SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 12-WEEK AND 36-WEEK PERIODS ENDED MAY 9, 2021

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Q3 2021 Executive Summary

SIR Corp.'s ("SIR's") third quarter of Fiscal 2021 was from February 15, 2021 to May 9, 2021 inclusive. The following is a summary of operational and financial results for SIR's 12-week and 36-week periods ended May 9, 2021 ("Q3 2021" and "YTD 2021", respectively):

Coronavirus ("COVID-19") Pandemic:

- Since the date of SIR's last financial report, which was filed on March 31, 2021, the COVID-19 pandemic has continued to significantly impact the operations of the company.
- The hospitality industry continues to face significant challenges related to operating restrictions imposed by federal, provincial and municipal governments in response to the COVID-19 pandemic. Restaurants and bars in urban areas across Canada have had to close their indoor service operations, or operate at limited capacity, for extended periods since the onset of the pandemic in March 2020. Restaurants have also incurred significant costs to implement strict safety protocols for both patio and indoor dining, including the installation of plexiglass barriers in dining rooms, expansion of patios, adding heaters to extend patio dining season, and swift changes to operations to increase take-out and delivery offerings, particularly during periods when restaurants were 100% reliant on revenue from takeout and delivery.
- SIR's operations have been particularly impacted due to the concentration of its 51 Royalty Pooled Restaurants in major urban areas in Canada, particularly the Greater Toronto Area (32 Royalty Pool Restaurants) and the Greater Montreal Area (four Royalty Pooled Restaurants), two metropolitan regions that have faced the most prohibitive operating restrictions in Canada.
- For more details regarding the operating restrictions that have impacted SIR since the onset of the pandemic up until March 31, 2021, please refer to SIR Royalty Income Fund's (the "Fund") and SIR's prior interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.
- On March 31, 2021, SIR entered into an amending agreement (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 $6.3 million Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility"), to the Credit Agreement.
- On May 31, 2021, SIR and its Lender entered into an eighth amending agreement to its Credit Agreement which, among other things, extended the maturity date of the credit facilities as well as certain waivers from July 6, 2021 to July 6, 2022. Additionally, SIR's Lender has approved the resumption of current royalty payments and a framework to enable SIR to catch up on deferred royalty payments by mid-July 2022.
- On May 31, 2021, the Fund and the SIR Royalty Limited Partnership (the "Partnership") entered into an acknowledgement consent agreement with the Lender, and the Fund, the Partnership, and SIR entered into a waiver and extension agreement. The expiration date of certain deferrals in these agreements was extended to July 6, 2022.
- Effective April 8, 2021, due to rising case counts of COVID-19, the province of Ontario declared a third State of Emergency and a province-wide stay at home order was issued, which lasted until June 2, 2021. SIR continued 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® ("Duke's Refresher") during this period.
- On May 20, 2021, the Ontario government announced a province-wide "Roadmap to Reopen" The three-step plan allowed restaurants to reopen for limited capacity outdoor dining in Step 1 commencing on June 11 and currently contemplates allowing indoor dining in Step 3 (estimated to begin on July 23, 2021). These dates may be realized sooner (or potentially later) than estimated. However, a minimum 21-day period has been mandated between each step of the plan. While the province has yet to formally outline all operating guidelines for indoor dining at restaurants, physical distancing measures and capacity limits as well as enhanced safety measures are expected to remain in effect.
- In the regions in which SIR's four Quebec restaurants are located, provincial orders have limited restaurants to takeout and delivery since September 30, 2020. Quebec's three-phase reopening plan, which is based on the achievement of vaccination targets, has been outlined. The first phase of the plan came into effect May 28, 2021 and permits outdoor dining at all restaurants across the province. Indoor dining was permitted in the second phase and introduced on a regional basis. Two SIR restaurants reopened indoor dining on May 31, while the other two reopened on June 7, 2021.

- SIR's restaurants in Nova Scotia (two locations) and Newfoundland (one location) have also experienced limited operations due to government restrictions. Restaurant operations in St. John's, Newfoundland were restricted to takeout and delivery for approximately seven weeks beginning on February 10, 2021, before reopening with reduced capacity on March 27, 2021. Restaurant operations in Halifax and Dartmouth, Nova Scotia were limited to takeout and delivery from April 23, 2021 to June 2, 2021, when the opening of patios with social distancing and capacity restrictions was permitted. Phase 2 of the Nova Scotia plan, which began on June 16, 2021, permits indoor dining with limited capacity and table-size, masks and limited service hours. Three additional phases were announced beyond Phase 2, each one based on increasing levels of vaccinations in the community and each one further reducing the restrictions on capacity and hours of operation.
- SIR's ability to meet its obligations for the next 12 to 18 months 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, 2022. Accordingly, given the uncertainty surrounding the pandemic and the government mandated shutdowns and the related impact to SIR, there are material uncertainties that may cast doubt on SIR's ability to continue as a going concern. See going concern disclosure in note 1 of SIR's condensed consolidated financial statements for the 36-week period ended May 9, 2021 or the Liquidity and Capital Resources section of this MD&A on page 20 for more details. There can be no assurance that SIR can complete such arrangements, remain in compliance with such agreements, or receive additional waivers in future.
- 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. SIR currently expects to continue to be eligible for CEWS through to at least its current expected end date of September 25, 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. 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 has received rebates under this program beginning September 27, 2020.
- 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. SIR received a rebate under this program beginning on January 4, 2021.
- During the 53-week period ended August 30, 2020 ("Fiscal 2020"), SIR recognized government assistance through the CEWS program 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 36-week period ended May 9, 2021 ("YTD 2021"), SIR recognized government assistance through the CEWS program of $15.8 million, the CERS program of $2.6 million and other government subsidies of $1.1 million. Of these amounts, $15.2 million was recognized as a reduction to costs of corporate restaurant operations and $4.3 million was recognized as a reduction to corporate costs.
- SIR's insurer has denied any business interruption claims due to COVID-19 related operating restrictions or 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.

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

- Period-over-period declines in revenue and SSS[(1)] noted below are directly attributable to the COVID-19 pandemic.
- Food and beverage revenue from corporate restaurant operations for Q3 2021 totaled $16.3 million, a decrease of 41.8%, or $11.7 million, compared to the 12-week period ended May 3, 2020 ("Q3 2020"). Food and beverage revenue from corporate restaurant operations for YTD 2021 was $57.8 million, compared to $151.5 million for the

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(1) Same store sales ("SSS"), same store sales growth ("SSSG"), Adjusted Net Earnings (Loss), Earnings before interest, tax, depreciation, and amortization ("EBITDA"), and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). For additional information regarding these financial measures, including full details on how these financial measures are calculated, see the "Description of Non-IFRS Measures" section of this MD&A (page 29).

36-week period ended May 3, 2020 ("YTD 2020").

- Consolidated SSS(1) declined 37.1% and 59.5% for Q3 2021 and YTD 2021, respectively. These declines are primarily attributable to the negative impact of the COVID-19 pandemic on food and beverage revenue since mid-March 2020 and thus also negatively affected SSS in Q3 2020.
- SIR's flagship Concept Restaurant brand, Jack Astor's®, which generated approximately 81.0% of Pooled Revenue in Q3 2021, had SSS(1) declines of 27.8% and 54.2% for Q3 2021 and YTD 2021, respectively.
- Scaddabush Kitchen and Bar® ("Scaddabush") had SSS(1) declines of 40.1% and 59.6% for Q3 2021 and YTD 2021, respectively.
- Canyon Creek® had SSS(1) declines of 100.0% and 97.1% for Q3 2021 and YTD 2021, respectively.
- The Signature Restaurants had SSS(1) declines of 98.7% and 94.6% for Q3 2021 and YTD 2021, respectively.
- Please refer to page 13 for a discussion on the factors that impacted SSS(1) in Q3 2021 and YTD 2021, respectively.
- Prior to the COVID-19 pandemic, take-out and delivery sales comprised approximately 5% of SIR's food and beverage revenue. Through the development of new product and service offerings, SIR's take-out and delivery sales have grown significantly, but this growth has only partially offset the negative impact of the pandemic on SIR's food and beverage revenue.

Investment in new and existing restaurants and closed restaurants

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 YTD 2021 and Fiscal 2020, SIR did not undertake and restaurant renovations due to the impact of the pandemic on its cash flows and financial liquidity. During this time however, SIR made significant investments and/or incurred significant additional expenses to enhance guest and team member safety as well as taking steps to maximize its business opportunities and seating capacity under COVID-19 related business restrictions. This spending included, but was not limited to, extended patios and associated furniture, plexiglass barriers, revisions to dining room seating configurations, personal protective equipment for personnel, contact tracing and other guest safety measures.

