR believes that Duke's Refresher has multi-unit growth potential and has advised the Fund that Duke's Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke's Refresher would be added to the Royalty pool would be the Adjustment Date following the earlier of: (i) the date that four Duke's Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of SIR's fiscal year in which revenues from all Duke's Refresher restaurants in Canada first exceed $12.0 million (the "Trigger Event"). As neither of these events are expected to occur in 2018, Duke's Refresher is not expected to be added to the Royalty pool on January 1, 2019.

The Partnership has the option for a period of six months following delivery of notice of the Trigger Event by SIR to purchase, effective on the next Adjustment Date, any and all associated Canadian trade-mark rights in respect of Duke's Refresher (the "Duke's Refresher Rights"), subject to the Partnership licensing the Duke's Refresher Rights back to SIR for a period of 99 years. SIR and the Partnership have the opportunity to negotiate and agree upon the amount of the consideration to be paid to SIR for the Duke's Refresher Rights. Under circumstances that are similar to those involving the SIR Rights, it is expected that the principles underlying the valuation of the Royalty and the Determined Amount as they relate to the SIR Rights shall apply, with necessary changes, to the extent deemed appropriate under the circumstances. If the Partnership elects not to exercise its option, or if the Partnership and SIR fail to agree on the terms of the purchase of the Duke's Refresher Rights, the Partnership shall have a right of first refusal, so long as the License and Royalty Agreement concerning the SIR Rights remains in effect, and exercisable for a period of 30 days from the date the Partnership receives notice and details of the proposed terms of the third party offer, to purchase the Duke's Refresher Rights should SIR wish to sell, directly or indirectly, all or substantially all of the Duke's Refresher Rights to a third party dealing at arm's length with SIR.

If the Partnership elects not to exercise the foregoing option, then, subject to the right of first refusal, SIR shall be free to operate the business relating to Duke's Refresher and exploit the Duke's Refresher Rights on its own behalf or otherwise.

On January 1 of each year (the "Adjustment Date"), the restaurants subject to the Partnership Agreement are adjusted for new restaurants that have been open for at least 60 days prior to the Adjustment Date and which were not previously included in Royalty Pooled Restaurants. Under the formula as defined in the Partnership Agreement, the number of Class A GP Units issued to SIR on the Initial Adjustment date is equal to 80% of the estimated value of the additional Royalty revenue. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if the actual revenues of the new SIR Restaurants exceed 80% of the Initial Adjustment Date's estimated revenue applied to the formula defined in the Partnership Agreement. Conversely, Class A GP Units would be converted to Class B GP Units by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the Initial Adjustment Date's estimated revenue. On January 1 of each year, SIR will reconvert the Class A GP Units received to Class B GP Units for the permanent closure of a SIR Restaurant.

In December of each year, an additional distribution will be payable to the Class B GP Unitholders based on actual revenues of the new SIR Restaurants exceeding 80% of the Initial Adjustment Date's estimated revenue or there will be a reduction in the cash distributions to the Class A GP Unitholders if revenues are less than 80% of the Initial Adjustment Date's estimated revenue. The additional distribution results in an adjustment to SIR's share of the Partnership income to reflect the actual contribution of the revenues of the new SIR Restaurants for the fiscal year. As this amount is not declared until December 31st, when the actual revenues for the New Additional Restaurants are known, the effect of this adjustment is not included in the results of quarters one through three.

The Partnership has granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6.0% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

The Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and are exchangeable into Units of the Fund on a one for one basis. SIR is obligated to pay the Partnership a "Make-Whole Payment", subject to certain terms, initially equal to the amount of the Royalty that otherwise would have been paid to the Partnership in the event of a permanent closure of a Royalty Pooled Restaurant. SIR is not required to pay a "Make-Whole Payment" in respect of a permanently closed Royalty Pooled Restaurant following the date on which the number of restaurants in Royalty Pooled Restaurants is equal to or greater than 68, or following October 12, 2019, whichever occurs first. However, other adjustments or payments may still be required in respect of permanently closed restaurants after such date by SIR, depending upon the circumstances. SIR was required to pay Make-Whole Payments for the Far Niente/FOUR/Petit Four restaurant in Toronto, Ontario which was closed effective October 15, 2016, the Alice Fazooli's restaurants in Oakville and Vaughan, Ontario which were closed effective March 19, 2017 and June 18, 2017, respectively, and the Canyon Creek restaurant in Etobicoke, Ontario which was closed effective October 15, 2017.

On January 1, 2018, three (January 1, 2017 - one) new SIR Restaurants were added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of three new SIR Restaurants on January 1, 2018 (January 1, 2017 - one), as well as the Second Incremental Adjustment for one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2017 (January 1, 2016 - two), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. In addition, there was a re-conversion of Class A GP Units into Class B GP Units for the permanent closure of three (January 1, 2017 – one) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 34,810 Class B GP Units into 34,810 Class A GP Units (January 1, 2016 – SIR exchanged 79,481 Class A GP Units into 79,481 Class B GP Units) on January 1, 2018 at a fair value of $2.8 million (January 1, 2017 - $0.015 million).

In addition, the revenues of the one (January 1, 2016 – two) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2017 was less than 80% of the Initial Adjustment's estimated revenue and, as a result, the distributions on the Class A GP Units were reduced by a special conversion refund of $0.05 million in December 2017 and paid in January 2018 (December 31, 2016 - $0.0005 million, paid in January 2017). As a result of the permanent closure of three SIR Restaurants during the year, Make-Whole Payments totaling $0.3 million (year ended December 31, 2016 – $0.07 million) were paid by SIR to the Partnership.

SIR's fiscal year is comprised of 13 periods of four weeks each, ending on the last Sunday in August. To preserve this year-end, an additional week must be added approximately every five years. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks. SIR's fiscal years for 2017 and 2018 both consist of 52 weeks.

