SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

SIR ROYALTY INCOME FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

TABLE OF CONTENTS

SIR ROYALTY INCOME FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
(FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020)

Executive Summary

Operational and financial results summary for the three-month period ended March 31, 2020 ("Q1 2020") for SIR Royalty Income Fund (the "Fund"):

Coronavirus ("COVID-19") Outbreak

- Since the date of the Fund's last financial report, which was filed on March 12, 2020, the COVID-19 pandemic has significantly impacted the operations of SIR Corp. ("SIR").
- Beginning March 16, 2020, SIR suspended dine-in operations at all of its restaurants and bars in accordance with the directives of public health authorities. SIR continued to offer takeout and delivery services at certain of its Jack Astor's® and Scaddabush Italian Kitchen & Bar® ("Scaddabush") restaurants, while all Canyon Creek® and Signature Restaurants were completely closed as of March 16, 2020.
- Reduced services and restaurant closures have resulted, and are expected to continue to result, in material declines to sales at SIR restaurants.
- As a result of the significant decline in sales at SIR restaurants, Pooled Revenue and royalty income in the SIR Royalty Limited Partnership (the "Partnership"), along with the Fund's equity income from the Partnership and cash available for distribution to unitholders of the Fund, has decreased significantly.
- The Partnership has deferred the collection of royalties and the Fund has deferred the collection of interest on the SIR Loan from SIR until June 30, 2020, in order to provide SIR with financial support during the COVID-19 pandemic. This date has been extended. Please refer to the Outlook section on page 19.
- On March 23, 2020, the Fund announced that due to the temporary suspension of dine-in restaurant operations at all of SIR's restaurants, unitholder distributions are suspended until further notice.

Pooled Revenue and Same Store Sales(1) ("SSS")

- The Royalty Pooled Restaurants had a SSS(1) decline of 23.3% in Q1 2020. Pooled Revenue decreased by 25.0% to $50.3 million in Q1 2020, compared to $67.0 million in Q1 2019, primarily as a result of the negative impact of the COVID-19 outbreak on Pooled Revenue and SSS(1) near the end of Q1 2020.
- Jack Astor's, which accounted for approximately 68% of Pooled Revenue in Q1 2020, reported a SSS(1) decline of 24.9% in Q1 2020.
- Scaddabush reported a SSS(1) decline of 15.9% in Q1 2020.
- Canyon Creek reported a SSS(1) decline of 31.4% in Q1 2020.
- SIR's Signature Restaurants reported a SSS(1) decline of 18.1% in Q1 2020.

Royalty Income and Equity Income from the Partnership

- Royalty income in the Partnership decreased by 28.5% to $3.0 million in Q1 2020, compared to $4.2 million for the three-month period ended March 31, 2019 ("Q1 2019"). The decrease was primarily attributable to the removal of three restaurants from the Royalty Pool and the overall SSS(1) decline in Q1 2020.
- Equity income from the Partnership, which represents the Fund's pro rata share of the residual distributions of the Partnership, decreased 33.3% to $1.7 million in Q1 2020 compared to $2.6 million in Q1 2019.
- As a result of the negative impact of the COVID-19 outbreak on the forecasted cash flows of SIR Restaurants, the Partnership recognized an impairment loss on the SIR Rights, as defined in the Overview and Business of the Fund

(1) *Same store sales ("SSS"), same store sales growth ("SSSG"), Adjusted Net Earnings, Adjusted Net Earnings per Fund Unit, Distributable cash and payout ratio are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. For additional information regarding these financial measures, including full details on how these financial measures are calculated, see the "Description of Non-IFRS Measures" section of this MD&A (page 20).*

section on page 7, of $40.5 million in Q1 2020, resulting in an impairment loss on the Fund's investment in the Partnership of $15.5 million in Q1 2020.

Net Earnings and Adjusted Net Earnings(1)

- Net loss was $30.8 million for Q1 2020 compared to net earnings of $7.9 million for Q1 2019. Net earnings were impacted by the Partnership's recognition of the impairment loss on the SIR Rights, resulting in a loss on the Fund's investment in the Partnership, and an adjustment to the fair value of the SIR Loan. Adjusted Net Earnings(1) were $1.9 million for Q1 2020, compared to $2.3 million for Q1 2019. Please refer to the Adjusted Net Earnings(1) section on page 11.
- Net loss per Fund unit was $3.67 (basic and diluted) for Q1 2020, compared to net earnings per Fund unit of $0.95 (basic) and $0.81 (diluted) for Q1 2019. Adjusted Net Earnings per Fund unit(1) were $0.23 for Q1 2020 and $0.27 for Q1 2019.

Distributable Cash(1) and Payout Ratio(1)

- Distributable cash(1) per Fund unit was $0.22 and $0.28 (basic and diluted) for Q1 2020 and Q1 2019, respectively. Please refer to the Distributions section on page 7 and Distributable Cash(1) on page 12.
- The Fund's payout ratio(1) was 112.3% in Q1 2020 compared to 114.4% in Q1 2019. The payout ratio(1) since the Fund's inception, up to and including Q1 2020, is 99.9%.
- The decline in distributable cash(1) related to the impact of the decline in Pooled Revenue and SSS(1) on the net earnings of the Fund resulted in a lower payout ratio(1) in Q1 2020, partially offset by the reduction in the Fund's monthly cash distribution to $0.0875 per unit in Q1 2020, compared to $0.105 per unit in Q1 2019.

