SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD QUARTER
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021)

Executive Summary

Operational and financial results summary for the three-month ("Q3 2021") and nine-month ("YTD 2021") periods ended September 30, 2021 for SIR Royalty Income Fund (the "Fund") include:

Coronavirus ("COVID-19") Pandemic

- Since the date of the Fund's last financial report, which was filed on August 12, 2021, the COVID-19 pandemic has continued to significantly impact the operations of SIR Corp. ("SIR").
- The hospitality industry continued to face significant challenges related to operating restrictions imposed by federal, provincial and municipal governments in response to the pandemic during Q3 2021. 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 tents to patios where practical to increase usable days, 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 June 30, 2021, please refer to the Fund and SIR's prior annual and interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.
- On March 23, 2020, the Fund announced that unitholder distributions were suspended until further notice.
- In July 2021, the Fund resumed monthly unitholder distributions at $0.07 per unit for July and August, and subsequently increased the monthly distribution to $0.09 per unit in September 2021. For details on the resumption of distributions, please refer to the Distributions section on page 8.
- As part of the seventh amending agreement to SIR's Credit Agreement and the extension by the Fund and the SIR Royalty Limited Partnership (the "Partnership") of their deferral agreements, the Lender consented and SIR made the repayment, in April 2021, of the $1.0 million of previously deferred royalties and/or interest payments on the SIR Loan.
- 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 (four guests per table) outdoor dining in Step 1 commencing on June 11, 2021. Step 2, which allowed for a slight increase in outdoor capacity to a maximum of six guests per table commenced on June 16, 2021. Step 3, which allowed for indoor dining and outdoor patio dining with physical distancing, but no other extraordinary capacity restrictions commenced on July 16, 2021.
- On August 17, 2021, in response to evolving data around the Delta variant, the government, in consultation with Ontario's Chief Medical Officer of Health paused the exit from the Roadmap to Reopen. Effective September 22, 2021, the province of Ontario released "A Plan to Safely Reopen Ontario and Manage COVID-19 for the Long-Term", which outlines the province's gradual approach to lifting remaining public health and workplace safety measures by March 2022. The plan outlined requirements for all Ontarians (12 years and older) to be fully vaccinated in order to access certain public settings including restaurants and bars. Proof of full vaccination (vaccine certificate or passport) along with identification is required to dine indoors at restaurants. Subsequent to Q3 2021, effective October 22, 2021, the province of Ontario's plan was put into effect, making COVID-19 employee vaccination policies mandatory, and lifting capacity limits for restaurants and bars where proof of vaccination is required for patrons. Provided there are no concerning public health and health care trends following the winter holiday season, the province of Ontario plans to begin to lift vaccine certificate requirements for restaurants and bars on January 17, 2022 with the end goal of lifting all remaining public health and workplace safety measures, including masking, by March 28, 2022.

- In the regions in which SIR's four Quebec restaurants are located, provincial orders limited restaurants to takeout and delivery from September 30, 2020 through to May 28, 2021. 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, 2021, while the other two reopened on June 7, 2021. Effective September 1, 2021, the province of Quebec has required all patrons (13 years and older) to show vaccine certificates and subsequent to Q3 2021, effective November 1, 2021, has lifted all indoor dining capacity limits (except for requiring physical distancing of one metre) at restaurants and bars (where full proof of vaccination is required).
- 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 physical 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. Effective July 14, 2021 Nova Scotia moved into Phase 3 of its reopening plan permitting restaurants to return to regular hours of operation while all other COVID-19 operational requirements, including physical distancing between tables, remain in place. Subsequent to Q3 2021, effective October 4, 2021, the province of Nova Scotia requires all patrons to show vaccine certificates and has lifted all indoor dining capacity limits at restaurants and bars. The province of Newfoundland followed on October 26, 2021.
- During SIR's 53-week period ended August 30, 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. During SIR's 36-week period ended May 9, 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.
- As a result of the pandemic, Pooled Revenue and royalty income in the Partnership, along with the Fund's equity income from the Partnership and cash available for distribution to unitholders of the Fund, continues to be significantly reduced compared to pre-pandemic fiscal periods

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, please refer to the Fund and SIR's prior annual and interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.

- On May 31, 2021, SIR entered into an amending agreement (the "Eighth Amending Agreement") to its Credit Agreement, which among other things, extended the maturity date of the credit facilities as well as certain waivers to July 6, 2022. With the vaccine rollout in Canada now well advanced and the economic outlook improving, SIR's Lender approved the resumption of current royalty payments and deferred interest on the SIR Loan on July 7, 2021 and a framework to enable SIR to catch up on deferred royalty payments by July 6, 2022. SIR has resumed current royalty payments to the Partnership and current payments to the Fund for interest on the SIR Loan.
- The necessary agreements, which have enabled the Fund to recommence cash distributions to Fund unitholders, have been executed.
- Effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (outlined in the Liquidity and Capital Resources section on page 20), SIR has begun its repayment of deferred royalties and interest on the SIR Loan. Pursuant to the eighth amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively.
- On May 31, 2021, the Fund and 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.
- Although the extended Credit Agreement permitted the resumption of current royalty payments to the Partnership and the resumption of current payments of interest on the SIR Loan to the Fund during July 2021, the conditions required, as defined in the extended Credit Agreement, for SIR to begin repaying previously deferred royalties and interest on the SIR Loan were not met until August 27, 2021. As at September 30, 2021, the Partnership continued to defer the collection of royalties and the Fund continues to defer the collection of interest on the SIR Loan as part of the conditions required

by SIR's senior lender to grant SIR a series of waiver and amending agreements under its Credit Agreement in order to provide SIR with financial support during the pandemic. However, Effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (outlined in the Liquidity and Capital Resources section on page 20), SIR has begun its repayment of deferred royalties and interest on the SIR Loan. Pursuant to the eighth amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively.

- Accordingly, given the uncertainty surrounding the pandemic and the government mandated shutdowns and the related impact to SIR, which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. See going concern disclosure in Note 1 to the Fund's condensed interim consolidated financial statements for the three and nine-month periods ended September 30, 2021, as well as page 22 of this Management Discussion & Analysis ("MD&A"). Management of SIR, and accordingly the Fund, are currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. There can be no assurance that borrowings will be available to SIR, or available on acceptable terms, in an amount sufficient to fund SIR's (and in effect the Fund's) needs. The Fund's ability to meet its obligations for the next 12 to 18 months depends on many factors which are further described, among other things, in the Liquidity and Capital Resources section on page 20.

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

- As previously noted, restaurant closures and /or limited capacity operating restrictions due to COVID-19 began to impact SIR's operations late in Q1 2020, starting on March 16, 2020. Operating restrictions have continued to date in Fiscal 2021, which have also negatively impacted SIR's operations.
- The Royalty Pooled Restaurants had a SSS(1) increase of 34.9% in Q3 2021 and a decrease of 6.6% in YTD 2021 compared to the corresponding periods a year ago. Pooled Revenue increased by 34.2% to $53.5 million in Q3 2021, compared to $39.9 million in the three-month period ended September 30, 2020 ("Q3 2020"), and decreased by 9.2% to $90.6 million in YTD 2021, compared to $99.7 million in the nine-month period ended September 30, 2020 ("YTD 2020"), primarily as a result of the negative impact of the pandemic.
- Jack Astor's®,, which accounted for approximately 78.7% of Pooled Revenue in Q3 2021, reported a SSS(1) increase of 32.9% in Q3 2021 and a decline of 1.7% in YTD 2021.
- Scaddabush Italian Kitchen & Bar ("Scaddabush")® had a SSS(1) increase of 39.3% in Q3 2021 and a decline of 5.2% in YTD 2021.
- Canyon Creek® had a SSS(1) increase of 93.9% in Q3 2021 and a decline of 67.8% in YTD 2021.
- SIR's Signature Restaurants had a SSS(1) increase of 62.0% in Q3 2021 and a decline of 69.1% in YTD 2021.
- Segmented SSS(1) performance for the three-month and nine-month periods ended September 30, 2021 and September 30, 2020 is detailed in the table on page 6.

