SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 12-WEEK PERIOD ENDED NOVEMBER 22, 2020

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Q1 2021 Executive Summary

SIR Corp.'s ("SIR's") first quarter of Fiscal 2021 was from August 31, 2020 to November 22, 2020 inclusive. The following is a summary of operational and financial results for SIR's 12-week period ended November 22, 2020 ("Q1 2021"):

Coronavirus ("COVID-19") Outbreak:

- Since the date of SIR's last financial report, which was filed on December 1, 2020, the COVID-19 pandemic has continued to significantly impact the operations of the company.
- The hospitality industry has faced, and continues to face, significant challenges related to continuing updates to restrictions imposed by federal, provincial and municipal governments. Restaurants have incurred significant costs to implement strict safety protocols for both patio and indoor dining, including the installation of plexiglass barriers in dining rooms, expansion of patios, adding heaters to extend patio dining season, swift changes to operations to increase take-out and delivery offerings when restaurants were 100% reliant on take-out and delivery during the months of May and June 2020.
- On September 30, 2020, SIR and its Lender entered into a fifth amending agreement to its Credit Agreement which, among other things, extended certain waivers from August 31, 2020 to December 31, 2020. This date was subsequently extended to March 31, 2021. There can be no assurance that SIR will receive additional waivers or remain in compliance in the future.
- On September 30, 2020, the SIR Royalty Income Fund (the "Fund") and the SIR Royalty Limited Partnership (the "Partnership") entered into an acknowledgement consent agreement with the Lender, and the Fund, the Partnership, and SIR entered into a waiver and extension agreement. The current expiration date of certain deferrals in these agreements is December 31, 2020. This date was subsequently extended to March 31, 2021.
- Due to increasing COVID-19 case counts in Ontario and Quebec, the provincial governments have imposed increased restrictions on in-restaurant dining. Increased restrictions target regions with the highest new case rates. These restrictions have included, among other things (in increasing levels of adverse impact on SIR's business): lowering music levels, shorter hours for alcohol service, reductions to group sizes, further reductions to indoor dining capacity, and full closure of in-restaurant and outdoor-patio dining.
- On September 28, 2020 the Quebec government announced, effective October 1, 2020, all restaurants and bars in three regions of the province with high rates of new cases would be closed for at least 28 days other than for takeout and delivery. This affected four Jack Astor's locations. Prior to the end of October, the closures were extended another 28 days to November 23, 2020. On November 19, 2020, the Quebec government announced that these closures would remain in place until January 11, 2021.
- Effective October 10, 2020, the Toronto, Ottawa and Peel regions, where SIR has 28 restaurants, returned to modified Stage 2 restrictions, resulting in the temporary closure of indoor dining rooms and bars in these regions for 28 days. Effective October 19, 2020, the York region, where SIR has five restaurants, was also returned to modified Stage 2 restrictions for 28 days. As of November 7, 2020, dining rooms in the Toronto, Ottawa, Peel, and York regions were permitted to re-open.
- Effective November 9, 2020, additional regions were moved into various zones within the provincial government's new COVID-19 framework, which restricted the capacity of indoor dining guests. The Red/Control zone, which limited indoor dining capacity to 10 guests, affected 35 SIR restaurants in the Toronto, Peel, York, Halton, and Hamilton regions.
- Reduced services and restaurant closures have resulted in material declines to sales at SIR restaurants. Limited capacity re-openings, or full closures, of in-restaurant and outdoor-patio dining will continue to result in material declines to sales at SIR restaurants. As a result of the COVID-19 outbreak and ongoing government and public health official recommendations and restrictions, as disclosed in note 1 of the consolidated financial statements, there are material uncertainties that may cast doubt on SIR's ability to continue as a going concern (Please refer to the Liquidity and Capital Resources section for more details).
- SIR was deemed eligible for the Canada Emergency Wage Subsidy ("CEWS") program. As a result, SIR has received a subsidy from the federal government to partially offset certain of its wage costs starting in mid-March 2020. SIR currently expects to continue to be eligible for CEWS through to at least its current expected end date of June 2021.

- SIR has submitted claims for the first two periods of the new Canadian Emergency Rent Subsidy ("CERS"). The total amount claimed as at November 22, 2020 is $0.6 million.
- SIR was deemed eligible for the Ontario COVID-19 Energy Assistance Program which provides support to businesses to partially offset the cost of energy bills. SIR received a rebate under this program on January 4, 2021.

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

- Period-over-period declines in revenue and SSS[(1)] noted below are directly attributable to the COVID-19 outbreak.
- Food and beverage revenue from corporate restaurant operations for Q1 2021 totaled $28.7 million, a decrease of 53.8%, or $33.4 million, compared to the 12-week period ended November 17, 2019 ("Q1 2020").
- Consolidated SSS[(1)] declined 54.1% for Q1 2021. This decline is primarily a result of the negative impact of the COVID-19 outbreak on food and beverage revenue since mid-March 2020.
- SIR's flagship Concept Restaurant brand, Jack Astor's, which generated approximately 79.0% of Pooled Revenue in Q1 2021, had a SSS[(1)] decline of 46.3% for Q1 2021.
- Scaddabush had a SSS[(1)] decline of 53.8% for Q1 2021.
- Canyon Creek had a SSS[(1)] decline of 96.4% for Q1 2021.
- The Signature Restaurants had a SSS[(1)] decline of 85.9% for Q1 2021.
- Please refer to page 12 for a discussion on the factors that impacted SSS[(1)] in Q1 2021.
- Prior to the COVID-19 outbreak, take-out and delivery sales comprised approximately 5% of SIR's food and beverage revenue. Through the development of new product and service offerings, SIR's take-out and delivery sales have grown significantly, but this growth has only partially offset the negative impact on SIR's food and beverage revenue due to capacity restrictions resulting from the COVID-19 outbreak.

