SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

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Executive Summary

Operational and financial results summary for the three-month period ended March 31, 2021 ("Q1 2021") for SIR Royalty Income Fund (the "Fund") include:

Coronavirus ("COVID-19") Outbreak

- Since the date of the Fund's last financial report, which was filed on March 31, 2021, the COVID-19 pandemic has continued to significantly impact the operations of SIR Corp. ("SIR").
- Beginning March 16, 2020, SIR suspended dine-in operations at all of its restaurants and bars in accordance with the directives of public health authorities. SIR continued to offer takeout and delivery services at certain of its Jack Astor's® and Scaddabush Italian Kitchen & Bar® ("Scaddabush") restaurants, while all Canyon Creek® and Signature Restaurants were completely closed as of March 16, 2020.
- On March 23, 2020, the Fund announced that unitholder distributions are suspended until further notice. Resumption of payment of unitholder distributions will be dependent, in part, on SIR's agreements with its senior lender.
- Beginning on June 9, 2020, restaurant re-openings commenced in western Canada and the Maritime provinces. On June 12, 2020, certain regions in Ontario began re-opening for limited capacity outdoor patio dining. On June 15, 2020, restaurants in Quebec, outside of the Greater Montreal Area, were permitted to re-open for limited capacity in-restaurant and outdoor patio dining, with Greater 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 outdoor patio dining in most public health regions of the province, with the 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. Accordingly, all of SIR's Jack Astor's and Scaddabush restaurants, and certain of its Canyon Creek and Signature restaurants were re-opened for limited capacity in-restaurant and outdoor patio dining, adhering to strict operating procedures and sanitary guidelines to prioritize the safety of its guests and staff. SIR does not have any restaurants in the Windsor-Essex public health region.
- Starting in October 2020, in response to increasing "second wave" case counts, SIR's operations were again adversely impacted by a series of increasing restrictions in the various regions it operates, including the following:.
    - Effective October 1, 2020, the four Jack Astor's restaurants that SIR operates in Montreal were placed in the "Red Zone" (closed, except for takeout and delivery). This initial 28-day closure period was extended multiple times and has now been extended until further notice in the regions where SIR's four Jack Astor's restaurants are located.
    - Effective October 10, 2020, the Toronto, Ottawa and Peel public health regions of Ontario returned to modified Stage 2 restrictions, resulting in the temporary closure of indoor dining rooms and bars in these regions for 28 days. SIR has 28 restaurants in these regions. Effective October 19, 2020, the York public health 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 Ontario government's COVID-19 framework. Since that time the restrictions and measures for each of the four color zones (Yellow/Protect, Orange/Restrict, Red/Control, Grey/Lockdown) have been modified several times as have the placement of the various public health regions within the provincial tiers. Effective November 23, 2020, Toronto and Peel were returned to Grey/Lockdown where they have remained since that time. Effective December 26, 2020, all public health regions were moved into the Grey/Lockdown where they remained until February 10, 2021, when certain regions with lower incident rates were permitted to move into less restrictive colour zones.
    - Since the second wave began in the fall of 2020, Nova Scotia (two SIR Restaurants) and Newfoundland (one SIR restaurant) have also experienced periods when their operations were limited to take-out and delivery, but for shorter durations than in Ontario and Quebec.

- Effective April 8, 2021, the province of Ontario declared a State of Emergency and a province wide stay at home order was issued, which will last until at least May 20, 2021. SIR will continue to offer takeout and delivery services at certain of its Jack Astor's and Scaddabush Italian Kitchen & Bar ("Scaddabush") restaurants as well as at Dukes Refresher & Bar®.
- Reduced services and restaurant closures have resulted in material declines to sales at SIR restaurants. Limited capacity re-openings of in-restaurant and outdoor patio dining are expected to continue to impact sales at SIR restaurants. As a result of the COVID-19 outbreak and ongoing government and public health agency recommendations and restrictions, as disclosed in note 1 of SIR's unaudited condensed interim consolidated financial statements for the 12 and 24-week period ended February 14, 2021, there are material uncertainties that may cast doubt on SIR's ability to continue as a going concern.
- The SIR Royalty Limited Partnership (the "Partnership") continues to defer the collection of royalties and the Fund continues to defer the collection of interest on the SIR Loan as part of the conditions required by SIR's senior lender to grant SIR a series of waiver and amending agreements under its Credit Agreement in order to provide SIR with financial support during the pandemic. The expiration date of these deferrals has been extended from March 31, 2021 to July 6, 2021. Accordingly, given the uncertainty surrounding the pandemic and the government mandated shutdowns and the related impact to SIR, which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. See going concern disclosure in Note 1 to the Fund's condensed interim consolidated financial statements for the three-month period ended March 31, 2021 as well as on page 21 of this MD&A. Management of SIR, and accordingly the Fund, are 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 (and in effect the Fund's) needs. The Fund's ability to meet its obligations for the next 12 to 18 months depends on many factors which are further described, among other things, in the Liquidity and Capital Resources section on page 17.
- As part of the consideration for the extension by the Fund and the Partnership of their deferral agreements, the Lender consented to the repayment, in April 2021, of the $1.0 million of previously deferred royalties and/or interest payments on the SIR Loan.
- As a result of the significant decline in sales at SIR restaurants, Pooled Revenue and royalty income in the Partnership, along with the Fund's equity income from the Partnership and cash available for distribution to unitholders of the Fund, continues to be significantly reduced compared to prior years.

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

- As previously noted, suspensions of business due to COVID-19 began late in Q1 2020, starting on March 16, 2020. By comparison there were numerous and extensive lock-downs and/or capacity restrictions throughout Q1 2021 which significantly, negatively, affected SSS and pooled revenue in the quarter.
- The Royalty Pooled Restaurants had a SSS(1) decline of 67.9% in Q1 2021. Pooled Revenue decreased by 69.1% to $15.5 million in Q1 2021, compared to $50.3 million in Q1 2020, primarily as a result of the negative impact of the pandemic on Pooled Revenue and SSS(1) near the end of Q1 2020.
- Jack Astor's, which accounted for approximately 79.9% of Pooled Revenue in Q1 2021, reported a SSS(1) decline of 63.1% in Q1 2021.
- Scaddabush reported a SSS(1) decline of 67.5% in Q1 2021.
- Canyon Creek reported a SSS(1) decline of 100.0% in Q1 2021.
- SIR's Signature Restaurants reported a SSS(1) decline of 100.0% in Q1 2021.

Royalty Income and Equity Income from SIR Royalty Limited Partnership (the "Partnership")

- Royalty income in the Partnership decreased by 69.1% to $0.9 million in Q1 2021, compared to $3.0 million for the three-month period ended March 31, 2020 ("Q1 2020").

(1) Same store sales ("SSS"), same store sales growth ("SSSG"), Adjusted Net Earnings (Loss), Adjusted Net Earnings per Fund Unit, Distributable cash and payout ratio 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 31).

- Equity loss from the Partnership, which represents the Fund's pro rata share of the residual distributions of the Partnership, decreased 104.9% to $0.1 million in Q1 2021, compared to equity income of $1.7 million in Q1 2020.
- The Partnership continues to defer the collection of restaurant royalties and the Fund continues to defer the collection of interest on the SIR Loan, as part of the conditions required by SIR's senior lender to grant SIR a series of waiver and amending agreements under its credit agreement. During Q1 2021, the Partnership recognized an impairment loss of $0.3 million on the royalty payments receivable and the Fund recognized an impairment loss of $0.2 million on the interest receivable from SIR based on management's assessment of the SIR-specific risk. A rate of 40% was applied to the both the Fund's interest and distributions receivable and the Partnership's royalties receivable, respectively, as at March 31, 2021.

Net Earnings and Adjusted Net Earnings(1)

- Net loss was $0.8 million for Q1 2021 compared to a net loss $30.8 million for Q1 2020. Adjusted net earnings(1) were $0.2 million for Q1 2021, compared to Adjusted net earnings of $2.0 million for Q1 2020. Please refer to the Adjusted Net Earnings(1) section on page 13.
- Net loss per Fund unit was $0.10 (basic and diluted) for Q1 2021, compared to a net loss per Fund unit of $3.67 (basic and diluted) for Q1 2020. Adjusted net earnings per Fund unit(1) was $0.03 for Q1 2021 compared to $0.23 for Q1 2020.