Outlook

- Beginning June 9, 2020, the provinces of Newfoundland, Nova Scotia, and Alberta permitted the gradual re-opening of dine-in operations at restaurants. SIR gradually reopened its Jack Astor's location in St. Johns, Newfoundland, and its two Jack Astor's locations in Halifax, Nova Scotia, adhering to strict operating procedures and sanitary guidelines to prioritize the safety of its guests and staff.
- The province of Ontario has permitted the gradual re-opening of restaurant outdoor patios in select regions of the province. These patio re-openings were permitted by public health region. Adhering to the provincial guidelines, on June 12, 2020, SIR was permitted to re-open its restaurant patios in the Ottawa and London areas, as well as Kitchener-Waterloo, Barrie, and Kingston, following strict operational procedures and sanitary guidelines to prioritize the safety of its guests and staff. SIR has nine restaurants in those areas. On June 19, 2020 patio openings were permitted in all other public health regions in Ontario, except Toronto, Peel and Windsor-Essex. SIR has 15 restaurants located in the additional public health regions that were permitted to open on June 19, 2020. On June 24, 2020 restaurant patios located within the Toronto and Peel regions were permitted to re-open (representing 26 SIR restaurants).
- The province of Quebec permitted the gradual opening of dine-in operations at restaurants in certain regions of the province effective June 15, 2020. Restaurants in the Greater Montreal Area were permitted to gradually re-open dine-in operations effective June 22, 2020. Following strict operational procedures and sanitary guidelines to prioritize the safety of its guests and staff, SIR commenced gradually re-opening its four Jack Astor's locations in the Greater Montreal Area on June 22, 2020.
- On June 1, effective April 1, 2020, SIR received a covenant waiver under its credit agreement (the "Credit Agreement") with a Schedule I Canadian chartered bank (the "Lender") until June 30, 2020. A copy of the waiver has been filed on SEDAR.
- On June 30, 2020, SIR and its Lender entered into a fourth amending agreement to its Credit Agreement, including the addition of a new $6.25 million EDC guaranteed BCAP facility (the "EDC-Guaranteed Facility"), to the Credit Agreement. A copy of the agreement will be filed on SEDAR.
- On June 30, 2020, the Fund and the Partnership entered into an acknowledgement and consent agreement with the Lender, and the Fund, the Partnership, and SIR entered into a waiver and extension agreement.
- For details for all agreements entered into on June 30, 2020, please refer to the Outlook section on page 19.
- SIR was deemed eligible for the Canada Emergency Wage Subsidy program. As a result, SIR has received a subsidy from the federal government to partially offset certain of its wage costs from mid-March 2020 through to early-June 2020. SIR currently expects to continue to be eligible for this subsidy program through to the end of August 2020.
- SIR has advised the Fund that its ability to meet its obligations for the next 12 to 18 months is dependent on its ability to obtain increased and extended financing through further amendments to its Credit Agreement and the availability of

credit under the current Credit Agreement or other financing sources, and/or additional government assistance to aid businesses.

- SIR's ability to meet its obligations for the next 12 to 18 months also depends on, among other factors, the length of the closure of dine-in operations at certain of its restaurants due to COVID-19, the speed at which SIR is able to return to full operating capacity in the near future, Canadian economic conditions after bars and restaurants are able to fully re-open, the type and impact of new government mandated pandemic-related operating regulations, and SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases. SIR is continuing to pursue insurance coverage, but there can be no assurance that it will be successful.
- 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 second quarter unaudited interim consolidated financial statements and MD&A were filed on SEDAR on March 25, 2020.

Same Store Sales[(1)]

SIR reported to the Fund that the Royalty Pooled Restaurants had a cumulative SSS[(1)] decline of 23.3% in Q1 2020. SSS[(1)] are typically impacted by changes in guest traffic and average cheque amount. Other factors are identified below. Segmented SSS[(1)] performance for Q1 2020 is detailed in the following table.

SSS[(1)] for the Royalty Pooled Restaurants (unaudited)	**Three-month period ended March 31, 2020**	**Three-month period ended March 31, 2019**
Jack Astor's	(24.9%)	(3.4%)
Scaddabush	(15.9%)	(1.8%)
Canyon Creek	(31.4%)	(4.2%)
Signature Restaurants	(18.1%)	(8.3%)
Overall SSS[(1)]	**(23.3%)**	**(3.6%)**

Despite recent changes to consumer behavior, SIR noted that in the early part of 2020, up to the COVID-19 outbreak, previously declining guest counts had started to flatten.

Prior to the COVID-19 outbreak that materially impacted sales at SIR restaurants near the end of the Fund's Q1 2020, SIR identified shifts in consumer behaviour related to spending at full-service restaurants, especially in Ontario, that SIR believes has impacted recent SSS[(1)] performance. SIR believes that price increases at most Ontario restaurants related to the minimum wage increase on January 1, 2018 contributed to a decline in full-service restaurant visits compared to the same periods in prior years. SIR also believes that new stricter legislation for impaired driving contributed to lower alcoholic beverage sales in full-service restaurants.

SIR also believes that the recent rapid growth of delivery services in commercial foodservice has negatively impacted the volume of guest visits to full-service restaurants. In addition, due to the nature of take-out and delivery orders, guests who choose these options are unable to order alcoholic beverages, which has contributed to a decline in beverage sales at SIR restaurants.

According to Restaurants Canada data, real commercial food service sales (sales adjusted for menu inflation) in Ontario declined 0.2% in calendar year 2018 (despite the generally higher menu prices) and preliminary data indicates real sales rebounded only slightly in calendar year 2019.

Prior to the government shutdown of the dining rooms and bars at all restaurants, SIR had commenced proactively implementing social distancing seating and other measures at all of its restaurants, resulting in a decrease of available tables for guests. SIR suspended dine-in operations at all of its restaurants and bars in accordance with the directives of public health authorities on March 16, 2020. SIR's pre-shutdown social distancing seating and other measures, followed by the full closure of all SIR dining rooms and bars on March 16, resulted in sales declines of over 90% at the restaurants in the Royalty Pool during the second half of March 2020, causing a significant SSS(1) decline by concept and overall in the quarter.

Jack Astor's, which accounted for approximately 68% of Pooled Revenue in Q1 2020, had a SSS[(1)] decline of 24.9% in Q1 2020. After SIR suspended dine-in operations at all of its restaurants and bars due to the COVID-19 outbreak, 23 of the 38 Jack Astor's restaurants remained open for take-out and delivery services. Certain of the Jack Astor's restaurants that were closed completely on March 16, 2020 reopened for take-out and delivery services subsequent to Q1 2020.

Scaddabush SSS(1) performance for Q1 2020 includes eight Scaddabush locations, excluding the locations in the Mimico neighbourhood of Etobicoke and in Burlington, Ontario. Scaddabush had a SSS(1) decline of 15.9% for Q1 2020. Of the nine Scaddabush locations in the Royalty Pool, seven Scaddabush restaurants remained open for take-out and delivery services as of March 16, 2020.