Net Earnings (Loss) and Comprehensive Income (Loss), Adjusted Net Earnings (Loss)[(1)], EBITDA[(1)], and Adjusted EBITDA[(1)]

- Net loss and comprehensive loss was $5.6 million for Q1 2021, compared to net earnings and comprehensive income of $33.7 million for Q1 2020.
- Adjusted Net Loss[(1)] was $5.6 million in Q1 2021, compared to Adjusted Net Loss[(1)] of $1.0 million in Q1 2020.
- EBITDA[(1)] was $2.7 million in Q1 2021, compared to $7.3 million in Q1 2020, and Adjusted EBITDA[(1)] was $1.1 million in Q1 2021, compared to Adjusted EBITDA[(1)] of $4.0 Q1 2020.

Amendments to SIR's Credit Agreement, payment of royalties and interest on the SIR Loan

- On September 30, 2020, SIR entered into a fifth amending agreement to its credit agreement ("Credit Agreement") with a Schedule I Canadian chartered bank (the "Lender") which, among other things, extended certain waivers from August 31, 2020 to December 31, 2020.
- On September 30, 2020, 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. The current expiration date of certain deferrals in these agreements was December 31, 2020.
- On December 21, 2020, SIR entered into a sixth amending agreement to its Credit Agreement which, among other things, extended certain waivers from December 31, 2020 to March 31, 2021.
- On December 21, 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. The updated expiration date of certain deferrals in these agreements is March 31, 2021.
- There can be no assurance that SIR will receive additional waivers or remain in compliance in the future.
- For details on all agreements entered into on September 30, 2020 and December 21, 2020, please refer to the Outlook section on page 25.

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(1) Same store sales ("SSS"), same store sales growth ("SSSG"), Adjusted Net Earnings (Loss), Earnings before interest, tax, depreciation, and amortization ("EBITDA"), and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("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 26).

Outlook

- Subsequent to November 22, 2020, effective January 8, 2021, SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.
- Effective November 23, 2020, the Ontario government announced additional movement of various regions within its COVID-19 framework. 25 SIR restaurants (in the Toronto and Peel regions) were moved into the Grey/Lockdown zone, which prohibits indoor and patio dining. York, Halton, Hamilton, Durham, and Kitchener-Waterloo regions, where SIR has a total of 13 restaurants, were classified under the Red/Control zone, which limits indoor dining capacity to 10 guests.
- Effective November 26, 2020, the provincial government in Nova Scotia, where SIR has two restaurants, announced the closure of all restaurant dining rooms. Restaurant dining rooms were permitted to re-open in the Halifax Regional Municipality, where both of SIR's restaurants in the province are located, on January 4, 2021.
- Due to continuing increasing COVID-19 case counts, the provincial government moved all regions in Southern Ontario into lockdown for at least 28 days beginning on December 26, 2020. As a result, SIR closed all of its dining rooms, bars, and patios. SIR continues to offer take-out and delivery services at certain of its locations.
- The new Scaddabush restaurant in Burlington, Ontario, opened November 19, 2019, will be added to Royalty Pooled Restaurants effective January 1, 2021. The permanently closed Jack Astor's restaurant in Calgary, Alberta will cease to be part of Royalty Pooled Restaurants effective January 1, 2021.
- 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 duration of restaurant capacity restrictions due to COVID-19, SIR's ability to return to increased or full operating capacity in the near future, Canadian economic conditions after bars and restaurants are able to fully reopen, the type and impact of any 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's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue its claim through legal avenues. There can be no assurance this action will be successful.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at November 22, 2020, 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 include Reds® Wine Tavern, Reds® Midtown Tavern, Reds® Square One, and the Loose Moose®. SIR also owns two Duke's Refresher and Bar restaurants in downtown Toronto and one seasonal restaurant, Abbey's Bakehouse®, which are not part of Royalty Pooled Restaurants. SIR owns 100% of all its Canadian restaurants. As at November 22, 2020, 56 SIR Restaurants were included in Royalty Pooled Restaurants (55 operating and one closed).

Effective July 15, 2020, SIR permanently closed the Jack Astor's restaurant in Calgary, Alberta. In accordance with the License and Royalty Agreement, as of October 12, 2019, the 15th anniversary of the closing date of the Fund's Initial Public Offering, SIR was no longer required to pay a "Make-Whole Payment" in respect of a permanently closed Royalty Pooled Restaurant.

Effective October 13, 2019, SIR permanently closed the Canyon Creek restaurant in Burlington, Ontario. As noted above, SIR is not required to pay a "Make-Whole Payment" in respect of this restaurant.

Effective September 23, 2019, SIR permanently closed the Jack Astor's restaurant on John Street in downtown Toronto at the end of the lease, as SIR was unable to negotiate an economically acceptable lease extension given rent and property tax escalations in the location in recent years. Under terms of the License and Royalty Agreement between SIR and the Partnership, SIR was obligated to indirectly pay the Fund, via the Partnership, a "Make-Whole Payment", subject to certain terms, equal to $0.06 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, 2019.

On January 1, 2020, the new Scaddabush restaurant in the Mimico neighbourhood of Etobicoke, Ontario (opened June 2, 2019), was added to Royalty Pooled Restaurants. Three restaurants - the two closed Jack Astor's restaurants in downtown Toronto and the closed Canyon Creek restaurant in Burlington, Ontario - were removed from Royalty Pooled Restaurants on January 1, 2020.