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

- Royalty income in the Partnership increased to $3.2 million in Q3 2021 from $2.4 million for Q3 2020, and decreased to $5.4 million in YTD 2021 from $6.0 million in YTD 2020. Other income in the Partnership was $nil in Q3 2021 and $0.1 million YTD 2021 (Q3 2020 and YTD 2020 – $nil)
- Equity income from the Partnership, which represents the Fund's pro rata share of the residual distributions of the Partnership, was $1.7 million in Q3 2021 compared to $1.2 million in Q3 2020. Equity income was $2.1 million in YTD 2021 compared to $2.7 million in YTD 2020.
- Partnership income allocated to the Fund, which represents the Fund's pro rata share of the residual distributions of the Partnership, was $1.7 million in Q3 2021 compared to a loss of $12.4 million in Q3 2020. Partnership income allocated to the Fund was $2.1 million in YTD 2021 compared to a loss of $26.5 million in YTD 2020.
- The Partnership continued to defer the collection of restaurant royalties and the Fund continued to defer the collection of interest on the SIR Loan, as part of the conditions required by SIR's senior lender to grant SIR a series of waiver and amending agreements under its credit agreement. Pursuant to SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively. During Q3 2021, the Partnership and the Fund

(1) *Same store sales ("SSS"), same store sales growth ("SSSG"), Adjusted Net Earnings (Loss), Adjusted Net Earnings per Fund Unit, Distributable cash and payout ratio are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). For additional information regarding these financial measures, including full details on how these financial measures are calculated, see the "Description of Non-IFRS Measures" section of this MD&A (page 28).*

recognized no further impairment on the royalty and other intercompany receivables (YTD 2021 – $nil) and the interest receivable from SIR (YTD 2021 – $0.5 million), respectively based on management's assessment of the SIR-specific risk (YTD 2020 – $0.2 and $0.1 million). A rate of approximately 40% was applied to both the Fund's interest receivable and the Partnership's royalty and other intercompany receivables, respectively.

Net Earnings and Adjusted Net Earnings(1)

- Net earnings were $2.2 million for Q3 2021 compared to a net loss of $15.7 million for Q3 2020. Adjusted Net Earnings(1) were $2.2 million for Q3 2021 compared to $1.3 million for Q3 2020. Please refer to the Adjusted Net Earnings(1) section on page 14.
- Net earnings were $2.6 million for YTD 2021 compared to a net loss of $44.6 million for YTD 2020. Adjusted Net Earnings(1) were $3.1 million for YTD 2021 compared to $3.4 million for YTD 2020. Please refer to the Adjusted Net Earnings(1) section on page 14.
- Net Earnings (loss) per Fund unit were $0.26 (basic and diluted) for Q3 2021 compared to ($1.87) (basic and diluted) for Q3 2020. Adjusted net earnings per Fund unit(1) were $0.26 (basic and diluted) for Q3 2021 compared to $0.16 (basic and diluted) for Q3 2020. Please refer to the Adjusted Net Earnings(1) section on page 14.
- Net earnings (loss) per Fund unit were $0.31 (basic and diluted) for YTD 2021, compared to ($5.32) (basic and diluted) for YTD 2020. Adjusted net earnings per Fund unit(1) were $0.37 (basic) and $0.36 (diluted) for YTD 2021 compared to $0.41 (basic) and $0.40 (diluted) for YTD 2020. Please refer to the Adjusted Net Earnings(1) section on page 14.

Distributable Cash(1) and Payout Ratio(1)

- Distributable cash(1) per Fund unit was $0.24 (basic and diluted) for Q3 2021 and $0.21 (basic and diluted) for YTD 2021, compared to a distributable cash(1) per Fund unit of $0.07 (basic and diluted) for Q3 2020 and $0.23 (basic and diluted) for YTD 2020. Please refer to the Distributions section on page 8 and Distributable Cash(1) on page 16.
- The Fund's payout ratio(1) was 94.5% in Q3 2021 compared to 0.0% in Q3 2020, and 111.7% in YTD 2021 compared to 113.9% in YTD 2020. The payout ratio(1) since the Fund's inception, up to and including Q3 2021, is 100.0%.
- The shortfall in distributable cash(1) in YTD 2020 is related to the impact of the pandemic and the related decline in Pooled Revenue and SSS(1) on the net earnings of the Fund. The Fund resumed paying cash distributions in Q3 2021 and did not pay any distributions in Q3 2020, which resulted in the 0.0% payout ratio for this period.

Same Store Sales(1)

SIR reported to the Fund that the Royalty Pooled Restaurants had a cumulative SSS(1) increase of 34.9% in Q3 2021 and a decline of 6.6% in YTD 2021. SSS(1) are typically impacted by changes in guest traffic and average cheque amount. Other factors are identified below. Segmented SSS(1) performance for Q3 2021 and YTD 2021 is detailed in the following table.

SSS(1) for the Royalty Pooled Restaurants

(in thousands of dollars except percentage of segmented same store sales) (unaudited)	**Three-month period ended**				**Nine-month period ended**			
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	Segmented Same Store Sales	Segmented Same Store Sales	Change in Segmented Same Store Sales (%)	Change in Segmented Same Store Sales (%)	Segmented Same Store Sales	Segmented Same Store Sales	Change in Segmented Same Store Sales (%)	Change in Segmented Same Store Sales (%)
Jack Astor's	41,629	31,332	32.9%	(36.8%)	71,322	72,538	(1.7%)	(50.8%)
Scaddabush	9,250	6,639	39.3%	(45.2%)	15,412	16,249	(5.2%)	(49.9%)
Canyon Creek	442	228	93.9%	(93.2%)	491	1,525	(67.8%)	(73.8%)
Signature	1,260	778	62.0%	(78.4%)	1,415	4,580	(69.1%)	(66.5%)
Overall SSS(1)	**52,581**	**38,977**	**34.9%**	**(44.1%)**	**88,640**	**94,892**	**(6.6%)**	**(53.2%)**

Prior to the government restrictions on dining rooms and bars, SIR had commenced proactively implementing physical distancing seating and other measures at all of its restaurants, resulting in a decrease of available tables for guests. SIR's pre-shutdown physical distancing seating and other measures was followed by the full closure of all SIR dining rooms and bars beginning on March 16, 2020 in accordance with the directives of public health authorities. Gradual and partial reopenings that commenced in mid-June 2020 were followed by increasing closures and restrictions starting in October 2020, which resulted in significant SSS(1) declines in Fiscal 2020, Q1 2021 and Q2 2021. In accordance with provincial re-opening guidelines, outdoor patios and dining rooms were re-opened throughout the month of June (and remain open) during Q3 2021. As at September 30, 2021, all provinces have allowed the resumption of full capacity (with limited restrictions) indoor dining contingent on patrons showing proof of full vaccination via Government Issued vaccine certifications or passports.

