

SIR Corp.

Condensed Interim Consolidated
Financial Statements
(Unaudited)

**For the 12-week and 36-week periods
ended May 9, 2021**

(in thousands of Canadian dollars)

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

SIR Corp.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(in thousands of Canadian dollars)

	May 9, 2021 \$ (Note 1)	August 30, 2020 \$ (Note 1)
Assets		
Current assets		
Cash	567	1,617
Trade and other receivables (notes 5 and 7(c))	7,956	13,464
Inventories	2,479	2,486
Prepaid expenses, deposits and other assets	1,925	883
Current portion of loans and advances	180	386
	<u>13,107</u>	<u>18,836</u>
Non-current assets		
Loans and advances	48	-
Right-of-use assets – net (note 5)	81,604	97,704
Property and equipment	29,528	36,099
Goodwill and intangible assets	4,886	4,954
	<u>129,173</u>	<u>157,593</u>
Liabilities		
Current liabilities		
Bank indebtedness (note 6)	-	3,711
Trade and other payables (note 6)	18,467	24,300
Current portion of long-term debt (notes 3(a) and 6)	72,579	34,290
Current portion of lease obligation (note 5)	21,984	21,669
Current portion of loan payable to SIR Royalty Income Fund (note 7(a))	-	35,942
Current portion of provisions and other long-term liabilities (note 3(a))	4,274	5,689
	<u>117,304</u>	<u>125,601</u>
Non-current liabilities		
Long-term portion of lease obligation (note 5)	78,811	91,858
Provisions and other long-term liabilities (note 3(a))	2,449	1,459
Ordinary LP Units and Class A LP Units of the Partnership (note 7(b))	25,288	-
	<u>223,852</u>	<u>218,918</u>
Shareholders' Deficiency		
Capital stock	20,462	20,453
Contributed surplus	141	108
Deficit	<u>(115,282)</u>	<u>(81,886)</u>
	<u>(94,679)</u>	<u>(61,325)</u>
	<u>129,173</u>	<u>157,593</u>
Going concern (note 1)		
Subsequent events (note 10)		

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SIR Corp.**Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)**

(in thousands of Canadian dollars)

	12-week period ended		36-week period ended	
	May 9, 2021	May 3, 2020	May 9, 2021	May 3, 2020
	\$	\$	\$	\$
Corporate restaurant operations				
Food and beverage revenue (note 4)	16,260	27,941	57,844	151,465
Gift card revenue	41	-	98	140
	16,301	27,941	57,942	151,605
Costs of corporate restaurant operations	9,308	40,333	55,130	154,112
Earnings (loss) from corporate restaurant operations	6,993	(12,392)	2,812	(2,507)
Corporate costs	10,367	1,908	12,743	8,430
Loss before interest and income taxes	(3,374)	(14,300)	(9,931)	(10,937)
Interest expense	437	458	1,343	1,288
Interest on loan payable to SIR Royalty Income Fund (note 7(a))	725	708	2,122	2,101
Interest expense (income) and other expense (income) – net (note 5)	(795)	72	(9,236)	109
Interest on lease obligation (note 5)	1,229	1,479	3,942	4,714
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 7(b))	14,383	(55,960)	25,288	(97,954)
Earnings (loss) before income taxes	(19,353)	38,943	(33,390)	78,805
(Recovery of) provision for income taxes	-	-	6	(422)
Net earnings (loss) and comprehensive income (loss) for the period	(19,353)	38,943	(33,396)	79,227

The accompanying notes are an integral part of these consolidated financial statements.

SIR Corp.Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited)

(in thousands of Canadian dollars)

	36-week period ended May 9, 2021			
	Capital stock \$	Contributed Surplus \$	Deficit \$	Total \$
Balance - Beginning of period				
Issuance on exercise of options (note 8)	20,453	108	(81,866)	(61,325)
Stock-based compensation	9	-	-	9
	-	33	-	33
Net loss for the period	-	-	(33,396)	(33,396)
Balance - End of period	20,462	141	(115,282)	(94,679)
	36-week ended May 3, 2020			
	Capital stock \$		Deficit \$	Total \$
Balance - Beginning of period as at August 25, 2019 as reported	20,453		(162,443)	(141,990)
Change in accounting policy – adoption of IFRS 16	-		2,411	2,411
Total deficit as at August 26, 2019	20,453		(160,032)	(139,579)
Net earnings for the period	-		79,227	79,227
Balance - End of period	20,453		(80,805)	(60,352)

The accompanying notes are an integral part of these consolidated financial statements.