Consolidated financial statements of SIR can be found at www.sedar.com under the SIR Royalty Income Fund profile, "Other" category and on SIR's website at www.sircorp.com.

Seasonality

The full-service restaurant sector of the Canadian foodservice industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending the last Sunday in August) when patios have been open for an extended period. Additionally, certain holidays and observances also affect guest dining patterns both favourably and unfavourably. Accordingly, distribution income recognized by the Fund will vary in conjunction with the seasonality in revenue experienced by SIR. The Fund's intention is to pay even distributions in order to reduce the effect of seasonality, and if possible, allow the Fund to maintain consistent monthly distributions to unitholders.

Selected Consolidated Financial Information

The consolidated financial statements of the Fund are presented in Canadian dollars, and are prepared in accordance with IFRS. The consolidated financial statements include the accounts of the Fund and its subsidiaries, namely the Trust and SIR GP Inc. The information in this Management's Discussion and Analysis should be read in conjunction with the audited annual consolidated financial statements of the Fund, including the notes thereto. The Fund has been in existence since August 23, 2004, and began operating on October 12, 2004 upon closing of the Offering.

The following table sets out selected financial information of the Fund and the Partnership:

Financial Highlights

(in thousands of dollars or units, except restaurants and per unit amounts) *(unaudited)*	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Royalty Pooled Restaurants	57	57
Pooled Revenue generated by SIR	283,034	278,035
Royalty income to Partnership - 6% of Pooled Revenue	16,982	16,682
Make-Whole Payment(3)	296	77
Total Royalty income to Partnership	17,278	16,759
Partnership other income	24	24
Partnership expenses	(82)	(64)
Partnership earnings	17,220	16,719
SIR's interest (Class A, B and C GP Units)	(6,169)	(6,981)
Partnership income allocated to Fund(4)	11,051	9,738
Interest income	3,000	3,000
Total income of the Fund	14,051	12,738
General & administrative expenses	(439)	(410)
Net earnings before income taxes of the Fund	13,612	12,328
Income tax expense	(3,798)	(3,451)
Net earnings for the period	9,814	8,877
Basic earnings per Fund unit	$1.17	$1.13
Weighted average number of Fund units outstanding – Basic	8,376	7,891
Net earnings for the period – Diluted	12,134	11,757
Weighted average number of Class A GP Units	1,981	2,546
Weighted average number of Fund units outstanding – Diluted	10,357	10,437
Diluted earnings per Fund unit	$1.17	$1.13

(3) The Far Niente/FOUR/Petit Four restaurant in Toronto, Ontario was closed effective October 15, 2016, the Alice Fazooli's restaurants in Oakville and Vaughan, Ontario were closed effective March 19, 2017 and June 18, 2017, respectively, and the Canyon Creek restaurant in Etobicoke, Ontario was closed effective October 15, 2017. Under the terms of the License and Royalty Agreement, SIR is required to pay a Make-Whole Payment for these locations equal to the amount of the royalty otherwise payable from the date of the closure until December 31st of the year of closure.

(4) The Fund, indirectly through the Trust, holds all of the Ordinary LP Units and Class A LP Units of the Partnership. The holders of the Ordinary LP Units and Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership.

Summary of Quarterly Financial Information

(in thousands of dollars or units, except restaurants and per unit amounts) (unaudited)	Three-month periods ended December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Royalty Pooled Restaurants	57	57	57	57	57	57	57	57
Pooled Revenue generated by SIR	69,528	74,555	74,477	64,474	67,534	72,489	74,757	63,255
Royalty income to Partnership - 6% of Pooled Revenue	4,172	4,473	4,469	3,868	4,053	4,349	4,485	3,795
Make-Whole Payment[(3)]	67	-	99	130	77	-	-	-
Total Royalty income to Partnership	4,239	4,473	4,568	3,998	4,130	4,349	4,485	3,795
Partnership other income	6	6	6	6	6	6	6	6
Partnership expenses	(17)	(21)	(21)	(23)	(14)	(20)	(12)	(18)
Partnership earnings	4,228	4,458	4,553	3,981	4,122	4,335	4,479	3,783
SIR's interest (Class A, B and C GP Units)	(1,498)	(1,583)	(1,599)	(1,489)	(1,544)	(1,768)	(1,927)	(1,742)
Partnership income allocated to Fund[(4)]	2,730	2,875	2,954	2,492	2,578	2,567	2,552	2,041
Interest income	750	750	750	750	750	750	750	750
Total income of the Fund	3,480	3,625	3,704	3,242	3,328	3,317	3,302	2,791
General & administrative expenses	(101)	(103)	(118)	(117)	(102)	(99)	(108)	(101)
Net earnings before income taxes of the Fund	3,379	3,522	3,586	3,125	3,226	3,218	3,194	2,690
Income tax expense	(1,062)	(941)	(961)	(834)	(1,016)	(860)	(854)	(721)
Net earnings for the period	2,317	2,581	2,625	2,291	2,210	2,358	2,340	1,969
Basic earnings per Fund unit	$0.28	$0.31	$0.31	$0.27	$0.26	$0.30	$0.31	$0.26
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	7,935	7,626	7,626
Net earnings for the period – Diluted	2,863	3,192	3,246	2,833	2,754	3,105	3,203	2,695
Weighted average number of Class A GP Units	1,981	1,981	1,981	1,981	2,061	2,502	2,811	2,811
Weighted average number of Fund units outstanding – Diluted	10,357	10,357	10,357	10,357	10,437	10,437	10,437	10,437
Diluted earnings per Fund unit	$0.28	$0.31	$0.31	$0.27	$0.26	$0.30	$0.31	$0.26

The Fund declared and paid a distribution of $0.095 per unit in each of the months of January to December 2017 inclusive. The Fund also declared and paid a special distribution of $0.02 per unit in December 2017. Subsequent to December 31, 2017, a distribution of $0.095 per unit was declared and paid in the months of January and February 2018. Another distribution of $0.095 per unit was declared in March 2018 and scheduled to be paid at the end of the month.