Jack Astor's, which accounted for approximately 78.7% of Pooled Revenue in Q3 2021, had a SSS(1) increase of 32.9% in Q3 2021 and a YTD 2021 decline of 1.7%. After SIR suspended dine-in operations at all of its restaurants and bars on March 16, 2020, 23 of the 38 Jack Astor's restaurants remained open for take-out and delivery services only. These closures remained in effect for the majority of the year ended December 31, 2020 and into Q2 2021 amid increasing closures and full lockdown measures in Ontario effective April 8, 2021. Outdoor patios and dining rooms at certain of the Jack Astor's restaurants were re-opened throughout the month of June during Q2 2021 and remained open during Q3 2021.

The sales from the three permanently closed Jack Astor's locations (the former locations in the St. Lawrence Market neighborhood and on John Street in downtown Toronto and the location in Calgary) have been excluded from the calculation of SSS(1) for Q3 2021.

Scaddabush SSS(1) performance for Q3 2021 includes eight Scaddabush locations, excluding the locations at Yonge and Gerrard in Toronto, and in Burlington, Ontario. Scaddabush had a SSS(1) increase of 39.3% Q3 2021 and a decline of 5.1% for YTD 2021. Outdoor patios and dining rooms at certain of the Scaddabush restaurants were re-opened throughout the month of June during Q2 2021 and remained open during Q3 2021.

Canyon Creek had a SSS(1) increase of 93.9% in Q3 2021 and a decline of 67.8% for YTD 2021. The Canyon Creek location near the airport in Etobicoke, Ontario was reopened during Q3 2021. SIR temporarily suspended operations at one Canyon Creek restaurant in Niagara Falls, Ontario during Q2 2020. SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario, effective January 8, 2021, and in Vaughan, Ontario, effective March 31, 2021.

The downtown Toronto Signature Restaurants had a SSS(1) increase of 62.0% in Q3 2021 and a decline of 69.1% for YTD 2021, respectively. On March 16, 2020, SIR suspended all operations at the four Signature Restaurants in the Royalty Pool. SIR permanently closed the Red Midtown Tavern location at Yonge and Gerrard in Toronto effective February 9, 2021. Outdoor patios and dining rooms at three of the Signature restaurants were reopened on June 11, 2021 during Q2 2021 and remained open during Q3 2021.

Restaurant Renovations

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

As at September 30, 2021 and during Fiscal 2020, SIR did not undertake any restaurant renovations due to the impact of the pandemic on its cash flows and financial liquidity.

Subsequent to September 30, 2021, SIR completed one restaurant renovation, including:

- A Jack Astor's restaurant at the Square One shopping centre in Mississauga, Ontario which was closed for nine days to complete a renovation. The upgrades served to implement an engaging and immersive guest facing experience for younger audiences.

New and Closed Restaurants

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

The COVID-19 pandemic drastically altered SIR's operating environment and put a great deal of stress on many businesses, including SIR. As a result, during the nine-month period ending September 30, 2021, SIR permanently closed six restaurants, including:

- Effective January 8, 2021, the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.
- Effective February 9, 2021, the three restaurants located at the corner of Yonge and Gerrard in downtown Toronto, including a Scaddabush, a Reds and a Duke's Refresher. The Scaddabush and Reds locations were

part of the Royalty Pool, but the Duke's Refresher was not.
- Effective March 31, 2021, the Canyon Creek location in Vaughan, Ontario.

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

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

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

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

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

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

Distributions

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

On March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice as a result of the impact of the pandemic on SIR's operations. Under the eighth amending agreement to SIR's Credit Agreement, SIR's Lender has approved a framework for the resumption of distributions. The Partnership and the Fund have consented to allow SIR to defer the royalty payments and interest on the SIR Loan that were due after March 31, 2020. The original deferral agreement has been extended five times with the most recent extension continuing until July 6, 2022. The most recent extension agreement has approved the resumption of current royalty payments on July 7, 2021 and a framework to enable SIR to catch up on deferred royalty payments by July 6, 2022. SIR resumed current royalty payments to the Partnership and current payments to the Fund for interest on the SIR Loan during Q3 2021.

Effective July 15, 2021, the Trustees of the Fund approved the resumption of monthly unitholder distributions effective July 30, 2021. The initial monthly distribution under the resumption was $0.07 per Fund Unit and was paid on July 30, 2021 to unitholders of record as at July 22, 2021. On August 11, 2021, the Fund declared a distribution of $0.07 per Fund Unit payable on August 31, 2021 to unitholders of record on August 20, 2021.

During Q3 2021, on September 9, 2021, the Fund announced a $0.02 increase in the Fund's monthly cash distribution to unitholders, resulting in an increase in the Fund's monthly cash distributions from $0.07 per unit to $0.09 per unit, effective for the cash distribution paid on September 30, 2021 to unitholders of record on September 20, 2021. Subsequent to September 30, 2021, distributions of $0.09 per unit were declared and paid in the month of October 2021.

Effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (outlined in the Liquidity and Capital Resources section on page 20), SIR has begun its repayment of deferred royalties and interest on the SIR Loan. Pursuant to the eighth amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively.

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the long term. Prior to the suspension of unitholder distributions effective on March 23, 2020, the Fund paid even monthly distributions to unitholders, when its underlying cash flow from the Partnership was subject to seasonal fluctuations (as experienced by SIR). As a result, there are times during the year when the Fund's payout ratio(1) exceeds or could be lower than 100%. The payout ratio(1) of cash distributed to distributable cash(1) for Q3 2021 was 94.5%, compared to 0.0% for Q3 2020 and 111.7% for YTD 2021 compared to 113.9% for YTD 2020. The payout ratio(1) since the Fund's inception in 2004 up to and including Q3 2021 is 100.2%, in line with Fund's target payout ratio of 100%.

Please refer to page 16 for distributable cash(1) and a summary of monthly distributions since inception, and page 17 for a description of the Fund's payout ratio(1).

Overview and Business of the Fund

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

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

Overview and Business of SIR and the Partnership

SIR, which stands for Service Inspired Restaurants, is a private company amalgamated under the Business Corporations Act of Ontario. As at September 30, 2021, SIR owned 53 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Nova Scotia, and Newfoundland). The Concept Restaurants are Jack Astor's Bar and Grill®, Scaddabush Italian Kitchen & Bar®, and Canyon Creek®. The Signature Restaurants are Reds® Wine Tavern, Reds® Square One, and the Loose Moose Tap & Grill®. As at September 30, 2021, SIR also owned one Duke's Refresher® & Bar ("Duke's Refresher") restaurant located in downtown Toronto, and one seasonal restaurant, Abbey's Bakehouse®, which are considered Signature restaurants, and are not part of Royalty Pooled Restaurants. SIR owns 100% of its Canadian restaurants. As at September 30, 2021, 56 SIR Restaurants were included in Royalty Pooled Restaurants (51 operating restaurants and five closed restaurants).

SIR believes that Duke's Refresher has multi-unit growth potential and has advised the Fund that Duke's Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke's Refresher could be added to the Royalty Pool would be the Adjustment Date following the earlier of: (i) the date that four Duke's Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of SIR's fiscal year in which revenues from all Duke's Refresher restaurants in Canada first exceed $12.0 million (the "Trigger Event"). As neither of these events are expected to occur before August 29, 2021, Duke's Refresher is not expected to be added to the Royalty Pool on January 1, 2022.

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

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

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

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, as pandemic-related restaurant operating are reduced, 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 reopen and ramp up business, 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 made a voluntary payment to the Fund in an amount equal to 6% of the revenues earned by the Renegade Chicken operation. For the period ended May 31, 2021, the total revenues earned by the Renegade Chicken operation were $1.1 million. Accordingly, SIR made a voluntary payment to the Fund of $0.1 million.

