SIR Corp.

Amended Fiscal 2018 First Quarter Results

SIR Corp. has amended and restated its Management's Discussion and Analysis ("MD&A") for the 12-week period ended November 19, 2017. The revised MD&A amended and restated the MD&A that was originally filed on December 21, 2017.

The MD&A supersedes the previous MD&A for the same period.

The revised MD&A reflects the correction of a misclassification of $6.5 million as noted below based on revisions in the previously filed Interim Consolidated Financial Statements. No other revisions have been made.

The tables on pages 10 and 16 has been revised to correct the misclassification of $6.5 million between cash provided by (used in) operations and cash used in investing activities for the 1st quarter ended November 19, 2017 (12 weeks). Cash provided by (used in) operations was incorrectly reported as $6.1 million and has been revised to the correct amount of $(0.4) million. Cash used in investing activities was incorrectly reported as $(10.3) million and has been revised to the correct amount of $(3.8) million.

In addition, on page 16, the disclosure regarding the changes in cash provided by operations and cash used in investing activities has been updated to reflect the above noted changes.

SIR CORP.

AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 12-WEEK PERIOD ENDED NOVEMBER 19, 2017

This document is being filed with the Canadian securities regulatory authorities via www.sedar.com by and/or on behalf of, and with the approval of, SIR Corp. While it is located under the SIR Royalty Income Fund's issuer profile on www.sedar.com as a matter of convenience to investors in the SIR Royalty Income Fund, it is not being filed by or on behalf of, or with the approval, authorization, acquiescence or permission of, (a) the SIR Royalty Income Fund or any of its trustees or officers, and (b) the SIR Holdings Trust or any of its trustees or officers. None of them have approved, authorized, permitted or acquiesced with respect to the filing or contents hereof.

SIR CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE 12-WEEK PERIOD ENDED NOVEMBER 19, 2017

TABLE OF CONTENTS

SIR CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE 12-WEEK PERIOD ENDED NOVEMBER 19, 2017

Executive Summary

SIR Corp.'s ("SIR's") first quarter of Fiscal 2018 ("Q1 2018") was from August 28, 2017 to November 19, 2017 inclusive. Highlights for SIR's fiscal 2018 first quarter include:

Consolidated revenue and Same Store Sales[(1)] ("SSS"):

- Food and beverage revenue from corporate restaurant operations for Q1 2018 was $68.4 million, an increase of 7.6%, or $4.8 million, compared to the 12-week period ended November 20, 2016 ("Q1 2017").
- SIR reported Same Store Sales Growth ("SSSG")[(1)] of 5.0% for Q1 2018.
- SIR's flagship Concept Restaurant brand, Jack Astor's®, which generated approximately 76% of Pooled Revenue in Q1 2018, had SSSG[(1)] of 5.3% for Q1 2018. Canyon Creek® had SSSG[(1)] of 1.9% for Q1 2018. Scaddabush Italian Kitchen & Bar® ("Scaddabush") had SSSG[(1)] of 12.7% for Q1 2018. The downtown Toronto Signature Restaurants had a Same Store Sales ("SSS") [(1)] decline of 2.4% for Q1 2018.

Investment in new and existing restaurants and recent closed restaurants

- As part of SIR's focus on strengthening its flagship Jack Astor's brand and driving SSSG[(1)], SIR continued with its renovation program during Q1 2018 by completing two more Jack Astor's renovations at locations in Dartmouth, Nova Scotia and London, Ontario. These locations were closed for nine days and six days, respectively.
- During Q1 2018, effective October 15, 2017, SIR permanently closed the Canyon Creek location in Etobicoke, Ontario, located near the Sherway Gardens shopping centre. SIR has elected, as is its option, under the License and Royalty Agreement, to treat this Canyon Creek restaurant as a New Closed Restaurant. SIR was required to pay a Make-Whole Payment to the SIR Royalty Income Fund (the "Fund"), via the SIR Royalty Limited Partnership (the "Partnership"), for this location from the date of closure until it ceases to be part of Royalty Pooled Restaurants on January 1, 2018.
- During Q1 2017, on November 3, 2016, SIR opened a new Scaddabush restaurant on Front Street in downtown Toronto, Ontario. This restaurant will be added to Royalty Pooled Restaurants on January 1, 2018.
- During Q1 2017, effective October 15, 2016, Far Niente®/FOUR®/Petit Four® located in downtown Toronto was permanently closed. SIR was required to pay a Make-Whole Payment to the Fund, via the Partnership, for this location from the date of closure until it ceased to be part of Royalty Pooled Restaurants on January 1, 2017.
- During fiscal 2017, SIR permanently closed its last two Alice Fazooli's restaurants (in Oakville and Vaughan, Ontario) and opened two new Scaddabush restaurants at these locations. These closures, along with the previous conversions of two Alice Fazooli's restaurants into Scaddabush restaurants (Mississauga and Richmond Hill, Ontario), completed SIR's program to evolve the Alice Fazooli's concept brand into its newest concept brand, Scaddabush. SIR has also opened three new Scaddabush restaurants: one at the intersection of Yonge Street and Gerrard Streets in downtown Toronto; one in Scarborough, Ontario; and one on Front Street in downtown Toronto. The Scaddabush in Scarborough was added to Royalty Pooled Restaurants on January 1, 2017. The new Scaddabush restaurants on Front Street in Toronto, and in Oakville and Vaughan, Ontario will be added to Royalty Pooled Restaurants on January 1, 2018.
- SIR has elected, as is its option, under the License and Royalty Agreement, to treat the Alice Fazooli's restaurants in Oakville and Vaughan as New Closed Restaurants and to treat the new Scaddabush restaurants in Oakville and Vaughan as a New Additional Restaurants. SIR was required to pay Make-Whole Payments to the Fund, via the Partnership, from the dates of closure to December 31, 2017. The Alice Fazooli's restaurants in Oakville and Vaughan will cease to be part of Royalty Pooled Restaurants on January 1, 2018.

---

(1) Same store sales ("SSS") and same store sales growth ("SSSG") are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). However, SIR believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. SIR'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. SSSG is the percentage increase in SSS over the prior comparable period. SSS includes revenue from all SIR Restaurants except for those locations that were not open for the entire comparable periods in fiscal 2018 and fiscal 2017. The seasonal Abbey's Bakehouse and Abbey's Bakehouse retail outlet are not SIR Restaurants. 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. Please refer to the reconciliation of consolidated revenue to SSS on page 9 and to the definition of SSS in the Revenue section on page 11.