Distributable Cash[1]

(in thousands of dollars or units, except per unit amounts and payout ratio[1]) *(unaudited)*	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Cash provided by operating activities	9,748	8,643
Add/(deduct): Net change in non-cash working capital items[5]	217	(60)
Net change in income tax payable[5]	(311)	285
Net change in distribution receivable from the Partnership[5]	216	194
Distributable cash[1]	**9,870**	**9,062**
Cash distributed for the period	**9,716**	**8,978**
Surplus/(shortfall) of distributable cash[1]	**154**	**84**
Payout ratio[1], [6]	98.4%	99.1%
Weighted average number of Fund units outstanding – Basic	8,376	7,891
Distributable cash[1] per Fund unit – Basic	$1.18	$1.15
Distributable cash[1] for the period – Diluted[7]	12,189	11,941
Weighted average number of Class A GP Units[7]	1,981	2,546
Weighted average number of Fund units outstanding – Diluted[7]	10,357	10,437
Distributable cash[1] per Fund unit – Diluted[7]	$1.18	$1.15

(5) *Distributable cash is adjusted to exclude the net change in non-cash working capital items, the net change in income tax payable, and the net change in the distribution receivable from the Partnership, as the Fund's working capital requirements are not permanent and are primarily due to the timing of payments.*

(6) *It is the Fund's intention to pay even distributions to reduce the effect of seasonality. Higher payout ratios during the colder months of the year are expected with the pattern of seasonality in SIR's business, and it is anticipated that the payout ratio will decrease on average during the warm weather months.*

(7) *Diluted distributable cash per Fund unit is as follows: Distributable cash for the period, plus the distributions, net of income tax expense (recovery), related to the Class A GP Units, divided by the weighted average number of Fund units outstanding. The weighted average number of Fund units outstanding represents the weighted average number of Fund units outstanding (basic) plus the weighted average number of convertible Class A GP Units.*

Distributable Cash[(1)]

(in thousands of dollars or units, except per unit amounts and payout ratio[(1)]) *(unaudited)*	**Three-month periods ended**							
	December 31, 2017	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**
Cash provided by operating activities	2,596	2,429	2,250	2,473	2,214	2,484	2,137	1,808
Add/(deduct): Net change in non-cash working capital items[(5)]	571	(102)	50	(302)	482	(358)	(108)	(76)
Net change in income tax payable[(5)]	(228)	(108)	(115)	140	(93)	(17)	(21)	416
Net change in distribution receivable from the Partnership[(5)]	(608)	376	454	(6)	(245)	262	344	(167)
Distributable cash[(1)]	**2,331**	**2,595**	**2,639**	**2,305**	**2,358**	**2,371**	**2,352**	**1,981**
Cash distributed for the period	**2,555**	**2,387**	**2,387**	**2,387**	**2,388**	**2,244**	**2,173**	**2,173**
Surplus/(shortfall) of distributable cash[(1)]	**(224)**	**208**	**252**	**(82)**	**(30)**	**127**	**179**	**(192)**
Payout ratio[(1), (6)]	109.6%	92.0%	90.4%	103.6%	101.2%	94.7%	92.4%	109.7%
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	7,935	7,626	7,626
Distributable cash[(1)] per Fund unit – Basic	$0.28	$0.31	$0.32	$0.28	$0.28	$0.30	$0.31	$0.26
Distributable cash[(1)] for the period – Diluted[(7)]	2,876	3,206	3,260	2,847	2,902	3,117	3,215	2,707
Weighted average number of Class A GP Units[(7)]	1,981	1,981	1,981	1,981	2,061	2,502	2,811	2,811
Weighted average number of Fund units outstanding – Diluted[(7)]	10,357	10,357	10,357	10,357	10,437	10,437	10,437	10,437
Distributable cash[(1)] per Fund unit – Diluted[(7)]	$0.28	$0.31	$0.32	$0.28	$0.28	$0.30	$0.31	$0.26

A history of distributions is as follows:

Months Paid	**Distribution per Unit**
Inception to May 2006	$0.100
June 2006 to May 2007	$0.105
June 2007 to May 2008	$0.110
June 2008 to January 2011	$0.115
February 2011 to May 2012	$0.083[(8)]
June 2012 to May 2013	$0.088
June 2013 to date	$0.095
December 2012 Special Distribution	$0.05[(9)]
December 2017 Special Distribution	$0.02[(9)]

Beginning with the payment in June 2013, the Fund raised its monthly unitholder distributions from $0.088 per unit to $0.095 per unit, representing $1.14 per unit on an annualized basis.

(8) As a result of certain legislative changes to the tax treatment of income trusts, corporate income taxes became applicable to the taxable income of the Fund effective January 1, 2011. Accordingly, the distributions, starting with the January 2011 distribution (declared and paid in February 2011), were reduced for the impact of income taxes.

(9) The special year-end distributions of $0.05 per unit declared in December 2012 (paid in January 2013) and $0.02 per unit declared and paid in December 2017 were declared because the Fund expected that the taxable income generated in these calendar years would exceed the aggregate monthly distributions declared by the Fund.