Canyon Creek had a SSS(1) decline of 31.4% in Q1 2020. On March 16, 2020, SIR suspended all operations at its five Canyon Creek restaurants.

The downtown Toronto Signature Restaurants had a SSS(1) decline of 18.1% in Q1 2020. On March 16, 2020, SIR suspended all operations at the four Signature Restaurants in the Royalty Pool.

New and Closed Restaurants

SIR currently owns 60 restaurants and one seasonal retail outlet in Canada. Since the Fund's Initial Public Offering in October 2004, SIR has opened 39 new restaurants (22 Jack Astor's, four Canyon Creek restaurants, eight Scaddabush restaurants, two Reds restaurants, two Duke's Refreshers, and one seasonal Abbey's Bakehouse restaurant) and one seasonal Abbey's Bakehouse retail outlet. During this same period, SIR closed 13 restaurants (five Jack Astor's restaurants, three Canyon Creek restaurants, three Alice Fazooli's restaurants, and two Signature restaurants) and the seasonal Abbey's Bakehouse retail outlet.

During the calendar year 2019, SIR closed three restaurants, including:

- the Jack Astor's location in the St. Lawrence Market area of downtown Toronto, Ontario, effective February 4, 2019 (Q1 2019)
- the Jack Astor's location on John Street in downtown Toronto, Ontario, effective September 23, 2019 (Q3 2019)
- the Canyon Creek restaurant in Burlington, Ontario effective, October 13, 2019 (Q4 2019)

The above noted restaurants ceased to be part of Royalty Pooled Restaurants on January 1, 2020.

SIR also chose not to renew the lease on the property for the seasonal Abbey's Bakehouse retail outlet in Port Carling, Ontario, which was not a Royalty Pooled Restaurant.

SIR opened two new Scaddabush restaurants in 2019, including one location in the Mimico neighbourhood of Etobicoke, Ontario on June 2, 2019 (Q2 2019), and one location in Burlington, Ontario on November 19, 2019 (Q4 2019). The Scaddabush restaurant in the Mimico neighbourhood of Etobicoke was added to Royalty Pooled Restaurants on January 1, 2020. The Scaddabush restaurant in Burlington is expected to become part of Royalty Pooled Restaurants on January 1, 2021, but there can be no assurance of this.

During the calendar year 2018, SIR closed the Canyon Creek location on Front Street in downtown Toronto, effective December 9, 2018 (Q4 2018) after the landlord executed a demolition clause in the lease agreement. This restaurant ceased to be part of Royalty Pooled Restaurants on January 1, 2019.

During the calendar year 2017, SIR closed three restaurants, including:

- the Alice Fazooli's location in Oakville, Ontario effective March 19, 2017 (Q1 2017)
- the Alice Fazooli's location in Vaughan, Ontario effective June 18, 2017 (Q2 2017)
- the Canyon Creek restaurant in Etobicoke, Ontario effective October 15, 2017 (Q4 2017)

SIR opened new Scaddabush restaurants at each of these locations: Oakville on April 5, 2017 (Q2 2017), Vaughan on July 5, 2017 (Q3 2017), and Etobicoke on November 28, 2017 (Q4 2017).

SIR elected, as was its option, under the License and Royalty Agreement, to treat the aforementioned 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, and the new Scaddabush restaurant in Etobicoke was added to Royalty Pooled Restaurants on January 1, 2019.

During Q4 2017, on December 11, 2017, SIR opened its new Reds Square One restaurant in Mississauga, Ontario. This restaurant was added to Royalty Pooled Restaurants on January 1, 2019.

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 are subject to the Fund retaining such reasonable working capital and other reserves as may be considered appropriate by the Trustees of the Fund. Under normal circumstances, it is the Fund's intention to pay even distributions and, if possible, maintain consistent monthly distributions to unitholders. The Fund intends to make monthly distributions of its available distributable cash[(1)] to the extent possible.

During Q1 2020, monthly distributions of $0.7 million, or $0.0875 per unit, were declared in each of the months of January and February 2020. On March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice as a result of SIR temporarily suspending its dine-in restaurant operations at all of its locations. During Q1 2020, the Fund paid monthly distributions in arrears of $0.7 million, or $0.0875 per unit, in each of the months of January, February, and March 2020.

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 ratio[(1)] of cash distributed to distributable cash[(1)] for Q1 2020 was 112.3%, compared to 114.4% in Q1 2019. The payout ratio[(1)] since the Fund's inception in 2004 up to and including Q1 2020 is 99.9%, in line with Fund's target payout ratio of 100%.

Please refer to page 12 for distributable cash[(1)] and a summary of monthly distributions since inception, and page 13 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, which stands for Service Inspired Restaurants, is a private company amalgamated under the Business Corporations Act of Ontario. As at March 31, 2020, SIR owned 60 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 Restaurants are Reds® Wine Tavern, Reds® Midtown Tavern, Reds® Square One, and the Loose Moose Tap & Grill®. SIR also owns two Duke's Refresher® & Bar restaurants located in downtown Toronto, and one seasonal restaurant, Abbey's Bakehouse®, which are not part of Royalty Pooled Restaurants. SIR owns 100% of its Canadian restaurants. As at March 31, 2020, 56 SIR Restaurants were included in Royalty Pooled 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 on or before August 30, 2020, Duke's Refresher is not expected to be added to the Royalty Pool on January 1, 2021.

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.

On January 1, 2020, one new SIR Restaurant was added (January 1, 2019 – two 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 one new SIR Restaurant on January 1, 2020 (January 1, 2019 – two new SIR Restaurants), as well as the Second Incremental Adjustment for two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2019 (January 1, 2018 - three), 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, 2019 – one) SIR Restaurants during 2019. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR returned 395,899 Class A GP Units for 395,899 Class B GP Units (January 1, 2019 – SIR converted 197,824 Class B GP Units into 197,824 Class A GP Units) on January 1, 2020 reducing the value of the SIR Rights by $3.5 million (January 1, 2019 – increase the value of the SIR Rights by $4.0 million).