SIR Corp.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)

	12-week period ended		36-week period ended	
	May 9, 2021 \$	May 3, 2020 \$	May 9, 2021 \$	May 3, 2020 \$
Cash provided by (used in)				
Operating activities				
Net earnings (loss) for the period	(19,353)	38,943	(33,396)	79,227
Items not affecting cash				
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 7(b))	14,383	(55,960)	25,288	(97,954)
Depreciation and amortization	5,664	5,599	16,118	16,960
Stock based compensation	17	-	41	-
Income tax expense (recovery)	-	-	6	(422)
(Recovery of) provision for impairment of loans and advances	237	136	2,010	119
Impairment of non-financial assets	690	9,296	1,178	9,296
Interest expense on long-term debt and SIR Loan	1,162	1,166	3,465	3,389
Interest on lease obligations (note 5)	1,229	1,480	3,942	4,715
Non-cash interest income (loss)	(2)	(27)	-	(85)
Amortization of leasehold inducements	-	(128)	-	(398)
Loss on disposal of property and equipment	11	7	46	160
Other	(65)	36	(319)	80
Supplier rebates received	-	-	138	1,260
Distributions paid to Ordinary LP and Class A LP unitholders (note 7(b))	-	(1,493)	-	(6,574)
Income taxes recovered	(6)	-	(6)	422
Net change in working capital items (note 9)	4,169	(660)	(4,534)	(4,943)
Cash provided by (used in) operating activities	8,136	(1,605)	13,977	5,252
Investing activities				
Purchase of property and equipment and other assets - net	(77)	(360)	(660)	(4,725)
Payment received on shareholder loan	-	-	-	13
Collection of loans and advances	(4)	15	157	125
Cash used in investing activities	(81)	(345)	(503)	(4,587)
Financing activities				
Increase (decrease) in bank indebtedness	-	(2,199)	(3,711)	(1,032)
Proceeds from issuance of long-term debt	6,250	9,091	20,250	20,591
Principal repayment of long-term debt	(14,591)	(841)	(17,824)	(7,165)
Payment of lease obligations (note 5)	(4,033)	(4,243)	(11,763)	(12,475)
Interest paid	(455)	(877)	(1,391)	(3,189)
Exercise of stock options	-	-	8	-
Financing Fees	(44)	-	(93)	-
Cash provided by (used in) financing activities	(12,873)	931	(14,524)	(3,270)
Increase (decrease) in cash and cash equivalents during the period	(4,818)	(1,019)	(1,050)	(2,605)
Cash and cash equivalents - Beginning of period	5,385	2,028	1,617	3,614
Cash and cash equivalents - End of period	567	1,009	567	1,009

The accompanying notes are an integral part of these consolidated financial statements.

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

1 Going concern assumption

In the preparation of financial statements, SIR Corp. (the Company)'s management is required to identify when events or conditions indicate that significant doubt may exist about the Company's ability to continue as a going concern. Significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events indicate that the Company will not be able to meet its obligations as they become due for a period of at least, but not limited to, twelve months from the end of the reporting period. When the Company identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

The COVID-19 pandemic has had a negative impact on global economic activity and has had a significant impact on consumer spending in Canada, including restaurant sales. This has resulted in a severe drop in in-restaurant dining and had a significant impact on the results of the Company for its 53-week year ended August 30, 2020 and 36-week period ended May 9, 2021.

An increase in COVID-19 cases in Ontario and Quebec resulted in the provincial government announcements of new closures and restrictions for restaurants and bars in regions of the provinces with the highest rates of new cases. These new closures began September 28, 2020 in Quebec and October 10, 2020 in Ontario, impacting over half of the Company's locations. Refer to note 10 for more details about subsequent events.

As described in note 6, the Company has a credit agreement (Credit Agreement) with a Schedule 1 Canadian chartered bank (the Lender) which provides for a maximum principal amount of \$52,160,000 consisting of a \$20,000,000 revolving term credit facility (Credit Facility 1), a \$19,660,000 revolving term loan (Credit Facility 2), a \$6,250,000 guaranteed facility with Economic Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (EDC-Guaranteed Facility) and a \$6,250,000 Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility"). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional \$1,500,000. Credit Facility 1 and Credit Facility 2 both mature on July 6, 2021 (the "Maturity Date"). The Company also has a number of leases comprised of restaurant properties, head office, and warehouse space. In light of restaurant closures as a result of legislated closures due to COVID-19, the Company continues to work with its landlords to ensure it meets its obligations under its lease agreements. As at May 9, 2021, the Company was not current with certain lease payments at its restaurant properties, office, and warehouse space. Certain of the Company's landlords have provided relief in the form of deferred and abated rent payments.