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

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

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

On January 1, 2021, one new SIR Restaurant was added (January 1, 2020 – one new SIR Restaurant was added) to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2021 (January 1, 2020 – one new SIR Restaurants), as well as the Second Incremental Adjustment for one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2020 (January 1, 2019 - two), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. In addition, there was a re-conversion of Class A GP Units into Class B GP Units for the permanent closure of one (January 1, 2020 – three) SIR Restaurants during 2020. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 153,201 Class B GP Units into 153,201 Class A GP Units (January 1, 2020 – SIR returned 395,899 Class A GP Units for 395,899 Class B GP Units) on January 1, 2021 resulting in a $nil impact to the SIR Rights value as the Class A and B GP Units have a $nil value (January 1, 2020 – reducing the value of the SIR Rights by $3.5 million).

In addition, the revenues of the one (January 1, 2019 – two) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2020 was less than 80% of the Initial Adjustment's estimated revenue (January 1, 2019 – revenue of the two new SIR Restaurants was less than 80% of the Initial Adjustment's estimated revenue) and, as a result, the distributions of the Class A GP Units were reduced by a special conversion refund of $0.009 million in December 2020 and paid in January 2021 (a special conversion refund of $0.02 million in December 2019 and paid in January 2020). Make-Whole Payments of $nil (year ended December 31, 2019 - $0.3 million) have been recorded in Royalty income in the statement of (loss) earnings and comprehensive (loss) income of the Partnership for the year ended December 31, 2020.

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

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

Seasonality

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

Selected Consolidated Financial Information

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

Financial Highlights

(in thousands of dollars or units, except restaurants and per unit amounts) *(unaudited)*	**Three-month period ended September 30, 2021**	**Three-month period ended September 30, 2020**	**Nine-month period ended September 30, 2021**	**Nine-month period ended September 30, 2020**
Royalty Pooled Restaurants	56	56	56	56
Pooled Revenue generated by SIR	53,529	39,902	90,586	99,730
Royalty income to Partnership - 6% of Pooled Revenue	3,212	2,394	5,367	5,984
Other Income	-	-	68	-
Make-Whole Payment(2)	-	-	-	-
Total Royalty and Other income to Partnership	3,212	2,394	5,435	5,984
Partnership other income	6	6	18	18
Impairment of intangible assets	-	(13,909)	(34)	(54,434)
Partnership expenses	(86)	(49)	(176)	(95)
Partnership earnings (loss)	3,132	(11,558)	5,243	(48,527)
SIR's interest (Class A, B and C GP Units)	(1,460)	(1,144)	(3,159)	(3,235)
SIR's interest (impairment of intangible assets)	-	250	-	25,308
Partnership income (loss) allocated to Fund(3)	1,672	(12,452)	2,084	(26,454)
Impairment of financial assets	-	(114)	(500)	(114)
Other Income	273	-	273	-
Change in estimated fair value of the SIR Loan(4)	750	(2,500)	2,250	(16,500)
	2,695	(15,066)	4,107	(43,068)
General & administrative expenses	(107)	(146)	(474)	(383)
Net earnings (loss) before income taxes of the Fund	2,588	(15,212)	3,633	(43,451)
Income tax expense	(389)	(486)	(1,025)	(1,133)
Net earnings (loss) for the period	2,199	(15,698)	2,608	(44,584)
Basic earnings (loss) per Fund unit	$0.26	($1.87)	$0.31	($5.32)
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376
Net earnings (loss) for the period – Diluted	2,717	(15,410)	3,272	(43,865)
Weighted average number of Class A GP Units	N/A	N/A	N/A	N/A
Weighted average number of Fund units outstanding – Diluted	N/A	N/A	N/A	N/A
Diluted earnings per Fund unit	$0.26	($1.87)	$0.31	($5.32)

In YTD 2021 and YTD 2020, the Class A GP Units are excluded from the calculation of diluted earnings per Fund unit, as the conversion is anti-dilutive.

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

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

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

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

Summary of Quarterly Financial Information

(in thousands of dollars or units, except restaurants and per unit amounts)	Three-month periods ended							
	September 30, 2021	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**
Royalty Pooled Restaurants	56	56	56	56	56	56	56	58
Pooled Revenue generated by SIR	53,529	21,049	15,456	20,283	39,902	9,551	50,277	67,455
Royalty income to Partnership - 6% of Pooled Revenue	3,212	1,223	932	1,217	2,394	571	3,018	4,047
Other Income	-	68	-	-	-	-	-	-
Make-Whole Payment[5]	-	-	-	-	-	-	-	-
Total Royalty and Other income to Partnership	3,212	1,291	932	1,217	2,394	571	3,018	4,047
Partnership other income	6	6	6	6	6	6	6	6
Impairment of financial and intangible assets	-	203	(237)	(1,564)	(13,909)	-	(40,525)	-
Partnership expenses	(86)	(52)	(37)	(34)	(49)	(21)	(23)	(13)
Partnership earnings (loss)	3,132	1,448	664	(375)	(11,558)	556	(37,524)	4,040
SIR's interest (Class A, B and C GP Units)	(1,460)	(950)	(750)	(651)	(1,144)	(825)	(1,266)	(1,549)
SIR's interest (impairment of intangible assets)	-	-	-	-	250	-	25,058	-
Partnership income allocated to Fund[6]	1,672	498	(86)	(1,026)	(12,452)	(269)	(13,732)	2,491
Impairment of financial assets	-	(200)	(300)	(886)	(114)	-	-	-
Other Income	273	-	-	-	-	-	-	-
Change in estimated fair value of the SIR Loan	750	1,500	-	2,250	(2,500)	2,500	(16,500)	(6,750)
	2,695	1,798	(386)	338	(15,066)	2,231	(30,232)	(4,259)
General & administrative expenses	(107)	(272)	(95)	(141)	(146)	(131)	(106)	(128)
Net earnings (loss) before income taxes of the Fund	2,588	1,526	(481)	197	(15,212)	2,100	(30,338)	(4,387)
Income tax recovery (expense)	(389)	(294)	(341)	385	(486)	(218)	(430)	2,648
Net earnings (loss) for the period	2,199	1,232	(822)	582	(15,698)	1,882	(30,768)	(1,739)
Basic earnings (loss) per Fund unit	$0.26	$0.15	($0.10)	$0.07	($1.87)	$0.22	($3.67)	($0.21)
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Net earnings (loss) for the period – Diluted	2,717	1,377	(822)	509	(15,410)	1,936	(30,391)	(1,155)
Weighted average number of Class A GP Units	N/A	1,972	N/A	N/A	N/A	1,818	N/A	N/A
Weighted average number of Fund units outstanding – Diluted	N/A	10,347	N/A	N/A	N/A	10,194	N/A	N/A
Diluted earnings (loss) per Fund unit	$0.26	$0.13	($0.10)	$0.07	($1.87)	$0.19	($3.67)	($0.21)

(5) The Jack Astor's restaurant in the St. Lawrence Market neighbourhood of downtown Toronto, Ontario was closed effective February 4, 2019. Under the terms of the License and Royalty Agreement, SIR is required to pay a Make-Whole Payment for these locations equal to the amount of the royalty otherwise payable from the date of the closure until December 31st of the year of closure.