In addition, the revenues of the two (January 1, 2018 – three) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2019 was less than 80% of the Initial Adjustment's estimated revenue (January 1, 2018 – revenue of the three new SIR Restaurants exceeded 80% of the Initial Adjustment's estimated revenue) and, as a result, the distributions of the Class A GP Units were reduced by a special conversion refund of $0.02 million in December 2019 and paid in January 2020 (a special conversion distribution of $0.09 million was declared on the Class B GP Units in December 2018 and paid in January 2019). As a result of the permanent closure of the two Jack Astor's restaurants in downtown Toronto

(St. Lawrence Market and John Street) during the year ended December 31, 2019, Make-Whole Payments of $0.3 million (year ended December 31, 2018 - $0.01 million) have been recorded in Royalty income in the statement of earnings and comprehensive income of the Partnership for the year ended December 31, 2019.

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 year for 2019 consists of 52 weeks and the fiscal year for 2020 consists of 53 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, equity income from the Partnership 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 condensed interim consolidated financial statements of the Fund are presented in Canadian dollars, and are prepared in accordance with IFRS. The condensed interim 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:

Summary of Quarterly Financial Information

	Three-month periods ended							
(in thousands of dollars or units, except restaurants and per unit amounts) (unaudited)	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**
Royalty Pooled Restaurants	56	58	58	58	58	57	57	57
Pooled Revenue generated by SIR	50,277	67,455	72,154	77,708	67,016	72,936	79,277	79,093
Royalty income to Partnership - 6% of Pooled Revenue	3,018	4,047	4,329	4,662	4,021	4,376	4,757	4,746
Make-Whole Payment(2)	-	-	65	-	203	12	-	-
Total Royalty income to Partnership	3,018	4,047	4,394	4,662	4,224	4,388	4,757	4,746
Partnership other income	6	6	6	6	6	6	6	6
Impairment of intangible assets	(40,525)	-	-	-	-	-	-	-
Partnership expenses	(23)	(13)	(21)	(22)	(23)	(17)	(22)	(20)
Partnership earnings (loss)	(37,524)	4,040	4,379	4,646	4,207	4,377	4,741	4,732
SIR's interest (Class A, B and C GP Units)	(1,266)	(1,549)	(1,643)	(1,694)	(1,605)	(1,652)	(1,650)	(1,645)
SIR's interest (impairment of intangible assets)	25,058	-	-	-	-	-	-	-
Partnership income allocated to Fund(3)	(13,732)	2,491	2,736	2,952	2,602	2,725	3,091	3,087
Change in estimated fair value of the SIR Loan(4)	(16,500)	(6,750)	(500)	5,000	8,250	(5,250)	3,500	(250)
	(30,232)	(4,259)	2,236	7,952	10,852	(2,525)	6,591	2,837
General & administrative expenses	(106)	(128)	(109)	(133)	(118)	(104)	(105)	(118)
Net earnings (loss) before income taxes of the Fund	(30,338)	(4,387)	2,127	7,819	10,734	(2,629)	6,486	2,719
Income tax recovery (expense)	(430)	2,648	(273)	(3,211)	(2,813)	(124)	(1,962)	(774)
Net earnings (loss) for the period	(30,768)	(1,739)	1,854	4,608	7,921	(2,753)	4,524	1,945
Basic earnings (loss) per Fund unit	($3.67)	($0.21)	$0.22	$0.55	$0.95	($0.33)	$0.54	$0.23
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Net earnings (loss) for the period – Diluted	(30,509)	(1,155)	2,505	5,297	8,545	(2,160)	5,181	2,598
Weighted average number of Class A GP Units5	N/A	N/A	N/A	2,214	2,214	N/A	2,016	N/A
Weighted average number of Fund units outstanding – Diluted	N/A	N/A	N/A	10,590	10,590	N/A	10,392	N/A
Diluted earnings (loss) per Fund unit	($3.67)	($0.21)	$0.22	$0.50	$0.81	($0.33)	$0.50	$0.23

(2) *The Canyon Creek restaurant on Front Street in downtown Toronto, Ontario was closed effective December 9, 2018, the Jack Astor's restaurant in the St. Lawrence Market neighbourhood of downtown Toronto, Ontario was closed effective February 4, 2019 and the Jack Astor's restaurant on John Street in downtown Toronto, Ontario was closed effective September 23, 2019. Under the terms of the License and Royalty Agreement, SIR was 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.*

(3) *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.*

(4) *Under IFRS 9, adopted on January 1, 2018, the SIR Loan will be recognized at fair value with changes in fair value being recorded in the consolidated statement of earnings.*

(5) *In Q1 2018, Q2 2018, Q4 2018, Q3 2019, Q4 2019, and Q1 2020 the Class A GP Units are excluded from the calculation of diluted earnings per Fund unit, as the conversion is anti-dilutive.*

Adjusted Net Earnings(1) and Adjusted Earnings per Fund unit(1)

Adjusted Net Earnings(1) and Adjusted Earnings per Fund unit(1) are financial measures that do not have standardized meanings prescribed by IFRS. They are used by the Fund to supplement its reporting of net earnings (loss), net cash flow and earnings (loss) per Fund unit. Adjusted Net Earnings(1) consist of net earnings (loss) excluding the impairment on the investment in the Partnership and the after-tax non-cash portion of the change in estimated fair value of the SIR Loan and including interest income on the SIR Loan. Adjusted Earnings per Fund unit(1) is the portion of Adjusted Net Earnings(1) allocated to each outstanding Fund unit. The Fund believes that Adjusted Net Earnings(1) and Adjusted Earnings per Fund unit(1) are useful estimates of the core business' contribution to cash flow from operations and uses these measures as a supplemental measure of the Fund's performance. Similarly, the Fund believes that certain investors may also find these non-GAAP financial measures to be useful measures for their independent evaluation of the Fund's performance.