Distributable Cash(1) and Payout Ratio(1)

- Distributable cash(1) per Fund unit was ($0.06) for Q1 2021, compared to $0.23 for Q1 2020. Please refer to the Distributions section on page 9 and Distributable Cash(1) on page 14.
- The Fund's payout ratio(1) was 0.0% in Q1 2021 compared to 112.3% in Q1 2020. The payout ratio(1) since the Fund's inception, up to and including Q1 2020, is 101%.
- The decline in distributable cash(1) is related to the impact of the decline in Pooled Revenue and SSS(1) on the net earnings of the Fund in Q1 2021. The Fund did not pay any cash distributions in Q1 2021, resulting in the 0.0% payout ratio.

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

- As at May 3, 2020, the end of SIR's fiscal 2020 third quarter, SIR was in breach of the covenants in the SIR Loan Agreement and the financial covenants in its Credit Agreement.
- On June 1, 2020 (effective April 1, 2020), SIR received a covenant waiver (the "Third Amending Agreement") under its Credit Agreement (the "Credit Agreement") with a Schedule I Canadian chartered bank (the "Lender") until June 30, 2020.
- On June 30, 2020, SIR and its Lender entered into an amending agreement (the "Fourth Amending Agreement") to its Credit Agreement, including the addition of a new $6.25 million Export Development Canada ("EDC") guaranteed Business Credit Availability Program ("BCAP") facility (the "EDC-Guaranteed Facility"), to the Credit Agreement.
- On September 30, 2020, SIR and its Lender entered into an amending agreement (the "Fifth Amending Agreement") to its Credit Agreement which, among other things, extended certain waivers from August 31, 2020 to December 31, 2020.
- On December 18, 2020, SIR entered into an amending agreement (the "Sixth Amending Agreement") to its Credit Agreement which, among other things, extended certain waivers from December 31, 2020 to March 31, 2021.
- On March 31, 2021, SIR entered into an amending agreements (the "Seventh Amending Agreement") to its Credit Agreement which, among other things, extended certain waivers from March 31, 2021 to July 6, 2021. Additionally, this amendment includes the addition of a new $6.25 million Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program (HASCAP") facility (the "BDC-Guaranteed Facility"), to the Credit Agreement.
- The Third, Fourth, Fifth, Sixth, and Seventh Amending Agreements are filed on SEDAR.
- Starting in April of 2020, the Fund and the Partnership granted SIR deferrals of interest on a loan owing by SIR to the Fund (the "SIR Loan") and royalty payments owing by SIR to the Partnership through a series of short-term deferral agreements, the latest of which is set to expire on July 6, 2021. These deferral agreements were conditions required by SIR's senior lender for a series of waiver and amending agreements that it granted to SIR. In the absence of these waiver and amending agreements from SIR's senior lender, as a result of the impact of COVID-19 on SIR's sales and financial results, SIR would have breached a number of financial and non-financial covenants and events of default under its credit agreement. The Fund and the Partnership have security interests over the assets of SIR, but these security interests are subordinated and postponed to those of SIR's senior lender. The ongoing cooperation and support of SIR's senior lender has been necessary and will in SIR's view continue to be necessary in order for SIR to retain sufficient liquidity to

operate. The Partnership's and the Fund's cooperation in the form of deferrals on royalties and on interest on the SIR Loan, as well as waivers of certain covenants and events of default, have been requirements for SIR to obtain the needed funding, waivers and deferrals that have been granted to it by its senior lender. Failure to obtain them would have materially and adversely affected SIR, the Fund and the Partnership. The long-term viability of SIR is in the best interests of the Fund and the Partnership. Additionally, the waiver and extension agreements approved by the Fund and the Partnership on June 30, 2020 enabled SIR to add $6.25 million in much needed liquidity through the addition of the EDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Further, the waiver and extension agreements approved by the Fund and the Partnership on March 31, 2021 enabled SIR to add $6.25 million in much needed liquidity through the addition of the BDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Accordingly, each of the deferral agreements was approved by the independent Trustees of the Fund. The deferral agreements and related documents have also been filed on SEDAR.

- For details for all agreements entered into on June 30, 2020, September 30, 2020, December 18, 2020, and March 31, 2021, please refer to the Liquidity and Capital Resources section on page 21.

Outlook

- On September 28, 2020, the Quebec government announced that, 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. This initial 28-day closure period was extended multiple times and has now been extended until further notice. As of the date of this MD&A, there has been no change announced.
- Effective February 9, 2021, SIR permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three closed restaurants include a Scaddabush restaurant, Reds Midtown Tavern® and a Duke's Refresher & Bar™ ("Duke's"). The Scaddabush and Reds locations were part of the Royalty Pool. SIR's landlord presented the Company with an unexpected but mutually beneficial opportunity to vacate these properties as the landlord had a unique opportunity to lease the space to another tenant for a non-restaurant purpose. Given the current operating environment and uncertain future prospects, SIR decided to exercise this option and return the property to the landlord.
- Effective April 8, 2021, the Ontario provincial government declared as 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 will continue to be closed until at least May 20, 2021. SIR continues to offer take-out and delivery services at certain locations.
- Effective March 5, 2021, the province of Nova Scotia, where SIR has two restaurants, permitted the re-opening of indoor dining rooms. However, the province has since went back into lockdown in April 2021 due to increased COVID-19 case counts.
- SIR has been 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. The federal government recently announced an extension of the CEWS program until June 5, 2021 and SIR expects to continue to remain eligible for the program.
- SIR was deemed to be eligible for the new Canadian Emergency Rent Subsidy ("CERS"). However, the program, as passed, limits SIR's claims under the base program to a maximum of 65% of $0.3 million in eligible expenses during each 4-week claim period. As SIR owns all of its restaurants, it appears to be deemed to be considered an "affiliated group" and, as such, the size of the available subsidy is limited. The maximum claim of $0.2 million per month represents approximately 10% of SIR's eligible expenses under the CEWS program. During periods where indoor dining is mandated to be fully closed, SIR may also be eligible to apply for the 25% lockdown support top-up.
- 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 and property taxes during certain lockdown periods.
- During the 53-week year ended August 30, 2020, SIR recognized government assistance through the Canada Emergency Wage Subsidy of $11.1 million. Of this amount, $9.9 million was recognized as a reduction to costs of corporate restaurant operations and $1.2 million was recognized as a reduction to corporate costs. For the 24-week period ended February 14, 2021, SIR recognized government assistance through the Canada Emergency Wage Subsidy of $10.7 million, the Canada Emergency Rent Subsidy of $1.7 million and other government subsidies of $0.3 million. Of these amounts, $9.9 million was recognized as a reduction to costs of corporate restaurant operations and $2.8 million was recognized as a reduction to corporate costs.
- 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 their 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 the pandemic, 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, 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 SIR's ability to negotiate an extension to its current credit agreement with its senior lender which is scheduled to mature on July 6, 2021. SIR is currently negotiating an extension to this agreement. Negotiations include the restarting the payment of royalties. There can be no assurance that SIR can complete such arrangements, remain in compliance with such agreements, or receive additional waivers in future.
- SIR's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue a Business Interruption claim against its insurer by way of Notice of Application in the Ontario Superior Court which is due to be heard on May 19, 2021. This claim includes a rider provision to SIR's property policy which is in favour of the Fund and covers income reduction for lost royalties for a maximum of 180 days. There can be no assurance this action will be successful.
- Accordingly, given the uncertainty surrounding the pandemic and the government mandated shutdowns or capacity restrictions and the related impact to SIR which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. The condensed interim consolidated financial statements of the Fund 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. Please refer to Note 1 of the Fund's financial results for Q1 2021 for the Fund's complete going concern disclosure.
- While SIR is not owned by the Fund, the Fund is economically dependent upon SIR. SIR files its unaudited interim and audited annual consolidated financial statements and Management's Discussion and Analysis ("MD&A") on SEDAR under the Fund's SEDAR profile under the heading "Other". SIR's Fiscal 2021 second quarter unaudited interim consolidated financial statements and MD&A were filed on SEDAR on March 31, 2021.
- Prior to the onset of the COVID-19 pandemic, distributions had been made by the Fund consistently for more than 16 years. SIR and the Fund have every intention to re-establish distributions at an appropriate level as soon as it is reasonable and feasible to do so.