The payout ratio(1) of cash distributed to distributable cash(1) for Q4 2017 was 109.6%, compared to 101.2% in Q4 2016. The increase in the payout ratio(1) is primarily the result of the $0.02 per unit special distribution paid to Fund unitholders in December 2017. The payout ratio(1) of cash distributed to distributable cash(1) for Fiscal 2017 was 98.4%, compared to 99.1% in Fiscal 2016. The decreases in the Q2 2017 and Q3 2017 payout ratios(1) are primarily the result of the immediate recognition of two full Make-Whole payments of $0.1 million in Q2 2017 and $0.1 million in Q3 2017 from SIR to the Partnership, for the closure of the Alice Fazooli's locations in Oakville and Vaughan, Ontario, that were paid from the date of closure to December 31, 2017. The Fund's quarterly payout ratios vary over the course of a year due to seasonal fluctuations in revenues. For example, the first quarter typically has lower sales volumes than the second and third quarters which include warmer summer months when patios are open.

Since the Fund's inception in October 2004 up to and including Q4 2017, the Fund has generated $98.5 million in cumulative distributable cash(1) and has paid cumulative cash distributions of $97.9 million, representing a cumulative payout ratio(1) (the ratio of cumulative cash distributions paid since inception to cumulative distributable cash(1) generated) of 99.3%. Based on current business and economic conditions, the Fund's Trustees intend to maintain its current distribution levels at this time. However, should the distributions from the Partnership decline, or the expenses of the Fund increase, the Fund may have to reduce distributions.

The following table provides disclosure regarding the relationship between cash flows from operating activities and net income, and historical distributed cash amounts:

(in thousands of dollars) *(unaudited)*	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Cash provided by operating activities	9,748	8,643
Net earnings for the period	9,814	8,877
Cash distributed for the period	9,716	8,978
Excess (shortfall) of cash provided by operating activities over cash distributed for the period(10)	**32**	**(335)**
Excess (shortfall) of net earnings for the period over cash distributed for the period(11)	**98**	**(101)**

The $0.3 million shortfall of cash provided by operating activities over cash distributed for the 12-month period ended December 31, 2016 is primarily due to an increase in the amount of tax instalments paid by the Fund, along with an increase in Fund units outstanding which resulted in increased distributions paid to Fund unitholders.

The $0.1 million shortfall of net earnings for the period over cash distributed for the 12-month period ended December 31, 2016 is primarily due to the aforementioned increased distributions paid to Fund unitholders, partially offset by an increase in the Fund's net earnings through equity income from the Partnership for Fiscal 2016 due to SSSG(2) of SIR restaurants of 1.6% during this period.

(10) Excess (shortfall) of cash provided by operating activities over cash distributed for the period is calculated by subtracting the cash distributed for the period from cash provided by operating activities.

(11) Excess (shortfall) of net earnings for the period over cash distributed for the period is calculated by subtracting cash distributed for the period from net earnings for the period.

Balance Sheet

The following table shows total assets and unitholders' equity of the Fund:

(in thousands of dollars) (unaudited)	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**
Total assets	95,317	95,861	95,460	95,160	95,069	95,463	84,366	84,075
Unitholders' equity	90,333	90,571	90,377	90,139	90,235	90,411	79,685	79,518

Results of Operations - Fund

The Fund's revenue of $3.5 million for Q4 2017 ($3.3 million for Q4 2016) comprises equity income from the Partnership of $2.7 million ($2.6 million for Q4 2016) and interest income of $0.8 million ($0.8 million for Q4 2016). Revenue of $14.1 million for Fiscal 2017 ($12.7 million for Fiscal 2016) is comprised of equity income from the Partnership of $11.1 million ($9.7 million for Fiscal 2016) and interest income of $3.0 million ($3.0 million for Fiscal 2016). Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the three-month and 12-month periods ended December 31, 2017 and December 31, 2016. The increase in equity income from the Partnership is due to an increase in the earnings of the Partnership driven by SSSG(2) and the increase in the Fund's residual interest in the Partnership as a result of the conversion of Class A GP units during 2016. Interest income is interest earned for the three-month and 12-month periods ended December 31, 2017 and December 31, 2016 from the $40.0 million SIR Loan which bears interest at 7.5% per annum.

The Fund's operating expenses, which are limited to general and administration expenses, totaled $0.1 million and $0.4 million for Q4 2017 and Fiscal 2017, respectively ($0.1 million and $0.4 million for Q4 2016 and Fiscal 2016, respectively). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

The Fund recorded a current income tax expense of $1.1 million and $3.8 million for Q4 2017 and Fiscal 2017, respectively ($1.0 million and $3.5 million for Q4 2016 and Fiscal 2016, respectively).

Net earnings were $2.3 million and $9.8 million for Q4 2017 and Fiscal 2017, respectively ($2.2 million and $8.9 million for Q4 2016 and Fiscal 2016, respectively). Earnings per Fund unit on both a basic and diluted basis were $0.28 and $1.17 for Q4 2017 and Fiscal 2017, respectively (basic and diluted earnings per Fund unit were $0.26 and $1.13 for Q4 2016 and Fiscal 2016, respectively).

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at December 31, 2017, there were 57 restaurants included in Pooled Revenue (54 operating restaurants and three closed restaurants). Increases or decreases in Pooled Revenue are derived from SSS(2) growth or declines, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular.

The following table sets out Pooled Revenue for the three-month and 12-month periods ended December 31, 2017 and December 31, 2016:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue) (unaudited)	Three-month period ended December 31, 2017		Three-month period ended December 31, 2016		12-month period ended December 31, 2017		12-month period ended December 31, 2016	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue
Jack Astor's	51,856	40	49,165	40	211,513	40	206,312	40
Canyon Creek	6,620	8	7,486	8	26,605	8	27,490	8
Scaddabush/Alice Fazooli's	6,159	6	5,545	5	25,021	6	20,888	5
Signature	4,893	3	5,338	4	19,895	3	23,345	4
Total included in Pooled Revenue	69,528	57	67,534	57	283,034	57	278,035	57

Pooled Revenue growth for Jack Astor's is a result of SSSG(2) in both Q4 2017 and Fiscal 2017.