Net Earnings (Loss) and Comprehensive Income (Loss) and Adjusted Net Earnings (Loss)[(2)]

- Net loss and comprehensive loss was $4.4 million for Q1 2018, compared to net loss and comprehensive loss of $1.2 million for Q1 2017.
- Adjusted Net Earnings[(2)] were $1.1 million in Q1 2018, compared to Adjusted Net Loss[(2)] of $0.6 million in Q1 2017.

EBITDA[(3)] and Adjusted EBITDA[(3)]

- EBITDA[(3)] was $4.6 million in Q1 2018, compared to $2.9 million in Q1 2017, and Adjusted EBITDA[(3)] was $5.2 million, up from $3.7 million in Q1 2017.

Outlook

- Subsequent to quarter-end, SIR opened two new restaurants. A new Scaddabush restaurant was opened at the location of the permanently closed Canyon Creek restaurant in Etobicoke, Ontario on November 28, 2017, and a new Reds® restaurant was opened in the Square One shopping centre in Mississauga, Ontario on December 11, 2017. These restaurants will be added to Royalty Pooled Restaurants on January 1, 2019.
- Subsequent to Q1 2018, on December 8, 2017, the Company extended its 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 through the senior lender.
- Subsequent to Q1 2018, SIR completed renovations at one additional Jack Astor's location. 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 as part of its ongoing focus on strengthening its flagship brand and driving SSSG[(1)].
- SIR continues to focus on sustaining and growing existing restaurant sales and profits while effectively managing costs. SIR carefully monitors economic conditions, competitive actions, and consumer confidence, and considers new restaurant developments and renovations to existing restaurants where appropriate. 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.

---

(2) Adjusted Net Earnings (Loss) is calculated by removing the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership from the net earnings (loss) for the period. Adjusted Net Earnings (Loss) is a non-GAAP financial measure and does not have a standardized meaning prescribed by IFRS. Management believes that in addition to net earnings (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate SIR's performance. Changes in the amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership is a non-cash transaction and varies with changes in the market price of the Fund units. The exclusion of the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership eliminates this non-cash impact. Management cautions investors that Adjusted Net Earnings (Loss) should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating Adjusted Net Earnings (Loss) may differ from the methods used by other issuers. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings (Loss) on page 7 of this document.

(3) References to EBITDA are to the net earnings (loss) for the period before provision for (recovery of) income taxes, interest expense, interest on loan payable to SIR Royalty Income Fund, depreciation and amortization, and change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership.

References to Adjusted EBITDA are to SIR's EBITDA plus or minus interest (income) and other expense (income) – net, goodwill impairment, impairment of non-financial assets, loss on disposal of property and equipment, and pre-opening costs. Pre-opening costs are added back to EBITDA because Management views these costs as investments in new restaurants and not as on-going costs of operations. The opening costs associated with the new Scaddabush restaurants in Oakville and Vaughan, Ontario are included in pre-opening costs as SIR elected to treat these restaurants as New Additional Restaurants under the License and Royalty Agreement.

Management believes that, in addition to net earnings or loss, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating SIR's performance, as these are useful estimates of the core business' contribution to cash flow from operations and approximate the funds generated by SIR which are available to meet its financing obligations and capital expenditure requirements. Management interprets trends in EBITDA and Adjusted EBITDA as indicators of relative operating performance. EBITDA and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. Management cautions investors that EBITDA and Adjusted EBITDA should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating EBITDA and Adjusted EBITDA may differ from the methods used by other issuers. Therefore, SIR's EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Please refer to the reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA and Adjusted EBITDA on page 8 of this document.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at November 19, 2017, SIR owned 59 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia, and Newfoundland). The Concept Restaurants include Jack Astor's, Canyon Creek and Scaddabush. The Signature group of restaurants located in downtown Toronto include Reds Wine Tavern, Reds Midtown Tavern, and the Loose Moose®. SIR also owns a Duke's Refresher® & Bar in downtown Toronto and 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 all its Canadian restaurants. As at November 19, 2017, 57 SIR Restaurants were included in Royalty Pooled Restaurants (54 operating restaurants and three closed restaurants).

On January 1, 2017, one restaurant was added to Royalty Pooled Restaurants, the Scaddabush restaurant in Scarborough, Ontario that opened in Q4 2016, and one restaurant was removed from Royalty Pooled Restaurants.

Effective March 19, 2017, SIR closed the Alice Fazooli's restaurant in Oakville, Ontario and opened a new Scaddabush restaurant at this location on April 5, 2017. Effective June 18, 2017, SIR closed the Alice Fazooli's restaurant in Vaughan, Ontario and opened a new Scaddabush restaurant at this location on July 5, 2017. Under terms of the License and Royalty Agreement between SIR and the Partnership, SIR is obligated to indirectly pay the Fund, via the Partnership, a "Make-Whole Payment", subject to certain terms, equal to $0.2 million which is the amount of the Royalty that otherwise would have been paid to the Partnership by SIR from the date of closure until December 31, 2017. On January 1, 2018, SIR will convert the same number of Class A GP units that it received for these restaurants when they were 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 will have the net effect of increasing the Fund's share of the Partnership's earnings. Alice Fazooli's in Oakville and Vaughan will cease to be a part of Royalty Pooled Restaurants on January 1, 2018. The new Scaddabush restaurants in Oakville and Vaughan will be added to Royalty Pooled Restaurants on January 1, 2018.

Effective October 15, 2017, SIR closed the Canyon Creek restaurant in Etobicoke, Ontario and opened a new Scaddabush restaurant at this location on November 28, 2017. Under terms of the License and Royalty Agreement between SIR and the Partnership, SIR is obligated to indirectly pay the Fund, via the Partnership, a "Make-Whole Payment", subject to certain terms, equal to $0.07 million which is the amount of the Royalty that otherwise would have been paid to the Partnership by SIR from the date of closure until December 31, 2017. On January 1, 2018, SIR will convert 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 will have the net effect of increasing the Fund's share of the Partnership's earnings. Canyon Creek in Etobicoke will cease to be a part of Royalty Pooled Restaurants on January 1, 2018. The new Scaddabush restaurant in Etobicoke will be added to Royalty Pooled Restaurants on January 1, 2019.

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 same store sales growth.