Given the uncertainty surrounding the COVID-19 pandemic and the increasing government mandated shutdowns, the Company's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. Management continues to address its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. Subsequent to the 36-week period ended May 9, 2021, effective May 31, 2021, the Company and its Lender entered into an eighth amending agreement to its Credit Agreement which, among other things, extended the maturity date of the credit facilities as well as certain waivers from July 6, 2021 to July 6, 2022. Refer to subsequent events note 10

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

for more details on this agreement. There can be no assurance that borrowings will be available to the Company, or available on acceptable terms, in the future, in an amount sufficient to fund the Company's needs.

SIR Corp.'s ability to meet its obligations for the next 12 to 18 months also depends on, among other factors:

- 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 re-open,
- the ability for SIR to obtain necessary financing through a renewal of its Credit Agreement,
- the availability of credit under SIR's current Credit Agreement or other financing sources,
- SIR's eligibility for continued government assistance, including the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy. During the 53-week period ended August 30, 2020, SIR recognized government assistance through the Canada Emergency Wage Subsidy of \$11,140,554. Of this amount, \$9,892,500 was recognized as a reduction to costs of corporate restaurant operations and \$1,248,054 was recognized as a reduction to corporate costs. For the 36-week period ended May 9, 2021, SIR recognized government assistance through the Canada Emergency Wage Subsidy of \$15,806,052, the Canada Emergency Rent Subsidy of \$2,642,908 and other government subsidies of \$1,045,874. Of these amounts, \$15,156,329 was recognized as a reduction to costs of corporate restaurant operations and \$4,338,505 was recognized as a reduction to corporate costs.
- business interruption insurance coverage, 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, and
- the type and impact of continued government mandated pandemic-related operating regulations.

Reduced services and restaurant closures will continue to result in material declines to sales at SIR restaurants. These circumstances indicate the existence of a material uncertainty that may cast doubt on the Company'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 the Company be unable to continue as a going concern. Such adjustments could be material. The consolidated financial statements of SIR Corp. have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities during the normal course of operations for the foreseeable future. In the preparation of financial statements, SIR Corp.'s management is required to identify when events or conditions indicate that significant doubt may exist about SIR Corp.'s ability to continue as a going concern. Significant doubt about SIR Corp.'s ability to continue as a going concern would exist when relevant conditions and events indicate that SIR Corp. will not be able to meet its obligations as they become due for a period of at least, but not limited to, twelve months from the end of the reporting period. When SIR Corp. identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, SIR Corp. considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic has had a negative impact on global economic activity and has had a significant impact on consumer spending in Canada, including restaurant sales. This has resulted in a severe drop in in-restaurant dining and, effective March 16, 2020, SIR closed all of its dining rooms and bars except for takeout and delivery services at certain of its locations. Government mandated restrictions were eased in June and July,

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

2020, enabling varying levels of in-restaurant and outdoor dining operations by region. Government mandated restrictions were heightened again in October, November and December 2020. Mandated restaurant closures and /or operating restrictions are expected to continue until further notice, in an effort to reduce large group gatherings as required by public health and government officials. Beginning on June 9, 2020, restaurant re-openings commenced in western Canada and the Maritime provinces. On June 12, 2020, certain regions in the province of Ontario began re-opening patio dining. On June 15, 2020, restaurants in Quebec, outside of Montreal, were permitted to re-open for sit-down dining, with Montreal area restaurants following on June 22, 2020.

On July 17, 2020, the province of Ontario permitted the re-opening of limited capacity in-restaurant and patio dining in most public health regions of the province, with exceptions of the Toronto, Peel and Windsor-Essex regions. Accordingly, SIR commenced the gradual re-opening of dine-in and outdoor patio operations at the majority of its restaurants in these regions. On July 31, 2020, the province of Ontario permitted restaurants in the Toronto and Peel public health regions, where SIR has 26 restaurants, to re-open on a similar basis to other regions in the province.

Due to increasing COVID-19 case counts in Quebec, the provincial government imposed increased restrictions on in-restaurant dining. Increased restrictions target regions with the highest new case rates. On October 1, 2020, all restaurants and bars in three regions of the province with high rates of new cases were closed for at least 28 days other than for takeout and delivery. This affected four Jack Astor's locations. This initial 28-day closure period was extended multiple times and has now been extended until further notice.

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.

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.

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

Effective January 8, 2021, SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.

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 locations.