Same Store Sales(1)

SIR reported to the Fund that the Royalty Pooled Restaurants had cumulative SSS(1) declines of 67.9% in Q1 2021. SSS(1) are typically impacted by changes in guest traffic and average cheque amount. Other factors are identified below. Segmented SSS(1) performance for Q1 2021 is detailed in the following table.

SSS(1) for the Royalty Pooled Restaurants (unaudited)	**Three-month period ended March 31, 2021**	**Three-month period ended March 31, 2020**
Jack Astor's	(63.1%)	(24.9%)
Scaddabush	(67.5%)	(15.9%)
Canyon Creek	(100.0%)	(31.4%)
Signature Restaurants	(100.0%)	(18.1%)
Overall SSS(1)	**(67.9%)**	**(23.3%)**

Prior to the government restrictions on dining rooms and bars, SIR had commenced proactively implementing social distancing seating and other measures at all of its restaurants, resulting in a decrease of available tables for guests. SIR suspended dine-in operations at all of its restaurants and bars in accordance with the directives of public health authorities on March 16, 2020. SIR's pre-shutdown social distancing seating and other measures, followed by the full closure of all SIR dining rooms and bars on March 16, 2020, followed by the gradual re-openings and partial re-openings that commenced in mid-June 2020, followed by increasing closures and restrictions starting in October 2020, resulted in significant SSS(1) declines in Fiscal 2020 and continuing into Fiscal 2021.

Jack Astor's, which accounted for approximately 79.9% of Pooled Revenue in Q1 2021, had a SSS(1) decline of 63.1% in Q1 2021. After SIR suspended dine-in operations at all of its restaurants and bars on March 16, 2020 due to the COVID-19 outbreak, 23 of the 38 Jack Astor's restaurants remained open for take-out and delivery services only. These closures remained in effect for the majority of the prior year ended December 31, 2020 and into Q1 2021 amid increasing closures and now full lockdown measures in Ontario effective April 8, 2021.

Effective July 15, 2020, SIR permanently closed the Jack Astor's location in Calgary, Alberta. The sales from the three permanently closed Jack Astor's locations (the former locations in the St. Lawrence Market neighborhood and on John Street in downtown Toronto and the location in Calgary) have been excluded from the calculation of SSS(1) for Q1 2021.

Scaddabush SSS(1) performance for Q1 2021 includes eight Scaddabush locations, excluding the locations at Young and Gerrard in Toronto, and in Burlington, Ontario. Scaddabush had a SSS(1) decline of 67.5% for Q1 2021.

Canyon Creek had a SSS(1) decline of 100.0% in Q1 2021. SIR has suspended all operations at its two remaining Canyon Creek restaurants. SIR has permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario, effective January 8, 2021, and in Vaughan, Ontario, effective March 31, 2021.

The downtown Toronto Signature Restaurants had a SSS(1) decline of 100.0% in Q1 2021. On March 16, 2020, SIR suspended all operations at the four Signature Restaurants in the Royalty Pool. Outdoor patios and dining rooms at certain of the Signature restaurants had been re-opened for a limited time for limited capacity seating as permitted by the provincial government in the prior year ended December 31, 2020; however, they were temporarily closed during Q1 2021**.**

Restaurant Renovations

SIR's Management is committed to maximizing the performance of all of its restaurants. SIR believes that investing in restaurant renovations is a key performance-enhancing initiative.

During Q1 2021, SIR completed no restaurant renovations due to the impact of the pandemic on its cash flows and financial liquidity.

During Fiscal 2020, SIR completed no restaurant renovations due to the impact of the pandemic on its cash flows and financial liquidity.

New and Closed Restaurants

SIR currently owns 53 restaurants, including one seasonal restaurant, in Canada. Since the Fund's Initial Public Offering in October 2004, SIR has opened 39 new restaurants (22 Jack Astor's, four Canyon Creek restaurants, eight Scaddabush restaurants, two Reds restaurants, two Duke's Refreshers, one seasonal Abbey's Bakehouse restaurant) and one seasonal Abbey's Bakehouse retail outlet. During this same period, SIR closed 20 restaurants (six Jack Astor's restaurants, six Canyon Creek restaurants, three Alice Fazooli's restaurants, four Signature restaurants, and one Scaddabush restaurant) and the seasonal Abbey's Bakehouse retail outlet.

The COVID-19 pandemic has drastically altered SIR's operating environment and put a great deal of stress on many businesses, including SIR. As a result, during the three-month period ending March 31, 2021, SIR permanently closed six restaurants, including:

- Effective January 8, 2021, the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.
- Effective February 9, 2021, the three restaurants located at the corner of Yonge and Gerrard in downtown Toronto, including 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. SIR's landlord presented the Company with an unexpected but mutually beneficial opportunity to vacate these properties as the landlord had a unique opportunity to lease the space to another tenant for a non-restaurant purpose. Given the current operating environment and uncertain future prospects, SIR decided to exercise this option and return the property to the landlord.
- Effective March 31, 2021, the Canyon Creek location in Vaughan, Ontario.

During Q3 2020, effective July 15, 2020, SIR permanently closed the Jack Astor's location in Calgary, Alberta. This restaurant ceased to be part of Royalty Pooled Restaurants on January 1, 2021

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

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

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

SIR opened two new Scaddabush restaurants in 2019, including: one location in the Mimico neighborhood of Etobicoke, Ontario on June 2, 2019 (Q2 2019), and one location in Burlington, Ontario on November 19, 2019 (Q4 2019). The Scaddabush restaurant in the Mimico neighborhood of Etobicoke was added to Royalty Pooled Restaurants on January 1, 2020. The Scaddabush restaurant in Burlington was added to Royalty Pooled Restaurants on January 1, 2021.

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

Distributions

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

During Q1 2021, no monthly distributions were declared or paid in each of the months of January, February and March 2021. On March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice as a result of the impact of the pandemic on SIR's operations. During Q1 2020, the Fund paid monthly distributions in arrears of $0.7 million, or $0.0875 per unit, in each of the months of January, February, and March 2020. The Partnership and the Fund have consented allow SIR to defer the royalty payments and interest on the SIR Loan that were due after March 31, 2020. The original deferral agreement has been extend four times with the most recent extension continuing until July 6, 2021.

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the long term. Prior to the suspension of unitholder distributions effective on March 23, 2020, the Fund paid even monthly distributions to unitholders, when its underlying cash flow from the Partnership was subject to seasonal fluctuations (as experienced by SIR). As a result, there were times during the year when the Fund's payout ratio(1) would exceed or could be lower than 100%. The payout ratio(1) of cash distributed to distributable cash(1) for Q1 2021 was 0.0%, compared to 112.3% for Q1 2020. The payout ratio(1) since the Fund's inception in 2004 up to and including Q1 2021 is 101%, in line with Fund's target payout ratio of 100%.

Please refer to page 14 for distributable cash(1) and a summary of monthly distributions since inception, and page 15 for a description of the Fund's payout ratio(1).

Overview and Business of the Fund

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

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

Overview and Business of SIR and the Partnership

SIR, which stands for Service Inspired Restaurants, is a private company amalgamated under the Business Corporations Act of Ontario. As at March 31, 2021, SIR owned 53 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Nova Scotia, and Newfoundland). The Concept Restaurants are Jack Astor's Bar and Grill®, Scaddabush Italian Kitchen & Bar®, and Canyon Creek®. The Signature Restaurants are Reds® Wine Tavern, Reds® Midtown Tavern, Reds® Square One, and the Loose Moose Tap & Grill®. As at March 31, 2021, SIR also owned one Duke's Refresher® & Bar restaurant located in downtown Toronto, and one seasonal restaurant, Abbey's Bakehouse®, which are considered Signature restaurants, and are not part of Royalty Pooled Restaurants. SIR owns 100% of its Canadian restaurants. As at

March 31, 2021, 56 SIR Restaurants were included in Royalty Pooled Restaurants (51 operating restaurants and five closed restaurants).

SIR believes that Duke's Refresher has multi-unit growth potential and has advised the Fund that Duke's Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke's Refresher could be added to the Royalty Pool would be the Adjustment Date following the earlier of: (i) the date that four Duke's Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of SIR's fiscal year in which revenues from all Duke's Refresher restaurants in Canada first exceed $12.0 million (the "Trigger Event"). As neither of these events are expected to occur before August 30, 2020, Duke's Refresher is not expected to be added to the Royalty Pool on January 1, 2021.