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 the 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 will occur in calendar year 2017, Duke's Refresher will not be added to the Royalty Pool on January 1, 2018. The Duke's Refresher brand is currently being managed and developed by SIR's Signature group. Accordingly, the current Duke's Refresher location in downtown Toronto is classified as a Signature restaurant for reporting purposes.

On October 1, 2004, the Fund filed a final prospectus for a public offering of Units of the Fund (the "Offering") and the Offering closed on October 12, 2004. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire the SIR Loan and indirectly, through the SIR Holdings Trust (the "Trust"), the SIR Rights owned or licensed by SIR or its subsidiaries and used in connection with the operation of SIR's restaurants in Canada. In 2004, the Partnership 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 Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

SIR's fiscal year is comprised of 52 or 53-week periods ending on the last Sunday in August. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks, respectively. The fiscal years for 2018 and 2017 both consist of 52 weeks.

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 on the last Sunday in August) when patios can be open. Certain holidays and observances also affect dining patterns both favourably and unfavourably.

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 12-week periods ended November 19, 2017 and November 20, 2016, respectively. The unaudited interim consolidated financial statements of SIR are prepared in accordance with IFRS and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations and Comprehensive Income (Loss)	12-Week Period Ended November 19, 2017	12-Week Period Ended November 20, 2016
	(in thousands of dollars) (unaudited)	
Corporate restaurant operations:		
Food and beverage revenue	68,378	63,559
Cost of corporate restaurant operations	62,459	59,842
Earnings from corporate restaurant operations	**5,919**	**3,717**
Net loss and comprehensive loss	**(4,359)**	**(1,210)**
Adjusted Net Earnings (Loss)[(2)]	**1,143**	**(558)**

Statement of Financial Position	November 19, 2017	August 27, 2017
	(in thousands of dollars) (unaudited)	
Total assets	78,935	73,818
Total non-current liabilities	169,129	166,036

Adjusted Net Earnings (Loss)(2), EBITDA(3) and Adjusted EBITDA(3)

Adjusted Net Earnings (Loss)(2), EBITDA(3) and Adjusted EBITDA(3) are financial measures that do not have standardized meanings prescribed by IFRS. They are used by SIR to supplement its reporting of net earnings (loss) and net cash flow. Adjusted Net Earnings (Loss)(2) consist of net earnings (loss) excluding the change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership. EBITDA(3) and Adjusted EBITDA(3) consist of net earnings (loss) excluding certain non-cash expenses and other expenses that SIR considers not to be of an operating nature. SIR believes that Adjusted Net Earnings (Loss)(2), EBITDA(3) and Adjusted EBITDA(3) are useful estimates of the core business' contribution to cash flow from operations and uses these measures as a supplemental measure of SIR's performance. Similarly, SIR believes that certain investors may also find these non-GAAP financial measures to be useful measures for their independent evaluation of SIR's performance.

The following table reconciles net earnings (loss) and comprehensive income (loss) for the period to Adjusted Net Earnings (Loss)(2):

	12-Week Period Ended November 19, 2017	12-Week Period Ended November 20, 2016
	(in thousands of dollars) (unaudited)	
Net loss and comprehensive loss	(4,359)	(1,210)
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	5,502	652
Adjusted Net Earnings(2)	**1,143**	**(558)**

The following table reconciles net loss and comprehensive loss for the period to EBITDA[(3)] and Adjusted EBITDA[(3)]:

	12-Week Period Ended November 19, 2017	12-Week Period Ended November 20, 2016
	(in thousands of dollars) (unaudited)	
Net loss and comprehensive loss for the period	(4,359)	(1,210)
Add (deduct):		
Provision for income taxes	-	24
Interest expense	296	205
Interest on loan payable to SIR Royalty Income Fund	693	692
Depreciation and amortization	2,458	2,500
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	5,502	652
EBITDA[(3)]	**4,590**	**2,863**
Interest (income) and other expense (income) – net	(32)	12
Loss on disposal of property and equipment	62	69
Pre-opening costs	592	722
Adjusted EBITDA[(3)]	**5,212**	**3,666**
Income from Class A & B GP Units of the Partnership[(4)] (Not included in EBITDA[(3)] and Adjusted EBITDA[(3)] above)	728	727
6% Royalty obligations under License and Royalty Agreement[(5)]	3,887	3,741

(4) Includes the special conversion distribution paid to Class B GP Unitholders or the special conversion refund to Class A GP Unitholders declared in December of each year, if any.

(5) See the SIR Royalty Income Fund section of this document for the Royalty calculation. Pooled Revenue includes revenue from all restaurants included in Royalty Pooled Restaurants. On January 1st of each year, New Additional Restaurants are added and New Closed Restaurants are removed from Royalty Pooled Restaurants. Royalty obligations equal 6% of Pooled Revenue plus any Make-Whole Payments.

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	12-Week Period Ended November 19, 2017	12-Week Period Ended November 20, 2016
	(in thousands of dollars) (unaudited)	
Revenue reported in consolidated financial statements	68,378	63,559
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(4,710)	(1,835)
Revenue for Restaurants in Royalty pool (Pooled Revenue)	**63,668**	**61,724**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[(1)]	12-Week Period Ended November 19, 2017	12-Week Period Ended November 20, 2016
	(in thousands of dollars) (unaudited)	
Revenue reported in consolidated financial statements	68,378	63,559
Less: Revenue from corporate restaurant operations excluded from Same Store Sales[(1)]	(4,439)	(2,636)
Same Store Sales[(1)]	**63,939**	**60,923**

Same Store Sales[(1)] by Segment	12-Week Period Ended November 19, 2017	12-Week Period Ended November 20, 2016	% Fav./ (Unfav.)
	(in thousands of dollars) (unaudited)		
Jack Astor's	48,078	45,645	5.3%
Canyon Creek	5,382	5,282	1.9%
Scaddabush	5,392	4,785	12.7%
Signature Restaurants	5,087	5,211	(2.4%)
Same Store Sales[(1)]	**63,939**	**60,923**	**5.0%**

Summary of Quarterly Results

Statement of Operations	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)				
Corporate Restaurant Operations								
Food and beverage revenue	68,378	99,834	67,536	62,364	63,559	92,043	64,438	61,198
Cost of corporate restaurant operations	62,459	91,197	61,737	57,619	59,842	85,441	58,171	57,106
Earnings from corporate restaurant operations	**5,919**	**8,637**	**5,799**	**4,745**	**3,717**	**6,602**	**6,267**	**4,092**
Net earnings (loss) and comprehensive income (loss)	**(4,359)**	**4,666**	**(6,912)**	**(9,905)**	**(1,210)**	**(15,572)**	**(13,442)**	**9,122**
Adjusted Net Earnings (Loss)(2)	**1,143**	**2,815**	**1,366**	**225**	**(558)**	**517**	**1,772**	**(29)**