Due to increasing COVID-19 case counts in Ontario, lockdowns remained in effect from December 26, 2020 until February 10, 2021, whereby the Waterloo region, where SIR has one restaurant, was moved into Green/Prevent zone within the provincial government's COVID-19 framework.

Effective February 9, 2021, SIR permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three restaurants closed included a Scaddabush, a Reds and a Duke's.

Effective February 15, 2021, certain locations in Quebec moved into "maximum alert" and dining rooms were to remain closed; only takeout and delivery are permitted.

Effective March 27, 2021, the province of Newfoundland, where SIR has one restaurant, relaxed restrictions for indoor dining.

Effective March 31, 2021, SIR permanently closed the Canyon Creek location in Vaughan, Ontario.

On March 31, 2021, the Company and its Lender entered into a seventh amending agreement to its Credit Agreement which, added a \$6,250,000 Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility") among other things and extended certain waivers from March 31, 2021 to July 6, 2021. There can be no assurance that the Company will receive additional waivers or remain in compliance in the future.

On March 31, 2021, 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 July 6, 2021.

Effective April 8, 2021, the Ontario provincial government declared a state of emergency and a province wide stay-at-home order was issued. All regions are in lockdown and as a result, SIR's dining rooms, bars and patios in Ontario will continue to be closed until at least June 2, 2021. SIR continues to offer take-out and delivery services at certain locations.

2 Nature of operations and fiscal year

Nature of operations

The Company is a private company amalgamated under the Business Corporations Act of Ontario. As at May 9, 2021, the Company owned a total of 60 (August 25, 2019 - 60) Concept and Signature restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia and Newfoundland) (the SIR Restaurants). The Concept restaurants are

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

Jack Astor's Bar and Grill® (Jack Astor's®), Canyon Creek Chop House® (Canyon Creek®) and Scaddabush Italian Kitchen & Bar® (Scaddabush) and the Signature restaurants are Reds® Wine Tavern, Reds® Midtown Tavern, Reds® Square One, and Loose Moose Tap & Grill®. The Company also owns two Dukes Refresher® & Bar locations in downtown Toronto, and one seasonal restaurant, Abbey's Bakehouse®, which are considered Signature restaurants, and are not currently part of Royalty Pooled Restaurants (note 12(b)).

On October 1, 2004, SIR Royalty Income Fund (the Fund) filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering of \$51,167,000 were used by the Fund to acquire certain bank debt of the Company (the SIR Loan) (note 12(a) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of SIR Royalty Limited Partnership (the Partnership) (note 12(b)). On October 12, 2004, the Partnership acquired from the Company the Canadian trademarks used in connection with the operation of the majority of the Company's restaurants in Canada.

The address of the Company's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The consolidated financial statements were approved for issuance by the Board of Directors on June 21, 2021.

Fiscal year

The Company's fiscal year is made up of 52 or 53-week periods ending on the last Sunday in August. The fiscal quarters for the Company 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.

3 Basis of presentation

The Company prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) for interim financial reporting, including International Accounting Standard (IAS) 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the periods ended August 30, 2020 and August 25, 2019, which have been prepared in accordance with IFRS.

The note disclosures for these condensed interim consolidated financial statements only present material changes to the disclosure found in the Company's audited consolidated financial statements for the periods ended August 30, 2020 and August 25, 2019. Changes to the Company's accounting policies from those disclosed in its consolidated financial statements for the periods ended August 30, 2020 and August 25, 2019 are described in note 3(a), recently adopted accounting pronouncements.

a) 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 focussed on omitting or misstating information,

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

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 did 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 did not have a material impact on the consolidated financial statements.

b) Recently issued accounting pronouncements

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

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

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.

4 Disaggregated revenue

The Company has determined that a disaggregation of revenue using Concept and Signature restaurants is adequate for its circumstances. Food and beverage revenue by segment is determined as follows:

	12-week period ended May 9, 2021 \$	12-week period ended May 3, 2020 \$	36-week period ended May 9, 2021 \$	36-week period ended May 3, 2020 \$
	(in thousands of dollars)			
Jack Astor's	13,074	18,354	45,098	100,102
Scaddabush	3,068	5,553	11,221	27,503
Canyon Creek	14	1,286	131	8,303
Signature Restaurants	104	2,747	1,394	15,556
	<u>16,260</u>	<u>27,940</u>	<u>57,844</u>	<u>151,466</u>

5 Right-of-use assets and lease obligations

Leases are included as follows in the condensed interim consolidated balance sheet as at May 9, 2021:

	Property \$	Equipment \$	Total \$
	(in thousands of dollars)		
At August 30, 2020	96,225	1,479	97,704
36-week period ended May 9, 2021			
Derecognition of lease(s)	(6,931)	-	(6,931)
Amortization	<u>(8,815)</u>	<u>(354)</u>	<u>(9,169)</u>
Right-of-use assets – net at May 9, 2021	<u>80,479</u>	<u>1,125</u>	<u>81,604</u>

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

For the 36-week period ended May 9, 2021, the lease obligation transactions were as follows:

	\$ (in thousands of dollars)
At August 30, 2020	113,527
Adjustments for lease abatements	46
Disposals	(5,766)
Other	809
Repayments	(11,763)
Interest	<u>3,942</u>
As at May 9, 2021	100,795
Less: current portion of lease obligations	<u>(21,984)</u>
Long-term portion of lease obligations	<u>78,811</u>

Interest expense on lease obligations for the 12-week and 36-week periods ended May 9, 2021 was \$1,229,000 and \$3,942,000, respectively. Total cash outflow for the 12-week period ended May 9, 2021 for leases was \$4,064,000 which includes \$2,835,000 of principal payments and \$1,229,000 of interest on lease obligations. Total cash outflow for the 36-week period ended May 9, 2021 for leases was \$11,763,000 which includes \$7,821,000 of principal payments and \$3,942,000 of interest on lease obligations. Expenses for leases of low-dollar value items are not significant. All extension options have been included in the measurement of lease obligations where applicable.

Effective February 9, 2021, the Company permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three closed restaurants included a Scaddabush, a Reds and a Duke's. The Scaddabush and Reds locations were part of the Royalty Pool, but the Duke's was not. The Company was offered an early lease termination agreement from the landlord, which would pay the Company proceeds of \$6,000,000 (net of deferred occupancy costs paid) if the properties were returned on February 28, 2021. Given the current operating environment and uncertain future prospects, the Company decided to exercise this option and return the properties to the landlord.

Effective February 28, 2021, the Company reached an agreement with the landlord on an early lease termination agreement for the formerly closed Jack Astor's in MacLeod Trail, Calgary. The agreement would pay the landlord proceeds of \$400,000, over three equal installments on March 1, 2021, April 1, 2021 and May 1, 2021, respectively. Derecognition of the right-of-use assets and the disposal of the lease liability for this location for the 36-week period ended May 9, 2021 was \$1,157,000 and \$901,000, respectively.

Derecognition of the right-of-use assets and the disposal of the lease liability for the 36-week period ended May 9, 2021 was \$6,931,000 and \$5,766,000, respectively.

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

For the 36-week period ended May 9, 2021, the Interest expense (income) and other expense (income) – net transactions were as follows:

	\$ (in thousands of dollars)
Lease contract cancellations and abatements	(10,100)
Restructuring and related transaction costs	650
Interest (income) expense	(6)
Impairment on notes receivable	220
	<hr/>
As at May 9, 2021	(9,236)

6 Bank indebtedness and long-term debt

The Company has a credit agreement (Credit Agreement) with a Schedule 1 Canadian chartered bank (the Lender). The Credit Agreement, as amended on December 8, 2017, July 6, 2018, April 1, 2020, June 30, 2020, September 30, 2020, December 21, 2020 and March 31, 2021 provides for a maximum principal amount of \$52,160,000 consisting of a \$20,000,000 revolving term credit facility (Credit Facility 1), a \$19,660,000 revolving term loan (Credit Facility 2), a \$6,250,000 guaranteed facility with Export Development Canada (“EDC”) through the guaranteed Business Credit Availability Program (“BCAP”) (EDC-Guaranteed Facility) and a \$6,250,000 Business Development Bank of Canada (“BDC”) guaranteed Highly Affected Sectors Credit Availability Program (“HASCAP”) facility (the “BDC-Guaranteed Facility”). The Company received the \$6,250,000 BDC-Guaranteed Facility under the seventh amendment effective March 31, 2021. SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional \$1,500,000.

Credit Facility 1 is for general corporate and operating purposes, including capital spending on new and renovated restaurants, bearing interest at the prime rate plus 3.25% and/or the bankers’ acceptance rate plus 4.25%, principal repaid in one bullet repayment on July 6, 2021, which was subsequently amended to be repaid on July 6, 2022. Refer to note 10 for more details about subsequent events. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1. Provided the Company 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 balance due on the July 6, 2021, which was subsequently amended to be repaid on July 6, 2022. Refer to note 10 for more details about subsequent events.

As at May 9, 2021, the Company has drawn \$24,279,000 on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 30, 2020 - \$36,718,000).