SIR began testing the Renegade Chicken concept in late 2020 in an attempt to increase sales volume and help ensure the survival of SIR during the pandemic. It is a ghost kitchen concept that, while increasing the volume of food produced in the test locations (certain Jack Astor's and Dukes Refresher locations), was specifically designed and marketed as distinctly different from Jack Astor's. Appearing independent was a key element in its marketing strategy. The test concluded as of May 31, 2021. It is SIR's belief that, while the brand has potential, in order to be successful, it must stand on its own and apart from Jack Astor's. Further, at as restrictions over patios and in restaurant dining are reduced in the near future, it is not believed that Renegade and Jack Astor's can operate out of the same kitchen without having a negative effect on the Jack Astor's guest experience, which is critical to the long-term success of SIR and the Fund. As Jack Astor's is allowed to re-open, SIR's food focus and the need for flawless execution of the expanded menu conflicts with adding the complexity of Renegade Chicken. As of June 1, 2021, Renegade Chicken ceased to be offered through the Jack Astor's kitchens. The pop-up Renegade Chicken in our Dukes Refresher St. Lawrence Market location, which is not part of the royalty pool, will continue and SIR is looking forward to further growth prospects for Renegade Chicken. While the Fund has no ownership interest in the Renegade Chicken trademark, SIR intends to make a voluntary payment to the Fund in an amount equal to 6% of the revenues earned by the Renegade Chicken operation. This payment is estimated to be approximately $0.1 million.

The COVID-19 pandemic has drastically altered SIR's operating environment and put a great deal of stress on its business. As a result, during Fiscal 2021, SIR has permanently 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. The three restaurants closed included a Scaddabush, a Reds and a Duke's Refresher. 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, SIR permanently closed the Canyon Creek location in Vaughan, Ontario.

During Fiscal 2019, SIR completed four restaurant renovations, including:

- Two Jack Astor's locations (the location near Toronto Pearson International Airport in Etobicoke, Ontario and the location at the CF Shops at Don Mills in North York, Ontario) that resulted in the closure of these restaurants for a combined total of 30 days during the second and third quarters.
- A major renovation at The Loose Moose that resulted in the closure of this restaurant for 15 days beginning late in the second quarter and continuing into the third quarter.
- The Scaddabush restaurant at the Square One shopping centre in Mississauga, Ontario that resulted in the closure of this restaurant for six days during the third quarter.

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

- Net earnings (loss) and comprehensive income (loss) was ($19.4) million for Q3 2021, compared to $38.9 million for Q3 2020. Net earnings (loss) and comprehensive income (loss) was ($33.4) million for YTD 2021, compared to $79.2 million for YTD 2020.
- Adjusted Net Loss(1) was $5.0 million in Q3 2021, compared to an Adjusted Net Loss (1) of $17.0 million in Q3 2020. Adjusted Net Loss(1) was $8.1 million in YTD 2021, compared to an Adjusted Net Loss(1) of $18.7 million in YTD 2020.
- EBITDA(1) and Adjusted EBITDA(1) were $3.1 million and ($1.1) million in Q3 2021, respectively, compared to EBITDA(1) of ($8.8) million and Adjusted EBITDA(1) of ($3.1) million Q3 2020, respectively.
- EBITDA(1) and Adjusted EBITDA(1) were $15.4 million and $0.8 million in YTD 2021, respectively, compared to $5.9 million and $4.5 million in YTD 2020, respectively.

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

For more details regarding the summary statements on covenant breaches and credit amendments that have occurred since the onset of the pandemic beginning on May 3, 2020 until March 31, 2021, please refer to SIR Royalty Income Fund's (the "Fund") and SIR's prior interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.

- On March 31, 2021, SIR entered into an amending agreement (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 $6.3 million Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility"), to the Credit Agreement.
- On May 31, 2021, SIR entered into an amending agreement (the "Eighth Amending Agreement") to its Credit Agreement. With the vaccine rollout in Canada now well advanced and the economic outlook improving, SIR's Lender has approved the resumption of current royalty payments and interest on the SIR Loan, as well as a framework to enable SIR to catch up on deferred royalty payments and interest on the SIR Loan by July 6, 2022. The necessary agreements, which are expected to enable the Fund to re-commence distributions in the near future, have been executed. Distributions are expected to be modest at first and increase over time.
- The key details of the Eighth Amending Agreement are as follows:
    - SIR's Credit Facilities have been extended until July 6, 2022, with appropriate adjustments to its covenants.
    - Royalty payments on current sales to the Partnership and interest payments on the SIR Loan to the Fund are to recommence effective July 7, 2021.
    - SIR will be entitled to begin repaying deferred royalty payments and interest on the SIR Loan under the condition that at least 25 restaurants have, for six consecutive weeks, been allowed the use of at least 50 indoor dining seats and the use of their patios (with social distancing). The repayments, which on a net basis amount to approximately $4.8 million as of May 9, 2021, are expected to be made in equal monthly installments such that the deferred amounts are targeted, absent and defaults occurring, to be fully repaid by the Credit Facility maturity date of July 6, 2022. The aforementioned repayments on a net basis, of approximately $4.9 million as of May 9, 2021, represents Management's estimate of the net amount of pre-tax distributable cash that will attribute to the Fund Unitholders' as a result of the repayment of these deferred amounts. This estimate relates to the amounts deferred during the period of April 1, 2020 up to and including May 9, 2021. This includes royalty payments from March 9, 2020 through to and including May 9, 2021 (6% royalty on the actual pooled revenue for those 61

weeks). The amount also includes interest on the SIR Loan over the same period. Net against these two amounts owing by SIR to the Partnership and the Fund are the amounts owing, over the same time period, from the Partnership to SIR attributable to SIR's share of the income of the Partnership for the Class A and Class C GP Units owned by SIR.

  - A waiver has been granted allowing a covenant breach in Q3 2021, as SIR's EBITDA is short of the minimum target in the quarter due to the impact of the unbudgeted "third wave" of COVID-19 cases.
  - An amendment to the financial covenants have been granted by the Lender that includes only a Cumulative Minimum EBITDA Covenant. SIR will be allowed to miss quarterly projections by up to $3.5 million cumulatively prior to July 6, 2022.
  - The definition of EBITDA has been amended back to the definition in the original credit agreement.
  - An extension of certain temporary waivers has been granted until August 31, 2021, with others granted until the maturity of the loan. Also on May 31, 2021, the Fund and the Partnership entered into an Acknowledgement Agreement with SIR and its senior lender, providing a waiver for any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until July 6, 2022. As a result of the Acknowledgment Agreement, the Lender consented to the resumption of regular payments by SIR to the Fund and the Partnership.

- The Third, Fourth, Fifth, Sixth, Seventh and Eighth Amending Agreements are filed on SEDAR.
- There can be no assurance that SIR will receive additional waivers or remain in compliance in the future.
- 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, 2022. 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.
- The Eighth Amending Agreement has stipulated that royalty payments on current sales to the Partnership and interest on the SIR Loan to the Fund are to recommence effective July 7, 2021. SIR will be entitled to begin repaying deferred royalty payments and interest on the SIR Loan under the condition that at least 25 restaurants have, for six consecutive weeks, been allowed the use of at least 50 indoor dining seats and the use of their patios (with social distancing). The repayments, which on a net basis amount to approximately $4.8 million as of May 9, 2021, are expected to be made in equal monthly installments such that the deferred amounts are targeted, absent and defaults occurring, to be fully repaid by the Credit Facility maturity date of July 6, 2022. 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.
- For details on all deferral agreements entered into, please refer to the Outlook section on page 28.

Going concern assumption

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

Given the uncertainty surrounding the COVID-19 pandemic and the increasing government mandated shutdowns and the related adverse impact to SIR, SIR's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. 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. Effective May 31, 2021, the Company and its Lender entered into an eighth amending agreement to its Credit Agreement which, among other things, extended the maturity date of the credit facilities as well as certain waivers from July 6, 2021 to July 6, 2022. Refer to the "Amendments to SIR's Credit Agreement, payment of royalties and interest on the SIR Loan" section on page 6 for more details on this agreement. 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.

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

- the speed at which SIR is able to return to full operating capacity in the near future,
- Canadian economic conditions after bars and restaurants are able to re-open,
- the ability for SIR to obtain necessary financing through a renewal of its Credit Agreement,
- the availability of credit under SIR's current Credit Agreement or other financing sources,
- government assistance, including the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy,
- business interruption insurance coverage, and SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases, and
- the type and impact of continued government mandated pandemic-related operating regulations.