The following table reconciles net earnings (loss) for the period to Adjusted Net Earnings(1) and calculates Adjusted Earnings per Fund unit(1):

(in thousands of dollars or units, except per unit amounts) *(unaudited)*	**Three-month period ended March 31, 2020**	**Three-month period ended March 31, 2019**
Net earnings (loss) for the period	(30,768)	7,921
Impairment of investment in LP	15,467	-
Change in estimated fair value of the SIR Loan(4)	16,500	(8,250)
Interest recorded on SIR Loan	750	750
Deferred tax expense (recovery)	-	1,873
Adjusted Net Earnings(1)	**1,949**	**2,294**
Adjusted Basic Earnings per Fund unit(1)	$0.23	$0.27
Weighted average number of Fund units outstanding – Basic	8,376	8,376

The SIR Loan is now accounted for at fair value through the statement of earnings which required management to discount the cash flows using a market interest rate. Management has estimated the discount rate by considering comparable corporate bond rates, risk free rates and SIR's credit risk.

During Q1 2020, management adjusted the discount rate from 7.70% at December 31, 2019 to 14.25% at March 31, 2020. The adjustment consists of an estimated increase in the corporate bond rate of 3.5% and an increase in management's estimate for SIR's credit risk of 3.5%, partially offset by a decrease of 0.5% in the Canadian risk free rate. 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 $1.1 million decrease or increase in the fair value of the SIR Loan.

Distributions and Distributable Cash[(1)]

During the three-month period ended March 31, 2020, the Fund declared monthly distributions of $0.0875 per unit in each of the months of January and February 2020, for a total of $0.175 per unit (three-month period ended March 31, 2019 – $0.315 per unit). On March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice as a result of SIR temporarily suspending its dine-in restaurant operations at all of its locations.

During the three-month period ended March 31, 2020, the Fund paid monthly distributions in arrears of $0.0875 per unit in each of the months of January, February and March 2020, for a total of $0.2625 per unit (three-month period ended March 31, 2019 – $0.315 per unit).

Distributable Cash[(1)]

(in thousands of dollars or units, except per unit amounts and payout ratio[(1)]) *(unaudited)*	**Three-month periods ended**							
	March 31, 2020	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**
Cash provided by operating activities	2,366	2,441	2,342	2,654	2,663	2,679	2,534	2,492
Add/(deduct): Net change in non-cash working capital items[(6)]	(106)	(324)	193	(143)	(271)	407	(111)	(124)
Net change in income tax payable[(6)]	203	126	16	22	153	(248)	55	39
Net change in distribution receivable from the Partnership[(6)]	(505)	50	(104)	112	(239)	(649)	380	417
Distributable cash[(1)]	**1,958**	**2,293**	**2,447**	**2,645**	**2,306**	**2,189**	**2,858**	**2,824**
Cash distributed for the period	**2,199**	**2,345**	**2,638**	**2,638**	**2,638**	**2,639**	**2,554**	**2,513**
Surplus/(shortfall) of distributable cash[(1)]	**(241)**	**(52)**	**(191)**	**7**	**(332)**	**(450)**	**304**	**311**
Payout ratio[(1),(7)]	112.3%	102.3%	107.8%	99.7%	114.4%	120.5%	89.4%	89.0%
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Distributable cash[(1)] per Fund unit – Basic	$0.23	$0.27	$0.29	$0.32	$0.28	$0.26	$0.34	$0.34
Distributable cash[(1)] for the period – Diluted[(8)]	2,335	2,877	3,098	3,334	2,930	2,781	3,515	3,477
Weighted average number of Class A GP Units	1,818	2,214	2,214	2,214	2,214	2,016	2,016	2,016
Weighted average number of Fund units outstanding – Diluted	10,194	10,590	10,590	10,590	10,590	10,392	10,392	10,392
Distributable cash[(1)] per Fund unit – Diluted[(8)]	$0.23	$0.27	$0.29	$0.32	$0.28	$0.26	$0.34	$0.34

(6) 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.

(7) 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.

(8) 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.

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[9]
June 2012 to May 2013	$0.088
June 2013 to March 2018	$0.095
April 2018 to August 2018	$0.100
September 2018 to October 2019	$0.105
November 2019 to February 2020	$0.0875
March 2020 to date	nil
December 2012 Special Distribution	$0.05[10]
December 2017 Special Distribution	$0.02[9]

Effective for the Fund's cash distribution to be paid in November 2019, the Fund reduced its monthly unitholder distributions from $0.105 per unit to $0.0875 per unit, representing $1.05 per unit on an annualized basis.

On March 23, 2020, the Fund temporarily suspended payment of unitholder distributions until further notice as a result of SIR temporarily suspending its dine-in restaurant operations at all of its locations. Reduced services and restaurant closures are expected to continue to result in material declines to sales at SIR restaurants and will continue to impact the ability of the Fund to pay unitholder distributions.

The payout ratio[1] of cash distributed to distributable cash[1] for Q1 2020 was 112.3%, compared to 114.4% in Q1 2019. The decrease in the payout ratio[1] for Q1 2020 is the result of a decrease in distributable cash[1] resulting primarily from the material decline in SSS[1] compared to the same period in the prior year, partially offset by a decline in cash distributed resulting from the decrease in monthly distributions in November 2019. 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%. 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 Q1 2020, the Fund has generated $120.2 million in cumulative distributable cash[1] and has paid cumulative cash distributions of $120.4 million, representing a cumulative payout ratio[1] (the ratio of cumulative cash distributions paid since inception to cumulative distributable cash[1] generated) of 99.9%.

---

(9) 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.

(10) 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 following table provides disclosure regarding the relationship between cash flows from operating activities and net earnings, and historical distributed cash amounts:

(in thousands of dollars) *(unaudited)*	**Three-month period ended March 31, 2020**	**Three-month period ended March 31, 2019**
Cash provided by operating activities	2,366	2,663
Net earnings (loss) for the period	(30,768)	7,921
Cash distributed for the period	2,199	2,638
Excess (shortfall) of cash provided by operating activities over cash distributed for the period(11)	**167**	**(25)**
Excess (shortfall) of net earnings (loss) for the period over cash distributed for the period(12)	**(32,967)**	**5,283**

The $33.0 million shortfall of net earnings for the period over cash distributed for the three-month period ended March 31, 2020 is primarily attributable the recognition of the impairment loss on the Fund's investment in the Partnership combined with the change in estimated fair value of the SIR Loan in the quarter.

The $0.025 million shortfall of cash provided by operating activities over cash distributed for the three-month period ended March 31, 2019 is primarily attributable to a decrease in net earnings for the period.