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

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

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

Renegade Chicken is being tested starting in late 2020 and continuing in 2021. It is a ghost kitchen brand currently operating out of 24 Jack Astor's locations and one pop up location at Duke's Refresher on Front Street near St Lawrence Market. Renegade Chicken is in a test mode and is not using any of the Fund's trademarks or being supported in any way by the Fund. Revenues generated by Renegade Chicken contribute to assisting SIR in maintaining liquidity, which will put SIR in a better position to catch up on deferred royalties and pay future royalties to the Fund. The test phase is expected to conclude by the end of May. At that time, SIR is expected to advise the Fund how it intends to move forward with these ghost kitchen operations.

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

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

The Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and are exchangeable into Units of the Fund on a one for one basis. SIR was formerly obligated to pay the Partnership a "Make-Whole Payment", subject to certain terms, initially equal to the amount of the Royalty that otherwise would have been paid to the Partnership in the event of a permanent closure of a Royalty Pooled Restaurant. Effective October 12, 2019, the 15th anniversary of the closing date of the Fund's Initial Public Offering, SIR is no longer required to pay a "Make-Whole Payment" in respect of a permanently closed Royalty Pooled Restaurant. However, other adjustments or payments may still be required in respect of permanently closed restaurants after such date by SIR, depending upon the circumstances.

On January 1, 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 resulting in a $nil impact to the SIR Rights value as the Class A and B GP Units have a $nil value (January 1, 2020 – reducing the value of the SIR Rights by $3.5 million).

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 $0.009 million in December 2020 and paid in January 2021 (a special conversion refund of $0.02 million in December 2019 and paid in January 2020). Make-Whole Payments of $nil (year ended December 31, 2019 - $0.3 million) 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.

SIR's fiscal year is comprised of 13 periods of four weeks each, ending on the last Sunday in August. To preserve this year-end, an additional week must be added approximately every five years. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks. SIR's fiscal years for 2021 and 2020 consist of 52 and 53 weeks, respectively.

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

Seasonality

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

Selected Consolidated Financial Information

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

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

Summary of Quarterly Financial Information

	Three-month periods ended							
(in thousands of dollars or units, except restaurants and per unit amounts)	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**
Royalty Pooled Restaurants	51	56	56	56	56	58	58	58
Pooled Revenue generated by SIR	15,456	20,283	39,902	9,551	50,277	67,455	72,154	77,708
Royalty income to Partnership - 6% of Pooled Revenue	932	1,217	2,394	571	3,018	4,047	4,329	4,662
Make-Whole Payment(2)	-	-	-	-	-	-	65	-
Total Royalty income to Partnership	932	1,217	2,394	571	3,018	4,047	4,394	4,662
Partnership other income	6	6	6	6	6	6	6	6
Impairment of financial and intangible assets	(237)	(1,564)	(13,909)	-	(40,525)	-	-	-
Partnership expenses	(37)	(34)	(49)	(21)	(23)	(13)	(21)	(22)
Partnership earnings (loss)	664	(375)	(11,558)	556	(37,524)	4,040	4,379	4,646
SIR's interest (Class A, B and C GP Units)	(750)	(651)	(1,144)	(825)	(1,266)	(1,549)	(1,643)	(1,694)
SIR's interest (impairment of intangible assets)	-	-	250	-	25,058	-	-	-
Partnership income allocated to Fund(3)	(86)	(1,026)	(12,452)	(269)	(13,732)	2,491	2,736	2,952
Impairment of financial assets	(300)	(886)	(114)	-	-	-	-	-
Change in estimated fair value of the SIR Loan	-	2,250	(2,500)	2,500	(16,500)	(6,750)	(500)	5,000
	(386)	338	(15,066)	2,231	(30,232)	(4,259)	2,236	7,952
General & administrative expenses	(95)	(141)	(146)	(131)	(106)	(128)	(109)	(133)
Net earnings (loss) before income taxes of the Fund	(481)	197	(15,212)	2,100	(30,338)	(4,387)	2,127	7,819
Income tax recovery (expense)	(341)	385	(486)	(218)	(430)	2,648	(273)	(3,211)
Net earnings (loss) for the period	(822)	582	(15,698)	1,882	(30,768)	(1,739)	1,854	4,608
Basic earnings (loss) per Fund unit	($0.10)	$0.07	($1.87)	$0.22	($3.67)	($0.21)	$0.22	$0.55
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Net earnings (loss) for the period – Diluted	(822)	509	(15,410)	1,936	(30,391)	(1,155)	2,505	5,297
Weighted average number of Class A GP Units	N/A	N/A	N/A	1,818	N/A	N/A	N/A	2,214
Weighted average number of Fund units outstanding – Diluted	N/A	N/A	N/A	10,194	N/A	N/A	N/A	10,590
Diluted earnings (loss) per Fund unit	($0.10)	$0.07	($1.87)	$0.19	($3.67)	($0.21)	$0.22	$0.50

In Q1 2021, the Class A GP Units are excluded from the calculation of diluted earnings per Fund unit, as the conversion is anti-dilutive.

(2) Effective October 12, 2019, SIR is no longer required to pay a Make-Whole Payment in respect of a permanently closed Royalty Pooled Restaurant.

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

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

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

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

(in thousands of dollars or units, except per unit amounts) *(audited)*	**Three-month period ended March 31, 2021**	**Three-month period ended March 31, 2020**
Net earnings for the period	(822)	(30,768)
Impairment of investment in LP	-	15,467
Impairment of financial and intangible assets	300	-
Change in estimated fair value of the SIR Loan	-	16,500
Interest recorded on SIR Loan	750	750
Deferred tax expense (recovery)	-	-
Adjusted Net Earnings(1)	**228**	**1,949**
Adjusted Basic Earnings per Fund unit(1)	$0.03	$0.27
Weighted average number of Fund units outstanding – Basic	8,376	8,376

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

During Q1 2021, management adjusted the discount rate from 14.35% at December 31, 2020 to 14.80% at March 31, 2021. The adjustment consists of an estimated increase in the corporate bond rate of 0.87% combined with an increase of 0.84% in the Canadian risk free rate.

The fair value of the SIR Loan is sensitive to changes in the discount rate. A 0.25% increase or decrease in the discount rate will result in a $400,000 decrease or increase in the fair value of the SIR Loan.

Distributions and Distributable Cash(1)

On March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice. Resumption of payment of unitholder distributions will be dependent, in part, on SIR reaching agreements with its senior lender that would permit SIR to resume paying royalties and interest on the SIR Loan as they come due and to commence repayment of previously deferred amounts.

During the three-month period ended March 31, 2021, the Fund paid monthly distributions in arrears of $nil (three-month period ended March 31, 2020 – $0.0875 per unit). No distributions were paid in the months of April through December 2020.

Distributable Cash[1]

(in thousands of dollars or units, except per unit amounts and payout ratio[1])

	Three-month periods ended							
	March 31, 2021	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**
Cash provided by operating activities	-	(105)	(60)	-	2,366	2,441	2,342	2,654
Add/(deduct): Net change in non-cash working capital items[4]	(95)	(35)	(46)	(131)	(106)	(324)	193	(143)
Net change in income tax payable[4]	(312)	409	(517)	(210)	203	126	16	22
Net change in distribution receivable from the Partnership[4]	(86)	(1,026)	1,207	(270)	(505)	50	(104)	112
Distributable cash[1]	**(493)**	**(757)**	**584**	**(611)**	**1,958**	**2,293**	**2,447**	**2,645**
Cash distributed for the period	**-**	**-**	**-**	**-**	**2,199**	**2,345**	**2,638**	**2,638**
Surplus/(shortfall) of distributable cash[1]	**(493)**	**(757)**	**584**	**(611)**	**(241)**	**(52)**	**(191)**	**7**
Payout ratio[1],[5]	0.00%	0.00%	0.00%	0.00%	112.3%	102.3%	107.8%	99.7%
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Distributable cash[1] per Fund unit – Basic	($0.06)	($0.09)	$0.07	($0.07)	$0.23	$0.27	$0.29	$0.32
Distributable cash[1] for the period – Diluted[6]	(493)	(829)	870	(555)	2,335	2,877	3,098	3,334
Weighted average number of Class A GP Units	N/A	N/A	N/A	N/A	1,818	2,214	2,214	2,214
Weighted average number of Fund units outstanding – Diluted	N/A	N/A	N/A	N/A	10,194	10,590	10,590	10,590
Distributable cash[1] per Fund unit – Diluted[6]	($0.06)	($0.09)	$0.07	($0.07)	$0.23	$0.27	$0.29	$0.32