Reduced services and restaurant closures will continue to result in material declines to sales at SIR restaurants. These circumstances indicate the existence of a material uncertainty that may cast doubt on SIR'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 SIR be unable to continue as a going concern. Such adjustments could be material.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at May 9, 2021, SIR owned 53 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Nova Scotia, and Newfoundland). The Concept Restaurants include Jack Astor's, Canyon Creek and Scaddabush. The Signature group of restaurants include Reds® Wine Tavern, Reds® Square One, and the Loose Moose®. SIR also owns one Duke's Refresher and Bar ("Duke's Refresher") restaurant in downtown Toronto and one seasonal restaurant, Abbey's Bakehouse®, which are not part of Royalty Pooled Restaurants. SIR owns 100% of all its Canadian restaurants. As at May 9, 2021, 51 SIR Restaurants were included in Royalty Pooled Restaurants

The COVID-19 pandemic has drastically altered SIR's operating environment and put a great deal of stress on its business. As a result, during fiscal 2021, SIR has permanently 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. The three restaurants closed included a Scaddabush, a Reds and a Duke's Refresher. 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, SIR permanently closed the Canyon Creek location in Vaughan, Ontario.

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

Effective October 13, 2019, SIR permanently closed the Canyon Creek restaurant in Burlington, Ontario. In accordance with the License and Royalty Agreement, as of October 12, 2019, SIR was no longer required to pay a "Make-Whole Payment" in respect of a permanently closed Royalty Pooled Restaurant.

Effective September 23, 2019, SIR permanently closed the Jack Astor's restaurant on John Street in downtown Toronto at the end of the lease, as SIR was unable to negotiate an economically acceptable lease extension given rent and property tax escalations in the location in recent years. Under terms of the License and Royalty Agreement between SIR and the Partnership, SIR was obligated to indirectly pay the Fund, via the Partnership, a "Make-Whole Payment", subject to certain terms, equal to $0.06 million which is the amount of the Royalty that otherwise would have been paid to the Partnership by SIR from the date of closure until December 31, 2019.

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

On September 26, 2019, SIR opened a new Duke's Refresher in the St. Lawrence Market neighbourhood of downtown Toronto. SIR believes that Duke's Refresher has multi-unit growth potential and has advised the Fund that Duke's Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke's Refresher would be added to the Royalty pool would be the Adjustment Date following the earlier of: (i) the date that four Duke's Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of the fiscal year in which revenues from all Duke's Refresher restaurants in Canada first exceed $12.0 million (the "Trigger Event"). As neither of these events occurred, this restaurant was not to be added to the Royalty Pool on January 1, 2021. The Duke's Refresher brand is currently being managed and developed by SIR's Signature group. Accordingly, the two Duke's Refresher locations in downtown Toronto are classified as a Signature restaurant for SIR reporting purposes.

SIR began testing the Renegade Chicken takeout and delivery concept in late 2020 in an attempt to increase sales volume and help ensure the survival of SIR during the pandemic. It is a ghost kitchen concept that, while increasing the volume of food produced in the test locations (certain Jack Astor's and Duke's Refresher locations), was specifically designed and marketed as distinctly different from Jack Astor's. Appearing independent was a key element in its marketing strategy. The test concluded as of May 31, 2021. It is SIR's belief that, while the brand has potential, in order to be successful, it must stand on its own and apart from Jack Astor's. Further, at as restrictions over patios and in restaurant dining are reduced in the near future, it is not believed that Renegade and Jack Astor's can operate out of the same kitchen without having a negative effect on the Jack Astor's guest experience, which is critical to the long-term success of SIR and the Fund. As Jack Astor's is allowed to re-open, SIR's food focus and the need for flawless execution of the expanded menu conflicts with adding the complexity of Renegade Chicken. As of June 1, 2021, Renegade Chicken was no longer offered through the Jack Astor's kitchens. The pop-up Renegade Chicken operating within the Duke's Refresher St. Lawrence Market location, which is not part of the royalty pool, will continue and SIR is looking forward to further growth prospects for Renegade Chicken. While the Fund has no ownership interest in the Renegade Chicken trademark, SIR intends to make a voluntary payment to the Fund in an amount equal to 6% of the revenues earned by the Renegade Chicken operation. This payment is estimated to be approximately $0.1 million.

On October 1, 2004, the Fund filed a final prospectus for a public offering of Units of the Fund (the "Offering") and the Offering closed on October 12, 2004. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire the SIR Loan and indirectly, through the SIR Holdings Trust (the "Trust"), the SIR Rights owned or licensed by SIR or its subsidiaries and used in connection with the operation of SIR's restaurants in Canada. In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

SIR's fiscal year is comprised of 52 or 53-week periods ending on the last Sunday in August. Fiscal quarters of SIR consist of sequential accounting periods of 12, 12, 12 and 16 (or 17) weeks, respectively. The fiscal years for 2021 and 2020 consist of 52 weeks and 53 weeks, respectively.

Seasonality

The full-service restaurant sector of the Canadian foodservice industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending on the last Sunday in August) when patios can be open. Certain holidays and observances also affect dining patterns both favourably and unfavourably.

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 12-week and 36-week periods ended May 9, 2021 and May 3, 2020, respectively. The unaudited interim consolidated financial statements of SIR are prepared in accordance with IFRS and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations and Comprehensive Income (Loss)	12-Week Period Ended May 9, 2021	12-Week Period Ended May 3, 2020	36-Week Period Ended May 9, 2021	36-Week Period Ended May 3, 2020
	(in thousands of dollars) (unaudited)			
Corporate restaurant operations:				
Revenue	16,301	27,941	57,942	151,605
Cost of corporate restaurant operations	9,308	40,333	55,130	154,112
Earnings (Loss) from corporate restaurant operations	**6,993**	**(12,392)**	**2,812**	**(2,507)**
Net earnings (loss) and comprehensive income (loss)	**(19,353)**	**38,943**	**(33,396)**	**79,227**
Adjusted Net Loss(1)	**(4,970)**	**(17,017)**	**(8,108)**	**(18,727)**

Statement of Financial Position	May 9, 2021	August 30, 2020
	(in thousands of dollars)	
Total assets	129,173	157,593
Total non-current liabilities	106,548	93,317

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

Adjusted Net Earnings (Loss)(1), EBITDA(1) and Adjusted EBITDA(1) are financial measures that do not have standardized meanings prescribed by IFRS. They are used by SIR to supplement its reporting of net earnings (loss) and net cash flow. Adjusted Net Earnings (Loss)(1) consist of net earnings (loss) excluding the change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership. EBITDA(1) and Adjusted EBITDA(1) consist of net earnings (loss) excluding certain non-cash expenses and other expenses that SIR considers not to be of an operating nature. SIR believes that Adjusted Net Earnings (Loss)(1), EBITDA(1) and Adjusted EBITDA(1) are useful measures of the core business' contribution to cash flow from operations and uses these measures as a supplemental measure of SIR's performance. Similarly, SIR believes that certain investors may also find these non-GAAP financial measures to be useful for their independent evaluation of SIR's performance.

The following table reconciles net earnings (loss) and comprehensive income (loss) for the 12-week and 36-week periods ended May 9, 2021 and May 3, 2020, respectively, to Adjusted Net Earnings (Loss)(1):

	12-Week Period Ended May 9, 2021	12-Week Period Ended May 3, 2020	36-Week Period Ended May 9, 2021	36-Week Period Ended May 3, 2020
	(in thousands of dollars) (unaudited)			
Net earnings (loss) for the period	(19,353)	38,943	(33,396)	79,227
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	14,383	(55,960)	25,288	(97,954)
Adjusted Net Earnings (Loss)(1)	**(4,970)**	**(17,017)**	**(8,108)**	**(18,727)**

The following table reconciles net earnings (loss) and comprehensive income (loss) for the 12-week and 36-week periods ended May 9, 2021 and May 3, 2020 to EBITDA[1] and Adjusted EBITDA[1]:

	12-Week Period Ended May 9, 2021	12-Week Period Ended May 3, 2020	36-Week Period Ended May 9, 2021	36-Week Period Ended May 3, 2020
	(in thousands of dollars) (unaudited)			
Net income (loss) and comprehensive income (loss) for the period	(19,353)	38,943	(33,396)	79,227
Add (deduct):				
Provision for income taxes	-	-	6	(422)
Interest expense	437	458	1,343	1,288
Interest on lease obligations	1,229	1,480	3,942	4,715
Interest on loan payable to SIR Royalty Income Fund	725	708	2,122	2,101
Depreciation and amortization	5,664	5,599	16,118	16,960
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	14,383	(55,960)	25,288	(97,954)
EBITDA[1]	**3,085**	**(8,772)**	**15,423**	**5,915**
Interest (income) and other expense (income) – net	(795)	72	(9,236)	39
Impairment of non-financial assets	927	9,432	3,188	9,415
Loss on disposal of property and equipment	11	7	46	160
Cash rent	(4369)	(3,830)	(8,632)	(11,664)
Pre-opening costs	-	28	-	680
Adjusted EBITDA[1]	**(1,141)**	**(3,063)**	**789**	**4,545**
Income from Class A & B GP Units of the Partnership[2] (Not included in EBITDA[1] and Adjusted EBITDA[1] above)	102	267	185	1,669
6% Royalty obligations under License and Royalty Agreement[3]	934	1,615	3,333	8,869

