SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 16-WEEK AND 52-WEEK PERIODS ENDED AUGUST 29, 2021

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TABLE OF CONTENTS

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Executive Summary

SIR Corp.'s ("SIR's") fourth quarter of Fiscal 2021 was from May 9, 2021 to August 29, 2021 inclusive. The following is a summary of operational and financial results for SIR's 16-week and 52-week periods ended August 29, 2021 ("Q4 2021" and "Fiscal 2021", respectively):

Coronavirus ("COVID-19") Pandemic:

- Since the date of SIR's last financial report, which was filed on June 23, 2021, the COVID-19 pandemic has continued to significantly impact the operations of the company.
- 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 Q4 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 September 30, 2021, please refer to SIR Royalty Income Fund's (the "Fund") and SIR's prior interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.
- On 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. Subsequent to Q4 2021, 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. 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 permitted 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 indoor dining on June 7, 2021. Subsequent to Q4 2021, effective September 1, 2021, the province of Quebec required all patrons (13 years and older) to show vaccine certificates and effective November 1, 2021, 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, permitted 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 Q4 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 the 52-week period ended August 29, 2021 SIR recognized government assistance through the Canada Emergency Wage Subsidy ("CEWS") program of $22.2 million (August 30, 2020 - $11.1 million), the Canada Emergency Rent Subsidy ("CERS") program of $5.0 million (August 30, 2020 - $nil), and other government subsidies of $4.2 million (August 30, 2020 - $nil). Of these amounts, $24.1 million (August 30, 2020 - $9.9 million), was recognized as a reduction to costs of corporate restaurant operations, $3.3 million (August 30, 2020 - $1.2 million), was recognized as a reduction to corporate costs and $4.0 million (August 30, 2020 - $nil), was recognized as other income.
- 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 and June 2, 2021, continued to be heard subsequent to Q4 2021, on November 25, 2021 and will continue to be heard on December 8, 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.

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 until September 30, 2021, please refer to SIR Royalty Income Fund's (the "Fund") and SIR's prior interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.

- On 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.
- For the key details of the Eighth Amending Agreement and on all deferral agreements entered into, please refer to the Liquidity and Capital Resources section on page 18.
- 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 August 29, 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, subsequent to Q4 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 18), 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, the risk of future government mandated shutdowns and/or capacity restrictions and the related adverse impact to SIR, SIR's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. See going concern disclosure in Note 1 to SIR's

consolidated financial statements for the 52-week period ended August 29, 2021, as well as page 6 of this Management Discussion & Analysis ("MD&A"). 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. There can be no assurance that borrowings will be available to SIR, or available on acceptable terms, in an amount sufficient to fund SIR's needs. SIR's ability to meet its obligations for the next 12 to 18 months depends on many factors which are further described, among other things, in the Liquidity and Capital Resources section on page 18.

Consolidated 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 negatively impacted SIR's revenue, particularly compared to corresponding pre-pandemic periods.
- Food and beverage revenue from corporate restaurant operations for Q4 2021 totaled $50.1 million, an increase of 45.8%, or $15.7 million, compared to the 17-week period ended August 30, 2020 ("Q4 2020"). Food and beverage revenue from corporate restaurant operations for Fiscal 2021 was $107.9 million, compared to $185.8 million for Fiscal 2020.
- Consolidated SSS(1) increased 49.7% for Q4 2021 and decreased 38.3% for Fiscal 2021.
- SIR's flagship Concept Restaurant brand, Jack Astor's, which generated approximately 80.0% of Pooled Revenue in Q4 2021, had a SSS(1) increase of 48.4% for Q4 2021 and had a 32.4% SSS(1) decline for Fiscal 2021.
- Scaddabush Italian Kitchen & Bar ("Scaddabush") generated a SSS(1) increase of 51.7% for Q4 2021 and had a 37.6% SSS(1) decline for Fiscal 2021.
- Canyon Creek had a SSS(1) an increase of 142.4% for Q4 2021 and had a 89.1% SSS(1) decline for Fiscal 2021.
- The Signature Restaurants generated a SSS(1) increase of 74.7% for Q4 2021 and had a 87.5% SSS(1) decline for Fiscal 2021.
- Please refer to page 13 for a discussion on the factors that impacted SSS(1) in Q4 2021 and Fiscal 2021, respectively.
- Prior to the pandemic, take-out and delivery sales comprised approximately 5% of SIR's food and beverage revenue. Through the development of new product and service offerings, SIR's take-out and delivery sales have grown significantly, but this growth has only partially offset the negative impact on SIR's food and beverage revenue due to capacity restrictions resulting from the pandemic.

Investment in new and existing restaurants and closed restaurants

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

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

Subsequent to August 29, 2021, SIR completed one restaurant renovation:

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

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 and Bar locations), was specifically designed and marketed as distinctly different from Jack Astor's. Appearing independent was a key element in its marketing strategy.

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

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 Chicken 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. 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 Fiscal 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.