The following table reconciles net earnings (loss) and comprehensive income (loss) for the quarters to Adjusted Net Earnings (Loss)(2):

	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)
Net earnings (loss) and comprehensive income (loss)	(4,359)	4,666	(6,912)	(9,905)	(1,210)	(15,572)	(13,442)	9,122
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	5,502	(1,851)	8,278	10,130	652	16,089	15,214	(9,151)
Adjusted Net Earnings (Loss)(2)	**1,143**	**2,815**	**1,366**	**225**	**(558)**	**517**	**1,772**	**(29)**

Selected Unaudited Consolidated Statement of Cash Flows Information:

	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)
Increase (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

Revenue

There are a number of references to different revenue groupings used in the consolidated financial statements, the notes to the consolidated financial statements and the MD&A. The following definitions are provided for greater clarification of these groupings:

i. Revenue (per the SIR consolidated statements of operations and comprehensive loss) – this is the total consolidated revenue of all restaurants for the period. The restaurants include all SIR Restaurants, along with the Abbey's Bakehouse and Abbey's Bakehouse retail outlet. For the 12-week period ended November 19, 2017, revenue was $68.4 million.

ii. Same Store Sales(1) ("SSS") – this is a sub-set of (i) above used for tracking comparable year-over-year sales. For Q1 2018 and Q1 2017, SSS(1) includes all SIR Restaurants, except for those restaurants that were not open for the entire comparable period in fiscal 2018 and fiscal 2017. The Abbey's Bakehouse and Abbey's Bakehouse retail outlet are not SIR Restaurants. The SSS(1) performance for Canyon Creek does not include the location in Etobicoke, Ontario, as its sales are excluded from the calculation of SSS(1) similar to any permanently closed location. The SSS(1) performance for Scaddabush includes four Scaddabush restaurants (Mississauga, Richmond Hill, Scarborough, Ontario and Yonge and Gerrard in downtown Toronto). The new Scaddabush locations on Front Street in downtown Toronto, and in Oakville and Vaughan are also excluded from the calculation of SSS(1) for the 12-week period ended November 19, 2017, since they were not open for the entire comparable periods in 2018 and 2017. For the 12-week period ended November 19, 2017, SSS(1) were $63.9 million.

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all Royalty Pooled Restaurants. The Royalty Pooled Restaurants are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. As at November 19, 2017, there were 57 Royalty Pooled Restaurants (54 operating restaurants and three closed restaurants). For the 12-week period ended November 19, 2017, Pooled Revenue was $63.7 million. The applicable Royalty payable to the Partnership on the Pooled Revenue for this period was $3.9 million. The Royalty payable for the 12-week period ended November 19, 2017 includes the recognition of one Make-Whole Payment of $0.07 million with respect to the closed Canyon Creek location in Etobicoke, Ontario from its date of closure to December 31, 2017.

Same Store Sales(1)

SIR reported SSSG(1) of 5.0% for the 12-week period ended November 19, 2017.

Jack Astor's, SIR's flagship Concept Restaurant brand, which contributed approximately 76% of Q1 2018 Pooled Revenue, generated SSSG(1) of 5.3% for the quarter. SSS(1) continue to be favourably impacted by improved sales performance at certain locations that were renovated within the last two fiscal years, including increases in beverage sales at these locations. This is partially due to enhanced beverage programs implemented with the renovation program. Q1 2018 sales continued to benefit from a major nationwide media marketing campaign that was active during Q4 2017. SIR completed renovations at two Jack Astor's locations in Q1 2018 (Dartmouth, Nova Scotia and London, Ontario) which resulted in the closure of those restaurants for a combined total of 15 days during the quarter, compared to four locations closed for renovations for a combined total of 20 days in Q1 2017. Certain Jack Astor's locations near the Air Canada Centre and the Rogers Centre were negatively impacted by an overall decrease in event attendance in Q1 2018 compared to Q1 2017.

Canyon Creek had SSSG(1) of 1.9% for Q1 2018, resulting primarily from the downtown Toronto Canyon Creek location continuing to benefit from a local marketing campaign that was active during Q3 2017, as well as improved sales performance at certain locations outside downtown Toronto. The sales from the Canyon Creek location in Etobicoke, which was permanently closed in Q1 2018, have been excluded from the calculation of SSS(1) for Q1 2018, similar to any permanently closed location.

Scaddabush SSS(1) performance for Q1 2018 includes four Scaddabush locations (Richmond Hill, Mississauga, Scarborough, Ontario and Yonge and Gerrard in downtown Toronto). Scaddabush generated SSSG(1) of 12.7% for Q1 2018. The new Scaddabush restaurants in Oakville, Vaughan and on Front Street in downtown Toronto are excluded from the calculation of Q1 2018 SSS(1) as they were not in operation for the entire comparable periods a year ago.

The downtown Toronto Signature Restaurants experienced a SSS(1) decline of 2.4% for Q1 2018, as the Loose Moose was impacted by decreased overall event attendance at the Air Canada Centre and Rogers Centre during Q1 2018 compared to Q1 2017. The two Reds restaurants in aggregate posted positive SSSG(1) in Q1 2018, and Duke's Refresher & Bar continues to demonstrate improved sales performance.

Cost of Corporate Restaurant Operations

Costs of corporate restaurant operations as a percentage of revenue were 91.3% for Q1 2018 compared to 94.2% for Q1 2017. Lower costs as a percentage of revenue for Q1 2018 are attributable to decreased food and operating costs compared to Q1 2017, along with lower repairs and maintenance costs, partially offset by higher pre-opening costs in Q1 2018 compared to Q1 2017, as two new restaurants were under construction during Q1 2018 (both which opened subsequent to the quarter) compared to one new restaurants that was under construction and opened in Q1 2017. Pre-opening costs are typical for new restaurant openings.

Corporate Costs

Corporate costs were $3.8 million for Q1 2018, compared to $3.3 million for Q1 2017. The increase is primarily the result of higher compensation costs and professional fees.

Interest Expense

Interest expense for Q1 2018 was $0.3 million, compared to $0.2 million for Q1 2017. The increase in interest expense is due to higher debt outstanding during the period.