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

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

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	12-Week Period Ended May 9, 2021	12-Week Period Ended May 3, 2020	36-Week Period Ended May 9, 2021	36-Week Period Ended May 3, 2020
	(in thousands of dollars) (unaudited)			
Food and beverage revenue reported in consolidated financial statements	16,260	27,941	57,844	151,465
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(498)	(1,014)	(1,929)	(4,724)
Revenue for Restaurants in Royalty pool (Pooled Revenue)	**15,762**	**26,927**	**40,153**	**146,741**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[(1)]	12-Week Period Ended May 9, 2021	12-Week Period Ended May 3, 2020	36-Week Period Ended May 9, 2021	36-Week Period Ended May 3, 2020
	(in thousands of dollars) (unaudited)			
Food and beverage revenue reported in consolidated financial statements	16,260	27,941	57,844	151,465
Less: Revenue from corporate restaurant operations excluded from Same Store Sales[(1)]	(511)	(2,898)	(2,814)	(15,586)
Same Store Sales[(1)]	**15,749**	**25,403**	**55,030**	**135,879**

Same Store Sales[(1)] by Segment	12-Week Period Ended May 9, 2021	12-Week Period Ended May 3, 2020	% Fav./ (Unfav.)	36-Week Period Ended May 9, 2021	36-Week Period Ended May 3, 2020	% Fav./ (Unfav.)
	(in thousands of dollars) (unaudited)					
Jack Astor's	13,074	18,114	(27.8%)	45,098	98,462	(54.2%)
Scaddabush	2,651	4,428	(40.1%)	9,243	22,890	(59.6%)
Canyon Creek	-	597	(100.0%)	117	4,019	(97.1%)
Signature Restaurants	24	1,904	(98.7%)	572	10,508	(94.6%)
Same Store Sales[(1)]	**15,749**	**25,043**	**(37.1%)**	**55,030**	**135,879**	**(59.5%)**

Summary of Quarterly Results

Statement of Operations	3rd Quarter Ended May 9, 2021 (12 weeks)	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)
	(in thousands of dollars) (unaudited)							
Corporate Restaurant Operations								
Revenue	16,260	12,866	28,775	34,451	27,941	61,511	62,153	97,099
Cost of corporate restaurant operations	9,308	16,393	29,429	31,978	40,333	56,446	57,333	88,941
(Loss) Earnings from corporate restaurant operations	**6,993**	**3,527**	**(654)**	**2,473**	**(12,392)**	**5,065**	**4,820**	**8,158**
Net earnings (loss) and comprehensive income (loss)	**(19,353)**	**8,394**	**(5,649)**	**(1,081)**	**38,943**	**6,556**	**33,728**	**42,722**
Adjusted Net Earnings (Loss)(1)	**(4,970)**	**2,511**	**(5,649)**	**(2,308)**	**(17,017)**	**(747)**	**(963)**	**2,272**

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

	3rd Quarter Ended May 9, 2021 (12 weeks)	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)
	(in thousands of dollars) (unaudited)							
Net earnings (loss) and comprehensive income (loss)	(19,353)	(8,394)	(5,649)	(1,081)	38,943	6,556	33,728	42,722
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	14,383	10,905	-	(1,227)	(55,960)	(7,303)	(34,691)	(40,450)
Adjusted Net Earnings (Loss)(1)	**(4,970)**	**2,511**	**(5,649)**	**(2,308)**	**(17,017)**	**(747)**	**(963)**	**2,272**

Selected Consolidated Statement of Cash Flows Information:

	3rd Quarter Ended May 9, 2021 (12 weeks)	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)
	(in thousands of dollars) (unaudited)							
Cash provided by (used in) operations	8,136	5,841	5,314	4,410	(2,284)	3,936	1,986	9,660
Cash used in investing activities	(81)	(422)	(280)	(91)	(208)	(2,070)	(1,236)	(3,351)
Cash provided by (used in) financing activities	(12,873)	(1,651)	(3,883)	(3,169)	931	(5,331)	1,129	(5,022)
Increase (decrease) in cash and cash equivalents during the period	(4,818)	3,768	1,151	1,150	(1,561)	(3,465)	1,879	1,287
Cash and cash equivalents – Beginning of period	5,385	1,617	1,617	467	2,028	5,493	3,614	2,327
Cash and cash equivalents – End of period	567	5,385	2,768	1,617	467	2,028	5,493	3,614

Revenue

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

i. Revenue (per the SIR consolidated statements of operations and comprehensive income (loss)) – this is the total consolidated revenue of all restaurants for the period. The restaurants include all SIR Restaurants as well as Abbey's Bakehouse. For the 12-week and 36-week periods ended May 9, 2021, revenue was $16.3 million and $57.8 million, respectively.

ii. Same Store Sales(1) ("SSS") – this is a sub-set of Revenue used for tracking comparable year-over-year sales. For Q3 2021 and Q3 2020, SSS(1) includes all SIR Restaurants, except for those restaurants that were not open for the entire comparable periods in fiscal 2021 and fiscal 2020, and Abbey's Bakehouse as it is not a SIR Restaurant. SIR Restaurants that have been impacted due to COVID-19 related restrictions beginning in Fiscal 2020, but have not been permanently closed, are included in the calculation of SSS(1) performance. The SSS(1) performance does not include: the Jack Astor's location in the St. Lawrence Market neighbourhood of downtown Toronto, the Jack Astor's location on John Street in downtown Toronto, Jack Astor's in Calgary, the Canyon Creek location in Burlington, Ontario, the Canyon Creek in Mississauga, the Canyon Creek in Scarborough, the Reds at Yonge and Gerrard in downtown Toronto, the Scaddabush at Yonge and Gerrard and the Dukes at Yonge and Gerrard, as their sales are excluded from the calculation of SSS(1) similar to any permanently closed locations. The SSS(1) performance for Scaddabush does not include the new Scaddabush location and in Burlington, Ontario (opened in Q2 2020), as this location was not open for the entire comparable periods in Fiscal 2021 and Fiscal 2020. The new Duke's Refresher in the St. Lawrence Market neighbourhood of downtown Toronto is also excluded from the calculation of SSS(1) for the 12-week and 36-week periods ended May 9, 2021, as it was not open for the entire comparable periods in Fiscal 2021 and Fiscal 2020. For the 12-week and 36-week periods ended May 9, 2021, SSS(1) were $15.7 million and $55.0 million, respectively.

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all Royalty Pooled Restaurants. The Royalty Pooled Restaurants are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. As at May 9, 2021, there were 51 Royalty Pooled Restaurants. For the 12-week and 36-week periods ended May 9, 2021, Pooled Revenue was $15.8 million and $55.9 million, respectively. The applicable Royalty payable to the Partnership on the Pooled Revenue for this period was $0.9 million and $3.3 million, respectively.

Same Store Sales(1)

SIR reported overall SSS(1) declines of 37.1% and 59.5% for Q3 2021 and YTD 2021, respectively. SSS(1) are typically impacted by changes in guest traffic and average cheque amount. Current year-over-year declines in revenue and SSS(1) noted below are primarily attributable to the pandemic. SIR's SSS(1) declined by 59.5% in Q3 2020, compared to the same period in Fiscal 2019. SIR's 37.1% decline in SSS(1) in Q3 2021 is on top of the Q3 2020 decline of 59.0% which was also primarily attributable to the pandemic. The other factors noted below relate primarily to the periods prior to COVID-19 related business restrictions.

Prior to the pandemic, SIR identified shifts in consumer behavior related to spending at full-service restaurants, especially in Ontario, that SIR believes impacted SSS(1) performance. SIR believes that price increases at most Ontario restaurants related to the minimum wage increase on January 1, 2018 contributed to a decline in full-service restaurant visits compared to the same periods in prior years. SIR also believes that new stricter legislation for impaired driving contributed to lower alcoholic beverage sales in full-service restaurants.

SIR also believes that the rapid growth of delivery services in commercial foodservice negatively impacted the volume of guest visits to full-service restaurants prior to the pandemic. In addition, due to the nature of take-out and delivery orders, guests who choose these options were previously unable to order alcoholic beverages, which had contributed to a decline in beverage sales at SIR restaurants. Temporary government regulations designed to support restaurants during the pandemic have permitted sales of alcohol with take-out and delivery orders effective March 26, 2020. The Ontario government has announced its intention to allow bars and restaurants in the province to offer alcohol with take-out and delivery orders on a permanent basis.