On September 26, 2019, SIR opened a new Duke's Refresher in the St. Lawrence Market neighbourhood of downtown Toronto. 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 are expected to occur before November 22, 2020, Duke's Refresher is not expected to be added to the Royalty Pool on January 1, 2021. The Duke's Refresher brand is currently being managed and developed by SIR's Signature group. Accordingly, the two Duke's Refresher locations in downtown Toronto are classified as a Signature restaurant for SIR 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 sequential accounting periods of 12, 12, 12 and 16 (or 17) weeks, respectively. The fiscal years for 2021 and 2020 consist of 52 weeks and 53 weeks, respectively.

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 22, 2020 and November 17, 2019, respectively. The audited annual 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 22, 2020	12-Week Period Ended November 17, 2019
	(in thousands of dollars) (unaudited)	
Corporate restaurant operations:		
Revenue	28,775	62,153
Cost of corporate restaurant operations	29,429	57,333
(Loss) earnings from corporate restaurant operations	**(654)**	**4,820**
Net earnings (loss) and comprehensive income (loss)	**(5,649)**	**33,728**
Adjusted Net Earnings (Loss)[(1)]	**(5,649)**	**(963)**

Statement of Financial Position	November 22, 2020	August 30, 2020
	(in thousands of dollars)	
Total assets	148,366	157,593
Total non-current liabilities	91,821	93,317

Adjusted Net Earnings (Loss)[(1)], EBITDA[(1)] and Adjusted EBITDA[(1)]

Adjusted Net Earnings (Loss)[(1)], EBITDA[(1)] and Adjusted EBITDA[(1)] 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)[(1)] consist of net earnings (loss) excluding the change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership. EBITDA[(1)] and Adjusted EBITDA[(1)] 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)[(1)], EBITDA[(1)] and Adjusted EBITDA[(1)] are useful measures 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 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)[(1)]:

	12-Week Period Ended November 22, 2020	12-Week Period Ended November 17, 2019
	(in thousands of dollars) (unaudited)	
Net earnings (loss) for the period	(5,649)	33,728
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	-	(34,691)
Adjusted Net Loss [(1)]	**(5,649)**	**(963)**

The following table reconciles net earnings (loss) and comprehensive income (loss) for the 12-week periods ended November 22, 2020 and November 17, 2019 to EBITDA[(1)] and Adjusted EBITDA[(1)]:

	12-Week Period Ended November 22, 2020	12-Week Period Ended November 17, 2019
	(in thousands of dollars) (unaudited)	
Net income (loss) and comprehensive income (loss) for the period	(5,649)	33,728
Add (deduct):		
Provision for income taxes	-	(204)
Interest expense	399	422
Interest on lease obligations	1,377	1,693
Interest on loan payable to SIR Royalty Income Fund	704	695
Depreciation and amortization	5,825	5,730
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	-	(34,691)
EBITDA[(1)]	**2,656**	**7,373**
Interest (income) and other expense (income) – net	1,845	(69)
Loss on disposal of property and equipment	8	62
Cash rent - net	(3,447)	(3,982)
Pre-opening costs	-	652
Adjusted EBITDA[(1)]	**1,062**	**4,036**
Income from Class A & B GP Units of the Partnership[(2)] (Not included in EBITDA[(1)] and Adjusted EBITDA[(1)] above)	256	748
6% Royalty obligations under License and Royalty Agreement[(3)]	1,664	3,705

(2) 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.

(3) 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 22, 2020	12-Week Period Ended November 17, 2019
	(in thousands of dollars) (unaudited)	
Food and beverage revenue reported in consolidated financial statements	28,764	62,069
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(1,028)	(1,408)
Revenue for Restaurants in Royalty pool (Pooled Revenue)	**27,736**	**60,661**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[1]	12-Week Period Ended November 22, 2020	12-Week Period Ended November 17, 2019
	(in thousands of dollars) (unaudited)	
Food and beverage revenue reported in consolidated financial statements	28,764	62,069
Less: Revenue from corporate restaurant operations excluded from Same Store Sales[1]	(967)	(1,509)
Same Store Sales[1]	**27,797**	**60,560**

Same Store Sales[1] by Segment	12-Week Period Ended November 22, 2020	12-Week Period Ended November 17, 2019	% Fav./ (Unfav.)
	(in thousands of dollars) (unaudited)		
Jack Astor's	21,967	40,940	(46.3%)
Scaddabush	4,888	10,578	(53.8%)
Canyon Creek	117	3,209	(96.4%)
Signature Restaurants	825	5,833	(85.9%)
Same Store Sales[1]	**27,797**	**60,560**	**(54.1%)**

Summary of Quarterly Results

Statement of Operations	1st Quarter Ended November 22, 2020 (12 weeks)	4th Quarter Ended August 30, 2020 (17 weeks)	3rd Quarter Ended May 3, 2020 (12 weeks)	2nd 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)
				(in thousands of dollars)				
Corporate Restaurant Operations								
Revenue	28,775	34,451	27,941	61,511	62,153	97,099	67,713	65,716
Cost of corporate restaurant operations	29,429	31,978	40,333	56,446	57,333	88,941	62,126	61,374
(Loss) earnings from corporate restaurant operations	**(654)**	**2,473**	**(12,392)**	**5,065**	**4,820**	**8,158**	**5,587**	**4,342**
Net earnings (loss) and comprehensive income (loss)	**(5,649)**	**(1,081)**	**38,943**	**6,556**	**33,728**	**42,722**	**(11,198)**	**3,801**
Adjusted Net Earnings (Loss)(1)	**(5,649)**	**(2,308)**	**(17,017)**	**(747)**	**(963)**	**2,272**	**1,248**	**253**