A history of distributions is as follows:

Months Paid	**Distribution per Unit**
Inception to May 2006	$0.100
June 2006 to May 2007	$0.105
June 2007 to May 2008	$0.110
June 2008 to January 2011	$0.115
February 2011 to May 2012	$0.083[7]
June 2012 to May 2013	$0.088
June 2013 to March 2018	$0.095
April 2018 to August 2018	$0.100
September 2018 to October 2019	$0.105
November 2019 to February 2020	$0.0875
March 2020 to date	nil
December 2012 Special Distribution	$0.05[8]
December 2017 Special Distribution	$0.02[9]

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

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

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

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

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

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

On March 23, 2020, the Fund temporarily suspended payment of unitholder distributions until further notice as a result of the impact of COVID-19 on SIR's operations. Reduced services and restaurant closures have resulted in material declines to sales at all SIR restaurants. Limited capacity re-openings of in-restaurant and outdoor patio dining are expected to continue to impact sales at SIR restaurants and will continue to impact the ability of the Fund to pay unitholder distributions.

The payout ratio[(1)] of cash distributed to distributable cash[(1)] for Q1 2021 was 0.0%, compared to 112.3% in Q1 2020. The 0.0% payout ratio[(1)] for Q1 2021 is the result of the suspension of unitholder distributions on March 23, 2020.

The payout ratio[(1)] of cash distributed to distributable cash[(1)] is intended to average 100% per annum over the long term. Since the Fund pays even monthly distributions when its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio[(1)] may exceed or could be lower than 100%. For example, the first quarter typically has lower sales volumes than the second and third quarters which include warmer summer months when patios are open.

Since the Fund's inception in October 2004 up to and including Q1 2021, the Fund has generated $119.2 million in cumulative distributable cash[(1)] and has paid cumulative cash distributions of $120.4 million, representing a cumulative payout ratio[(1)] (the ratio of cumulative cash distributions paid since inception to cumulative distributable cash[(1)] generated) of 100.9%.

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

(in thousands of dollars)	**Three-month period ended March 31, 2021**	**Three-month period ended March 31, 2020**
Cash provided by operating activities	-	2,366
Net earnings for the period	(822)	(30,768)
Cash distributed for the period	-	(2,199)
Excess (shortfall) of cash provided by operating activities over cash distributed for the period[(9)]	**-**	**167**
Excess (shortfall) of net earnings for the period over cash distributed for the period[(10)]	**(822)**	**(32,967)**

The $0.8 million shortfall of cash provided by operating activities over cash distributed for the three-month period ended March 31, 2021 is primarily attributable to a decrease in net earnings for the period.

Balance Sheet

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

(in thousands of dollars)	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**
Total assets	48,045	48,494	48,159	63,472	61,471	94,316	101,519	103,172
Unitholders' equity	41,878	42,701	42,118	57,816	55,935	88,901	92,986	93,770

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

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

Results of Operations - Fund

The Fund's loss for Q1 2021 comprises equity income (loss) from the Partnership of ($0.1) million ($1.7 million for Q1 2020), an impairment provision on royalties receivable from SIR of $0.3 million (an impairment on the investment in the Partnership of $15.5 million for Q1 2020), and a change in the estimated fair value of the SIR Loan of $nil ($16.5 million change in estimated fair value for Q1 2020). Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the three-month periods ended March 31, 2021 and March 31, 2020.

The Fund's operating expenses, which are limited to general and administrative expenses, totaled $0.1 million for Q1 2021 ($0.1 million for Q1 2020). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

The Fund recorded an income tax expense of $0.3 million for Q1 2021 ($0.4 million for Q1 2020).

Net loss was $0.8 million for Q1 2021 ($30.8 million net loss for Q1 2020). Loss per Fund unit for Q1 2021 was $0.10 (basic and diluted) (loss per Fund unit was $3.67 (basic and diluted) for Q1 2020). Adjusted Net Earnings(1) were $0.2 million for Q1 2021 ($1.9 million in Adjusted Net Earnings for Q1 2020), and Adjusted Net Earnings per Fund unit(1) was $0.04 for Q1 2021 ($0.23 for Q1 2020).

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at March 31, 2021, there were 56 restaurants included in Royalty Pooled Restaurants (51 operating restaurants and five closed restaurants). Increases or decreases in Pooled Revenue are derived from SSS(1) growth or declines, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular.

The following table sets out Pooled Revenue for the three-month periods ended March 31, 2021 and March 31, 2020:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue)	Three-month period ended March 31, 2021		Three-month period ended March 31, 2020	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue
Jack Astor's	12,406	37	34,136	38
Scaddabush	3,078	10	8,923	9
Canyon Creek	6	5	2,692	5
Signature	46	4	4,526	4
Total included in Pooled Revenue	15,536	56	50,277	56

The Pooled Revenue declines for Jack Astor's are a result of SSS(1) declines in Q1 2021, and of the closure of a Jack Astor's restaurant in Calgary during Q3 2020.

Pooled Revenue from Scaddabush for Q1 2021 includes ten Scaddabush restaurants. The Scaddabush restaurants consist of:

- six Scaddabush restaurants that opened as New Additional Restaurants (Front Street in downtown Toronto, and Scarborough, Oakville, Vaughan, and two in Etobicoke, Ontario),
- three Scaddabush restaurants that were converted from Alice Fazooli's restaurants (Burlington, Richmond Hill and Mississauga, Ontario), and
- one Scaddabush restaurants on Yonge & Gerrard that permanently closed in Q1 2021.

The Pooled Revenue declines for Scaddabush are a result of SSS(1) declines in Q1 2021, and the removal of the Scaddabush at Yonge and Gerrard due to its closure in Q1 2021.

The declines in Pooled Revenue for Canyon Creek are the result of SSS(1) declines in Q1 2021 and the .permanent closure of three Canyon Creek restaurants in Q1 2021.

The Pooled Revenue declines for the Signature Restaurants are the result of SSS(1) declines in Q1 2021 and the permanent closure of the Reds Midtown Tavern on Yonge & Gerrard in downtown Toronto in Q1 2021.

Liquidity and Capital Resources

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

The Credit Agreement between SIR and the Lender, as amended on December 8, 2017 and July 6, 2018, June 1, 2020, June 30, 2020, September 30, 2020, December 18 and March 31, 2021 provides for a maximum principal amount, as at March 31, 2021, of: $52.3 million consisting of a $20.0 million revolving term credit facility (Credit Facility 1), a $19.7 million revolving term loan (Credit Facility 2), a $6.3 million EDC-Guaranteed Facility and a $6.3 million BDC-Guaranteed Facility. 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, 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. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1. Provided SIR is in compliance with the Credit Agreement, the principal amount of Credit Facility 1 can be repaid and reborrowed at any time during the term of the agreement. Credit Facility 2 bears interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%. Each advance under Credit Facility 2 is repayable in equal quarterly instalments based on a seven-year amortization, with the remaining outstanding principal balance due on July 6, 2021.

The EDC-Guaranteed Facility bears interest at the prime rate plus 3.50%. 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.

As part of the Seventh Amending Agreement, subsequent to December 31, 2020, on March 31, 2021, $6.3 million BDC-Guaranteed Facility was added to the Credit Agreement. The BDC-Guaranteed Facility is a 10-year term credit facility, with a one year principal payment moratorium, bearing a fixed rate interest of 4%.

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

Under the Intercreditor Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Fund and the Partnership can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the License and Royalty Agreement. However, if a default or an event of default were to occur, the Fund and the Partnership agree not to take actions on their security until the Lender has been repaid in full. However, payments by SIR, to the Fund and the Partnership, will be permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Fund, the Partnership and SIR will have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan without triggering a cross default under the Credit Agreement, by up to 50% for a period of up to nine consecutive months. SIR and each Obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and SIR and its shareholders in exchange for the Subordinating Parties not demanding repayment or enforcing security as a result of any such Related Party Obligation Default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership. For greater certainty, the preemptive deferral arrangements described above, were not used in the deferral agreements between SIR, the Fund and the Partnership deferring royalty payments and interest payments on the SIR loan between April 1, 2020 and July 6, 2021, described below beginning on page 19 as those breaches could not be avoided by a simple preemptive deferral by the Partnership and the Fund.