Under its Credit Agreement, the Company also has access to \$6,250,000 million of credit with Export Development Canada (“EDC”) through the guaranteed Business Credit Availability Program (“BCAP”) (the

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

“EDC-Guaranteed Facility”). The EDC-Guaranteed Facility bears interest at the prime rate plus 3.5%. 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. A standby fee of 0.90% is charged on the undrawn balance of this facility. For the 36-week period ended May 9, 2021, SIR has drawn \$6,250,000 million on this facility.

The BDC-Guaranteed Facility bears interest at a fixed rate of 4%. The BDC-Guaranteed Facility is a 10 year revolving-term credit facility, with a one year principal payment moratorium and can be extended at the Lender’s sole discretion by a further 12 months. For the 36-week period ended May 9, 2021, SIR has drawn \$6,250,000 million on this facility.

The Credit Agreement contains certain financial and non-financial covenants. As at May 9, 2021, the Company was in breach of these covenants as a result of the impact of the COVID-19 pandemic on its operations. As a result, the carrying value of the credit facilities under the Credit Agreement were reclassified to current liabilities. As part of the seventh 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.

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

7 SIR Royalty Income Fund

a. Loan payable to SIR Royalty Income Fund (the SIR Loan)

The \$40,000,000 SIR Loan bears interest at 7.5% per annum and is due on October 12, 2044. In conjunction with the Credit Agreement, on July 6, 2015, the Company, the Fund and the Partnership entered into an Intercreditor Agreement to subordinate and postpone their claims against the Company in favour of the Lender. The Fund and the Partnership have not guaranteed the Credit Agreement.

The long-term debt is permitted indebtedness within the meaning of the agreements between the Fund, the Partnership and the Company and, as a result, the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against the Company to the claims of the Lender. This subordination, which includes a subordination of the Partnership’s rights under the Licence and Royalty Agreement between the Partnership and the Company, whereby the Partnership licenses to the Company the right to use the trademarks and related intellectual property in return for royalty payments based on revenue, 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 Licence 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 the Company to the Fund and the Partnership are permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Company, the Fund and

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

the Partnership 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. The Company and each obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and the Company 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.

At May 9, 2021, the Company 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.

Interest expense charged to the consolidated statements of operations and comprehensive income (loss) for the 12-week and 36-week periods ended May 9, 2021 was \$725,000 and \$2,122,000, respectively (12-week and 36-week periods ended May 3, 2020 - \$698,000 and \$1,393,000, respectively), which includes interest on the SIR Loan of \$713,000 and \$2,086,000, respectively (12-week and 36-week periods ended May 3, 2020 - \$686,000 and \$1,369,000, respectively) and amortization of financing fees of \$12,000 and \$36,000, respectively (12-week and 36-week periods ended May 3, 2020 - \$12,000 and \$36,000, respectively). Interest payable on the SIR Loan as at May 9, 2021 was \$3,575,000 (August 30, 2020 - \$2,183,000) and is recorded in trade and other payables

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

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

	12-week period ended		36-week period ended	
	May 9, 2021 \$	May 3, 2020 \$	May 9, 2021 \$	May 3, 2020 \$
		(in thousands of dollars)		
Balance - Beginning of period	10,905	58,680	-	105,755
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	14,383	(55,960)	25,288	(97,954)
Distributions paid to Ordinary LP and Class A LP unitholders		(1,493)	-	(6,574)
Balance - End of period	25,288	1,227	25,288	1,227
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	-	-	-	-
Ordinary LP Units and Class A LP Units of the Partnership	25,288	1,227	25,288	1,227

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

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

Pooled Revenue*	15,762	26,927	55,915	146,741
Partnership royalty income*	934	1,615	3,333	8,869
Other income	6	6	17	17
Partnership expenses	(36)	(23)	(115)	(54)
Net earnings of the Partnership	904	1,598	3,235	8,832
The Company's interest in the earnings of the Partnership	(814)	(964)	(2,268)	(3,734)
Fund's interest in the earnings of the Partnership	90	634	967	5,098

*Includes revenue from the Royalty Pooled Restaurants. The Partnership owns the Canadian trademarks (the SIR Rights) formerly owned or licensed by the Company or its subsidiaries and used in connection with the operation of the majority of the Company's restaurants in Canada. Partnership royalty income is 6% of pooled revenue in accordance with the Licence and Royalty Agreement, plus a Make-Whole Payment for closed restaurants, from the date of closure to December 31 of the year closed.