Pooled Revenue growth for Canyon Creek in both Q4 2017 and Fiscal 2017 is attributable to SSSG(2) during this period. Pooled Revenue for Canyon Creek includes one closed restaurant (Etobicoke, Ontario) up to its effective date of closure on October 15, 2017. This restaurant was removed from Royalty Pooled Restaurants on January 1, 2018.

Pooled Revenue from Scaddabush/Alice Fazooli's for Q4 2017 and Fiscal 2017 includes four Scaddabush restaurants and two closed Alice Fazooli's restaurants (Oakville and Vaughan, Ontario), up to their effective dates of closure. The four Scaddabush restaurants consist of two Scaddabush restaurants that opened as New Additional Restaurants (Yonge and Gerrard in downtown Toronto, and Scarborough, Ontario) and two Scaddabush restaurants that were converted from Alice Fazooli's restaurants (Richmond Hill and Mississauga, Ontario). Pooled Revenue from Scaddabush/Alice Fazooli's in Q4 2016 and Fiscal 2016 includes three Scaddabush restaurants: Yonge and Gerrard in downtown Toronto, Richmond Hill, Ontario and Mississauga, Ontario, as well as the Alice Fazooli's locations in Oakville and Vaughan, Ontario. The Scaddabush location in Scarborough was opened during Q3 2016 and is not included the calculation of Pooled Revenue for the Q4 2016 and Fiscal 2016 periods, as it was not added to the Royalty Pool until January 1, 2017. The Scaddabush/Alice Fazooli's Pooled Revenue for the three-month and 12-month periods ended December 31, 2017 excludes the revenue of the new Scaddabush restaurants in downtown Toronto (Front Street), Oakville, and Vaughan, Ontario, all of which were added to Royalty Pooled Restaurants on January 1, 2018. The new Scaddabush restaurant in Etobicoke, Ontario will be added to Royalty Pooled Restaurants on January 1, 2019. The increase in Pooled Revenue for Scaddabush / Alice Fazooli's for Q4 2017 and Fiscal 2017 primarily reflects the strong SSSG(2) of the Scaddabush locations in Richmond Hill and Mississauga, Ontario and at Yonge and Gerrard in downtown Toronto, as well as the strong sales performance of the new Scarborough location, partially offset by the closure of the Alice Fazooli's locations in Oakville and Vaughan, Ontario which were closed effective March 19, 2017 and June 18, 2017, respectively, and were removed from Royalty Pooled Restaurants on January 1, 2018.

The Q4 2017 and Fiscal 2017 decrease in Pooled Revenue for the Signature restaurants is primarily the result of the removal of Far Niente/FOUR/Petit Four from the Royalty Pool on January 1, 2017 after its closure in 2016.

Liquidity and Capital Resources

The Fund has no third party debt. SIR currently has the $40.0 million SIR Loan owed to the Fund (which SIR can surrender its Class C GP Units as consideration for principal payments under the loan) and a credit agreement (Credit Agreement) with a Schedule I Canadian chartered bank (the Lender), a copy of which has been filed on SEDAR. The credit agreement is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the Lender. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use trade-marks and related intellectual property in return for royalty payments based on revenues, has been effected pursuant to the terms of the Intercreditor Agreement. A copy of the Intercreditor Agreement has also been filed on SEDAR.

The Credit Agreement between SIR and the Lender provides for a three-year facility for a maximum principal amount of $30.0 million consisting of a $20.0 million revolving term credit facility (Credit Facility 1), and a $10.0 million revolving term loan (Credit Facility 2). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $5.0 million. On December 8, 2017, SIR extended the Credit Agreement from July 6, 2018 to July 6, 2020 under substantially the same terms and conditions. The Credit Agreement as amended provides for a new $2.2 million leasing facility.

Credit Facility 1 is for general corporate and operating purposes, including capital spending on new and renovated restaurants, bearing interest at the prime rate plus 2.25% and/or the bankers' acceptance rate plus 3.25%, principal repaid in one bullet repayment on July 6, 2020. A standby fee of 0.65% is charged on the undrawn balance of Credit Facility 1. Provided SIR is in compliance with the Credit Agreement, the principal amount of Credit Facility 1 can be repaid and reborrowed at any time during the term of the agreement. Credit Facility 2 bears interest at the prime rate plus 2.25% and/or the bankers' acceptance rate plus 3.25%. The initial advance on Credit Facility 2 is repayable in quarterly instalments of $0.5 million, with the remaining outstanding principal balance due on July 6, 2020. Under the amended Credit Agreement, subsequent advances on Credit Facility 2 may be requested (subject to availability and lender approval), in minimum multiples of $1.0 million, to finance capital spending on new and renovated restaurants. Each subsequent advance will be repayable in equal quarterly instalments based on a five year amortization, with the remaining outstanding principal balance due on July 6, 2020. On December 15, 2017, SIR drew an additional $4.5 million on Credit Facility 2. This advance is repayable in quarterly instalments of $0.2 million, with the remaining principal balance due on July 6, 2020.

The Credit Agreement is secured by substantially all of the assets of SIR and most of its subsidiaries, which are also guarantors. The Partnership and the Fund have not guaranteed the Credit Agreement.

Under the Intercreditor Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Fund and the Partnership can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the License and Royalty Agreement. However, if a default or an event of default were to occur, the Fund and the Partnership agree not to take actions on their security until the Lender has been repaid in full. However, payments by SIR, to the Fund and the Partnership, will be permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Fund, the Partnership and SIR will have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan without triggering a cross default under the Credit Agreement, by up to 50% for a period of up to nine consecutive months. SIR and each Obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and SIR and its shareholders in exchange for the Subordinating Parties not demanding repayment or enforcing security as a result of any such Related Party Obligation Default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership.