Balance Sheet

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

(in thousands of dollars) *(unaudited)*	**March 31, 2019**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**
Total assets	61,471	94,316	101,519	103,172	98,789	91,479	98,171	95,023
Unitholders' equity	55,935	88,901	92,986	93,770	91,800	86,518	91,909	89,939

Results of Operations - Fund

The Fund's loss for Q1 2020 comprises equity income from the Partnership of $1.7 million ($2.6 million for Q1 2019), an impairment on the investment in the Partnership of $15.5 million ($nil for Q1 2019), and an offset to income related to a change in estimated fair value of the SIR Loan of $16.5 million ($8.3 million change in estimated fair value for Q1 2019). Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the three-month periods ended March 31, 2020 and March 31, 2019. For the three-month period ended March 31, 2020, the Partnership recognized an impairment on its intangible asset of $40.5 million, resulting in an impairment loss on the investment in the Partnership in the Fund for this period. The change in estimated fair value of the SIR Loan is related to IFRS 9, which requires the Fund to recognize the SIR Loan at fair value, with changes in the fair value being recorded in the statement of earnings.

The Fund's operating expenses, which are limited to general and administrative expenses, totaled $0.1 million for Q1 2020 ($0.1 million for Q1 2019). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

The Fund recorded an income tax expense of $0.4 million for Q1 2020 ($2.8 million for Q1 2019).

(11) 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.

(12) Excess 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.

Net loss was $30.8 million for Q1 2020 ($7.9 million net earnings for Q1 2019). Loss per Fund unit for Q1 2020 was $3.67 (basic and diluted) (basic and diluted earnings per Fund unit were $0.95 and $0.81, respectively, for Q1 2019). Adjusted Net Earnings(1) was $1.9 million for Q1 2020 ($2.3 million for Q1 2019), and Adjusted Earnings per Fund unit(1) was $0.23 for Q1 2020 ($0.27 for Q1 2019).

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 March 31, 2020, there were 56 restaurants included in Royalty Pooled Restaurants. Increases or decreases in Pooled Revenue are derived from SSS(1) 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 periods ended March 31, 2020 and March 31, 2019:

(in thousands of dollars except number of restaurants included in Pooled Revenue) (unaudited)	Three-month period ended March 31, 2020		Three-month period ended March 31, 2019	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue
Jack Astor's	34,136	38	46,500	40
Scaddabush	8,923	9	10,376	8
Canyon Creek	2,692	5	4,613	6
Signature	4,526	4	5,527	4
Total included in Pooled Revenue	50,277	56	67,016	58

The Pooled Revenue decline for Jack Astor's in Q1 2020 is a result of a SSS(1) decline in the quarter and the removal of the Jack Astor's restaurants located in the St. Lawrence Market neighbourhood and on John Street in downtown Toronto on January 1, 2020 after their closures in 2019.

Pooled Revenue from Scaddabush for Q1 2020 includes nine Scaddabush restaurants. The nine Scaddabush restaurants consist of:

- seven Scaddabush restaurants that opened as New Additional Restaurants (Yonge and Gerrard, and Front Street in downtown Toronto, and Scarborough, Oakville, Vaughan, and two in Etobicoke, Ontario), and
- two Scaddabush restaurants that were converted from Alice Fazooli's restaurants (Richmond Hill and Mississauga, Ontario).

The Pooled Revenue decline for Scaddabush in Q1 2020 is a result of a SSS(1) decline in the quarter, partially offset by one additional restaurant (in the Mimico neighbourhood of Etobicoke, Ontario), compared to the corresponding period a year ago.

Pooled Revenue from Scaddabush in Q1 2019 includes eight Scaddabush restaurants. The eight Scaddabush restaurants consist of:

- six Scaddabush restaurants that opened as New Additional Restaurants (Yonge and Gerrard, and Front Street in downtown Toronto, and Scarborough, Oakville, Vaughan, and Etobicoke, Ontario), and
- two Scaddabush restaurants that were converted from Alice Fazooli's restaurants (Richmond Hill and Mississauga, Ontario).

The decline in Pooled Revenue for Canyon Creek in Q1 2020 is the result of a SSS(1) decline in the quarter and the removal of the Canyon Creek restaurant in Burlington, Ontario from the Royalty Pool on January 1, 2020 after its closure in 2019.

The Pooled Revenue decline for the Signature Restaurants in Q1 2020 is the result of a SSS(1) decline in the quarter.

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 with 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, as amended on December 8, 2017, July 6, 2018, and April 1, 2020 provides for a maximum principal amount of $42.3 million consisting of a $20.0 million revolving term credit facility (Credit Facility 1), and a $22.3 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 $1.5 million.

Credit Facility 1 is for general corporate and operating purposes, bearing interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%, principal repaid in one bullet repayment on July 6, 2021. A standby fee of 0.85% 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 Credit Agreement. Credit Facility 2 bears interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%. Each advance under Credit Facility 2 is repayable in equal quarterly instalments based on a seven year amortization, with the remaining outstanding principal balance due on July 6, 2021.

On April 2, 2020, SIR drew an additional $5.5 million on Credit Facility 2. On June 1, 2020, effective April 1, 2020, SIR has received a covenant waiver under its Credit Agreement until June 30, 2020. A copy of the waiver has been filed on SEDAR. There can be no assurance that SIR will receive additional waivers or remain in compliance in future.

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.

Given the uncertainty surrounding the COVID-19 outbreak and the increasing government mandated shutdowns, SIR's ability to continue as a going concern for the next 12 to 18 months involves significant judgement and is dependent on its ability to obtain necessary financing through a renewal of its Credit Agreement, the availability of credit under the current Credit Agreement, or other financing sources, and government assistance to aid businesses. Management is currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. There can be no assurance that borrowings will be available to SIR, or available on acceptable terms, in an amount sufficient to fund SIR's needs.

The Fund does not have bank lines of credit. The Fund therefore relies on the payments of the distributions from the Partnership and interest received from SIR to meet its obligations to pay the distributions. 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. Under normal circumstances, pursuant to 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 Partnership has deferred the collection of royalties and interest on the SIR Loan from SIR until June 30, 2020, in order to provide SIR with financial support during the COVID-19 pandemic. This date has been extended. Please refer to the Outlook section on page 19.