SIR Loan, Fund's Interest in the Partnership & Change in Amortized Cost of Ordinary LP and Class A LP Units

On October 12, 2004, the Fund completed its initial public offering and used the proceeds to acquire the SIR Loan and invest in the Ordinary LP Units of the Partnership. The Fund has also acquired Class A LP Units upon SIR's conversion of its Class A GP Units into Fund units (see the Liquidity and Capital Resources section). In accordance with IFRS, SIR has consolidated the Partnership. The Ordinary LP Units and Class A LP Units of the Partnership, which are held by the Fund, require SIR to pay distributions to the Fund when declared by the board of directors of SIR GP Inc. SIR GP Inc. is controlled by the Fund and, accordingly, SIR is unable to control the declaration of these distributions. As a result, the Ordinary LP Units and Class A LP Units of the Partnership have been classified as a financial liability in the consolidated statements of financial position. The Ordinary LP Units and Class A LP Units were initially recorded at fair value and subsequently at amortized cost, which requires updating the carrying amount of the financial liability to reflect actual and revised estimates in cash flows. The changes in the estimated cash flows are derived from changes in the value of the underlying Fund units adjusted for taxes and the SIR Loan.

Changes in amortized cost are recognized in the consolidated statements of operations and comprehensive income (loss). The change in the amortized cost is a non-cash transaction and accordingly, has no impact on cash flows. For Q1 2018, the change in amortized cost is expense of $5.5 million and is due to an increase in the underlying Fund unit price compared to the end of Q4 2017. The change in amortized costs was an expense of $0.7 million for the 12-week period ended November 20, 2016.

Interest on the SIR Loan totaled $0.7 million for both Q1 2018 and Q1 2017.

EBITDA(3) and Adjusted EBITDA(3)

EBITDA(3) was $4.6 million for Q1 2018, up from $2.9 million for Q1 2017. Adjusted EBITDA(3) was $5.2 million for Q1 2018, up from $3.7 million for Q1 2017. (See Selected Consolidated Historical Financial Information – Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA(3) and Adjusted EBITDA(3)).

SIR Royalty Income Fund

The following is a summary of the accounting implications of the SIR Loan and the Fund's interest in the Partnership:

(a) SIR Loan

The $40.0 million SIR Loan is payable to the Fund, bears interest at 7.5% per annum, and is due October 12, 2044. On July 6, 2015, SIR, the Fund and the Partnership entered into an Interlender Agreement to subordinate and postpone their claims against SIR in favour of the lender. The Fund and the Partnership have not guaranteed the current credit facility (see Liquidity and Capital Resources section).

The debt 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 the trademarks and related intellectual property in return for Royalty payments based on revenues, has been effected pursuant to the terms of the Intercreditor 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 by up to 50% without triggering a cross default under the Credit Agreement, 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.

Interest expense on the SIR Loan was charged to the consolidated statements of operations and comprehensive income (loss) in the amount of $0.7 million for both 12-week periods ended November 19, 2017 and November 20, 2016.

SIR has the right to require the Fund to, indirectly, purchase their Class C GP Units and assume a portion of the SIR Loan as consideration for the acquisition of the Class C GP Units.

(b) Ordinary LP Units and Class A LP Units of SIR Royalty Limited Partnership

	12-Week Period Ended November 19, 2017	12-Week Period Ended November 20, 2016
	(in thousands of dollars) (unaudited)	
Balance – Beginning of the period	130,807	123,821
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	5,502	652
Distributions paid to Ordinary LP and Class A LP unitholders	(2,499)	(2,402)
Balance – End of period	133,810	122,071
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(9,991)	(9,991)
Ordinary LP Units and Class A LP Units of the Partnership	123,819	112,080

The following is a summary of the results of the operations of the Partnership:

Pooled Revenue[6]	63,668	61,724
Partnership royalty income[7]	3,887	3,741
Other Income	6	6
Partnership expenses	(36)	(18)
Net earnings of the Partnership	3,857	3,729
SIR's residual interest in the earnings of the Partnership:		
Income from Class A & B GP Units of the Partnership	(728)	(727)
Income from Class C GP Units of the Partnership	(683)	(683)
	(1,411)	(1,410)
Fund's interest in the earnings of the Partnership	2,446	2,319

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash consideration of $11.2 million. The Fund has also acquired Class A LP Units upon SIR's conversion of its Class A GP Units into Fund units (refer to page 16 of the Liquidity and Capital Resources section). The holders of the Ordinary LP Units and Class A LP Units are entitled to receive their pro rata share of all residual distributions of the Partnership. The distributions are declared by the board of directors of SIR GP Inc., which is controlled by the Fund. Accordingly, the Ordinary LP Units and Class A LP Units of the Partnership have been classified as a financial liability in the consolidated statements of financial position. The Ordinary LP Units and Class A LP Units of the Partnership are accounted for at amortized cost, with changes in the carrying value recorded in the consolidated statements of operations and comprehensive income (loss).

SIR, as the holder of the Class A GP Units, is entitled to receive their pro rata share of all residual distributions of the Partnership and the Class A GP Units are exchangeable into units of the Fund.

(6) Includes revenue from the SIR Restaurants subject to the License and Royalty Agreement. The Partnership owns 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.

(7) Partnership royalty income is 6% of Pooled Revenue in accordance with the License and Royalty Agreement, plus a Make-Whole Payment for closed restaurants, if applicable.

In 2004, the Partnership 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").

Under the terms of the License and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenues for restaurants permanently closed during a reporting period. SIR is not required to pay any Make-Whole Payments in respect of a permanently closed restaurant following the date on which the number of Royalty Pooled Restaurants is equal to or greater than 68 or following October 12, 2019, whichever occurs first. On January 1 of each year (the "Adjustment Date"), the restaurants subject to the License and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if actual revenues of the new SIR Restaurants exceeded 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Conversely, converted Class A GP Units will be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. 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 estimated revenues or there will be a reduction in the distributions to the Class A GP unitholders if revenues are less than 80% of the initial estimated revenues.

On January 1, 2017, one (January 1, 2016 - two) new SIR Restaurant was added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2017 (January 1, 2016 - two), as well as the Second Incremental Adjustment for two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2016 (January 1, 2015 - two), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. The number of Class B GP Units that SIR converted into Class A GP Units was reduced by an adjustment for the permanent closure of one (January 1, 2016 - nil) SIR Restaurant during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR exchanged 79,000 Class A GP Units for 79,000 Class A GP Units (January 1, 2016 – SIR converted 323,000 Class B GP Units into 323,000 Class A GP Units) on January 1, 2017 at a value of $0.016 million (January 1, 2016 - $4.2 million).