SIR believes and has advised the Fund that it expects to be able to comply with the covenants under the debt and service the debt, as well as meet its other obligations. However, there can of course be no assurance of this. If SIR were to be unable to do so, this could have material adverse consequences on SIR and the Fund, and SIR in such circumstances would seek to cooperate with the Fund to protect stakeholder interests.

The Fund does not have bank lines of credit. The Fund therefore relies on the payments of the distributions from the Partnership and interest income from SIR to meet its obligations to pay the distributions. The Fund believes that the distributions from the Partnership and interest payments will be sufficient to meet its current distribution intentions, subject to seasonal fluctuations. However, the actual amounts distributed will depend upon numerous factors, including the payment of the distributions from the Partnership and interest by SIR, and could fluctuate based on performance. The Fund intends to maintain even distributions in order to reduce the effect of fluctuations in revenue and, if possible, allow the Fund to maintain consistent monthly distributions to unitholders. Under the terms of the License and Royalty Agreement, SIR is required to pay the 6.0% Royalty to the Partnership 21 days after the end of the four-week or five-week period for which the Royalty is determined.

The Fund did not have any capital expenditures in Fiscal 2017 and by its nature is not expected to have significant capital expenditures in the future. Capital expenditures related to Royalty Pooled Restaurants are borne at the operating company (SIR) level. The Fund's operating and administrative expenses are expected to be fairly stable and predictable and are considered to be in the ordinary course of business.

Management currently believes that there are sufficient cash resources retained in the Partnership in order to meet its current obligations and pay distributions to its unitholders. The Fund intends to continue to pay monthly distributions consistent with the most recent distribution declared in March 2018 for the near future. However, should the distributions from the Partnership decline, or the expenses of the Fund increase, the Fund may have to reduce distributions.

While SIR is not owned by the Fund, the Fund's income is derived from interest income on the SIR Loan and distributions from the Partnership and accordingly, the Fund is economically dependent upon SIR. Credit risk arises from the potential default of SIR on the SIR Loan. Management monitors the SIR Loan for credit risk and to date a provision for uncollectible amounts has not been necessary. The Fund also depends on the distributions from the Partnership, which are dependent upon SIR paying the Royalty to the Partnership. Information regarding SIR and its liquidity can be found in SIR's unaudited interim and audited annual consolidated financial statements and MD&A, which can be found on SEDAR under the Fund's listing named "Other". The most recent unaudited interim consolidated financial statements and MD&A for SIR's first quarter are listed having a filing date of December 22, 2017.

The following table is an excerpt of the previous eight quarters of SIR's consolidated statement of cash flows information:

Selected Unaudited Consolidated Statement of Cash Flows Information(12)	**1st Quarter Ended November 19, 2017 (12 weeks)**	**4th Quarter Ended August 27, 2017 (16 weeks)**	**3rd Quarter Ended May 7, 2017 (12 weeks)**	**2nd Quarter Ended February 12, 2017 (12 weeks)**	**1st Quarter Ended November 20, 2016 (12 weeks)**	**4th Quarter Ended August 28, 2016 (16 weeks)**	**3rd Quarter Ended May 8, 2016 (12 weeks)**	**2nd Quarter Ended February 14, 2016 (12 weeks)**
	(in thousands of dollars) (unaudited)							
Cash provided by (used in) operations	(434)	10,672	4,334	(1,404)	(1,478)	8,313	3,110	3,182
Cash used in investing activities	(3,814)	(5,194)	(2,709)	(2,660)	(3,245)	(3,611)	(2,092)	(1,634)
Cash provided by (used in) financing activities	3,939	(3,528)	(1,928)	3,151	4,651	(3,725)	(1,463)	(1,948)
Decrease in cash and cash equivalents during the period	(309)	1,950	(303)	(913)	(72)	977	(445)	(400)
Cash and cash equivalents – Beginning of period	4,550	2,600	2,903	3,816	3,888	2,911	3,356	3,756
Cash and cash equivalents – End of period	4,241	4,550	2,600	2,903	3,816	3,888	2,911	3,356

Controls and Procedures

Disclosure controls and procedures:

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and includes controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Management carried out an evaluation of the effectiveness of the design and operation of the Fund's disclosures controls and procedures, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at December 31, 2017 under the supervision of and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer.

Based on that evaluation, the Fund's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective as at December 31, 2017.

(12) Information presented is in accordance with IFRS and is derived solely from documents filed with the Canadian securities regulatory authorities by SIR in its interim Q1 2018 MD&A filed on December 22, 2017 and has not been approved by the Fund or its Trustees, officers, SIR GP Inc., or SIR Holdings Trust, or their respective Trustees, managing general partners, directors, or officers.

Internal controls over financial reporting:

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that:

a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;

b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and

c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management carried out an evaluation of the effectiveness of the design and operation of the Fund's internal controls over financial reporting, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at December 31, 2017 and under the supervision and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer. The evaluation was conducted using the framework and criteria established in Internal Control - Integrated Framework: 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013.

Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that internal controls over financial reporting are effective and there are no material weaknesses in the Fund's internal controls over financial reporting as at December 31, 2017. There have been no substantive changes in the Fund's internal controls over financial reporting that occurred during the most recent interim period beginning October 1, 2017 and ending December 31, 2017, that have materially affected, or are reasonably likely to materially affect the Fund's internal control over financial reporting. The Fund does not own, control or consolidate SIR and therefore, the Fund's disclosure controls and procedures and the internal controls over financial reporting do not encompass SIR or SIR's disclosure controls and procedures or SIR's internal controls over financial reporting.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Off-Balance Sheet Arrangements

The Fund does not have any off-balance sheet arrangements.