The pandemic has drastically altered SIR's operating environment and put a great deal of stress on its business. As a result, during Fiscal 2021, SIR has permanently closed six restaurants, including:

- Effective January 8, 2021, SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.
- Effective February 9, 2021, SIR permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three restaurants closed included a Scaddabush, Reds Midtown Tavern and a Duke's Refresher. The Scaddabush and Reds locations were part of the Royalty Pool, but the Duke's Refresher was not. SIR's landlord presented the Company with an unexpected but mutually beneficial opportunity to vacate these properties as the landlord had a unique opportunity to lease the space to another tenant for a non-restaurant purpose. Given the current operating environment and uncertain future prospects at that time, SIR decided to exercise this option and return the property to the landlord.
- Effective March 31, 2021, SIR permanently closed the Canyon Creek location in Vaughan, Ontario.

During 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

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

- Net earnings (loss) and comprehensive income (loss) was ($28.4) million for Q4 2021, compared to ($1.1) million for Q4 2020. Net earnings (loss) and comprehensive income (loss) was ($61.8) million for Fiscal 2021, compared to $78.1 million for Fiscal 2020.
- Adjusted Net Earnings[1] were $7.0 million in Q4 2021, compared to an Adjusted Net Loss[1] of $2.3 million in Q4 2020. Adjusted Net Loss[1] was $1.1 million in Fiscal 2021, compared to an Adjusted Net Loss[1] of $21.0 million in Fiscal 2020.
- EBITDA[1] and Adjusted EBITDA[1] were $15.6 million and $9.2 million in Q4 2021, respectively, compared to EBITDA[1] and Adjusted EBITDA[1] of $8.4 million and $2.8 million in Q4 2020, respectively.
- EBITDA[1] and Adjusted EBITDA[1] were $31.0 million and $9.9 million in Fiscal 2021, respectively, compared to $14.4 million and $7.4 million in Fiscal 2020, respectively.

Going concern assumption

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

Given the uncertainty surrounding the pandemic and the risk of future government mandated shutdowns and the related adverse impact to SIR, SIR's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. Management of SIR is currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. Refer to note 14 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.

SIR'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 type and impact of continued government mandated pandemic-related operating regulations,
- 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, Canada Emergency Rent Subsidy, Tourism and Hospitality Recovery Program and Canada Recovery Hiring Program,
- business interruption insurance coverage, and
- SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases.

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 SIR's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should SIR be unable to continue as a going concern. Such adjustments could be material.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at August 29, 2021, SIR owned 51 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Nova Scotia, and Newfoundland). The Concept Restaurants include Jack Astor's, Canyon Creek and Scaddabush. The Signature group of restaurants include Reds® Wine Tavern, Reds® Square One, and the Loose Moose®. SIR also owns one Duke's Refresher and Bar™ (Duke's Refresher") restaurant in downtown Toronto and one seasonal restaurant, Abbey's Bakehouse®, which are not part of Royalty Pooled Restaurants. SIR owns 100% of all its Canadian restaurants. As at August 29, 2021, 56 SIR Restaurants were included in Royalty Pooled Restaurants (51 operating restaurants and five closed restaurants).

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

- Effective January 8, 2021, SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.
- Effective February 9, 2021, SIR permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three restaurants closed included a Scaddabush, a Reds Midtown Tavern and a Duke's Refresher. The Scaddabush and Reds locations were part of the Royalty Pool, but the Duke's was not. SIR's landlord presented the Company with an unexpected but mutually beneficial opportunity to vacate these properties as the landlord had a unique opportunity to lease the space to another tenant for a non-restaurant purpose. Given the operating environment and uncertain future prospects at that time, SIR decided to exercise this option and return the property to the landlord.
- Effective March 31, 2021, SIR permanently closed the Canyon Creek location in Vaughan, Ontario.

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

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

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

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

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

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

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

Seasonality

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

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 16-week/17-week and 52-week/53-week periods ended August 29, 2021 and August 30, 2020, respectively. The audited consolidated financial statements of SIR are prepared in accordance with IFRS and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations and Comprehensive Income (Loss)	16-Week Period Ended August 29, 2021	17-Week Period Ended August 30, 2020	52-Week Period Ended August 29, 2021	53-Week Period Ended August 30, 2020
	(in thousands of dollars) (audited)			
Corporate restaurant operations:				
Revenue	50,113	34,451	108,055	186,056
Cost of corporate restaurant operations	48,001	31,978	103,131	186,090
Earnings from corporate restaurant operations	**2,112**	**2,473**	**4,924**	**(34)**
Net earnings (loss) and comprehensive income (loss)	**(28,392)**	**(1,081)**	**(61,788)**	**78,146**
Adjusted Net Earnings (Loss)[(1)]	**6,965**	**(2,308)**	**(1,143)**	**(21,035)**

Statement of Financial Position	August 29, 2021	August 30, 2020
	(in thousands of dollars)	
Total assets	135,899	157,593
Total non-current liabilities	135,118	93,317