In addition, the revenues of the two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2016 were less than 80% of the Initial Adjustment's estimated revenue (January 1, 2015 – revenues of two new SIR Restaurants exceeded 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 $0.0005 million in December 2016 and paid in January 2017 (a special conversion distribution of $0.1 million was declared on the Class B GP Units in December 2015 and paid in January 2016).

As a result of the permanent closure of one SIR Restaurants during the 12-week period ended November 19, 2017, a Make-Whole Payment to the Partnership of $0.07 million has been recognized by SIR for the 12-week period ended November 19, 2017 (for the 12-week period ended November 20, 2016 - $0.08 million).

SIR's residual interest in the Partnership is 19.1% as at November 19, 2017 (August 27, 2017 – 19.1%).

(c) *Amounts due to the Fund* – (see Transactions with the SIR Royalty Income Fund in the Transactions with Related Parties section)

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	12-Week Period Ended November 19, 2017	12-Week Period Ended November 20, 2016
	(in thousands of dollars) (unaudited)	
Cash used in operations	(434)	(1,478)
Cash used in investing activities	(3,814)	(3,245)
Cash provided by financing activities	3,939	4,651
Increase (decrease) in cash and cash equivalents during the period	(309)	(72)
Cash and cash equivalents – Beginning of period	4,550	3,888
Cash and cash equivalents – End of period	4,241	3,816

Cash used in operations decreased by $1.0 million for Q1 2018 compared to Q1 2017. The decrease is primarily attributable to an increase in Adjusted Net Earnings(2) of $1.7 million, offset by an unfavourable variance in the net change in working capital items of $6.0 million and an increase in distributions paid to the Ordinary LP and Class A LP unitholders of $0.1 million.

Investing activities used cash of $3.8 million for Q1 2018, compared to $3.2 million for Q1 2017. Purchases of property and equipment and other assets – net amounted to $3.8 million in Q1 2018, and $3.3 million in Q1 2017. The majority of the capital expenditures for Q1 2018 relate to: i) the renovations of two Jack Astor's locations during Q1 2018; ii) the construction of the new Scaddabush restaurant in Etobicoke, Ontario that opened subsequent to Q1 2018; and iii) the ongoing construction of a new Reds restaurant in Mississauga, Ontario that opened subsequent to Q1 2018. The majority of the capital expenditures for Q1 2017 relate to: i) the construction of the new Scaddabush restaurant on Front Street in downtown Toronto that opened during Q1 2017; and ii) the renovations of four Jack Astor's locations during Q1 2017.

Cash provided by financing activities was $3.9 million in Q1 2018, compared to $4.7 million in Q1 2017. The increase in bank indebtedness was $1.5 million in Q1 2018, and the decrease in bank indebtedness was $0.1 million in Q1 2017. Proceeds from issuance of long-term debt were $4.0 million in Q1 2018 and $6.0 million in Q1 2017. Principal repayments on long-term debt were $0.5 million in both Q1 2018 and Q1 2017. Interest paid was $0.9 million in both Q1 2018 and Q1 2017. Dividends paid on the common shares of SIR were $0.1 million in Q1 2018 and $nil in Q1 2017.

The new Scaddabush restaurant in Scarborough, Ontario that opened in fiscal 2016 was added to the Royalty Pooled Restaurants effective January 1, 2017. At that time, SIR received additional Class A GP Units in accordance with the formula for adjustment for New Additional Restaurants added to Royalty Pooled Restaurants. The amount of Class A GP Units received was adjusted for the Second Incremental Adjustment for the two New Additional Restaurants that were added to Royalty Pooled Restaurants on January 1, 2016 and was reduced by an adjustment for the permanent closure of one SIR Restaurant. Under the terms of the Exchange Agreement, SIR has the right to convert some or all of the Class A GP Units into Fund units on a one-for-one basis. After the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2017, SIR held 1,981,616 Class A GP Units (refer to page 15).

As at November 19, 2017, SIR had current assets of $17.9 million (August 27, 2017 – $17.4 million) and current liabilities of $70.4 million (August 27, 2017 – $63.2 million) resulting in a working capital deficit of $52.5 million (August 27, 2017 – $45.8 million). Revenues in the restaurant business are largely paid by cash and credit cards whereas most suppliers offer credit terms for payment. Therefore, restaurants are able to pay their suppliers from the cash received on revenues in the following months, as the supplier payables are due. Cash balances are typically used to construct new restaurants or re-invest in existing restaurants to grow the business. As a result, SIR, like many other restaurant businesses, would anticipate having a negative working capital balance in the foreseeable future.

Management believes that currently there are sufficient cash resources retained in SIR from its cash generated by operations and from its financing activities to fund its working capital requirements, scheduled debt repayments, and future construction commitments.

SIR has a credit agreement (Credit Agreement) with a Schedule I Canadian chartered bank (the Lender). 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.

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 have a purchase card agreement providing credit of up to an additional $5.0 million. The Credit Agreement matures on July 6, 2018 and accordingly has been classified as a current liability in SIR's consolidated statement of financial position. Subsequent to November 19, 2017, on December 8, 2017, the Company 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%. 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 may be repaid and re-borrowed at any time during the term of the Credit 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 annually (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.

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 by up to 50% without triggering a cross default under the Credit Agreement, 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 that it expects to be able to comply with the covenants under the credit facility and service the credit facility, as well as meet its other obligations. However, there can of course be no assurance of this.

Under the Credit Agreement, SIR may convert Class A GP Units into Fund Units without prior consent from the Lender, provided such units are promptly sold by SIR for the purposes of financing the construction of new restaurants and renovations to existing restaurants, in each case not to exceed in any year the lower of $7.0 million and 0.4 million units.

As at November 19, 2017, $17.4 million and $5.5 million were outstanding on SIR's Credit Agreement for Credit Facility 1 and Credit Facility 2, respectively.

Contractual Obligations

In 2004, the Partnership 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 restaurants included in Royalty Pooled Restaurants. Payment of the Royalty is secured by the Partnership General Security Agreement. On July 6, 2015, SIR, the Fund and the Partnership amended the agreement to subordinate and postpone their claims against SIR in favour of the senior lender. The Partnership and the Fund have not guaranteed the Credit Agreement (Please refer to SIR Royalty Income Fund section).