Transactions with Related Parties

During the three-month and 12-month periods ended December 31, 2017, the Fund earned equity income of $2.7 million and $11.1 million, respectively, from the Partnership ($2.6 million and $9.7 million for the three-month and 12-month periods ended December 31, 2016, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the three-month and 12-month periods ended December 31, 2017, the Fund earned interest income of $0.8 million and $3.0 million, respectively, from the SIR Loan ($0.8 million and $3.0 million for the three-month and 12-month periods ended December 31, 2016). A description of the terms of the SIR Loan is included in the notes to the consolidated financial statements of the Fund for 12-month period ended December 31, 2017.

As at December 31, 2017, the Fund had amounts receivable from SIR of $0.3 million (December 31, 2016 – $0.3 million) and distributions receivable from the Partnership of $3.7 million (December 31, 2016 – $3.5 million). The amount receivable from SIR relates to the interest owing to the Fund on the SIR Loan for the month of December. As at December 31, 2017, the Fund had advances payable to the Partnership of $2.5 million (December 31, 2016 - $2.8 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

The Fund makes estimates and assumptions concerning the future that will by definition seldom equal actual results. The following are estimates and judgments that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Investment in the Partnership/consolidation of structured entities

The Partnership receives royalties on the SIR Rights, which are licensed to SIR for use in Royalty Pooled Restaurants. The Fund and SIR each hold an investment in the Partnership. Generally, the Partnership units have no voting rights, except in certain specified conditions.

The determination of the entity having the ability to affect the returns on their investment in the Partnership required significant judgment. Based on an evaluation of the activities of the Partnership and the Partnership Agreement, management concluded the substance of the relationships between the Partnership, SIR and the Fund indicates the Partnership is controlled by SIR. In addition, the evaluation of whether or not the Fund has significant influence over the Partnership is a matter of significant judgment. Based on a review of the operating and financing activities of the Partnership, management has concluded that the Fund is able to significantly influence these activities.

Valuation of the SIR Loan and investment in the Partnership

Management reviews for objective evidence whether there may be an impairment of the SIR Loan or the investment in the Partnership. The review includes a review of the earnings, cash flows and available cash of SIR on a prospective basis to assess SIR's ability to meet its obligations to the Fund for interest payments on the SIR Loan and to the Partnership for the Royalty. Based on the analysis completed during the years ended December 31, 2017 and 2016, no impairments have been recorded in the consolidated financial statements.

Fair value of the SIR Loan

The fair value of the SIR Loan is estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk. Management has used a discount rate of 7% to discount the expected cash flows. In determining the appropriate discount rate, management considered available market information as well as the credit risk for SIR. The fair value of the SIR Loan is sensitive to changes in the discount rate. A 0.25% increase or decrease in the discount rate will result in a $1.3 million decrease or increase in the fair value of the SIR Loan.

Changes in Accounting Policies, Including Initial Adoption

There have been no changes in accounting policies during the period.

IFRS Issued but Not Yet Effective

IFRS 9, Financial Instruments – Classification and Measurement

In July 2014, the International Accounting Standards Board (IASB), issued the final version of IFRS 9, Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The Fund will adopt IFRS 9 on January 1, 2018 using the modified retrospective method. IFRS 9 will require the Fund to record a provision for the expected credit losses on its amounts due from related parties which management has determined is not material to the consolidated financial statements.

Due to the ability of SIR to exchange the SIR Loan with its Class C GP Units of the Partnership, the SIR Loan will not meet the solely principal and interest requirement. Accordingly, under IFRS 9, the SIR Loan will be recognized at fair value with changes in fair value being recorded in the consolidated statement of earnings. As at January 1, 2018, the estimated fair value of the SIR Loan is $42.5 million. The difference between the fair value and the carrying value of $40.0 million will be recorded in the deficit.

IFRS 7, Financial Instruments – Disclosure

IFRS 7, Financial Instruments: Disclosure has been amended to require additional disclosures on transition from IAS 39 to IFRS 9. This amendment is effective January 1, 2018.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. IFRS 15 will be adopted by the Partnership on January 1, 2018. Management has evaluated this standard and has determined there will be no impact on the financial statements.

Financial Instruments

The Fund's financial instruments consist of cash, amounts due from related parties, the SIR Loan, accounts payable and accrued liabilities, and amounts due to related parties. Management estimates that the fair values of these financial instruments approximate their carrying values due to their short-term maturity except for the SIR Loan. The fair value of the SIR Loan is estimated to be $42.5 million. The fair value was estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk. The estimate of fair value is within level 3 of the fair value hierarchy.

Disclosure of Outstanding Unit Data

As at December 31, 2017 and March 14, 2018, the number of outstanding units of the Fund was 8,375,567.

Risks and Uncertainties

The performance of the Fund is directly dependent upon the interest payments the Fund receives from SIR under the SIR Loan and upon the Royalty received by the Partnership from SIR. The amount of the Royalty is dependent upon Pooled Revenue, which is subject to a number of factors that affect the restaurant industry generally and the casual and/or fine dining sectors of this industry in particular. The restaurant industry generally, and in particular, the casual and fine dining segment of this industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. Increases in minimum wage rates and other labour legislation may affect the growth and profitability of SIR, as a significant portion of its restaurant employees are paid at wage rates related to minimum wage. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty or interest on the SIR Loan may be impaired. Please refer to the March 14, 2018 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR**.**

The Fund's distributions are subject to change based on a number of factors, including the cash reserves of the Fund, the Trust and the Partnership. The Trustees will continue their practice of regularly reviewing the Fund's distribution levels.