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

Jack Astor's, SIR's flagship Concept Restaurant brand, which contributed approximately 83% of Q3 2021 Pooled Revenue, had SSS(1) declines of 27.8% and 54.2% for Q3 2021 and YTD 2021, respectively. The Q3 2020 decline was 59.8%.

Scaddabush SSS(1) performance for Q3 2021 and YTD 2021 includes nine Scaddabush locations (Mississauga, Richmond Hill, Scarborough, Oakville, Vaughan, and two locations in Etobicoke, Ontario, as well as Front Street in downtown Toronto). Scaddabush had SSS(1) declines of 40.1% and 59.6% for Q3 2021 and YTD 2021, respectively. The Q3 2020 decline was 52.5%. The Scaddabush restaurants in the Mimico neighbourhood of Etobicoke, Ontario and in Burlington, Ontario are excluded from the calculation of Q3 2021 and YTD 2020 SSS(1) as they was not in operation for the entire comparable period a year ago.

Canyon Creek had SSS(1) declines of 100.0% and 97.1% for Q3 2021 and YTD 2021, respectively. The Q3 2020 decline was 64.8%. Sales from the closed Canyon Creek location in Burlington, Ontario (permanently closed in Q2 2020) have been excluded from the calculation of SSS(1) performance for Q3 2021and YTD 2021. Subsequent to May 9, 2021, effective January 8, 2021, SIR permanently closed the Canyon Creek locations in: the Square One shopping centre in Mississauga, Ontario, Scarborough, Ontario and Vaughan, Ontario. SIR's management continues to evaluate options for the remaining restaurants in the Canyon Creek portfolio to improve performance.

The downtown Toronto Signature Restaurants had SSS1) declines of 98.7% and 94.6% for Q3 2021 and YTD 2021, respectively. The Q3 2020 decline was 60.7%. The YTD 2021 SSS(1) for the Signature Restaurants does not include the Duke's Refresher in the St. Lawrence Market neighborhood of downtown Toronto which opened during Q1 2020, on September 26, 2019.

Cost of Corporate Restaurant Operations

Costs of corporate restaurant operations as a percentage of revenue were 57.1% and 95.1% for Q3 2021 and YTD 2021, respectively, compared to 144.4% and 101.7% for Q3 2020 and YTD 2020, respectively. Higher costs as a percentage of revenue for YTD 2021 was primarily attributable to the significant decline in revenue, compared to YTD 2020, partially offset by lower operating costs due to the shutdown of dining rooms and bars at all SIR restaurants, operating efficiencies, and the recognition income from CEWS, CERS and other government subsidies.

Corporate Costs

Corporate costs were $10.4 million and $12.7 million for Q3 2021 and YTD 2021, respectively, compared to $1.9 million and $8.4 million for Q3 2020 and YTD 2020, respectively.

Interest Expense

Interest expense for Q3 2021 and YTD 2021 was $0.5 million and $1.3 million, respectively, compared to $0.5 million and $1.3 million for Q3 2020 and YTD 2020, respectively.

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

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

Changes in amortized cost are recognized in the consolidated statements of operations and comprehensive income (loss). The change in the amortized cost is a non-cash transaction and accordingly, has no impact on cash flows. For Q3 2021 and YTD 2021, the change in amortized cost resulted in an expense of $25.3 million and is due to an increase in the underlying Fund unit price compared to the end of Fiscal 2020. For Q3 2020 and YTD 2020, the change in amortized cost is income of $56.0 million and $98.0 million and is due to a significant decrease in the underlying Fund unit price compared to the end of Fiscal 2019.

Interest on the SIR Loan totaled $0.7 million and $2.1 million for Q3 2021 and YTD 2021, respectively, and $0.7 million and $2.1 million for Q3 2020 and YTD 2020, respectively.

EBITDA[(1)] and Adjusted EBITDA[(1)]

EBITDA[(1)] totaled $3.1 million and $15.4 million for Q3 2021 and YTD 2021, respectively, compared to ($8.8) million and $5.9 million for Q3 2020 and YTD 2020, respectively

Adjusted EBITDA[(1)] totaled ($1.1) million and $0.8 million for Q3 2021 and YTD 2021, respectively, compared to ($3.1) million and $4.5 million for Q3 2020 and YTD 2020, respectively. (See Selected Consolidated Historical Financial Information – Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA[(1)] and Adjusted EBITDA[(1)].

SIR Royalty Income Fund

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

(a) SIR Loan

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

The debt is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the lender. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use the trademarks and related intellectual property in return for Royalty payments based on revenues, has been effected pursuant to the terms of the Intercreditor Agreement.

Under the Intercreditor Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Fund and the Partnership can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the License and Royalty Agreement. However, if a default or an event of default were to occur, the Fund and the Partnership agree not to take actions on their security until the lender has been repaid in full. However, payments by SIR, to the Fund and the Partnership, will be permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Fund, the Partnership and SIR will have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan by up to 50% without triggering a cross default under the Credit Agreement, for a period of up to nine consecutive months. SIR and each obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and SIR and its shareholders in exchange for the Subordinating Parties not demanding repayment or enforcing security as a result of any such Related Party Obligation Default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership.

Interest expense on the SIR Loan was charged to the consolidated statements of operations and comprehensive income (loss) in the amount of $0.7 million and $2.1 million for Q3 2021 and YTD 2021, respectively, and $0.7 million and $2.1 million for Q3 2020 and YTD 2020, respectively.

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

The Partnership deferred the collection of royalties and interest on the SIR Loan from SIR until July 6, 2021 and subsequent to Q3 2021, further extend the repayment of deferred amounts to July 6, 2022. Royalty payments on current sales to the Fund are to recommence effective July 7, 2021.

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

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

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

Pooled Revenue(4)	15,762	26,927	55,915	146,741
Partnership royalty income(5)	934	1,615	3,333	8,869
Other Income	6	6	11	17
Partnership expenses	(36)	(23)	(115)	(54)
Net earnings of the Partnership	904	1,598	3,235	8,832
SIR's residual interest in the earnings of the Partnership:				
Income from Class A & B GP Units of the Partnership	(102)	(267)	(185)	(1,669)
Income from Class C GP Units of the Partnership	(712)	(697)	(2,083)	(2,065)
	(814)	(964)	(2,268)	(3,734)
Fund's interest in the earnings of the Partnership	90	634	967	5,098

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

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(4) Includes revenue from the SIR Restaurants subject to the License and Royalty Agreement. The Partnership owns the SIR Rights formerly owned or licensed by SIR or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada.

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

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

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the "License and Royalty Agreement").

Under the terms of the License and Royalty Agreement, SIR is no longer required to pay any Make-Whole Payments in respect of a permanently closed restaurant following October 12, 2019. On January 1 of each year (the "Adjustment Date"), the restaurants subject to the License and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if actual revenues of the new SIR Restaurants exceeded 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Conversely, converted Class A GP Units will be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. In December of each year, an additional distribution will be payable to the Class B GP unitholders based on actual revenues of the new SIR Restaurants exceeding 80% of the initial estimated revenues or there will be a reduction in the distributions to the Class A GP unitholders if revenues are less than 80% of the initial estimated revenues.

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 residual interest in the Partnership is 19.05% as at May 9, 2021 (August 30, 2020 – 17.84%).

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

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	12-Week Period Ended May 9, 2021	12-Week Period Ended May 3, 2020	36-Week Period Ended May 9, 2021	36-Week Period Ended May 3, 2020
	(in thousands of dollars) (unaudited)			
Cash provided by (used in) operations	8,136	(1,605)	13,977	5,252
Cash used in investing activities	(81)	(345)	(503)	(4,587)
Cash provided by (used in) financing activities	(12,873)	931	(14,524)	(3,270)
Decrease in cash and cash equivalents during the period	(4,818)	(1,019)	(1,050)	(2,605)
Cash and cash equivalents – Beginning of period	5,385	2,028	1,617	3,614
Cash and cash equivalents – End of period	567	1,009	567	1,009

Cash provided by operations increased by $9.7 million in Q3 2021 compared to Q3 2020. The increase is primarily attributable to a favourable variance in the net change in working capital of $4.8 million, an increase in distributions paid to the Ordinary LP and Class A LP unitholders of $1.5 million and a $70.3 million favourable change in amortized cost of Ordinary LP and Class A LP units of the Partnership. These were offset by an unfavourable variance of $58.3 million due to a loss from operations in Q3 2021 compared to Q3 2020, along with a decrease in the impairment of non-financial assets by $8.6 million.