The security interest for all amounts payable by SIR to the Partnership under the License and Royalty Agreement, as set out in the Partnership General Security Agreement, is substantially the same as, and ranks equally with, the security interest granted by SIR to the Fund in respect of the SIR Loan. SIR consolidates the Partnership, and this transaction between SIR and the Partnership is eliminated in SIR's consolidated financial statements, however the obligation for payments remains.

Under the terms of the License and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenue for restaurants closed during a reporting period. SIR is not required to pay any Make-Whole Payment in respect of a closed restaurant following the date on which the number of Royalty Pooled Restaurants is equal to or greater than 68, or following October 12, 2019, whichever occurs first. On January 1 of each year (the "Adjustment Date"), the restaurants subject to the License and Royalty Agreement are adjusted for new SIR restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on a formula defined in the Partnership Agreement.

Far Niente/FOUR/Petit Four was closed effective October 15, 2016. Under the terms of the License and Royalty Agreement, SIR was required to pay a Make-Whole Payment of $0.08 million for this location from its date of closure until December 31, 2016. In accordance with the License and Royalty Agreement, on January 1, 2017, the revenue of this closed restaurant was netted against the revenue of the new SIR Restaurants, which have been open for at least 60 days prior to the Adjustment Date, when determining the number of Class B GP Units of the Partnership, held by SIR, that will be converted into Class A GP Units of the Partnership.

During Fiscal 2017, SIR permanently closed the Alice Fazooli's restaurant in Oakville, Ontario effective March 19, 2017, and the last Alice Fazooli's restaurant in Vaughan, Ontario effective June 18, 2017. SIR opened new Scaddabush restaurants at these locations on April 5, 2017 and July 5, 2017, respectively. During Q1 2018, effective October 15, 2017, SIR permanently closed the Canyon Creek restaurant in Etobicoke, Ontario and opened a new Scaddabush restaurant at this location subsequent to Q1 2018 on November 28, 2017. SIR has elected, as is its option, under the License and Royalty Agreement, to treat the Alice Fazooli's restaurants in Oakville and Vaughan, Ontario and the Canyon Creek restaurant in Etobicoke, Ontario as New Closed Restaurants and to treat the Scaddabush restaurants in Oakville, Vaughan, and Etobicoke as New Additional Restaurants. Therefore, SIR is obligated to pay Make-Whole Payments from the dates of closure to December 31, 2017. The Alice Fazooli's restaurants in Oakville and Vaughan, and the Canyon Creek in Etobicoke, will cease to be part of Royalty Pooled Restaurants on January 1, 2018. The new Scaddabush restaurants will be added to Royalty Pooled Restaurants, as New Additional Restaurants, on January 1, 2018 (Oakville and Vaughan) and January 1, 2019 (Etobicoke).

SIR and its subsidiaries have entered into operating leases relating to its head office and restaurant locations with minimum annual payments.

Off-Balance Sheet Arrangements

SIR has off-balance sheet arrangements with respect to its operating leases relating to its head office and restaurant locations with minimum annual payments. (See Contractual Obligations section).

Transactions with Related Parties

SIR has entered into related party transactions with shareholders and directors or companies controlled by shareholders and directors of SIR. The transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant transactions with related parties include:

Transactions with Related Parties	12-Week Period Ended November 19, 2017	12-Week Period Ended November 20, 2016
	(in thousands of dollars) (unaudited)	
Corporate costs		
Occupancy costs and maintenance services provided by a company owned by a party related to a shareholder of SIR	-	16
Consulting services provided by a company owned by a director of SIR	20	-
Direct costs of restaurant operations		
Maintenance services provided by a company owned by a party related to a shareholder of SIR	-	5
Maintenance services provided by a shareholder of SIR	3	2
Property and equipment		
Design and construction management fees and fixtures purchased from a company owned by a shareholder of SIR	-	5
Construction management fees and fixtures purchased from a company owned by a party related to a shareholder of SIR	-	34
Fixtures purchased from a shareholder of SIR	12	29
Equipment purchased from a company owned by a director and shareholder of SIR, together with a member of executive management of SIR	36	-
Prepaid deposits		
Consulting services provided by a company owned by a director of SIR	26	-
Design fees provided by a company owned by a shareholder of SIR	6	-

Included in trade and other receivables and trade and other payables are the following amounts due from and to related parties:

	As at November 19, 2017	As at August 27, 2017
	(in thousands of dollars) (unaudited)	
Amounts due from related parties:		
Amounts due from U.S. S.I.R. L.L.C. and its subsidiary	19	10
Amounts due from a company owned by a party related to a director of SIR	42	34
Amounts due from a company owned by a director and shareholder of SIR, together with a member of executive management of SIR	28	-
Amounts due to related parties:		
Amounts due to companies owned by a shareholder or director of SIR	18	41
Amounts due to a company owned by a party related to a director of SIR	-	21

- Received repayment against loans and advances from U.S. S.I.R. L.L.C. of $0.01 million for the 12-week period ended November 19, 2017 ($0.01 million for the 12-week period ended November 20, 2016). SIR recognized interest income on those loans and advances of $0.03 million for the 12-week period ended November 19, 2017 ($0.03 million for the 12-week period ended November 20, 2016). As at November 19, 2017, SIR has loans and advances (net of a provision) of $0.8 million owing from U.S. S.I.R. L.L.C. (August 27, 2017 – $0.8 million).
- SIR advanced $0.01 million to a company owned by a shareholder and director, together with a member of executive management of SIR, during the 52-week period ended August 27, 2017. This advance is non-interest bearing and is payable on demand.
- Received repayment against a loan receivable from a company owned by a party related to a director of SIR of $0.02 for the 12-week period ended November 19, 2017 ($0.01 million for the 12-week period ended November 20, 2016). SIR recognized interest income on this loan of $0.003 million for the 12-week period ended November 19, 2017 ($0.004 million for the 12-week period ended November 20, 2016). As at November 19, 2017 the balance of this loan receivable is $0.3 million (August 27, 2017 – $0.3 million).
- SIR owns an investment in common shares of a company owned by a party related to a shareholder of SIR. SIR does not have the ability to significantly influence the operations of this company and, accordingly, has accounted for the investment as a financial asset (available for sale) and is carried at nominal value.