Outlook

SIR, which stands for Service Inspired Restaurants, is a privately held Canadian corporation in the business of creating, owning and operating full service restaurants in Canada. All of SIR's restaurants are corporately owned. SIR does not franchise any of its existing brands. SIR remains committed to the corporately owned restaurant model as it believes that the corporate restaurant structure gives it better control over its brands and improved agility to respond to changes in market conditions. SIR would expect its future sales growth to be driven similarly to its past unit growth through a combination of measured new unit growth and same store sales growth, over the long term.

Restaurants Canada estimates that the growth of total sales in the full-service category, the category in which SIR competes, slowed by about 0.5% in 2017 compared to 2016. Restaurants Canada expects that while sales at full-service restaurants will continue to grow in the next five years, the rate of growth will slow by an additional 1% in 2018 compared to 2017. The Canadian full-service category has become increasingly competitive in recent years. While SIR believes it is well positioned to compete in this category, it will continue monitoring the economy and consumer confidence and their effects on the full-service category.

Currently, SIR owns 61 restaurants and one seasonal retail outlet in Canada. Since the Fund's Initial Public Offering in October 2004, SIR has opened 34 new restaurants (22 Jack Astor's, four Canyon Creek restaurants, six Scaddabush restaurants, two Reds restaurants, one Duke's Refresher, and one seasonal Abbey's Bakehouse restaurant) and one seasonal Abbey's Bakehouse retail outlet, and closed nine restaurants (three Jack Astor's restaurants, one Canyon Creek restaurant, three Alice Fazooli's restaurants, and two Signature restaurants). Duke's Refresher, the seasonal Abbey's Bakehouse restaurant and retail outlet are not part of Royalty Pooled Restaurants. The two Abbey's Bakehouse locations did not open during the 2016 season. SIR opened both Abbey's Bakehouse locations for the 2017 season.

SIR completed renovations of six Jack Astor's locations during calendar 2016 and eight Jack Astor's locations during calendar 2017. SIR is pleased with the performance of the recently renovated Jack Astor's and intends to implement similar renovations at the other Jack Astor's locations as part of its ongoing focus on strengthening its flagship brand and driving same store sales growth. Subsequent to December 31, 2017, SIR completed major renovations at one additional Jack Astor's location, and a partial renovation at one additional Jack Astor's location.

SIR has completed the conversion of its Alice Fazooli's concept brand into the more popular Scaddabush concept brand. Scaddabush has generated strong sales performance at each location to date, and SIR and the Fund should benefit from the positive future revenue contributions from the new Scaddabush restaurants opened in calendar years 2016 and 2017.

During Q4 2017, effective October 15, 2017, SIR permanently closed the Canyon Creek location near the Sherway Gardens shopping centre in Etobicoke, Ontario. SIR opened a new Scaddabush restaurant at this location on November 28, 2017. This Scaddabush restaurant will be added to Royalty Pooled Restaurants on January 1, 2019.

On December 11, 2017, SIR opened a new Reds restaurant at the Square One shopping centre in Mississauga, Ontario. This Reds restaurant will be added to Royalty Pooled Restaurants on January 1, 2019.

On November 22, 2017, the Ontario government passed legislation that raised Ontario's general minimum wage on January 1, 2018 and will raise it again on January 1, 2019, followed by annual increases at the rate of inflation. These changes will materially increase the cost of hourly labour in the majority of SIR's restaurants. These rapid increases to minimum wage may impact SIR's profitability and/or its ability to pass on increased costs through price increases without adversely affecting guest count velocity. SIR's Management is evaluating alternatives to offset the impact of these increases in an effort to reduce the price increases that otherwise may have to be implemented to mitigate anticipated cost increases.

SIR continues to monitor economic conditions and consumer confidence and has advised the Fund that it is considering new restaurants developments and renovations to existing restaurants where appropriate and subject to availability of acceptable long-term financing. Based on its assessment of these conditions, the timing of new restaurant construction and renovations as well as related opening schedules will be reviewed regularly by SIR and adjusted as necessary.

Forward-Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: market conditions at the time of this filing; competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; changes in foreign exchange; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation, including the cost and/or availability of labour as it relates to changes in minimum wage rates or other changes to labour legislation; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. There can be no assurance that SIR will remain compliant in the future with all of its financial covenants under the Credit Agreement and imposed by the lender. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance, and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly disclose or release any updates or revisions to any forward looking statements, except as required by securities legislation. Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. This Management's Discussion and Analysis is provided as of March 14, 2018.

In formulating the forward-looking statements contained herein, Management has assumed that business and economic conditions affecting SIR's restaurants and the Fund will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, competition, general levels of economic activity (including in downtown Toronto), regulations (including those regarding employees, food safety, tobacco and alcohol), weather, taxes, foreign exchange rates and interest rates, that there will be no pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products, and that there will be no unplanned material changes in its facilities, equipment, customer and employee relations, or credit arrangements. Recent changes in employment law, including announced increases in minimum wage, are factored into management's assumptions. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. In particular, Management has assumed that the tax effects on distributions will remain consistent with current regulations or pronouncements, and also in estimating the revenue for new restaurants, Management has assumed that they will operate consistent with other similar SIR restaurants, and has assumed that SIR will remain compliant in the future with all of its financial covenants under the Credit Agreement imposed by the lender. For more information concerning the Fund's risks and uncertainties, please refer to the March 14, 2018 Annual Information Form, for the period ended December 31, 2017, which is available under the Fund's profile at www.sedar.com.

All of the forward-looking statements made in this report are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or SIR.

Additional information related to the Fund, the Partnership and SIR can be found at www.sedar.com under SIR Royalty Income Fund and on SIR's website at www.sircorp.com