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

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

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

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

(in thousands of dollars or units, except per unit amounts) *(audited)*	**Three-month period ended September 30, 2021**	**Three-month period ended September 30, 2020**	**Nine-month period ended September 30, 2021**	**Nine-month period ended September 30, 2020**
Net earnings (loss) for the period	2,199	(15,698)	2,608	(44,584)
Impairment of investment in LP	-	-	500	-
Impairment of financial and intangible assets		13,773		29,240
Change in estimated fair value of the SIR Loan	(750)	2,500	(2,250)	16,500
Interest recorded on SIR Loan	750	750	2,250	2,250
Deferred tax expense (recovery)	-	-		-
Adjusted Net Earnings(1)	**2,199**	**1,325**	**3,108**	**3,406**
Adjusted Basic Earnings per Fund unit(1)	$0.26	$0.16	$0.37	$0.41
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376

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

During Q3 2021, management adjusted the discount rate from 14.35% at December 31, 2020 to 14.40% at September 30, 2021. The adjustment consists of an estimated decrease in the corporate bond rate of 0.77% combined with an increase of 0.81% in the Canadian risk free rate.

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

Distributions and Distributable Cash(1)

On March 23, 2020, the Fund temporarily suspended unitholder distributions until further notice. Within the Eighth Amending Agreement to SIR's Credit Agreement, SIR's Lender 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 to enable the Fund to re-commence distributions have been executed.

Effective July 15, 2021, the Trustees of the Fund approved the resumption of monthly unitholder distributions effective July 30, 2021. The initial monthly distribution under the resumption was $0.07 per Fund Unit and was paid on July 30, 2021 to unitholders of record as at July 22, 2021. On August 11, 2021, the Fund declared a distribution of $0.07 per Fund Unit that was paid on August 31, 2021 to unitholders of record on August 20, 2021.

On September 9, 2021, the Fund announced a $0.02 increase in the Fund's monthly cash distribution to unitholders, resulting in an increase in the Fund's monthly cash distributions from $0.07 per unit to $0.09 per unit, effective for the cash distribution paid on September 30, 2021 to unitholders of record on September 20, 2021. Subsequent to September 30, 2021, distributions of $0.09 per unit were declared and paid in the month of October 2021.

Effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (outlined in the Liquidity and Capital Resources section on page 20), SIR has begun its repayment of deferred royalties and interest on the SIR Loan. Pursuant to the eighth amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively.

During the nine-month period ended September 30, 2021, the Fund paid monthly distributions in arrears of $nil (nine-month period ended September 30, 2020 – $nil per unit). No distributions were paid in the months of April through December 2020.

Distributable Cash[(1)]

(in thousands of dollars or units, except per unit amounts and payout ratio[(1)]) *(unaudited)*	**Three-month period ended September 30, 2021**	**Three-month period ended September 30, 2020**	**Nine-month period ended September 30, 2021**	**Nine-month period ended September 30, 2020**
Cash provided by (used in) operating activities	2,620	(60)	2,869	2,305
Add/(deduct):				
Net change in non-cash working capital items[(7)]	(255)	(46)	(623)	(283)
Net change in income tax payable[(7)]	(479)	(517)	(1,086)	(523)
Net change in distribution receivable from the Partnership[(7)]	152	1,207	565	432
Distributable cash/(shortfall)[(1)]	**2,038**	**584**	**1,725**	**1,931**
Cash distributed for the period	**1,926**	**-**	**1,926**	**2,199**
Surplus/(shortfall) of distributable cash[(1)]	**112**	**584**	**(201)**	**(268)**
Payout ratio[(1), (8)]	94.5%	0.00%	111.7%	113.9%
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376
Distributable cash/(shortfall)[(1)] per Fund unit – Basic	$0.24	$0.07	$0.21	$0.23
Distributable cash/(shortfall)[(1)] for the period – Diluted[9]	2,635	870	2,802	2,650
Weighted average number of Class A GP Units	N/A	N/A	N/A	N/A
Weighted average number of Fund units outstanding – Diluted	N/A	N/A	N/A	N/A
Distributable cash/(shortfall)[(1)] per Fund unit – Diluted	$0.24	$0.07	$0.21	$0.23

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

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

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

Distributable Cash[(1)]

(in thousands of dollars or units, except per unit amounts and payout ratio[(1)])	Three-month periods ended September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Cash provided (used) by operating activities	2,620	250	-	(105)	(60)	-	2,366	2,441
Add/(deduct): Net change in non-cash working capital items[(10)]	(255)	(272)	(95)	(35)	(46)	(131)	(106)	(324)
Net change in income tax payable[(10)]	(479)	(295)	(312)	409	(517)	(210)	203	126
Net change in distribution receivable from the Partnership[(10)]	152	498	(86)	(1,026)	1,207	(270)	(505)	50
Distributable cash/(shortfall)[(1)]	**2,038**	**181**	**(493)**	**(757)**	**584**	**(611)**	**1,958**	**2,293**
Cash distributed for the period	**1,926**	**-**	**-**	**-**	**-**	**-**	**2,199**	**2,345**
Surplus/(shortfall) of distributable cash[(1)]	**112**	**181**	**(493)**	**(757)**	**584**	**(611)**	**(241)**	**(52)**
Payout ratio[(1),(11)]	94.5%	0.00%	0.00%	0.00%	0.00%	0.00%	112.3%	102.3%
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Distributable cash[(1)] per Fund unit – Basic	$0.24	$0.02	($0.06)	($0.09)	$0.07	($0.07)	$0.23	$0.27
Distributable cash[(1)] for the period – Diluted[(12)]	2,038	181	(493)	(829)	870	(555)	2,335	2,877
Weighted average number of Class A GP Units	N/A	N/A	N/A	N/A	N/A	N/A	1,818	2,214
Weighted average number of Fund units outstanding – Diluted	N/A	N/A	N/A	N/A	N/A	N/A	10,194	10,590
Distributable cash[(1)] per Fund unit – Diluted[(12)]	$0.24	$0.02	($0.06)	($0.09)	$0.07	($0.07)	$0.23	$0.27

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

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

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

A history of distributions is as follows:

Months Paid	Distribution per Unit
Inception to May 2006	$0.100
June 2006 to May 2007	$0.105
June 2007 to May 2008	$0.110
June 2008 to January 2011	$0.115
February 2011 to May 2012	$0.083[13]
June 2012 to May 2013	$0.088
June 2013 to March 2018	$0.095
April 2018 to August 2018	$0.100
September 2018 to October 2019	$0.105
November 2019 to February 2020	$0.0875
March 2020 to June 2021	nil
July 2021	$0.070
September 2021 to date	$0.090
December 2012 Special Distribution	$0.05[14]
December 2017 Special Distribution	$0.02[9]

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

Effective July 15, 2021, the Trustees of the Fund approved the resumption of monthly unitholder distributions effective July 30, 2021, pursuant to the Senior Creditor Agreement. The initial monthly distribution under the resumption was $0.07 per Fund Unit. The Fund paid monthly distributions of $0.07 per Fund unit in the months of July and August 2021. On September 9, 2021, the Fund announced a $0.02 increase in the Fund's monthly cash distribution to unitholders, resulting in an increase in the Fund's monthly cash distributions from $0.07 per unit to $0.09 per unit, effective for the cash distribution paid in September 2021 and thereafter.

The payout ratio[1] of cash distributed to distributable cash[1] for Q3 2021 was 94.5% compared to 0.0% in Q3 2020. The 0.0% payout ratio[1] for Q3 2020 is the result of the suspension of unitholder distributions on March 23, 2020.

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

Since the Fund's inception in October 2004 up to and including Q3 2021, the Fund has generated $122.3 million in cumulative distributable cash[1] and has paid cumulative cash distributions of $122.3 million, representing a cumulative payout ratio[1] (the ratio of cumulative cash distributions paid since inception to cumulative distributable cash[1] generated) of 100.2%.