The following table reconciles net earnings (loss) and comprehensive income (loss) for the quarters to Adjusted Net Earnings (Loss)(1):

	1st Quarter Ended November 22, 2020 (12 weeks)	4th Quarter Ended August 30, 2020 (17 weeks)	3rd Quarter Ended May 3, 2020 (12 weeks)	2nd 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)
				(in thousands of dollars)				
Net earnings (loss) and comprehensive income (loss)	(5,649)	(1,081)	38,943	6,556	33,728	42,722	(11,198)	3,801
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	-	(1,227)	(55,960)	(7,303)	(34,691)	(40,450)	12,446	(3,548)
Adjusted Net Earnings (Loss)(1)	**(5,649)**	**(2,308)**	**(17,017)**	**(747)**	**(963)**	**2,272**	**1,248**	**253**

Selected Consolidated Statement of Cash Flows Information:

	1st Quarter Ended November 22, 2020 (12 weeks)	4th Quarter Ended August 30, 2020 (17 weeks)	3rd Quarter Ended May 3, 2020 (12 weeks)	2nd 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)
				(in thousands of dollars)				
Cash provided by (used in) operations	5,314	4,410	(2,284)	3,936	1,986	9,660	3,509	(2,757)
Cash used in investing activities	(280)	(91)	(208)	(2,070)	(1,236)	(3,351)	(3,523)	(1,650)
Cash provided by (used in) financing activities	(3,883)	(3,169)	931	(5,331)	1,129	(5,022)	(856)	3,460
Increase (decrease) in cash and cash equivalents during the period	1,151	1,150	(1,561)	(3,465)	1,879	1,287	(870)	(947)
Cash and cash equivalents – Beginning of period	1,617	467	2,028	5,493	3,614	2,327	3,197	4,144
Cash and cash equivalents – End of period	2,768	1,617	467	2,028	5,493	3,614	2,327	3,197

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 this Management Discussion & Analysis ("MD&A"). The following definitions are provided for greater clarification of these groupings:

i. Revenue (per the SIR consolidated statements of operations and comprehensive income (loss)) – this is the total consolidated revenue of all restaurants for the period. The restaurants include all SIR Restaurants as well as Abbey's Bakehouse. For the 12-week period ended November 22, 2020, revenue was $28.8 million.

ii. Same Store Sales(1) ("SSS") – this is a sub-set of Revenue used for tracking comparable year-over-year sales. For Q1 2021 and Q1 2020, SSS(1) includes all SIR Restaurants, except for those restaurants that were not open for the entire comparable periods in fiscal 2021 and fiscal 2020, and Abbey's Bakehouse as it is not a SIR Restaurant. SIR Restaurants that have been impacted due to COVID-19 related restrictions beginning in Fiscal 2020, but have not been permanently closed, are included in the calculation of SSS(1) performance. SIR's SSS(1) performance in Q1 2021 does not include the Jack Astor's location in the St. Lawrence Market neighbourhood of downtown Toronto, the Jack Astor's location on John Street in downtown Toronto, the Canyon Creek location on Front Street in downtown Toronto, the Canyon Creek location in Burlington, Ontario, and the Jack Astor's location in Calgary, Alberta as their sales are excluded from the calculation of SSS(1) similar to any permanently closed locations. The SSS(1) performance for Scaddabush does not include the new Scaddabush location in Burlington, Ontario (opened in Q2 2020) as this location was not open for the entire comparable periods in Fiscal 2021 and Fiscal 2020. The new Duke's Refresher in the St. Lawrence Market neighbourhood of downtown Toronto is also excluded from the calculation of SSS(1) for the 12-week period ended November 22, 2020, since it was not open for the entire comparable periods in Fiscal 2021 and Fiscal 2020. For the 12-week period ended November 22, 2020, SSS(1) were $27.8 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 22, 2020, there were 56 Royalty Pooled Restaurants (55 operating and one closed). For the 12-week period ended November 22, 2020, Pooled Revenue was $27.7 million. The applicable Royalty payable to the Partnership on the Pooled Revenue for this period was $1.7 million.

Same Store Sales(1)

SIR reported overall SSS(1) decline of 54.1% for Q1 2021. SSS(1) are typically impacted by changes in guest traffic and average cheque amount. Year-over-year declines in revenue and SSS(1) noted below are primarily directly attributable to the COVID-19 outbreak. The other factors noted below relate primarily to the periods prior to COVID-19 related business restrictions.

Prior to the COVID-19 outbreak that materially impacted sales at SIR restaurants beginning in mid-March 2020, SIR identified shifts in consumer behavior related to spending at full-service restaurants, especially in Ontario, that SIR believes 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 were previously unable to order alcoholic beverages, which had contributed to a decline in beverage sales at SIR restaurants. Temporary government regulations designed to support restaurants during the COVID-19 pandemic have permitted sales of alcohol with take-out and delivery orders effective March 26, 2020. The Ontario government has announced its intention to allow bars and restaurants in the province to offer alcohol with take-out and delivery orders on a permanent basis.

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.

According to Restaurants Canada data, real commercial food service sales (sales adjusted for menu inflation) in Ontario declined 0.3% in calendar year 2018 (despite the generally higher menu prices) and rebounded only slightly by 0.8% in calendar year 2019.