Investing activities used cash of $0.1 million and $.5 million for Q3 2021 and YTD 2021, respectively, compared to $0.3 million and $4.6 million for Q3 2020 and YTD 2020, respectively. Purchases of property and equipment and other assets – net amounted to $nil and $0.1 million for Q3 2021 and YTD 2021, respectively, compared to $0.3 million and $4.7 million in Q3 2020 and YTD 2020, respectively. The majority of the capital expenditures for Q3 2021 and YTD 2021 relate to maintenance related items for continued operations.

Cash used by financing activities was $12.9 million and $14.5 million for Q3 2021 and YTD 2021, respectively, compared to cash used in financing activities of $0.9 million and $3.3 million for Q3 2020 and YTD 2020, respectively. Bank indebtedness decreased by $nil and $3.7 million for Q3 2021 and YTD 2021. Proceeds from issuance of long-term debt were $6.3 million and $20.2 million for Q3 2021 and YTD 2021, respectively, and $9.1 million and $20.6 million, respectively, for the corresponding periods a year ago. Principal repayments on long-term debt were $14.6 million and $17.8 million for Q3 2021 and YTD 2021, respectively, and $0.8 million and $7.2 million for Q3 2020 and YTD 2020, respectively. Principal repayments on lease obligations were $4.0 million and $11.7 million for Q3 2021 and YTD 2021, respectively, compared to $4.2 million and $12.5 million for Q3 2020 and YTD 2020, respectively. Interest paid was $0.5 million and $1.4 million for Q3 2021 and YTD 2021, respectively, compared to $0.9 million and $3.2 million for Q3 2020 and YTD 2020, respectively. Dividends paid on the common shares of SIR were $nil in both Q3 2021 and YTD 2021, compared to $nil in both Q3 2020 and YTD 2020.

The new Scaddabush restaurant in the Burlington, Ontario (opened October 13, 2019) was added to the Royalty Pooled Restaurants effective January 1, 2021. At that time, SIR received additional Class A GP Units in accordance with the formula for adjustment for New Additional Restaurants added to Royalty Pooled Restaurants. The amount of Class A GP Units received was adjusted for the Second Incremental Adjustment for the one New Additional Restaurant that was added to Royalty Pooled Restaurants on January 1, 2020 and was reduced by an adjustment for the permanent closure of one SIR Restaurant in 2020. Under the terms of the Exchange Agreement, SIR has the right to convert some or all of the Class A GP Units into Fund units on a one-for-one basis. After the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2021, SIR held 1,971,552 Class A GP Units.

As at May 9, 2021, SIR had current assets of $13.1 million (August 30, 2020 – $18.8 million) and current liabilities of $117.3 million (August 30, 2020 – $125.6 million) resulting in a working capital deficit of $104.0 million (August 30, 2020 – $106.8 million). Revenues in the restaurant business are largely paid by cash and credit cards whereas most suppliers offer credit terms for payment. Therefore, restaurants are able to pay their suppliers from the cash received on revenues in the following months, as the supplier payables are due. Cash balances are typically used to construct new restaurants or re-invest in existing restaurants to grow the business. As a result, SIR, like many other restaurant businesses, would anticipate having a negative working capital balance in the foreseeable future. The reclassification of both the carrying value of the credit facilities under the Credit Agreement and the carrying value of the loan payable to the Fund to current liabilities has resulted in a significant increase in current liabilities. SIR's available working capital has been impacted by the COVID-19 outbreak. For more information, please refer to note 1, Going Concern Assumption, in SIR's condensed interim consolidated financial statements for the 36-week period ended May 9, 2021.

SIR has a credit agreement ("Credit Agreement") with a Schedule I Canadian chartered bank (the "Lender"). The Credit Agreement is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership, and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the Lender. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use trade-marks and related intellectual property in return for royalty payments based on revenues, has been effected pursuant to the terms of the Intercreditor Agreement.

The Credit Agreement between SIR and the Lender, as amended on December 8, 2017, July 6, 2018, April 1, 2020, June 30, 2020, September 30, 2020, December 21, 2020, March 31, 2021 and subsequent to Q3 2021, on May 31, 2021 provides for a maximum principal amount of $52.2 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 guaranteed facility with Export Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") ("EDC-Guaranteed Facility") and a $6.3 million Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility"). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $1.5 million.

Credit Facility 1 is for general corporate and operating purposes, bearing interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%, principal repaid in one bullet repayment on July 6, 2021. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1.

Credit Facility 2 bears interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%. Each advance under Credit Facility 2 is repayable in equal quarterly instalments based on a seven year amortization, with the remaining outstanding principal balance due on July 6, 2021.

As at May 9, 2021, the Company has drawn $24.3 million on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 30, 2020 - $36.7 million).

Under its Credit Agreement, the Company also has access to $6.3 million of credit with Export Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (the "EDC-Guaranteed Facility"). The EDC-Guaranteed Facility is a 364-day revolving term credit facility and can be extended at the Lender's sole discretion by a further 12 months. As at May 9, 2021, the Company has drawn $6.3 million on this facility.

Under its Credit Agreement, the Company also has access to a $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%. As at May 9, 2021, the Company has drawn $6.3 million on this facility.

For more details regarding the summary statements on covenant breaches and credit amendments that have occurred since the onset of the pandemic up until March 31, 2021, please refer to SIR Royalty Income Fund's (the "Fund") and SIR's prior interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.

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 for previously deferred royalty payments and/or payments of interest on the SIR Loan (the "Anticipated Fund Distribution") which is expected to be 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.

In order to provide SIR with financial support, including SIR securing necessary waivers and extension from the Lender, SIR gaining access to additional needed debt facilities, along with the additional consideration of the $1.0 million Anticipated Fund Distribution, 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.

On May 31, 2021, SIR and its Lender entered into the Eighth Amending Agreement to its Credit Agreement. The Eighth Amending Agreement provides for the following:
- an extension of the waivers of certain of the previously granted anticipated covenant breaches and events of default until July 6, 2022 (the "Eighth Amending Agreement Waiver Period"),
- waiving, for the Eighth Amending Agreement Waiver Period which now extends to the July 6, 2022 Maturity Date, the financial covenants in the Credit Agreement,
- during the Eighth Amending Agreement Waiver Period which now extends to the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a Cumulative Minimum EBITDA Covenant,
- SIR will be allowed to miss quarterly projections by up to $3.5 million cumulatively prior to July 6, 2022.
- waiver of the minimum quarterly EBITDA covenant amount for SIR's fiscal 2021 third quarter,
- the definition of EBITDA has been amended back to the definition in the original credit agreement.
- royalty payments on current sales to the Partnership and interest on the SIR Loan to the Fund are to recommence effective July 7, 2021,
- SIR will be entitled to begin repaying deferred royalty payments and interest on the SIR Loan under the condition that at least 25 restaurants have, for six consecutive weeks, been allowed the use of at least 50 indoor dining seats and the use of their patios (with social distancing). The repayments, which on a net basis amount to approximately $4.8 million as of May 9, 2021, are expected to be made in equal monthly installments such that the deferred amounts are targeted, absent and defaults occurring, to be fully repaid by the Credit Facility maturity date of July 6, 2022. The aforementioned repayments on a net basis, of approximately $4.9 million as of May 9, 2021, represents Management's estimate of the net amount of pre-tax distributable cash that will attribute to the Fund Unitholders' as a result of the repayment of these deferred amounts. This estimate relates to the amounts deferred during the period of April 1, 2020 up to and including May 9, 2021. This includes royalty payments from March 9, 2020 through to and including May 9, 2021 (6% royalty on the actual pooled revenue for those 61 weeks). The amount also includes interest on the SIR Loan over the same period. Netted against these two amounts owing by SIR to the Partnership and the Fund are the amounts owing, over the same

time period, from the Partnership to SIR attributable to SIR's share of the income of the Partnership for the Class A and Class C GP Units owned by SIR.

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

- receipt of a copy of the Eighth Amending Agreement,
- that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with SIR,

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

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

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

The Third, Fourth, Fifth, Sixth, Seventh and Eighth 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, 2022. 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.

Under the Intercreditor Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Fund and the Partnership can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the License and Royalty Agreement. However, if a default or an event of default were to occur, the Fund and the Partnership agree not to take actions on their security until the Lender has been repaid in full. However, payments by SIR, to the Fund and the Partnership, will be permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Fund, the Partnership and SIR will have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan by up to 50% without triggering a cross default under the Credit Agreement, for a period of up to nine consecutive months. SIR and each Obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and SIR and its shareholders in exchange for the Subordinating Parties not demanding repayment or enforcing security as a result of any such Related Party Obligation Default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership. 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, 2022, described above as those breaches could not be avoided by a simple preemptive deferral by the Partnership and the Fund.