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

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

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

(in thousands of dollars)	Nine-month period ended September 30, 2021	Nine-month period ended September 30, 2020
Cash provided by operating activities	2,870	2,305
Net earnings (loss) for the period	2,608	(44,584)
Cash distributed for the period	1,926	2,199
Excess (shortfall) of cash provided by operating activities over cash distributed for the period(15)	**944**	**106**
Excess (shortfall) of net earnings for the period over cash distributed for the period(16)	**682**	**(46,783)**

The $0.1 million excess of cash provided by operating activities over cash distributed for the three-month period ended September 30, 2021 is primarily attributable to an increase in net earnings for the period due to the re-opening of limited capacity in-restaurant and outdoor patio dining throughout the month of June 2021.

Balance Sheet

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

(in thousands of dollars)	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Total assets	50,649	49,824	48,045	48,494	48,159	63,472	61,471	94,316
Unitholders' equity	43.118	43,110	41,878	42,701	42,118	57,816	55,935	88,901

Results of Operations – Fund

The Fund's income for Q3 2021 comprises equity income from the Partnership of $1.7 million (Q3 2020 - $1.2 million), other income of $0.3 million (Q3 2020 - $nil),), an impairment on the investment in the Partnership of $nil (Q3 2020 - $13.7 million), an impairment provision on interest receivable from SIR of $nil (Q3 2020 - $0.1 million) and a change in the estimated fair value of the SIR Loan of $0.8 million (Q3 2020 - ($2.5) million). The Fund's income for YTD 2021 comprises equity income from the Partnership of $2.1 million (YTD 2020 - $2.7 million), other income of $0.3 million (YTD 2020 - $nil), an impairment on the investment in the Partnership of $nil (YTD 2020 - $29.1 million), an impairment provision on interest receivable from SIR of $0.5 million (YTD 2020 - $0.1 million) and a change in the estimated fair value of the SIR Loan of $2.3 million (YTD 2020 - an offset to income related to a change in estimated fair value of the SIR Loan of $16.5 million). Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the three-month and nine-month periods ended September 30, 2021 and September 30, 2020. Pursuant to the SIR Loan agreement, interest owing on the SIR Loan is charged an additional penalty of 2.0% plus the base interest of 7.5%, per month, non-compounding. Additional interest on the interest outstanding and receivable from SIR Corp. is $0.3 million of other income for the three-month and nine-month periods ended September 30, 2021 ($nil for both the three-month and nine-month periods ended September 30, 2020). The Partnership recognized an impairment (recovery) loss on its royalty and intercompany receivables outstanding of $nil and $0.03 million for the three-month and nine-month periods ended September 30, 2021 ($0.2 million for both the three-month and nine-month periods ended September 30, 2020), resulting in an impairment loss

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

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

on the investment in the Partnership in the Fund. The Partnership recorded an impairment loss on the investment in the Partnership intangible asset of $nil for the three-month and nine-month periods ended September 30, 2021 ($13.7 million and $54.2 million for the three-month and nine-month periods ended September 30, 2020). The change in estimated fair value of the SIR Loan is related to IFRS 9, which requires the Fund to recognize the SIR Loan at fair value, with changes in the fair value being recorded in the statement of earnings.

The Fund's operating expenses, which are limited to general and administrative expenses, totaled $0.1 million and $0.5 million for Q3 2021 and YTD 2021, respectively ($0.1 million and $0.4 million for Q3 2020 and YTD 2020, respectively). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

The Fund recorded an income tax expense of $0.4 million and $1.0 million for Q3 2021 and YTD 2021, respectively ($0.5 million and $1.1 million for Q3 2020 and YTD 2020, respectively).

Net earnings were $2.2 million for Q3 2021 compared to a net loss of $15.7 million for Q3 2020. Net earnings per Fund unit for Q3 2021 were $0.26 (basic and diluted) compared to a net loss per Fund unit of $1.87 (basic and diluted) for Q3 2020. Adjusted Net Earnings(1) were $2.2 million for Q3 2021 compared to $1.3 million for Q3 2020, and Adjusted Net Earnings per Fund unit(1) were $0.26 (basic and diluted) for Q3 2021 compared to $0.16 (basic and diluted) for Q3 2020.

Net earnings were $2.6 million YTD 2021 compared to a net loss of $44.6 million for YTD 2020. Net earnings per Fund unit for YTD 2021 were $0.31 (basic and diluted) compared to a net loss per Fund unit of $5.32 (basic and diluted) for YTD 2020. Adjusted Net Earnings(1) were $3.1 million for YTD 2021 compared to $3.4 million for YTD 2020. Adjusted Earnings per Fund unit(1) were $0.37 (basic) and $0.36 (diluted) for YTD 2021 compared to Adjusted Earnings per Fund unit(1) of $0.41 (basic) and $0.40 (diluted) for YTD 2020.

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at September 30, 2021, there were 56 restaurants included in Royalty Pooled Restaurants (51 operating restaurants and five closed restaurants). Increases or decreases in Pooled Revenue are derived from SSS(1) growth or declines, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular.

The following table sets out Pooled Revenue for the three-month and nine-month periods ended September 30, 2021 and September 30, 2020:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue) (unaudited)	Three-month period ended September 30, 2021		Three-month period ended September 30, 2020		Nine-month period ended September 30, 2021		Nine-month period ended September 30, 2020	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue
Jack Astor's	41,629	37	31,344	38	71,322	37	73,058	38
Scaddabush	10,198	10	7,184	9	17,296	10	18,026	9
Canyon Creek	442	5	228	5	506	5	2,920	5
Signature	1,260	4	1,146	4	1,461	4	5,726	4
Total included in Pooled Revenue	53,529	56	39,902	56	90,585	56	99,730	56

The Pooled Revenue increases in Q3 2021 are a result of the re-opening of in-restaurant and outdoor patio dining during the quarter. The YTD 2021 declines in Pooled Revenue are a result of SSS(1) declines due to more prohibitive operating restrictions in the first half of 2021 compared to the corresponding period in 2020, as SIR restaurants were open for a majority of Q1 2021. In addition, SIR restaurants were open for Q1 and a majority of Q2 2020. The closure of one Jack Astor's restaurant in Calgary, Alberta during Q3 2020, three Canyon Creek restaurants in Mississauga, Scarborough and Vaughan, Ontario and one Scaddabush and one Reds restaurant at the corner of Yonge and Gerrard in downtown Toronto, Ontario during Q1 2021 also decreased SSS[(1)] compared to YTD 2020.

Liquidity and Capital Resources

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

The Credit Agreement between SIR and the Lender, as amended on December 8, 2017 and July 6, 2018, June 1, 2020, June 30, 2020, September 30, 2020, December 18, 2020, March 31, 2021 and May 31, 2021 provides for a maximum principal amount, as at September 30, 2021 of: $50.8 million consisting of a $20.0 million revolving term credit facility (Credit Facility 1), a $18.2 million revolving term loan (Credit Facility 2), a $6.3 million EDC-Guaranteed Facility and a $6.3 million BDC-Guaranteed Facility. SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $1.5 million.

Credit Facility 1 is for general corporate and operating purposes, including capital spending on new and renovated restaurants, bearing interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%, principal repaid in one bullet repayment on July 6, 2022. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1. Provided SIR is in compliance with the Credit Agreement, the principal amount of Credit Facility 1 can be repaid and reborrowed at any time during the term of the agreement. Credit Facility 2 bears interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%. Each advance under Credit Facility 2 is repayable in equal quarterly instalments based on a seven-year amortization, with the remaining outstanding principal balance due on July 6, 2022.

The EDC-Guaranteed Facility bears interest at the prime rate plus 3.50%. The EDC-Guaranteed Facility is a 364-day revolving-term credit facility and can be extended at the Lender's sole discretion by a further 12 months. A standby fee of 0.90% is charged on the undrawn balance of this facility.