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

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

The Partnership has deferred the collection of royalties and interest on the SIR Loan from SIR until July 6, 2021, in order to provide SIR with financial support during the COVID-19 pandemic.

At May 3, 2020, the end of SIR's fiscal 2020 third quarter, SIR was in breach of the covenants in the SIR Loan Agreement and the financial covenants in its Credit Agreement. On June 1, 2020, effective April 1, 2020, SIR, as part of the Third Amending Agreement obtained a waiver with its senior lender on its covenants until June 30, 2020. A copy of Third Amending Agreement has been filed on SEDAR. At the same time, the Fund and the Partnership were required to agree to defer payments by SIR of interest on the SIR Loan and royalty payments April 1, 2020 until June 30, 2020.

On June 30, 2020, SIR and its Lender entered into the Fourth Amending Agreement to its Credit Agreement. The Fourth Amending Agreement provides for the following:

- extension of the waivers of certain anticipated covenant breaches and events of default granted in the June 1, 2020 Third Amending Agreement effective April 1, 2020 until August 31, 2020 (the "Waiver Period"),
- waiving, for the Waiver Period and for the period September 1, 2020 to the Maturity Date, the financial covenants in the Credit Agreement,
- during the Waiver Period and the period September 1, 2020 until the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount, and
- the addition of a new $6.3 million EDC guaranteed BCAP (the "EDC-Guaranteed Facility") to the Credit Agreement – the EDC-Guaranteed Facility is a 364-day revolving term credit facility and can be extended at the Lender's sole discretion by a further 12 months.

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

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

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

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

On September 30, 2020, SIR and its Lender entered into the Fifth Amending Agreement to its Credit Agreement which, among other things, extended certain waivers from August 31, 2020 to December 31, 2020.

On September 30, 2020, the Fund and the Partnership entered into an acknowledgement and consent agreement with the Lender, and the Fund, the Partnership, and SIR entered into a waiver and extension agreement. The current expiration date of certain deferrals in these agreements is December 31, 2020.

On December 31, 2020 SIR and its Lender entered into the Sixth Amending Agreement to its Credit Agreement. The Sixth 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 March 31, 2021 (the "Waiver Period"),
- extends the period of the deferral until the maturity date of $1.0 million in principal payments previously scheduled between December 31, 2020 to January 31, 2021, and
- allowance for the potential additions of up to an additional $0.375 million in subordinated debt made available by Investissement Québec ("IQ") to SIR pursuant to IQ's Concerted Temporary Action Program for Businesses ("PACTE") on terms and conditions satisfactory to the Lender.

On December 31, 2020, the Fund and the Partnership entered into an acknowledgement, waiver and extension agreement with the Lender and SIR, acknowledging, among other things:

- receipt of a copy of the Sixth 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,
- the extension of the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from December 31, 2020 to March 31, 2021,
- the recognition of a potential new PACTE Loan of up to $0.4 million, 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 March 31, 2021.

On March 31, 2021, SIR and its Lender entered into the Seventh Amending Agreement to its Credit Agreement. The Seventh 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, 2021 (the "Seventh Amending Agreement Waiver Period"),
- waiving, for the Seventh Amending Agreement Waiver Period which now extends to the July 6, 2021 Maturity Date, the financial covenants in the Credit Agreement,
- during the Seventh Amending Agreement Waiver Period which now extends to the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount,
- waiver of the minimum quarterly EBITDA covenant amount for SIR's fiscal 2021 second quarter,
- the addition of a new $6.3 million Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility") to the Credit

Agreement. The BDC-Guaranteed Facility is a 10 year term credit facility, with a one year principal payment moratorium, bearing a fixed rate interest of 4%,
- consents to SIR making a distribution to the Partnership or the Fund in an amount up to $1.0 million which was paid in April 2021,
- the Fund and the Partnership were required to acknowledge, consent and subordinate to the BDC-Guaranteed Facility, and
- the Fund and the Partnership were required to extend their agreement to defer payments by SIR of interest on the SIR Loan and royalty payments from April 1, 2021 until July 6, 2021.

On March 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 Seventh Amending Agreement,
- consent to the new BDC-Guaranteed Facility of $6.3 million,
- 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, and
- that any debt arising under the BDC-Guaranteed Facility constitutes Permitted Debt (as such term is defined in the SIR Loan Agreement).

On March 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 Seventh 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 March 31, 2021 to July 6, 2021, 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, 2021.

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

In order to provide SIR with financial support, including SIR securing necessary waivers and extension from the Lender, and SIR gaining access to additional needed debt facilities, the Partnership deferred the collection of restaurant royalties and the Fund deferred the collection of interest on the SIR Loan from SIR until July 6, 2021. Failure to obtain the waiver extensions from the Lender would have materially and adversely affected SIR, the Fund and the Partnership. The long-term viability of SIR is considered to be in the best interests of the Fund and the Partnership.

The Third, Fourth, Fifth, Sixth, and Seventh Amending Agreements are filed on SEDAR.

Starting in April of 2020, the Fund and the Partnership granted SIR deferrals of interest on a loan owing by SIR to the Fund (the "SIR Loan") and royalty payments owing by SIR to the Partnership through a series of short-term deferral agreements, the latest of which is set to expire on July 6, 2021. These deferral agreements were conditions required by SIR's senior lender for a series of waiver and amending agreements that it granted to SIR. In the absence of these waiver and amending agreements from SIR's senior lender, as a result of the impact of COVID-19 on SIR's sales and financial results, SIR would have breached a number of financial and non-financial covenants and events of default under its credit agreement. The Fund and the Partnership have security interests over the assets of SIR, but these security interests are subordinated and postponed to those of SIR's senior lender. The ongoing cooperation and support of SIR's senior lender has been necessary and will in SIR's view continue to be necessary in order for SIR to retain sufficient liquidity to operate. The Partnership's and the Fund's cooperation in the form of deferrals on royalties and on interest on the SIR Loan, as well as waivers of certain covenants and events of default, have been requirements for SIR to obtain the needed funding, waivers and deferrals that have been granted to it by its senior lender. Failure to obtain them would have materially and adversely affected SIR, the Fund and the Partnership. The long-term viability of SIR is in the best interests of the Fund and the Partnership. Additionally, the waiver and extension agreements approved by the Fund and the Partnership on June 30, 2020 enabled SIR to add $6.3 million in much needed liquidity through the addition of the EDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Further, the waiver and extension agreements approved by the Fund and the Partnership on March 31, 2021 enabled SIR to add $6.3 million in much needed liquidity through the addition of the BDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Accordingly, each of the deferral agreements was approved by the independent Trustees of the Fund. The deferral agreements and related documents have also been filed on SEDAR.

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 necessary financing through a renewal of its Credit Agreement,
- the collectability of credit under the current Credit Agreement or other financing sources,
- government assistance, including the Canada Emergency Wage Subsidy,
- the collectability or utilization of business interruption or other 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.

Going concern

Accordingly, given the uncertainty surrounding the pandemic and the government mandated shutdowns and/or capacity restrictions and the related impact to SIR which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. The consolidated financial statements of the Fund 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, the Fund's management is required to identify when events or conditions indicate that significant doubt may exist about the Fund's ability to continue as a going concern. Significant doubt about the Fund's ability to continue as a going concern would exist when relevant conditions and events indicate that the Fund 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 Fund identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Fund considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt. Management of SIR is currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. Refer to note 3 for more details. There can be no assurance that borrowings will be available to SIR, or available on acceptable terms, in an amount sufficient to fund SIR's needs.

The Fund'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 fully 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,
- government assistance, including the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy,
- business interruption insurance coverage,
- 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 Fund's ability to continue as a going concern. These unaudited consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Fund be unable to continue as a going concern. Such adjustments could be material.

The Fund did not have any capital expenditures in Q1 2021 and Fiscal 2020 and by its nature is not expected to have significant capital expenditures in the future. Capital expenditures related to Royalty Pooled Restaurants are borne at the operating company (SIR) level. The Fund's operating and administrative expenses are expected to be fairly stable and predictable and are considered to be in the ordinary course of business.