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash of \$11,167,000. The holders of the Ordinary LP Units and the Class A LP Units are entitled to receive a 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 the 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 the Class A LP Units are accounted for at amortized cost, with changes in the carrying value of Ordinary LP Units and the Class A LP Units of the Partnership recorded in the consolidated statements of operations and comprehensive income (loss).

During the 12-week and 36-week periods ended May 9, 2021, distributions of \$nil (12-week and 36-week periods ended May 3, 2020 - \$634,700 and \$5,098,000, respectively) were declared to the Fund through the Partnership. Distributions paid during the 12-week and 36-week periods ended May 9, 2021 were \$nil, respectively (12-week and 36-week periods ended May 3, 2020 - \$1,493,000 and \$6,574,000, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions payable to SIR Royalty Income Fund as at May 9, 2021 were \$2,932,000 (August 30, 2020 - \$3,766,000).

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

The Partnership owns the SIR Rights formerly owned or licensed by the Company or its subsidiaries and used in connection with the operation of the majority of the Company's restaurants in Canada. In 2004, the Partnership granted the Company a 99-year licence to use the SIR Rights in most of Canada in consideration for a Royalty, payable by the Company to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the Licence and Royalty Agreement).

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

Under the terms of the Licence and Royalty Agreement, the Company may be required to pay a Make-Whole Payment in respect of the reduction in revenue for restaurants closed during a reporting period. As of October 12, 2019, the 15th anniversary of the closing date of the Fund's Initial Public Offering, the Company is not required to pay any Make-Whole Payment in respect of a closed restaurant. On January 1 of each year (the Adjustment Date), the restaurants subject to the Licence and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, the Company will be entitled to convert its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted into Class A GP Units in respect of these new SIR Restaurants if actual revenue of the new SIR Restaurants exceeds 80% of the initial estimated revenue. Conversely, converted Class A GP Units will be returned by the Company if the actual revenue is less than 80% of the initial estimated revenue. In December of each year, an additional distribution will be payable to the Class B GP unitholders based on actual revenue of the new SIR Restaurants exceeding 80% of the initial estimated revenue or there will be a reduction in the distributions to the Class A GP unitholders if revenue is less than 80% of the initial estimated revenue.

On January 1, 2021, one new SIR Restaurant was added (January 1, 2020 – one new SIR Restaurant was added) to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2021 (January 1, 2020 – one new SIR Restaurants), as well as the Second Incremental Adjustment for one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2020 (January 1, 2019 - two), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. In addition, there was a re-conversion of Class A GP Units into Class B GP Units for the permanent closure of one (January 1, 2020 – three) SIR Restaurants during 2020. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 153,201 Class B GP Units into 153,201 Class A GP Units (January 1, 2020 – SIR returned 395,899 Class A GP Units for 395,899 Class B GP Units) on January 1, 2021 with a \$nil impact to the SIR Rights as the Class A and B GP Units have a \$nil value (January 1, 2020 – reducing the value of the SIR Rights by \$3,493,096).

In addition, the revenues of the one (January 1, 2019 – two) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2020 was less than 80% of the Initial Adjustment's estimated revenue (January 1, 2019 – revenue of the two new SIR Restaurants was less than 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 \$8,858 in December 2020 and paid in January 2021 (a special conversion refund of \$23,240 in December 2019 and paid in January 2020). Make-Whole Payments of \$nil (year ended December 31, 2019 - \$267,573) have been recorded in Royalty income in the statement of (loss) earnings and comprehensive (loss) income of the Partnership for the year ended December 31, 2020.

As at May 9, 2021, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2021, the Company's residual interest in the Partnership is 19.05% (August 30, 2020 – 17.84%). The Company continues to maintain control of the Partnership and, therefore, continues to consolidate the Partnership.

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

c. Advances receivable from SIR Royalty Income Fund

Advances receivable from SIR Royalty Income Fund as at May 9, 2021 were \$2,037,000 (August 30, 2020 - \$3,535,000). Advances receivable are non-interest bearing and due on demand. Advances receivable are recorded in trade and other receivables.

The Partnership continues to defer the collection of restaurant royalties in order to provide the Company 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 May 9, 2021, 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 at May 9, 2021.