Transactions with the SIR Royalty Income Fund

Advances receivable from the Fund and its subsidiaries as at November 19, 2017 were $3.2 million (August 27, 2017 – $3.3 million). Advances receivable are non-interest bearing and due on demand.

During Q1 2018, distributions of $2.4 million were declared to the Fund by the Partnership, compared to $2.3 million for Q1 2017. The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions previously declared, but unpaid as at November 19, 2017 were $4.9 million (August 27, 2017 – $4.9 million) and are included in Ordinary LP Units and Class A LP Units of the Partnership in the consolidated statements of financial position.

The SIR Loan bears interest at 7.5% per annum. Interest expense on the SIR Loan totaled $0.7 million for Q1 2018 and $0.7 million for Q1 2017. Interest payable on the SIR Loan as at November 19, 2017 was $0.4 million (August 27, 2017 – $0.5 million).

SIR, through the Partnership, has entered into an arrangement with the Fund and the Trust whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the managing general partner of the Partnership. The Partnership provided these services to the Fund and the Trust for consideration of $0.006 million for Q1 2018 ($0.006 million for Q1 2017), which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates and Judgments

Management believes that there have been no substantial changes in the nature of critical accounting estimates since the year ended August 27, 2017. The reader will find this information in the annual MD&A for the year ended August 27, 2017.

Changes in Accounting Policies, Including Recently Issued Accounting Pronouncements

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 mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. SIR will adopt the standard on August 27, 2018. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

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. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 was amended to clarify guidance in identifying performance indicators, licences of intellectual properties and principle versus agent and to provide additional expedients on transition. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018 and early adoption is permitted. SIR will adopt the standard on August 27, 2018. Management is evaluating this amendment and has not yet determined the impact on its consolidated financial statements.

IFRS 7, Financial Instruments – Disclosure, has been amended to require disclosures on transition from IAS 39 to IFRS 9. This amendment is effective on adoption of IFRS 9. Management is evaluating the amendment and has not yet determined the impact on its consolidated financial statements.

IFRS 16, Leases. On January 13, 2016, the International Accounting Standards Board (IASB) issued IFRS 16, Leases which replaces the current guidance in IAS 17, Leases. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a right of use asset for virtually all lease contracts. A depreciation charge for the right of use asset will be recorded within cost of corporate restaurant operations and corporate costs and an interest expense will be recorded within interest expense. IFRS 16 must be applied to an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2019, with early adoption permitted if the entity has adopted IFRS 15. As SIR has contractual obligations in the form of operating leases under IAS 17, there may be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

Changes in accounting policies

IAS 7, Statement of Cash Flows. The IASB issued an amendment to require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment is effective for annual periods beginning on or after January 1, 2017. SIR will include the additional disclosures in the 2018 annual consolidated financial statements.

IAS 12, Income Taxes. The IASB issued an amendment to clarify the requirements for (a) recognizing deferred tax assets on unrealized losses, (b) deferred tax where an asset is measured at a fair value below the asset's tax base, and (c) certain other aspects of accounting for deferred tax assets. The amendment is effective for years beginning on or after January 1, 2017. The amendment did not have a material impact on the consolidated financial statements.

Financial Instruments

Management believes that there have been no substantial changes in the financial instruments since the year ended August 27, 2017. The reader will find this information in the annual MD&A for the year ended August 27, 2017.

Risks and Uncertainties

The performance of SIR is dependent on many factors. 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. SIR Restaurants are subject to laws that prohibit or limit smoking in enclosed workplaces and/or certain outdoor public places, such as restaurant patios. 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. In addition, factors such as business and economic conditions, changes in foreign exchange, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants affect the restaurant industry in general and therefore SIR. Please refer to the Fund's March 14, 2017 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

Management believes that there are sufficient cash resources retained in SIR from its cash generated by operations and from its financing activities to fund its current working capital requirements, scheduled debt repayments, and future construction commitments**.**

Restaurants Canada estimates that the rate of 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.

SIR has completed the conversion of its Alice Fazooli's concept brand into the more popular Scaddabush concept brand. Prior to Fiscal 2017, SIR converted two Alice Fazooli's locations (Mississauga and Richmond Hill, Ontario) to Scaddabush locations and opened two new (non-converted) Scaddabush locations (at the corner of Yonge Street and Gerrard Street in downtown Toronto, and in Scarborough, Ontario). In Q1 2017, a third new (non-converted) Scaddabush location was opened on Front Street in downtown Toronto. Effective March 19, 2017, SIR permanently closed the Alice Fazooli's restaurant in Oakville, Ontario and opened a new Scaddabush restaurant at this location on April 5, 2017. Effective June 18, 2017, SIR closed its last Alice Fazooli's restaurant in Vaughan, Ontario and opened a new Scaddabush restaurant at this location on July 5, 2017. With eight Scaddabush locations now in operation, SIR and the Fund are well positioned to benefit from the expected continued sales growth of this popular brand. The new Scaddabush restaurants on Front Street in downtown Toronto, and in Oakville and Vaughan will be added to Royalty Pooled Restaurants on January 1, 2018. The Alice Fazooli's locations in Oakville and Vaughan, Ontario will cease to be a part of Royalty Pooled Restaurants on January 1, 2018.

SIR is pleased with the demonstrated strong sales performance of the Scaddabush brand and, subsequent to Q1 2018, opened an additional new Scaddabush restaurant at the site of the former Canyon Creek restaurant in Etobicoke, Ontario, near Sherway Gardens shopping centre, on November 28, 2017. SIR closed this Canyon Creek restaurant effective October 15, 2017. Subsequent to Q1 2018, on December 11, 2017, SIR also opened a new Reds restaurant at the Square One shopping centre in Mississauga, Ontario.

SIR completed renovations of 10 Jack Astor's locations during Fiscal 2017. During Q1 2018, two more Jack Astor's renovations were completed. Subsequent to Q1 2018, SIR completed renovations at one additional Jack Astor's location. SIR is pleased with the performance of the renovated Jack Astor's locations 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.

On November 22, 2017, the Ontario government passed legislation that will raise Ontario's general minimum wage on January 1, 2018, and 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. 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 focus on sustaining and growing existing restaurant sales and profits while managing costs. SIR continues to monitor economic conditions and consumer confidence and considers new restaurant 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 December 20, 2017.

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. 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 and imposed by the lender. For more information concerning the Fund's risks and uncertainties, please refer to the March 14, 2017 Annual Information Form, for the period ended December 31, 2016, 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