The Fund intends to resume payment of monthly distributions when it is fiscally prudent to do so. However, due to the impact of temporary restaurant closures on the earnings of the Partnership that are distributed to the Fund, the Fund will need to reassess appropriate distribution levels and may not resume distributions consistent with the most recent distribution declared in February 2020. Resumption of payment of unitholder distributions will also be dependent, in part, on SIR's agreements with its senior lender.

While SIR is not owned by the Fund, the Fund's cash flows are derived from interest received on the SIR Loan and distributions from the Partnership and accordingly, the Fund is economically dependent upon SIR. Credit risk arises from the potential default of SIR on the SIR Loan. Management monitors the SIR Loan for credit risk and to date all interest payments have been made. The Fund also depends on the distributions from the Partnership, which are dependent upon SIR paying the Royalty to the Partnership. Information regarding SIR and its liquidity can be found in SIR's unaudited interim and audited annual consolidated financial statements and MD&A, which can be found on SEDAR under the Fund's listing named "Other". The most recent unaudited interim consolidated financial statements and MD&A for SIR's fiscal 2021 second quarter were filed on March 31, 2021.

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

Selected Unaudited Consolidated Statement of Cash Flows Information[11]	2nd Quarter Ended February 14, 2021 (12 weeks)	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)
				(in thousands of dollars) (unaudited)				
Cash provided by (used in) operations	5,841	5,314	4,410	(2,284)	3,936	1,986	9,660	3,509
Cash used in investing activities	(422)	(280)	(91)	(208)	(2,070)	(1,236)	(3,351)	(3,523)
Cash provided by (used in) financing activities	(1,651)	(3,883)	(3,169)	931	(5,331)	1,129	(5,022)	(856)
Increase (decrease) in cash and cash equivalents during the period	3,768	1,151	1,150	(1,561)	(3,465)	1,879	1,287	(870)
Cash and cash equivalents – Beginning of period	1,617	1,617	467	2,028	5,493	3,614	2,327	3,197
Cash and cash equivalents – End of period	5,385	2,768	1,617	467	2,028	5,493	3,614	2,327

Controls and Procedures

Disclosure controls and procedures:

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and includes controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Management carried out an evaluation of the effectiveness of the design and operation of the Fund's disclosures controls and procedures, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at March 31, 2021 under the supervision of and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer.

Based on that evaluation, the Fund's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective as at March 31, 2021.

Internal controls over financial reporting:

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

a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;
b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and
c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management carried out an evaluation of the effectiveness of the design and operation of the Fund's internal controls over financial reporting, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim

(11) Information presented is in accordance with IFRS and is derived solely from documents filed with the Canadian securities regulatory authorities by SIR in its interim Q2 2021 MD&A filed on March 31, 2021 and has not been approved by the Fund or its Trustees, officers, SIR GP Inc., or SIR Holdings Trust, or their respective Trustees, managing general partners, directors, or officers.

Filings", as at March 31, 2021 and under the supervision and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer. The evaluation was conducted using the framework and criteria established in Internal Control - Integrated Framework: 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013.

Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that internal controls over financial reporting are effective and there are no material weaknesses in the Fund's internal controls over financial reporting as at March 31, 2021. There have been no substantive changes in the Fund's internal controls over financial reporting that occurred during the most recent interim period beginning January 1, 2021 and ending March 31, 2021, that have materially affected, or are reasonably likely to materially affect the Fund's internal control over financial reporting. The Fund does not own, control or consolidate SIR and therefore, the Fund's disclosure controls and procedures and the internal controls over financial reporting do not encompass SIR or SIR's disclosure controls and procedures or SIR's internal controls over financial reporting.

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

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

During the three-month period ended March 31, 2021, the Fund earned equity loss of $0.1 million from the Partnership (equity income of $1.7 million for the three-month period ended March 31, 2020). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the three-month period ended March 31, 2021, the Fund recognized $0.8 million of interest payments towards the value of the SIR Loan. For the three-month period ended March 31, 2021, the Fund received interest payments of $nil from the SIR Loan ($0.8 million for the three-month period ended March 31, 2020). A description of the terms of the SIR Loan is included in the notes to the consolidated financial statements of the Fund for the 12-month period ended December 31, 2020.

As at March 31, 2021, the Fund had amounts receivable from SIR, net of a provision, of $2.0 million (March 31, 2020 – $0.3 million) and distributions receivable from the Partnership of $3.1 million (March 31, 2020 – $3.2 million). The amount receivable from SIR relates to the interest owing to the Fund on the SIR Loan for the months of March through December of Fiscal 2020. As at March 31, 2021, the Fund had advances payable to the Partnership of $3.8 million (March 31, 2020 - $3.7 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

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

Investment in the Partnership/consolidation of structured entities

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

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

Valuation of the SIR Loan and investment in the Partnership

Management reviews for objective evidence whether there may be an impairment of the SIR Loan or the investment in the Partnership. The review includes a review of the earnings, cash flows and available cash of SIR on a prospective basis to assess SIR's ability to meet its obligations to the Fund for interest payments on the SIR Loan and to the Partnership for the Royalty. Based on the analysis completed during the three-month period ended March 31, 2021, no impairments have been recorded in the consolidated financial statements.

Fair value of the SIR Loan

On January 1, 2018, the Fund adopted IFRS 9 which resulted in a change in accounting for the SIR Loan. The SIR Loan is now accounted for at fair value through the statement of earnings which required management to discount the cash flows using a market interest rate. Management has estimated the discount rate by considering comparable corporate bond rates, risk-free rates and SIR's credit risk.

During Q1 2021, management adjusted the discount rate from 14.35% at December 31, 2020 to 14.80% at March 31, 2021. The adjustment consists of an estimated increase in the corporate bond rate of 0.87% combined with an increase of 0.84% in the Canadian risk free rate.

The fair value of the SIR Loan is sensitive to changes in the discount rate. A 0.25% increase or decrease in the discount rate will result in a $0.4 million decrease or increase in the fair value of the SIR Loan.

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

Financial Instruments

The Fund's financial instruments consist of cash, amounts due from related parties, the SIR Loan, accounts payable and accrued liabilities, and amounts due to related parties. Management estimates that the fair values of these financial instruments approximate their carrying values due to their short-term maturity except for the SIR Loan. The fair value of the SIR Loan is estimated to be $21.0 million. The fair value was estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk. The estimate of fair value is within level 3 of the fair value hierarchy.

Disclosure of Outstanding Unit Data

As at December 31, 2020 and March 31, 2021, the number of outstanding units of the Fund was 8,375,567.

Risks and Uncertainties

The performance of the Fund is directly dependent upon the interest payments the Fund receives from SIR under the SIR Loan and upon the Royalty received by the Partnership from SIR. The amount of the Royalty is dependent upon Pooled Revenue, which is subject to a number of factors that affect the restaurant industry generally and the casual and/or fine dining sectors of this industry in particular. The restaurant industry generally, and in particular, the casual and fine dining segment of this industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. Increases in minimum wage rates and other labour legislation may affect the growth and profitability of SIR, as a significant portion of its restaurant employees are paid at wage rates related to minimum wage. SIR Restaurants are subject to laws that prohibit or limit smoking in enclosed workplaces and/or certain outdoor public places, such as restaurant patios.

In addition, factors such as business and economic conditions, changes in foreign exchange, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages and cannabis legalization), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants, and growth in off-premise traffic due to an increase in delivery and takeout orders affect the restaurant industry in general and therefore SIR. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty or interest on the SIR Loan may be impaired. Please refer to the March 31, 2021 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

SIR and the Fund also face 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

SIR is a privately held Canadian corporation in the business of creating, owning and operating full-service restaurants in Canada. All of SIR's restaurants are corporately owned. SIR does not franchise any of its existing brands. SIR remains committed to the corporately owned restaurant model as it believes this structure gives it greater control over its brands and improved agility to proactively respond to changes in market conditions. SIR expects to drive future sales growth through a combination of measured new restaurant growth and investments in its existing restaurants over the long term.

Restaurant closures and/or limited capacity re-openings of in-restaurant and patio dining are expected to continue to impact sales at SIR restaurants. As a result of the pandemic and ongoing government and public health recommendations and restrictions, there are material uncertainties that may cast doubt on SIR's ability to continue as a going concern.