As at May 9, 2021, SIR was in breach of the covenants in the SIR Loan Agreement. As a result, the carrying value of the loan payable to the Fund was reclassified to current liabilities.

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

Given the uncertainty surrounding the COVID-19 pandemic and the increasing government mandated shutdowns, SIR's ability to continue as a going concern for the next 12 to 18 months involves significant judgement and is dependent on its ability to obtain necessary financing through a renewal of its Credit Agreement, the availability of credit under the current Credit Agreement, or other financing sources, and government assistance to aid businesses. Management is currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. Effective May 31, 2021, the Company and its Lender entered into an eighth amending agreement to its Credit Agreement which, among other things, extended the maturity date of the credit facilities as well as certain waivers from July 6, 2021 to July 6, 2022. Refer to the "Amendments to SIR's Credit Agreement, payment of royalties and interest on the SIR Loan" section on page 6 for more details on this agreement. There can be no assurance that borrowings will be available to the Company, or available on acceptable terms, in the future, in an amount sufficient to fund the Company's needs.

As at May 9, 2021, SIR's liquidity was comprised of $0.6 million in cash on hand and $15.4 million available to borrow under its credit facility.

SIR's ability to meet its obligations for the next 12 to 18 months also depends on, among other factors, the length of the closure of dine-in operations at certain of its restaurants due to 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, and SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases. SIR's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue its claim through legal avenues. There can be no assurance this action will be successful.

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

SIR currently holds 1.9 million Class A GP Units, representing a 19.05% residual interest in the Partnership. The Class A GP Units are exchangeable into units of the Fund on a one for one basis, and, as at May 9, 2021, have a market value of approximately $4.6 million.

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

Contractual Obligations

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the restaurants included in Royalty Pooled Restaurants. Payment of the Royalty is secured by the Partnership General Security Agreement. On July 6, 2015, SIR, the Fund and the Partnership amended the agreement to subordinate and postpone their claims against SIR in favour of the senior lender. The Partnership and the Fund have not guaranteed the Credit Agreement (Please refer to SIR Royalty Income Fund section).

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

On January 1 of each year (the "Adjustment Date"), the restaurants subject to the License and Royalty Agreement are adjusted for new SIR restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on a formula defined in the Partnership Agreement.

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

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

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

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

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

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 permanently 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. The three restaurants closed included a Scaddabush, a Reds and a Duke's. The Scaddabush and Reds locations were part of the Royalty Pool, but the Duke's was not.
- Effective March 31, 2021, SIR permanently closed the Canyon Creek location in Vaughan, Ontario.

Off-Balance Sheet Arrangements

With the adoption of IFRS 16, operating leases relating to SIR's head office and restaurant locations with minimum annual payments are no longer considered off-balance sheet arrangements. SIR did not have any material off-balance sheet arrangements as at May 9, 2021, nor did it have any subsequent to Q3 2021.

Transactions with Related Parties

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

Transactions with Related Parties	12-Week Period Ended May 9, 2021	12-Week Period Ended May 3, 2020	36-Week Period Ended May 9, 2021	36-Week Period Ended May 3, 2020
	(in thousands of dollars) (unaudited)			
Corporate costs				
Maintenance services provided by a shareholder of SIR	-	-	-	1
Design fees paid to a company owned by a shareholder of SIR	-	-	-	7
Direct costs of restaurant operations				
Occupancy costs provided by a company owned by a party related to a director and shareholder of SIR	-	-	-	3
Services provided by a shareholder of SIR	-	1	-	2
Property and equipment				
Design and construction management fees and fixtures purchased from a company owned by a shareholder of SIR	-	-	-	12
Fixtures purchased from a shareholder of SIR	1	-	1	16
Equipment purchased from a company owned by a director and shareholder of SIR, together with a member of executive management of SIR	-	-	-	29

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

	As at May 9, 2021	As at August 30, 2020
	(in thousands of dollars)	
Amounts due from related parties		
Amounts due from U.S. S.I.R. L.L.C. and its subsidiary	102	31
Amounts due to related parties		
Amounts due to companies owned by a shareholder or director of SIR	826	189

- Received repayment against loans and advances from U.S. S.I.R. L.L.C. of $nil for the 12-week and 36-week periods ended May 9, 2021, respectively (12-week and 36-week periods ended May 3, 2020 - $0.01 million and $0.2 million, respectively). SIR recognized interest income on those loans and advances of $0.0 for the 12-week and 36-week periods ended May 9, 2021, respectively (12-week and 36-week periods ended May 3, 2020 - $0.02 million and $0.08 million, respectively). As at May 9, 2021, SIR has loans and advances (adjusted for a provision) of $nil owing from U.S. S.I.R. L.L.C. (August 30, 2020 – $0.4 million).
- SIR advanced $0.01 million to a company owned by a shareholder and director, together with a member of executive management of SIR, during the 52-week period ended August 27, 2017. This advance is non-interest bearing and is payable on demand.
- During the 52-week period ended August 25, 2019, SIR advanced $0.2 million to a shareholder and director. This advance bears interest at prime plus 2.25%. SIR recognized interest income on this loan of $nil and $0.003 million for the 12-week and 36-week periods ended May 9, 2021, respectively ($0.003 million and $0.008 million for the 12-week and 36-week periods ended May 3, 2020, respectively).

Transactions with the SIR Royalty Income Fund

Advances receivable from the Fund and its subsidiaries as at May 9, 2021 were $2.0 million (August 30, 2020 – $3.5 million). Advances receivable are non-interest bearing and due on demand.

The Partnership continues to defer the collection of restaurant royalties in order to provide SIR with financial support. In addition, the Partnership continues to defer payment of distributions to unitholders and the Fund continues to defer collection of the interest on the SIR Loan. As a result, during the 12-week period ended May 9, 2021, the Partnership recognized an impairment loss on the advances receivable from the Trust, GP and Fund based on management's assessment of the company-specific risks. A rate of 40% was applied to the advances receivable and a provision of $2.0 million was recognized at May 9, 2021.

During Q3 2021 and YTD 2021, distributions of $0.2 million and $0.9 million, respectively, were declared to the Fund by the Partnership, compared to $0.6 million and $5.0 million for Q3 2020 and YTD 2020, respectively. The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions previously declared, but unpaid as at May 9, 2021 were $4.4 million (August 30, 2020 – $3.8 million).

Interest expense on the SIR Loan totaled $0.7 million and $2.1 million for Q3 2021 and YTD 2021, respectively, and $0.7 million and $2.1 million for Q3 2020 and YTD 2020, respectively. Interest payable on the SIR Loan as at May 9, 2021 was $3.6 million (August 30, 2020 – $1.5 million).

SIR, through the Partnership, has entered into an arrangement with the Fund and the Trust whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the managing general partner of the Partnership. The Partnership provided these services to the Fund and the Trust for consideration of $0.006 million and $0.017 million for Q3 2021 and YTD 2021, respectively ($0.012 million and $0.017 million for Q3 2020 and YTD 2020, respectively), which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates and Judgments

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

Changes in Accounting Policies, Including Recently Issued Accounting Pronouncements

Recently adopted accounting pronouncements

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

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

Amendments to IFRS 3, Business Combinations

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

IFRS 16, Leases (IFRS 16)

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

Recently issued accounting pronouncements

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

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

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

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

IAS 16, Property, Plant and Equipment

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

IAS 37, Provisions

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

Disaggregated revenue

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

Food and beverage revenue by Concept	12-Week Period Ended May 9, 2021	12-Week Period Ended May 3, 2020	36-Week Period Ended May 9, 2021	36-Week Period Ended May 3, 2020
Jack Astor's	13,074	18,114	45,098	98,462
Scaddabush	2,651	4,428	9,243	22,890
Canyon Creek	-	597	117	4,019
Signature Restaurants	24	1,904	572	10,508
	15,749	**25,043**	**55,030**	**135,879**

Financial Instruments

Management believes there have been no substantial changes in the financial instruments since the 53-week period ended August 30, 2020. The reader will find this information in the annual MD&A for the 53-week period ended August 30, 2020.

Risks and Uncertainties

The performance of SIR is dependent on many factors. The restaurant industry generally, and in particular, the casual and fine dining segment of this industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. Increases in minimum wage rates and other labour legislation may affect the growth and profitability of SIR, as a significant portion of its restaurant employees are paid at wage rates related to minimum wage. SIR Restaurants are subject to laws that prohibit or limit smoking in enclosed workplaces and/or certain outdoor public places, such as restaurant patios. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located.

In addition, factors such as business and economic conditions, changes in foreign exchange, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages and cannabis legislation), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants affect the restaurant industry in general and therefore SIR. Please refer to the Fund's March 12, 2020 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

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

The Fund's distributions are subject to change based on a number of factors, including the cash reserves of the Fund, the Trust and the Partnership. The Trustees will continue their practice of regularly reviewing the Fund's distribution levels.