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

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

Under the Intercreditor Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Fund and the Partnership can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the License and Royalty Agreement. However, if a default or an event of default were to occur, the Fund and the Partnership agree not to take actions on their security until the Lender has been repaid in full. However, payments by SIR, to the Fund and the Partnership, will be permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Fund, the Partnership and SIR will have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan without triggering a cross default under the Credit Agreement, by up to 50% for a period of up to nine consecutive months. SIR and each Obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and SIR and its shareholders in exchange for the Subordinating Parties not demanding repayment or enforcing security as a result of any such Related Party Obligation Default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership. For greater certainty, the preemptive deferral arrangements described above, were not used in the deferral agreements between SIR, the Fund and the Partnership deferring royalty payments and interest payments on the SIR loan between April 1, 2020 and July 6, 2021, described below beginning on page 21 as those breaches could not be avoided by a simple preemptive deferral by the Partnership and the Fund.

Given the uncertainty surrounding the pandemic, SIR's ability to continue as a going concern for the next 12 to 18 months involves significant judgement and is dependent on its ability to obtain necessary financing through a renewal of its

Credit Agreement, the availability of credit under the current Credit Agreement, or other financing sources, and government assistance to aid businesses. Management has addressed SIR's financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender in the most recent Eighth Amendment to the Credit 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 beyond July 6, 2022.

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

For more details regarding the summary statements on covenant breaches and credit amendments that have occurred since the onset of the pandemic up until June 30, 2021, please refer to the Fund's and SIR's prior annual and interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.

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 physical 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. Effective September 15, 2021, having met these conditions above, SIR has begun its repayment of deferred royalties and interest on the SIR Loan. These amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively.

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.

In order to provide SIR with financial support, including SIR securing necessary waivers and extensions from the Lender, and SIR gaining access to additional needed debt facilities, the Partnership deferred the collection of restaurant royalties and the Fund deferred the collection of interest on the SIR Loan from SIR until July 6, 2022. However, SIR's Lender approved the resumption of current payments of royalties and interest on the SIR Loan on July 7, 2021 and a framework to enable SIR to catch up on deferred payments of royalties and interest on the SIR Loan by July 6, 2022. Failure to obtain the waivers and 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. There can be no assurance that SIR can remain in compliance with such agreements or receive additional waivers in 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. However, SIR's Lender has approved the resumption of current payments of royalties and interest on the SIR Loan on July 7, 2021 and a framework to enable SIR to catch up on deferred payments of royalties and interest on the SIR Loan by 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.

SIR has advised the Fund that its ability to meet its obligations for the next 12 to 18 months is dependent on:

- its ability to obtain necessary financing through a renewal of its Credit Agreement,
- the collectability of credit under the current Credit Agreement or other financing sources,
- government assistance, including the Canada Emergency Wage Subsidy,
- the collectability or utilization of business interruption or other insurance coverage, and
- SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases.

Going concern

Accordingly, given the uncertainty surrounding the pandemic and the government mandated shutdowns and/or capacity restrictions and the related impact to SIR which the Fund is dependent on for cash flow, the Fund's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. The consolidated financial statements of the Fund have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities during the normal course of operations for the foreseeable future. In the preparation of financial statements, the Fund's management is required to identify when events or conditions indicate that significant doubt may exist about the Fund's ability to continue as a going concern. Significant doubt about the Fund's ability to continue as a going concern would exist when relevant conditions and events indicate that the Fund will not be able to meet its obligations as they become due for a period of at least, but not limited to, twelve months from the end of the reporting period. When the Fund identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Fund considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt. Management of SIR is currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. Refer to note 3 of the Fund's consolidated financial statements for more details. There can be no assurance that borrowings will be available to SIR, or available on acceptable terms, in an amount sufficient to fund SIR's needs.

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

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

The potential for future reduced services and/or restaurant closures will continue to create risk of material declines to sales at SIR restaurants. These circumstances indicate the existence of a material uncertainty that may cast doubt on the Fund's ability to continue as a going concern. These unaudited consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Fund be unable to continue as a going concern. Such adjustments could be material.

The Fund did not have any capital expenditures in Q3 2021 and YTD 2021 and by its nature is not expected to have significant capital expenditures in the future. Capital expenditures related to Royalty Pooled Restaurants are borne at the operating company (SIR) level. The Fund's operating and administrative expenses are expected to be fairly stable and predictable and are considered to be in the ordinary course of business.

Effective July 15, 2021, the Trustees of the Fund approved the resumption of monthly unitholder distributions effective July 30, 2021. The initial monthly distribution under the resumption was $0.07 per Fund Unit and was paid on July 30, 2021 to unitholders of record as at July 22, 2021. On August 11, 2021, the Fund declared a distribution of $0.07 per Fund Unit payable on August 31, 2021 to unitholders of record on August 20, 2021.

On September 9, 2021, the Fund announced a $0.02 increase in the Fund's monthly cash distribution to unitholders, resulting in an increase in the Fund's monthly cash distributions from $0.07 per unit to $0.09 per unit, effective for the cash distribution paid in on September 30, 2021 to unitholders of record on September 20, 2021. Subsequent to September 30, 2021, distributions of $0.09 per unit were declared and paid in the month of October 2021.

Effective September 15, 2021, having met the conditions stipulated by SIR's senior lender, SIR has begun its repayment of deferred royalties and interest on the SIR Loan. Pursuant to the Eighth Amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively.

While SIR is not owned by the Fund, the Fund's cash flows are derived from interest received on the SIR Loan and distributions from the Partnership and accordingly, the Fund is economically dependent upon SIR. Credit risk arises from the potential default of SIR on the SIR Loan. Management monitors the SIR Loan for credit risk and to date all interest payments have been made. The Fund also depends on the distributions from the Partnership, which are dependent upon SIR paying the Royalty to the Partnership. Information regarding SIR and its liquidity can be found in SIR's unaudited interim and audited annual consolidated financial statements and MD&A, which can be found on SEDAR under the Fund's listing named "Other". The most recent unaudited interim consolidated financial statements and MD&A for SIR's fiscal 2021 third quarter were filed on June 30, 2021.

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

Selected Unaudited Consolidated Statement of Cash Flows Information[17]	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

Controls and Procedures

Disclosure controls and procedures:

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and includes controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Management carried out an evaluation of the effectiveness of the design and operation of the Fund's disclosures controls and procedures, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at September 30, 2021 under the supervision of and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer.

Based on that evaluation, the Fund's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective as at September 30, 2021.

Internal controls over financial reporting:

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

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

Management carried out an evaluation of the effectiveness of the design and operation of the Fund's internal controls over financial reporting, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at September 30, 2021 and under the supervision and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer. The evaluation was conducted using the framework and criteria established in Internal Control

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

- Integrated Framework: 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013.

Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that internal controls over financial reporting are effective and there are no material weaknesses in the Fund's internal controls over financial reporting as at September 30, 2021. There have been no substantive changes in the Fund's internal controls over financial reporting that occurred during the most recent interim period beginning January 1, 2021 and ending September 30, 2021, that have materially affected, or are reasonably likely to materially affect the Fund's internal control over financial reporting. The Fund does not own, control or consolidate SIR and therefore, the Fund's disclosure controls and procedures and the internal controls over financial reporting do not encompass SIR or SIR's disclosure controls and procedures or SIR's internal controls over financial reporting.