The Fund did not have any capital expenditures in Q1 2020 and in Fiscal 2019 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.

The Fund intends to resume payment of monthly distributions when it is fiscally prudent to do so. However, due to the impact of temporary restaurant closures on the earnings of the Partnership that are distributed to the Fund, the Fund will need to reassess appropriate distribution levels and may not resume distributions consistent with the most recent distribution declared in February 2020.

While SIR is not owned by the Fund, the Fund's cash flows are derived from interest received 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 all interest payments have been made. 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 second quarter are listed having a filing date of March 25, 2020.

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[13]	4th Quarter Ended February 9, 2020 (12 weeks)	1st Quarter Ended November 17, 2019 (12 weeks)	4th Quarter Ended August 25, 2019 (16 weeks)	3rd Quarter Ended May 5, 2019 (12 weeks)	2nd Quarter Ended February 10, 2019 (12 weeks)	1st Quarter Ended November 18, 2018 (12 weeks)	4th Quarter Ended August 26, 2018 (16 weeks)	3rd Quarter Ended May 6, 2018 (12 weeks)
	(in thousands of dollars) (unaudited)							
Cash provided by (used in) operations	4,872	1,986	9,644	3,509	(2,757)	(3,491)	11,241	5,440
Cash used in investing activities	(3,006)	(1,236)	(3,351)	(3,523)	(1,650)	(1,706)	(1,507)	(1,962)
Cash provided by (used in) financing activities	(5,331)	1,129	(5,006)	(856)	3,460	4,558	(7,910)	(3,568)
Increase (decrease) in cash and cash equivalents during the period	(3,465)	1,879	1,287	(870)	(947)	(639)	1,824	(90)
Cash and cash equivalents – Beginning of period	5,493	3,614	2,327	3,197	4,144	4,783	2,959	3,049
Cash and cash equivalents – End of period	2,028	5,493	3,614	2,327	3,197	4,144	4,783	2,959

(13) *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 Q2 2020 MD&A filed on March 25, 2020 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.*

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 ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosures.

Internal controls over financial reporting are designed by management, under the supervision of, and with the participation of, the Fund's CEO and CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management carried out an evaluation of the appropriateness of the financial disclosure, the design and effectiveness of the Fund's disclosure controls and procedures, and the design and effectiveness of 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, 2019 and under the supervision and with the participation of the Fund's CEO and CFO. 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 CEO and CFO 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, 2019. There have been no substantive changes in the Fund's internal controls over financial reporting that occurred during the most recent interim period beginning January 1, 2020 and ending March 31, 2020, 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 period ended March 31, 2020, the Fund earned equity income of $1.7 million from the Partnership ($2.6 million for the three-month period ended March 31, 2019). 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 period ended March 31, 2020, the Fund recognized $0.8 million of interest payments towards the value of the SIR Loan. For the three-month period ended March 31, 2020, the Fund received interest payments of $0.8 million from the SIR Loan ($0.8 million for the three-month period ended March 31, 2019). A description of the terms of the SIR Loan is included in the notes to the consolidated financial statements of the Fund for the three-month period ended March 31, 2020.

As at March 31, 2020, the Fund had amounts receivable from SIR of $0.3 million (December 31, 2019 – $0.3 million) and distributions receivable from the Partnership of $3.2 million (December 31, 2019 – $3.7 million). The amount receivable from SIR relates to the interest owing to the Fund on the SIR Loan for the month of March. As at March 31, 2020, the Fund had advances payable to the Partnership of $3.5 million (December 31, 2019 - $3.3 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

Management believes there have been no substantial changes in the nature of the critical accounting estimates as described in the annual MD&A for the year ended December 31, 2019, other than the assumptions used for the calculation of impairments which are disclosed in the notes to the financial statements.

Changes in Accounting Policies, Including Initial Adoption

The accounting policies applied in the interim financial statements are consistent with those followed in the 2019 audited annual financial statements.

Financial Instruments

There have been no changes in the Fund's financial instruments for the three-month period ended March 31, 2020 as described in the Fund's MD&A for the year ended December 31, 2019. Effective January 1, 2018, the Fund records the SIR Loan at fair value through the statement of earnings. See Critical Accounting Estimates and Changes in Accounting Policies, Including Initial Adoption for further information.

Disclosure of Outstanding Unit Data

As at March 31, 2020 and June 30, 2020, 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. SIR Restaurants are subject to laws that prohibit or limit smoking in enclosed workplaces and/or certain outdoor public places, such as restaurant patios.

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 and cannabis legalization), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants, and growth in off-premise traffic due to an increase in delivery and takeout orders affect the restaurant industry in general and therefore SIR. 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 12, 2020 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 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 this structure gives it greater control over its brands and improved agility to proactively respond to changes in market conditions. SIR expects its future sales growth to be driven similarly to its past growth through a combination of measured new restaurant growth and same store sales growth, over the long term.

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.

Beginning June 9, 2020, the provinces of Newfoundland, Nova Scotia, and Alberta permitted the gradual re-opening of dine-in operations at restaurants. SIR gradually reopened its Jack Astor's location in St. Johns, Newfoundland, and its two Jack Astor's locations in Halifax, Nova Scotia, adhering to strict operational procedures and sanitary guidelines to prioritize the safety of its guests and staff.

The province of Ontario has permitted the gradual re-opening of restaurant outdoor patios in select regions of the province. These partial re-openings are permitted by public health region. Adhering to the provincial guidelines, on June 12, 2020, SIR was permitted to re-open its restaurant patios in the Ottawa and London areas, as well as Kitchener-Waterloo, Barrie, and Kingston, following its strict operational procedures and sanitary guidelines to prioritize the safety of its guests and staff. SIR has nine Restaurants in those areas. On June 19, 2020 patio openings were permitted in all other public health regions in Ontario except Toronto, Peel and Windsor-Essex. SIR has 15 restaurants located in the additional public health regions that were permitted to open on June 19, 2020. On June 24, 2020 restaurant patios located within the Toronto and Peel public health regions, where SIR has 26 restaurants, were permitted to open

The province of Quebec permitted the gradual opening of dine-in operations at restaurants in certain regions of the province effective June 15, 2020. Restaurants in the Greater Montreal Area were permitted to gradually re-open dine-in operations effective June 22, 2020. Following strict operational procedures and sanitary guidelines to prioritize the safety of its guests and staff, SIR gradually re-opened its four Jack Astor's locations in the Greater Montreal Area starting on June 22, 2020.