	As at May 9, 2021
	\$
	(in thousands of dollars)
SIR Royalty Limited Partnership	
Advances receivable – SIR GP	683
Advances receivable – SIR Holdings Trust	1,641
Advances receivable – SIR Royalty Income Fund	<u>2,701</u>
	5,025
Provision for impairment	<u>(2,010)</u>
	<u><u>3,015</u></u>

8 Capital stock

During the 12-week and 36-week periods ended May 9, 2021, 868,000 (12-week and 36-week periods ended May 3, 2020 – nil and 35,000, respectively) stock options were exercised and 868,000 (12-week and 36-week periods ended May 3, 2020 – nil and 35,000, respectively) common shares were issued for consideration of \$8,680 (12-week and 36-week periods ended May 3, 2020 – \$nil and \$35,000, respectively). During the 12-week and 36-week periods ended May 9, 2021, nil (12-week and 24-week periods ended February 9, 2020 – nil and 35,000, respectively) common shares were repurchased for consideration of \$nil (12-week and 24-week periods ended February 9, 2020 – \$nil and \$226,000, respectively).

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

9 Supplemental cash flow information to the consolidated statements of cash flows

The net change in working capital items is as follows:

	12-week period ended		36-week period ended	
	May 9, 2021	May 3, 2020	May 9, 2021	May 3, 2020
	\$	\$	\$	\$
	(in thousands of dollars)			
Trade and other receivables	5,114	6	3,498	477
Inventories	(183)	271	7	224
Prepaid expenses, deposits and other assets	(406)	135	(995)	(292)
Trade and other payables	6	(1,131)	(7,584)	(5,751)
Provisions and other long-term liabilities	(362)	59	540	399
	4,169	(660)	(4,534)	(4,943)

10 Subsequent events

Subsequent to May 9, 2021, all provinces will gradually begin reopening's based on vaccination rates as well as other key indicators such as stable ICU rates and hospitalizations, case counts, testing capacity and positivity rates among others.

Effective May 28, 2021, the province of Quebec permitted the reopening of dining on patios in all regions, where SIR has four restaurants. Effective May 31, 2021 (where SIR has two restaurants) and June 7, 2021 (where SIR has two restaurants), respectively, the province permitted the reopening of indoor dining in certain locations.

Effective June 2, 2021, the province of Nova Scotia permitted the reopening of dining on patios in the Halifax Regional Municipality, where SIR has two restaurants. Effective June 16, 2021, the province will be permitting the reopening of indoor dining (10 guests per table).

Effective June 11, 2021, the province of Ontario permitted the reopening of dining on patios (4 guests per table).

On May 31, 2021, SIR and its Lender entered into the Eighth Amending Agreement to its Credit Agreement. The Eighth Amending Agreement provides for the following:

- an extension of the waivers of certain of the previously granted anticipated covenant breaches and events of default until July 6, 2022 (the "Eighth Amending Agreement Waiver Period"),
- waiving, for the Eighth Amending Agreement Waiver Period which now extends to the July 6, 2022 Maturity Date, the financial covenants in the Credit Agreement,
- during the Eighth Amending Agreement Waiver Period which now extends to the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a Cumulative Minimum EBITDA Covenant,

SIR Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

May 9, 2021

- SIR will be allowed to miss quarterly projections by up to \$3.5 million cumulatively prior to July 6, 2022.
- waiver of the minimum quarterly EBITDA covenant amount for SIR's fiscal 2021 third quarter,
- the definition of EBITDA has been amended back to the definition in the original credit agreement.
- royalty payments on current sales to the Partnership and Interest on the SIR Loan are to recommence effective July 7, 2021,
- SIR will be entitled to begin repaying deferred royalty payments to the Partnership and interest on the SIR Loan to the Fund under the condition that at least 25 restaurants have, for six consecutive weeks, been allowed the use of at least 50 indoor dining seats and the use of their patios (with social distancing). The repayments, which on a net basis amount to approximately \$4.8 million as of May 9, 2021, are expected to be made in equal monthly installments such that the deferred amounts are targeted, absent and defaults occurring, to be fully repaid by the Credit Facility maturity date of July 6, 2022.

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

On May 31, 2021, the Fund and the Partnership entered into a consent agreement with the Lender acknowledging, among other things:

- receipt of a copy of the Eighth Amending Agreement,
- 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,

On May 31, 2021, the Fund and the Partnership entered into a waiver and extension agreement with the Lender and SIR, acknowledging, among other things:

- receipt of a copy of the Eighth Amending Agreement,
- the extension of the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from July 6, 2021 to July 6, 2022, and
- the waiver of any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until July 6, 2022.
- as a result of the Acknowledgment Agreement, the Lender consented to the resumption of regular payments by SIR to the Fund and the Partnership.

The Company's ability to meet its financial obligations for the next 12 to 18 months also depends on, among other factors:

- the length of the closure of dine-in operations,
- the speed at which the Company is able to return to full operating capacity in the near future,
- Canadian economic conditions after bars and restaurants are able to re-open, and
- the type and impact of new government mandated pandemic-related operating regulations.