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

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

During the three-month period ended September 30, 2021, the Fund earned equity income of $1.7 million from the Partnership (equity income of $0.9 million for the three-month period ended September 30, 2020) and recorded equity income of $2.1 million from the Partnership for the nine-month period ended September 30, 2021 ($2.7 million for the nine-month period ended September 30, 2020). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the three-month period ended September 30, 2021, the Fund recognized $0.3 million of interest payments towards the value of the SIR Loan ($nil for the three-month period ended September 30, 2020). For the nine-month period ended September 30, 2021, the Fund received interest payments of $1.1 million from the SIR Loan ($0.8 million for the nine-month period ended September 30, 2020). A description of the terms of the SIR Loan is included in the notes to the consolidated financial statements of the Fund for the 12-month period ended December 31, 2020.

As at September 30, 2021, the Fund had amounts receivable from SIR, net of a provision, of $2.0 million (December 31, 2020 – $1.5 million) and distributions receivable from the Partnership of $3.7 million (December 31, 2020 – $3.1 million). The amount receivable from SIR relates to the interest owing to the Fund on the SIR Loan for the months of March through December of Fiscal 2020 and January through June of Fiscal 2021. As at September 30, 2021, the Fund had advances payable to the Partnership of $4.0 million (December 31, 2020 - $3.7 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

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

Investment in the Partnership/consolidation of structured entities

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

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

Valuation of the SIR Loan and investment in the Partnership

Management reviews for objective evidence whether there may be an impairment of the SIR Loan or the investment in the Partnership. The review includes a review of the earnings, cash flows and available cash of SIR on a prospective basis to assess SIR's ability to meet its obligations to the Fund for interest payments on the SIR Loan and to the Partnership for the Royalty. Based on the analysis completed during the three-month period ended September 30, 2021, no impairments have been recorded in the consolidated financial statements.

Fair value of the SIR Loan

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

During Q3 2021, management adjusted the discount rate from 14.35% at December 31, 2020 to 14.45% at September 30, 2021. The adjustment consists of an estimated increase in the corporate bond rate of 0.91% combined with an increase of 0.81% in the Canadian risk free rate.

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

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

Financial Instruments

The Fund's financial instruments consist of cash, amounts due from related parties, the SIR Loan, accounts payable and accrued liabilities, and amounts due to related parties. Management estimates that the fair values of these financial instruments approximate their carrying values due to their short-term maturity except for the SIR Loan. The fair value of the SIR Loan is estimated to be $21.8 million. The fair value was estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk. The estimate of fair value is within level 3 of the fair value hierarchy.

Disclosure of Outstanding Unit Data

As at December 31, 2020 and September 30, 2021, the number of outstanding units of the Fund was 8,375,567.

Risks and Uncertainties

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

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

SIR and the Fund also face risks and uncertainties related to the COVID-19 Pandemic as outlined in the Outlook section below.

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

Outlook

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

The current state of the restaurant and bars industry during the pandemic has been trending positively due to increasing vaccination rates and the implementation of vaccine certificates (or passports). However, the potential risk of restaurant closures and/or limited capacity reopening's of in-restaurant and patio dining could continue to impact future sales at SIR restaurants. As a result of the pandemic and ongoing government and public health recommendations and restrictions, there are material uncertainties that may cast doubt on SIR's ability to continue as a going concern.

Effective September 22, 2021, the province of Ontario released "A Plan to Safely Reopen Ontario and Manage COVID-19 for the Long-Term", which outlines the province's gradual approach to lifting remaining public health and workplace safety measures by March 2022. The plan outlined requirements for all Ontarians (12 years and older) to be fully vaccinated in order to access certain public settings including restaurants and bars. Proof of full vaccination (vaccine certificate or passport) along with identification is required to dine indoors at restaurants. Subsequent to Q3 2021, effective October 22, 2021, the province of Ontario's plan was put into effect, making COVID-19 employee vaccination policies mandatory, and lifting capacity limits for restaurants and bars where proof of vaccination is required for patrons. Provided there are no concerning public health and health care trends following the winter holiday season, the province of Ontario plans to begin to lift vaccine certificate requirements for restaurants and bars on January 17, 2022 with the end goal of lifting all remaining public health and workplace safety measures, including masking, by March 28, 2022.

Effective September 1, 2021, Quebec is now in phase three of its three-phase reopening plan, which permits indoor dining (with limited capacity restrictions effective November 1, 2021) to patrons who show a vaccination passport.

Effective October 4, 2021, Nova Scotia moved into Phase 5 of its reopening plan permitting restaurants to return to regular hours of operation with no operational restrictions or requirements other than patrons showing proof of vaccination to dine indoors. Newfoundland followed on October 26, 2021.

SIR was deemed eligible for the Canada Emergency Wage Subsidy ("CEWS") program. As a result, SIR received a subsidy from the federal government to partially offset certain of its wage costs starting in mid-March 2020. The federal government ended the CEWS program on October 23, 2021.

SIR was deemed eligible for the Canadian Emergency Rent Subsidy ("CERS"). However, the program, as passed, limited 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 was limited. The maximum claim of $0.2 million per month represents approximately 10% of SIR's eligible expenses under the CERS program. SIR received rebates under the program beginning on September 27, 2020. The program ended on October 23, 2021.

On October 21, 2021, the federal government announced the proposed new Tourism and Hospitality Recovery Program ("THRP"). Restaurants are one of the targeted businesses to which this program applies. The program commenced on October 24, 2021 and is intended to provide a replacement program for the CEWS and CERS programs until at least May 7, 2022. This program would apply to SIR in any claim period between October 24, 2021 and May 7, 2022 when the revenue decline in the claim period is 40% or more compared to the prior reference period. On the same day, the federal government proposed extending the Canada Recovery Hiring Program until May 7, 2022, for eligible employers with current revenue declines of more than 10% compared to the prior reference period, and proposed increasing the subsidy rate to 50% starting on October 24, 2021. This program would also be expected to apply to SIR in any claim period between October 21, 2021 and May 7, 2022 when SIR's revenue decline in the claim period is 10% or more compared to the prior reference period.

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.

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

SIR's and the Fund's ability to meet their obligations for the next 12 to 18 months also depends on, among other factors, how long SIR is able to remain at full operating capacity in the near future, Canadian economic conditions affecting bars and restaurants now that they are 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 a further extension to its current credit agreement with its senior lender which is scheduled to mature on July 6, 2022. Please refer to the Going Concern section on page 22 of this MD&A.

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 due to Civil Authority orders against its insurer by way of Notice of Application in the Ontario Superior Court which was heard on May 19, 2021, June 2, 2021 and will continue to be heard on November 25, 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.

Description of non-IFRS measures

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

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

Same Store Sales and Same Store Sales Growth

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

Adjusted Net Earnings (Loss)

Adjusted Net Earnings (Loss) is calculated by replacing the change in estimated fair value of the SIR Loan as reported in the statement of earnings with the interest received on the SIR Loan during the period and the corresponding deferred tax expense or recovery from the net earnings for the period, and adding back impairments of financial and intangible assets. Management believes that in addition to net earnings (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate the Fund's performance. The change in estimated fair value of the SIR Loan is a non-cash fair value adjustment resulting from the adoption of IFRS 9 on January 1, 2018 and varies with changes in a discount rate that fluctuates based on current market interest rates adjusted for SIR's credit risk. The replacement of the non-cash change in estimated fair value of the SIR Loan with the interest received, and the corresponding deferred tax amount, eliminates this non-cash impact. The impairments of financial and intangible assets are also non-cash provisions. Management cautions investors that Adjusted Net Earnings (Loss) should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of the Fund's performance. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings (Loss) on page 14 of this document.

Adjusted Net Earnings per Fund Unit

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

Distributable Cash and Payout Ratio

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

Forward-Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the 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 Pandemic, 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 Pandemics 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 Pandemic. 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 November 11, 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