During Q4 2020, SIR gradually re-opened patios and dining rooms as permitted by provincial governments. However, social distancing seating, limited capacity dining, and other measures, followed by the full closure of all SIR dining rooms and bars in Quebec and the Toronto, Peel, Ottawa, and York regions of Ontario during Q1 2021, resulted in significant sales declines during the quarter compared to the same period in Fiscal 2020, causing a SSS(1) decline by concept and overall in this period.

Jack Astor's, SIR's flagship Concept Restaurant brand, which contributed approximately 79% of Q1 2021 Pooled Revenue, had a SSS(1) decline of 46.3% for Q1 2021.

Scaddabush SSS(1) performance for Q1 2021 includes nine Scaddabush locations (Mississauga, Richmond Hill, Scarborough, Oakville, Vaughan, and two locations in Etobicoke, Ontario, as well as Front Street and Yonge and Gerrard in downtown Toronto). Scaddabush had a SSS(1) decline of 53.8% for Q1 2021. The Scaddabush restaurant in Burlington, Ontario is excluded from the calculation of Q1 2021 SSS(1) as it was not in operation for the entire comparable period a year ago.

Canyon Creek had a SSS(1) decline of 96.4% for Q1 2021. Sales from the closed Canyon Creek location in Burlington, Ontario (permanently closed in Q2 2020) have been excluded from the calculation of SSS(1) performance for Q1 2021. Subsequent to November 22, 2020, effective January 8, 2021, SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.

The downtown Toronto Signature Restaurants had SSS(1) declines of 85.9% for Q1 2021. The Q1 2021 SSS(1) for the Signature Restaurants does not include the new Duke's Refresher in the St. Lawrence Market neighborhood of downtown Toronto which opened during Q1 2020, on September 26, 2019.

Cost of Corporate Restaurant Operations

Costs of corporate restaurant operations as a percentage of revenue were 102.3% for Q1 2021, compared to 92.2% for Q1 2020. Higher costs as a percentage of revenue for Fiscal 2021 was primarily attributable to the significant decline in revenue, compared to Fiscal 2020, partially offset by lower operating costs due to the shutdown of dining rooms and bars at all SIR restaurants, operating efficiencies, and the recognition of the CEWS that covers the claim periods from August 31, 2020 to November 22, 2020**.**

Corporate Costs

Corporate costs were $0.7 million for Q1 2021, compared to $3.2 million for Q1 2020. The decrease is primarily the result of lower compensation costs as corporate wages are offset by the recognition of the CEWS that covers the claim periods from August 31, 2020 to November 22, 2020.

Interest Expense

Interest expense was $0.4 million for both Q1 2021 and Q1 2020.

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 2021, the change in amortized cost is $nil and is impacted by the temporary suspension of unitholder distributions by the Fund related to the temporary suspension of dine-in restaurant operations at all of SIR's restaurants. Unitholder distributions are suspended until further notice.

Interest on the SIR Loan totaled $0.7 million for both Q1 2021 and Q1 2020. The Fund has deferred collection of interest on the SIR Loan until further notice in order to provide SIR with financial support during the COVID-19 pandemic.

EBITDA(1) and Adjusted EBITDA(1)

EBITDA(1) was $2.7 million for Q1 2021, compared to EBITDA(1) of $7.3 million for Q1 2020.

Adjusted EBITDA[(1)] was $1.1 million for Q1 2021, compared to Adjusted EBITDA[(1)] of $4.0 million for Q1 2020. (See Selected Consolidated Historical Financial Information – Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA[(1)] and Adjusted EBITDA[(1)].

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 noted above 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 22, 2020 and November 17, 2019.

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.

The Partnership deferred the collection of royalties and interest on the SIR Loan from SIR until December 31, 2020 and, subsequent to Q1 2021, to March 31, 2021.

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

	12-Week Period Ended November 22, 2020	12-Week Period Ended November 17, 2019
	(in thousands of dollars) (unaudited)	
Balance – Beginning of the period	-	105,755
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	-	(34,691)
Distributions paid to Ordinary LP and Class A LP unitholders	-	(2,841)
Balance – End of period	-	68,223
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	-	(8,965)

Ordinary LP Units and Class A LP Units of the Partnership	-	59,258

	12-Week Period Ended November 22, 2020	12-Week Period Ended November 17, 2019
	(in thousands of dollars) (unaudited)	
Pooled Revenue[4]	60,661	60,661
Partnership royalty income[5]	1,664	3,705
Other Income	6	6
Partnership expenses	(54)	(15)
Net earnings of the Partnership	1,616	3,696
SIR's residual interest in the earnings of the Partnership:		
Income from Class A & B GP Units of the Partnership	(256)	(748)
Income from Class C GP Units of the Partnership	(692)	(682)
	(948)	(1,430)
Fund's interest in the earnings of the Partnership	668	2,266

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. 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.

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 is no longer required to pay any Make-Whole Payments in respect of a permanently closed restaurant following October 12, 2019. 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.

As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2020 (January 1, 2019 - two), as well as the Second Incremental Adjustment for one 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

(4) 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.

(5) 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.

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 – increasing 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 were 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).

SIR's residual interest in the Partnership is 17.84% as at November 22, 2020 (August 30, 2020 – 17.84%).