As a result of the pandemic, there are continued restrictions on in-restaurant and outdoor patio dining in Ontario and Quebec and in other provinces where SIR restaurants are located. These restrictions are likely to continue to target regions with the highest COVID-19 case rates. These restrictions may include, among other things, in increasing levels of adverse impact on SIR's business, such as: lowering music levels, shorter hours for alcohol service, reductions to group sizes, further reductions to indoor seating, and full closure of indoor 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. This initial 28-day closure period has been extended multiple times and has now been extended until further notice in the regions. As of the date of this MD&A, there has been no change announced.

Due to increasing COVID-19 case counts in Ontario, effective April 8, 2021, the province of Ontario declared a State of Emergency and a province-wide stay-at-home order was issued, which will last until at least May 20, 2021. SIR will continue to offer takeout and delivery services at certain of its Jack Astor's, Scaddabush and Reds restaurants.

Effective March 5, 2021, the province of Nova Scotia, where SIR has two restaurants, relaxed restrictions for indoor dining. Subsequently, on September 28, 2020 the Nova Scotia government announced, effective April 28, 2021 and continuing until at least May 12, 2021, all restaurants and licensed establishments are closed for dine-in service, but contactless take-out or delivery is allowed.

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

SIR has been deemed eligible for the 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 the CEWS program through to at least September 28, 2021.

SIR was deemed to be eligible for the new Canadian Emergency Rent Subsidy ("CERS"). However, the program, as passed, limits SIR's claims under the base program to a maximum of 65% of $0.3 million in eligible expenses during each 4-week claim period. As SIR owns all of its restaurants, it appears to be deemed to be considered an "affiliated group" and, as such, the size of the available subsidy is limited. The maximum claim of $0.2 million per month represents approximately 10% of SIR's eligible expenses under the CEWS program.

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 and property taxes during certain lockdown periods.

During the 53-week year ended August 30, 2020, SIR recognized government assistance through the Canada Emergency Wage Subsidy of $11.1 million. Of this amount, $9.9 million was recognized as a reduction to costs of corporate restaurant operations and $1.2 million was recognized as a reduction to corporate costs. For the 24-week period ended February 14, 2021, SIR recognized government assistance through the Canada Emergency Wage Subsidy of $10.7 million, the Canada Emergency Rent Subsidy of $1.7 million and other government subsidies of $0.3 million. Of these amounts, $9.9 million was recognized as a reduction to costs of corporate restaurant operations and $2.8 million was recognized as a reduction to corporate costs.

The COVID-19 pandemic has drastically altered SIR's operating environment and put a great deal of stress on many businesses, including SIR. As a result, subsequent to December 31, 2020 SIR has closed six restaurants, including:

- 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 February 9, 2021, SIR permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto, including 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.
- Effective March 31, 2021, SIR permanently closed the Canyon Creek location in Vaughan, Ontario.

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 and the Fund's ability to meet their 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 the pandemic, 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, 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 SIR's ability to negotiate an extension to its current credit agreement with its senior lender which is scheduled to mature on July 6, 2021. SIR is currently negotiating an extension to this agreement. Negotiations include the restarting the payment of royalties. There can be no assurance that SIR can complete such arrangements, remain in compliance with such agreements, or receive additional waivers in future.

SIR's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue a Business Interruption claim against its insurer by way of Notice of Application in the Ontario Superior Court which is due to be heard on May 19th, 2021. This claim includes a rider provision to SIR's property policy which is in favour of the Fund and covers income reduction for lost royalties for a maximum of 180 days. There can be no assurance this action will be successful.

Reduced services and restaurant closures have resulted in material declines to sales at SIR restaurants. Continued restaurant closures and / or limited capacity re-openings of in-restaurant and patio dining are expected to continue to impact sales at SIR restaurants. As part of the conditions under which SIR's senior lender granted SIR a series of waiver and amending agreements under its credit agreement, the Partnership deferred the collection of restaurant royalties and the Fund deferred the collection of interest on the SIR Loan from SIR until July 6, 2021.

Prior to the onset of the COVID-19 pandemic, distributions had been made by the Fund consistently for more than 16 years. SIR and the Fund have every intention to re-establish distributions at an appropriate level as soon as it is reasonable and feasible to do so.

Description of non-IFRS measures

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

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

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

The Fund believes that Same Store Sales ("SSS") and Same Store Sales Growth ("SSSG") are useful measures and provide investors with an indication of the change in year-over-year sales. SSS includes revenue from all SIR Restaurants included in Pooled Revenue for the fiscal years 2021 and 2020, except for those locations that were not open for the entire comparable periods in fiscal 2021 and fiscal 2020. The seasonal Abbey's Bakehouse is not a SIR Restaurant. SSSG is the percentage increase in SSS over the prior comparable period. When a SIR Restaurant is closed, the revenue for the closed restaurant is excluded from the calculation of SSS and SSSG for both the quarter in which the restaurant is closed and the current year-to-date.

<u>Adjusted Net Earnings (Loss)</u>

Adjusted Net Earnings (Loss) is calculated by replacing the change in estimated fair value of the SIR Loan as reported in the statement of earnings with the interest received on the SIR Loan during the period and the corresponding deferred tax expense or recovery from the net earnings for the period, and adding back impairments of financial and intangible assets. Management believes that in addition to net earnings (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate the Fund's performance. The change in estimated fair value of the SIR Loan is a non-cash fair value adjustment resulting from the adoption of IFRS 9 on January 1, 2018 and varies with changes in a discount rate that fluctuates based on current market interest rates adjusted for SIR's credit risk. The replacement of the non-cash change in estimated fair value of the SIR Loan with the interest received, and the corresponding deferred tax amount, eliminates this non-cash impact. The impairments of financial and intangible assets are also non-cash provisions. 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 the Fund's performance. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings (Loss) on page 13 of this document.

Adjusted Net Earnings per Fund Unit

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

Distributable Cash and Payout Ratio

The Fund believes that distributable cash and the payout ratio are useful measures as they provide investors with an indication of cash available for distribution. Investors are cautioned that distributable cash and the payout ratio should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows of the Fund. The payout ratio is calculated as cash distributed for the period as a percentage of the distributable cash for the period. Distributable cash represents the amount of money which the Fund expects to have available for distribution to Unitholders of the Fund, and is calculated as cash provided by operating activities of the Fund, adjusted for the net change in non-cash working capital items including a reserve for income taxes payable and the net change in the distribution receivable from the Partnership.

Forward-Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the SIR Holdings Trust (the "Trust"), the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: the impact of the COVID-19 pandemic; market conditions at the time of this filing; competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products; changes in tariffs and international trade; changes in foreign exchange; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation, including the cost and/or availability of labour as it relates to changes in minimum wage rates or other changes to labour legislation and forced closures of restaurants and bars; laws affecting the sale and use of alcohol (including availability and enforcement); changes in cannabis laws; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. There can be no assurance that SIR will remain compliant in the future with all of its financial covenants under the Credit Agreement and imposed by the lender. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly disclose or release any updates or revisions to any forward-looking statements. Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. This Management's Discussion and Analysis is provided as of May 17, 2021.

In formulating the forward-looking statements contained herein, Management has assumed that business and economic conditions affecting SIR's restaurants and the Fund will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, competition, delivery and takeout services, general levels of economic activity (including in downtown Toronto), regulations (including those regarding employees, food safety, tobacco, cannabis, and alcohol), weather and the potential effects of variations and climate change, taxes, foreign exchange rates and interest rates and that there will be no unplanned material changes in its facilities, equipment, customer and employee relations, or credit arrangements. Management has assumed that it will be successful in dealing with the effects of the COVID-19 pandemic and that business and economic conditions affecting SIR's restaurants and the Fund will return to normalcy within the medium term. Recent changes in employment law, including announced increases in minimum wages, are factored into management's assumptions. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. In addition, Management has assumed that the tax effects on distributions will remain consistent with current regulations or pronouncements, and also in estimating the revenue for new restaurants, Management has assumed that they will operate consistent with other similar SIR restaurants, and has assumed that SIR will remain compliant in the future with all of its financial covenants under the Credit Agreement imposed by the lender. For more information concerning the Fund's risks and uncertainties, please refer to the March 31, 2021 Annual Information Form, for the period ended December 31, 2020, 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