SIR was deemed eligible for the Canada Emergency Wage Subsidy program. As a result, SIR has received a subsidy from the federal government to partially offset certain of its wage costs from mid-March 2020 through to early-June 2020. SIR currently expects to continue to be eligible for this subsidy program through to the end of August 2020.

On June 1, 2020, effective April 1, 2020, SIR obtained a waiver with its senior lender on its covenants until June 30, 2020.

On June 30, 2020, SIR and its Lender entered into a fourth amending agreement to its Credit Agreement (the "Waiver and Amendment"). The Waiver and Amendment provides for the following:

- extension of the waivers of certain anticipated covenant breaches and events of default granted in the June 1, 2020 Third Amending Agreement effective April 1, 2020 until August 31, 2020 (the "Waiver Period"),
- waiving, for the Waiver Period and for the period September 1, 2020 to the Maturity Date, the financial covenants in the Credit Agreement,
- during the Waiver Period and the period September 1, 2020 until the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount, and
- the addition of a new $6.25 million EDC guaranteed BCAP (the "EDC-Guaranteed Facility") to the Credit Agreement – the EDC-Guaranteed Facility is a 364 day revolving term credit facility and can be extended at the Lender's sole discretion by a further 12 months.

There can be no assurance that SIR will receive additional waivers or remain in compliance in the future.

On June 30, 2020, the Fund and the Partnership entered into an acknowledgement and consent agreement with the Lender acknowledging, among other things:

- receipt of a copy of the Waiver and Amendment,
- that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with SIR,
- any debt arising under the EDC-Guaranteed Facility constitutes Permitted Debt (as such term is defined in the SIR Loan Agreement).

On June 30, 2020, the Fund, the Partnership, and SIR entered into a waiver and extension agreement that, among other things:

- extends the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from June 30, 2020 to August 31, 2020,
- waives any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until August 31, 2020.

SIR has advised the Fund that its ability to meet its obligations for the next 12 to 18 months is dependent on its ability to obtain increased and extended financing through further amendments to its Credit Agreement and the availability of credit under the current Credit Agreement or other financing sources and/or additional government assistance to aid businesses.

SIR's ability to meet its obligations for the next 12 to 18 months also depends on, among other factors, the length of the closure of dine-in operations at certain of its restaurants due to COVID-19, the speed at which SIR is able to return to full operating capacity in the near future, Canadian economic conditions after bars and restaurants are able to fully re-open, and SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases. SIR is continuing to pursue insurance coverage, but there can be no assurance that it will be successful.

Reduced services and restaurant closures have resulted, and will continue to result, in material declines to sales at SIR restaurants. In order to provide SIR with financial support, the Partnership deferred the collection of restaurant royalties and interest on the SIR Loan from SIR until August 31, 2020.

Description of non-IFRS measures

Management believes that disclosing certain non-IFRS financial measures provides a useful supplemental measure to evaluate the Fund's performance. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about the Fund than investors would have if they simply considered IFRS measures alone.

The non-IFRS financial measures do not have standardized meanings prescribed by IFRS. The Fund's method of calculating these non-IFRS financial measures may differ from that of other issuers and, accordingly, may not be comparable to measures used by other issuers.

<u>Same Store Sales and Same Store Sales Growth</u>

The Fund believes that Same Store Sales ("SSS") and Same Store Sales Growth ("SSSG") are useful measures and provide investors with an indication of the change in year-over-year sales. SSS includes revenue from all SIR Restaurants included in Pooled Revenue for the fiscal years 2020 and fiscal 2019, except for those locations that were not open for the entire comparable periods in fiscal 2020 and fiscal 2019. The seasonal Abbey's Bakehouse is not a SIR Restaurant. 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.

<u>Adjusted Net Earnings</u>

References to Adjusted Net Earnings are to the Fund's net earnings (loss) plus or minus the impairment on the investment in the Partnership and replacing the change in estimated fair value of the SIR Loan as reported in the statement of earnings with the interest received on the SIR Loan during the period and the corresponding deferred tax expense or recovery from the net earnings for the period. Management believes that in addition to net earnings (loss), Adjusted Net Earnings is a useful supplemental measure to evaluate the Fund's performance. The impairment on the investment in the Partnership is a non-cash adjustment based on the impairment adjustment in the Partnership. The change in estimated fair value of the SIR Loan is a non-cash fair value adjustment resulting from the adoption of IFRS 9 on January 1, 2018 and varies with changes in a discount rate that fluctuates based on current market interest rates adjusted for SIR's credit risk. The replacement of the non-cash change in estimated fair value of the SIR Loan with the interest received, and the corresponding deferred tax amount, eliminates this non-cash impact. Management cautions investors that Adjusted Net Earnings 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 the Fund's performance. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings on page 11 of this document.

<u>Adjusted Net Earnings per Fund Unit</u>

Adjusted Earnings per Fund unit represents the portion of net earnings adjusted for any impairment adjustment on the investment in the Partnership and the change in estimated fair value of the SIR Loan and the deferred tax expense or recovery for the period allocated to each outstanding Fund unit.

<u>Distributable Cash and Payout Ratio</u>

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. 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.

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 SIR Holdings Trust (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 the 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: the impact of the COVID-19 pandemic; 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; pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products; changes in tariffs and international trade; 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 and forced closures of restaurants and bars; laws affecting the sale and use of alcohol (including availability and enforcement); changes in cannabis laws; 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. 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 June 30, 2020.

In formulating the forward-looking statements contained herein, Management has assumed that it will be successful in dealing with the effects of the COVID-19 pandemic and that business and economic conditions affecting SIR's restaurants and the Fund will return to normalcy within the medium term. For more information concerning the Fund's risks and uncertainties, please refer to the March 12, 2020 Annual Information Form, for the period ended December 31, 2019, 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