(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 22, 2020	12-Week Period Ended November 17, 2019
	(in thousands of dollars) (unaudited)	
Cash provided by operations	5,314	1,986
Cash used in investing activities	(280)	(1,236)
Cash provided by (used in) financing activities	(3,883)	1,129
Increase in cash and cash equivalents during the period	1,151	1,879
Cash and cash equivalents – Beginning of period	1,617	3,614
Cash and cash equivalents – End of period	2,768	5,493

Cash provided by operations increased by $3.3 million in Q1 2021 compared to Q1 2020. The increase is primarily attributable to a decrease in distributions paid to the Ordinary LP and Class A LP unitholders of $2.8 million in the quarter.

Investing activities used cash of $0.3 million for Q1 2021, compared $1.2 million for Q1 2020. Purchases of property and equipment and other assets – net amounted to $0.3 million for Q1 2021, compared to $1.3 million in Q1 2020. The majority of the capital expenditures for Q1 2021 relate to operating and maintenance related items. The majority of the capital expenditures for Q1 2020 related to: i) the construction of the new Dukes Refresher in downtown Toronto that opened subsequent to Q4 2019; and ii) the construction of the new Scaddabush restaurant in Burlington that opened in Q2 2020.

Cash used in financing activities was $3.8 million for Q1 2021, compared to cash provided by financing activities of $1.1 million for Q1 2020. Bank indebtedness decreased by $3.7 million in Q1 2021, compared to the decrease in bank indebtedness of $3.0 million for Q1 2020. Proceeds from issuance of long-term debt were $7.5 million for Q1 2021, and $10.0 million for the comparable period a year ago. Principal repayments on long-term debt were $2.8 million for Q1 2021, and $0.7 million for Q1 2020. Principal repayments on lease obligations were $4.4 million for Q1 2021, compared to $4.0 million for Q1 2020. Interest paid was $0.4 million for Q1 2021, compared to $1.1 million for Q1 2020.

The new Scaddabush restaurant in the Mimico neighbourhood of Etobicoke, Ontario (opened June 2, 2019) was added to the Royalty Pooled Restaurants effective January 1, 2020. 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, 2019 and was reduced by an adjustment for the permanent closure of three SIR Restaurants in 2019. 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, 2020, SIR held 1,818,351 Class A GP Units.

As at November 22, 2020, SIR had current assets of $15.6 million (August 30, 2020 – $18.8 million) and current liabilities of $123.5 million (August 30, 2020 – $125.6 million) resulting in a working capital deficit of $107.9 million (August 30, 2020 – $106.8 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. The reclassification of both the carrying value of the credit facilities under the Credit Agreement and the carrying value of the loan payable to the Fund to current liabilities has resulted in a significant increase in current liabilities. SIR's available working capital has been impacted by the COVID-19 outbreak. For more information, please refer to note 1, Going Concern Assumption, in SIR's condensed interim consolidated financial statements for the 12-week period ended November 22, 2020.

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, as amended on December 8, 2017, July 6, 2018, April 1, 2020, June 30, 2020, September 30, 2020, and December 21, 2020 provides for a maximum principal amount of $40.3 million consisting of a $20.0 million revolving term credit facility (Credit Facility 1), and a $20.3 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.

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.

During Q1 2020, SIR drew an additional $5.0 million on Credit Facility 2. On April 2, 2020, SIR drew an additional $5.5 million on Credit Facility 2.

As at November 22, 2020, SIR has drawn $36.2 million on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 30, 2020 - $36.7 million).

Under its Credit Agreement, the Company also has access to $6.3 million of credit with Economic Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (the "EDC-Guaranteed Facility"). 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. On December 14, 2020, SIR drew $3.0 million on this facility.

As part of the fourth amending agreement with the Lender, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount. Management continues to work closely with its Lender for guidance and support.

On May 27, 2020, effective April 1, 2020, SIR received a covenant waiver under its Credit Agreement until June 30, 2020. A copy of this waiver has been filed on SEDAR.

On June 30, 2020, SIR and the 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 from September 1, 2020 to the Maturity Date, the financial covenants in the Credit Agreement,
- during the Waiver Period and the period from 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 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.

On September 30, 2020, SIR and its Lender entered into a fifth amending agreement to its Credit Agreement which, among other things, extended certain waivers from August 31, 2020 to December 31, 2020. There can be no assurance that SIR will receive additional waivers or remain in compliance in the future.

On December 21, 2020, SIR and its Lender entered into a sixth amending agreement to its Credit Agreement which, among other things, extended certain waivers from December 31, 2020 to March 31, 2021. There can be no assurance that SIR will receive additional waivers or remain in compliance in the future.

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.

As at November 22, 2020, SIR was in breach of the covenants in the SIR Loan Agreement. As a result, the carrying value of the loan payable to the Fund was reclassified to current liabilities.

Prior to the COVID-19 outbreak, SIR was a viable going concern and was in compliance with financial and non-financial covenants as outlined in its Credit Agreement and SIR Loan Agreement.

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.

As at November 22, 2020, SIR's liquidity was comprised of $2.8 million in cash on hand, $1.2 million available to borrow under its credit facility, and $3.25 million under the EDC-Guaranteed Facility.

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's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue its claim through legal avenues. There can be no assurance this action will be successful.

These circumstances indicate the existence of a material uncertainty that may cast doubt on SIR's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should SIR be unable to continue as a going concern. Such adjustments could be material.

SIR currently holds 1.8 million Class A GP Units, representing a 17.84% residual interest in the Partnership. The Class A GP Units are exchangeable into units of the Fund on a one for one basis, and, as at November 22, 2020, have a market value of approximately $4.2 million.

Under the Credit Agreement and without prior consent from the Lender, SIR may convert Class A GP Units into Fund Units and promptly sell such units for the purposes of financing construction projects for new and existing restaurants, provided in any year the sale of the units does not exceed the lower of $7.0 million and 0.4 million units.