Outlook

Since the date of SIR's last financial report, which was filed on March 31, 2021, the COVID-19 pandemic has continued to significantly impact the operations of the company.

The hospitality industry continues to face significant challenges related to operating restrictions imposed by federal, provincial and municipal governments in response to the COVID-19 pandemic. Restaurants and bars in urban areas across Canada have had to close their indoor service operations, or operate at limited capacity, for extended periods since the onset of the pandemic in March 2020. Restaurants have also incurred significant costs to implement strict safety protocols for both patio and indoor dining, including the installation of plexiglass barriers in dining rooms, expansion of patios, adding heaters to extend patio dining season, and swift changes to operations to increase take-out and delivery offerings, particularly during periods when restaurants were 100% reliant on revenue from takeout and delivery.

SIR's operations have been particularly impacted due to the concentration of its 51 Royalty Pooled Restaurants in major urban areas in Canada, particularly the Greater Toronto Area (32 Royalty Pool Restaurants) and the Greater Montreal Area (four Royalty Pooled Restaurants), two metropolitan regions that have faced the most prohibitive operating restrictions in Canada.

For more details regarding the operating restrictions that have impacted SIR since the onset of the pandemic up until March 31, 2021, please refer to SIR Royalty Income Fund's (the "Fund") and SIR's prior interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.

Effective April 8, 2021, due to rising case counts of COVID-19, the province of Ontario declared a third State of Emergency and a province-wide stay at home order was issued, which lasted until June 2, 2021. SIR continued to offer takeout and delivery services at certain of its Jack Astor's and Scaddabush restaurants as well as at Dukes Refresher during this period.

On May 20, 2021, the Ontario government announced a province-wide "Roadmap to Reopen" The three-step plan allowed restaurants to reopen for limited capacity outdoor dining in Step 1 commencing on June 11 and currently contemplates allowing indoor dining in Step 3 (estimated to begin on July 23, 2021). These dates may be realized sooner (or potentially later) than estimated. However, a minimum 21-day period has been mandated between each step of the plan. While the province has yet to formally outline all operating guidelines for indoor dining at restaurants, physical distancing measures and capacity limits as well as enhanced safety measures are expected to remain in effect.

In the regions in which SIR's four Quebec restaurants are located, provincial orders have limited restaurants to takeout and delivery since September 30, 2020. Quebec's three-phase reopening plan, which is based on the achievement of vaccination targets, has been outlined. The first phase of the plan came into effect May 28, 2021 and permits outdoor dining at all restaurants across the province. Indoor dining was permitted in the second phase and introduced on a regional basis. Two SIR restaurants reopened indoor dining on May 31, while the other two reopened on June 7, 2021

SIR's restaurants in Nova Scotia (two locations) and Newfoundland (one location) have also experienced limited operations due to government restrictions. Restaurant operations in St. John's, Newfoundland were restricted to takeout and delivery for approximately seven weeks beginning on February 10, 2021, before reopening with reduced capacity on March 27, 2021. Restaurant operations in Halifax and Dartmouth, Nova Scotia were limited to takeout and delivery from April 23, 2021 to June 2, 2021, when the opening of patios with social distancing and capacity restrictions was permitted. Phase 2 of the Nova Scotia plan, which began on June 16, 2021, permits indoor dining with limited capacity and table-size, masks and limited service hours. Three additional phases were announced beyond Phase 2, each one based on increasing levels of vaccinations in the community and each one further reducing the restrictions on capacity and hours of operation.

On May 31, 2021, SIR entered into an amending agreement (the "Eighth Amending Agreement") to its Credit Agreement. With the vaccine rollout in Canada now well advanced and the economic outlook improving, SIR's Lender has approved the resumption of current royalty payments and a framework to enable SIR to catch up on deferred royalty payments by July 6, 2022. The necessary agreements, which are expected to enable the Fund to re-commence distributions in the near future, have been executed. Distributions are expected to be modest at first and increase over time. Refer to the "Amendments to SIR's Credit Agreement, payment of royalties and interest on the SIR Loan" section on page 6 for more details on this agreement. There can be no assurance that borrowings will be available to the Company, or available on acceptable terms, in the future, in an amount sufficient to fund the Company's needs.

SIR's ability to meet its obligations for the next 12 to 18 months also depends on, among other factors, the length of the closure of dine-in operations at certain of its restaurants due to 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, and SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases. SIR's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue its claim through legal avenues. There can be no assurance this action will be successful.

Description of non-IFRS measures

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

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

Same Store Sales and Same Store Sales Growth

SIR believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. SIR's method of calculating SSS and SSSG may differ from those of other issuers and, accordingly, SSS and SSSG may not be comparable to measures used by other issuers. SSSG is the percentage increase in SSS over the prior comparable period. SSS includes revenue from all SIR Restaurants except for those locations that were not open for the entire comparable periods in fiscal 2021 and fiscal 2020 and Abbey's Bakehouse as it is not a SIR Restaurant. When a SIR

Restaurant is closed, the revenue for the closed restaurant is excluded from the calculation of SSS and SSSG for both the quarter in which the restaurant is closed and the current year-to-date. Please refer to the reconciliation of consolidated revenue to SSS on page 15 and to the definition of SSS in the Revenue section on page 15.

Adjusted Net Earnings (Loss)

Adjusted Net Earnings (Loss) is calculated by removing the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership from the net earnings (loss) for the period. Adjusted Net Earnings (Loss) is a non-GAAP financial measure and does not have a standardized meaning prescribed by IFRS. Management believes that in addition to net earnings (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate SIR's performance. Changes in the amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership is a non-cash transaction and varies with changes in the market price of the Fund units. The exclusion of the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership eliminates this non-cash impact. Management cautions investors that Adjusted Net Earnings (Loss) should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating Adjusted Net Earnings (Loss) may differ from the methods used by other issuers. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings (Loss) on page 11 of this document.

EBITDA and Adjusted EBITDA

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

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

Management believes that, in addition to net earnings or loss, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating SIR's performance, as these are useful estimates of the core business' contribution to cash flow from operations and approximate the funds generated by SIR which are available to meet its financing obligations and capital expenditure requirements. Management interprets trends in EBITDA and Adjusted EBITDA as indicators of relative operating performance. EBITDA and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. Management cautions investors that EBITDA and Adjusted EBITDA should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating EBITDA and Adjusted EBITDA may differ from the methods used by other issuers. Therefore, SIR's EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Please refer to the reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA and Adjusted EBITDA on page 12 of this document.

Forward Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the SIR Royalty Income Fund (the "Fund") or SIR Corp. ("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, SIR Holdings Trust (the "Trust"), SIR Royalty Limited Partnership (the "Partnership"), SIR or industry results, are forward-looking statements. The words "may", "will", "should", "could", "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 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 SIR management's ("Management") current expectations, estimates and projections regarding future events and operating performance and are based on information currently available to Management, Management's historical experience, perception of trends and current business conditions, expected future developments and other factors which Management considers appropriate. The forward-looking statements speak only as of the date hereof. Readers should not place undue importance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated or implied by such forward-

looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur, and readers should not rely upon this information as of any other date. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including, without limitation: the impact of the COVID-19 pandemic, including a worsening of the COVID-19 pandemic, changes in governmental or customer responses to the COVID-19 outbreak, continued availability of required employees, business interruptions, access to restaurant locations and access to needed supplies and capital; market conditions; 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 or interest rates; 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; changes in laws affecting the sale and use of alcohol (including availability and enforcement); changes in cannabis laws; changes in tax laws; changes in 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 (as defined herein) and otherwise, particularly amid the COVID-19 outbreak. 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, whether as a result of new information, future events or otherwise. Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. This Management's Discussion and Analysis is provided as of June 23, 2021.

In formulating the forward-looking statements contained herein, Management has assumed that its businesses will be able to continue to operate following the resolution 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. However, the continuation or escalation of this public health crisis could create adverse impacts on the Fund's and SIR's workforce, supply chain and customer access and could reduce revenue for the Fund and SIR, which could have a material adverse effect on SIR's business, financial condition and results of operations. Management has also assumed that SIR will remain compliant in the future with, or receive waivers from, all of its financial covenants under the Credit Agreement and otherwise. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. For more information concerning the Fund's risks and uncertainties, please refer to the Fund's annual information form dated March 31, 2021 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 herein 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. In particular, there can be no assurance that restaurants will be able to reopen as currently anticipated, or that current or deferred royalty payments will be able to be made as currently anticipated. See "Risk Factors" in the Fund's annual information form dated March 31, 2021 for the period ended December 31, 2020.

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