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.

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.

Under the terms of the License and Royalty Agreement, SIR is not required to pay any Make-Whole Payment in respect of a closed restaurant as of October 12, 2019, the 15th anniversary of the closing date of the Fund's Initial Public Offering.

During Q4 2020, SIR permanently closed the Jack Astor's restaurant in Calgary, Alberta. No Make-Whole Payment was made in respect of this closed restaurant. This restaurant ceased to be part of Royalty Pooled Restaurants effective January 1, 2021.

During Q1 2020, SIR permanently closed two restaurants: the Jack Astor's restaurant on John Street in downtown Toronto (effective September 23, 2019) and the Canyon Creek restaurant in Burlington, Ontario (effective October 13, 2019). SIR was required to pay a Make-Whole Payment for the Jack Astor's location from the effective date of closure to December 31, 2019. In accordance with the License and Royalty Agreement, as noted above, as of October 12, 2019, SIR is no longer required to pay a "Make-Whole Payment" in respect of a permanently closed Royalty Pooled Restaurant. Accordingly, no Make-Whole Payment was made in respect of the closed Canyon Creek restaurant in Burlington, Ontario.

The Jack Astor's restaurant on John Street in downtown Toronto, along with the closed Jack Astor's restaurant in the St. Lawrence Market neighbourhood in downtown Toronto and the closed Canyon Creek restaurant in Burlington, Ontario ceased to be part of Royalty Pooled Restaurants on January 1, 2020.

SIR and its subsidiaries have entered into operating leases relating to its head office and restaurant locations with minimum annual payments. It is anticipated that some covenants of certain leases may be breached in light of restaurant closures as a result of legislated closures due to COVID-19, absent successful negotiations with its landlords, other development, or government relief measures.

Off-Balance Sheet Arrangements

With the adoption of IFRS 16, operating leases relating to SIR's head office and restaurant locations with minimum annual payments are no longer considered off-balance sheet arrangements. SIR did not have any material off-balance sheet arrangements as at November 22, 2020, nor did it have any subsequent to Q1 2021.

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 22, 2020	12-Week Period Ended November 17, 2019
	(in thousands of dollars)	
Corporate costs		
Design fees provided by a company owned by a shareholder of SIR	-	7
Direct costs of restaurant operations		
Occupancy costs provided by a company owned by a party related to a director and shareholder of SIR	-	3
Property and equipment		
Design and construction management fees and fixtures purchased from a company owned by a shareholder of SIR	-	12
Fixtures purchased from a shareholder of SIR	-	11
Equipment purchased from a company owned by a director and shareholder of SIR, together with a member of executive management of SIR	-	13

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

	As at November 22, 2020	As at August 30, 2020
	(in thousands of dollars)	
Amounts due from related parties		
Amounts due from U.S. S.I.R. L.L.C. and its subsidiary	49	31
Amounts due to related parties		
Amounts due to companies owned by a shareholder or director of SIR	393	189

- Received repayment against loans and advances from U.S. S.I.R. L.L.C. $nil for the 12-week period ended November 22, 2020 ($0.04 million for the 12-week period ended November 17, 2019). SIR recognized interest income on those loans and advances of $0.007 for the 12-week period ended November 22, 2020 ($0.3 million for the 12-week period ended November 17, 2019). As at November 22, 2020, SIR has loans and advances (adjusted for a provision) of $nil owing from U.S. S.I.R. L.L.C. (August 30, 2020 – $0.4 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.
- During the 52-week period ended August 25, 2019, SIR advanced $0.2 million to a shareholder and director. This advance bears interest at prime plus 2.25%. SIR recognized interest income on this loan of $0.003 million for the 12-week period ended November 22, 2020, respectively ($0.003 million for the 12-week period ended November 17, 2019).

Transactions with the SIR Royalty Income Fund

Advances receivable from the Fund and its subsidiaries as at November 22, 2020 were $3.6 million (August 30, 2020 – $3.5 million). Advances receivable are non-interest bearing and due on demand.

The Partnership continues to defer the collection of restaurant royalties in order to provide SIR with financial support. In addition, the Partnership continues to defer payment of distributions to unitholders and the Fund continues to defer collection of the interest on the SIR Loan. As a result, during the 12-week period ended November 22, 2020, the Partnership recognized an impairment loss on the advances receivable from the Trust, GP and Fund based on management's assessment of the company-specific risks. A rate of 40% was applied to the advances receivable and a provision of $1.4 million was recognized at November 22, 2020.

During Q1 2021, distributions of $0.7 million were declared to the Fund by the Partnership, compared to $2.3 million for Q1 2020. Distributions paid during the 12-week period ended November 22, 2020 were $nil (12-week period ended November 17, 2019 - $2.8 million). 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 22, 2020 were $4.4 million (August 30, 2020 – $3.8 million).

Interest expense on the SIR Loan totaled $0.7 million for both Q1 2021 and Q1 2020. Interest payable on the SIR Loan as at November 22, 2020 was $2.2 million (August 30, 2020 – $1.5 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 2021 ($0.006 million for Q1 2020), 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 30, 2020. The reader will find this information in the annual MD&A for the year ended August 30, 2020.

Changes in Accounting Policies, Including Recently Issued Accounting Pronouncements

Recently adopted accounting pronouncements

Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

This standard has been amended to clarify the definition of 'material'. The definition of material was revised with three new aspects to the definition. The existing definition focused on omitting or misstating information, whereas the new definition makes reference to obscuring information in addition to omitting or misstating. The new definition of material also specifies that information is material if it could reasonably be expected to influence the decisions of users. Previously the definition referred to 'could influence'. The third revision to the definition of material clarifies that the users of the financial statements refers to 'primary users'. The amendment is effective for annual periods beginning on or after January 1, 2020. The amendment will not have a material impact on the consolidated financial statements.

Amendments to IFRS 3, Business Combinations

These amendments provide guidance to assist entities in determining whether they have acquired a business or a group of assets by amending the defined terms, the application guidance, and the illustrative examples found in IFRS 3. The amendments are effective for annual periods beginning on or after January 1, 2020. The amendment will not have a material impact on the consolidated financial statements.

Recently issued accounting pronouncements

IFRS 16, Leases (IFRS 16)

This standard has been amended to provide lessees with an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. This amendment is effective for annual periods beginning on or after June 1, 2020. The Company has received certain rent concessions related to COVID-19 and has modified leases under IFRS 16 where appropriate.

Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures

In August 2020, the IASB issued amendments that address issues arising from the implementation of interest rate benchmark reform, including the replacement of one benchmark with an alternative one. The mandatory effective date would be annual periods beginning on or after January 1, 2021, with early adoption permitted. Management is evaluating the amended standards and has not yet determined the impact on the consolidated financial statements.

IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

This standard has been amended to clarify the classification of liabilities as current or non-current. This amendment is effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 16, Property, Plant and Equipment

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and require certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

IAS 37, Provisions

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

Disaggregated revenue

Under IFRS 15, SIR must disaggregate revenue from contracts with customers. SIR has determined that a disaggregation of revenue using Concept and Signature restaurants is adequate for its circumstances. Food and beverage revenue is determined as follows:

Food and beverage revenue by Concept	17-Week Period Ended November 22, 2020	12-Week Period Ended November 17, 2019
Jack Astor's	21,967	41,771
Scaddabush	5,515	10,578
Canyon Creek	117	3,492
Signature Restaurants	1,165	6,228
	28,764	**62,069**

Financial Instruments

Management believes that there have been no substantial changes in the nature of critical accounting estimates since the year ended August 30, 2020. The reader will find this information in the annual MD&A for the year ended August 30, 2020.

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 and cannabis legislation), 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 12, 2020 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

SIR also faces risks and uncertainties related to the COVID-19 outbreak as outlined in the Outlook section below.

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

As a result of the COVID-19 outbreak and ongoing government and public health official recommendations and restrictions, there are material uncertainties that may cast doubt on SIR's ability to continue as a going concern.

Due to increasing COVID-19 case counts in Ontario and Quebec, the provincial governments have imposed increased restrictions on in-restaurant dining. Increased restrictions target regions with the highest new case rates. These restrictions have included, among other things (in increasing levels of adverse impact on SIR's business): lowering music levels, shorter hours for alcohol service, reductions to group sizes, reductions to indoor dining capacity, and full closure of indoor and patio dining.

Effective November 23, 2020, the Ontario government announced additional movement of various regions within its COVID-19 framework. 25 SIR restaurants (in the Toronto and Peel regions) were moved into the Grey/Lockdown zone, which prohibits indoor and patio dining. York, Halton, Hamilton, Durham, and Kitchener-Waterloo regions, where SIR has a total of 13 restaurants, were classified under the Red/Control zone, which limits indoor dining capacity to 10 guests.

Effective November 26, 2020, the provincial government in Nova Scotia, where SIR has two restaurants, announced the closure of all restaurant dining rooms. Restaurant dining rooms were permitted to re-open in the Halifax Regional Municipality, where both of SIR's restaurants in the province are located, on January 4, 2021.

Due to continuing increasing COVID-19 case counts, the provincial government moved all regions Southern Ontario into lockdown for at least 28 days beginning on December 26, 2020. As a result, SIR closed all of its dining rooms, bars, and patios. SIR continues to offer take-out and delivery services at certain of its locations.

Subsequent to November 22, 2020, SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.

On December 21, 2020 SIR and its Lender entered into a sixth amending agreement to its Credit Agreement which, among other things, extended certain waivers from December 31, 2020 to March 31, 2021.

On December 21, 2020, the Fund and the Partnership entered into an acknowledgement consent agreement with the Lender, and the Fund, the Partnership, and the Company entered into a waiver and extension agreement. The current expiration date of certain deferrals in these agreements is March 31, 2021.

Reduced services, restaurant closures and capacity restrictions 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 the Fund deferred the collection of interest on interest on the SIR Loan from SIR until December 31, 2020.

SIR has submitted claims for the first two periods of the new CERS. The total amount claimed as at November 22, 2020 is $0.6 million.

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's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue its claim through legal avenues. There can be no assurance this action will be successful.

Description of non-IFRS measures

Management believes that disclosing certain non-IFRS financial measures provides a useful supplemental measure to evaluate SIR'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 SIR than investors would have if they simply considered IFRS measures alone.

The non-IFRS financial measures do not have standardized meanings prescribed by IFRS. SIR'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.

Same Store Sales and Same Store Sales Growth

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 2020 and fiscal 2019 and Abbey's Bakehouse as it is not a SIR Restaurant. 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 10 and to the definition of SSS in the Revenue section on page 12.

Adjusted Net Earnings (Loss)

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 8 of this document.

EBITDA and Adjusted EBITDA

References to EBITDA are to the net earnings (loss) for the period before provision for (recovery of) income taxes, interest expense, interest on lease obligations, 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, cash rent payments, 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 Etobicoke and Burlington, 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 9 of this document.

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: 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. 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 January 6, 2021.

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