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

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

The following table reconciles net earnings (loss) and comprehensive income (loss) for the 16-week/17-week and 52-week/53-week periods ended August 29, 2021 and August 30, 2020, respectively, to Adjusted Net Earnings (Loss)[(1)]:

	16-Week Period Ended August 29, 2021	17-Week Period Ended August 30, 2020	52-Week Period Ended August 29, 2021	53-Week Period Ended August 30, 2020
	(in thousands of dollars) (audited)			
Net earnings (loss) for the period	(28,392)	(1,081)	(61,788)	78,146
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	35,357	(1,227)	60,645	(99,181)
Adjusted Net Earnings (Loss)[(1)]	**6.965**	**(2,308)**	**(1,143)**	**(21,035)**

The following table reconciles net earnings (loss) and comprehensive income (loss) for the 16-week/17-week and 52-week/53-week periods ended August 29, 2021 and August 30, 2020 to EBITDA[(1)] and Adjusted EBITDA[(1)]:

	16-Week Period Ended August 29, 2021	17-Week Period Ended August 30, 2020	52-Week Period Ended August 29, 2021	53-Week Period Ended August 30, 2020
	(in thousands of dollars) (audited)			
Net income (loss) and comprehensive income (loss) for the period	(28,392)	(1,081)	(61,788)	78,146
Add (deduct):				
(Recovery of) income taxes	(9)	-	(3)	(422)
Interest expense	792	561	2,135	1,849
Interest on lease obligations	1,203	1,424	5,145	6,139
Interest on loan payable to SIR Royalty Income Fund	934	984	3,056	3,085
Depreciation and amortization	5,694	7,787	21,812	24,747
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	35,357	(1,227)	60,645	(99,181)
EBITDA[(1)]	**15,579**	**8,448**	**31,002**	**14,363**
Interest (income) and other expense (income) – net	(2,026)	(656)	(11,262)	(617)
Impairment of non-financial assets	(634)	221	2,554	9,636
Loss on disposal of property and equipment	1,019	121	1,065	281
Cash rent	(4,783)	(5,302)	(13,415)	(16,966)
Pre-opening costs	-	-	-	680
Adjusted EBITDA[(1)]	**9,155**	**2,832**	**9,944**	**7,377**
Income from Class A & B GP Units of the Partnership[(2)] (Not included in EBITDA[(1)] and Adjusted EBITDA[(1)] above)	554	328	739	1,997
6% Royalty obligations under License and Royalty Agreement[(3)]	2,983	2,014	6,316	10,883
Income from Class C GP Units of the Partnership	909	968	2,992	3,033

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

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

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	16-Week Period Ended August 29, 2021	17-Week Period Ended August 30, 2020	52-Week Period Ended August 29, 2021	53-Week Period Ended August 30, 2020
	(in thousands of dollars) (audited)			
Food and beverage revenue reported in consolidated financial statements	50,077	34,343	107,921	185,808
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(1,047)	(776)	(2,974)	(5,500)
Revenue for Restaurants in Royalty pool (Pooled Revenue)	**49,030**	**33,567**	**104,947**	**180,308**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[(1)]	16-Week Period Ended August 29, 2021	17-Week Period Ended August 30, 2020	52-Week Period Ended August 29, 2021	52-Week Period Ended August 30, 2020
	(in thousands of dollars) (audited)			
Food and beverage revenue reported in consolidated financial statements	50,077	34,343	107,921	185,808
Less: Revenue from corporate restaurant operations excluded from Same Store Sales[(1)]	(1,047)	(1,597)	(3,861)	(17,183)
Same Store Sales[(1)]	**49,030**	**32,746**	**104,060**	**168,625**

Same Store Sales[(1)] by Segment	16-Week Period Ended August 29, 2021	17-week Period Ended August 30, 2020	% Fav./ (Unfav.)	52-Week Period Ended August 29, 2021	53-Week Period Ended August 30, 2020	% Fav./ (Unfav.)
	(in thousands of dollars) (audited)					
Jack Astor's	39,337	26,510	48.4%	84,435	124,972	(32.4%)
Scaddabush	8,561	5,642	51.7%	17,804	28,532	(37.6%)
Canyon Creek	337	139	142.4%	454	4,158	(89.1%)
Signature Restaurants	795	455	74.7%	1,367	10,963	(87.5%)
Same Store Sales[(1)]	**49,030**	**32,746**	**49.7%**	**104,060**	**168,625**	**(38.3%)**

Summary of Quarterly Results

Statement of Operations	4th Quarter Ended August 29, 2021 (16 weeks)	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)
				(in thousands of dollars) (audited)				
Corporate Restaurant Operations								
Revenue	50,113	16,260	12,866	28,775	34,451	27,941	61,511	62,153
Cost of corporate restaurant operations	48,001	9,308	16,393	29,429	31,978	40,333	56,446	57,333
(Loss) Earnings from corporate restaurant operations	**2,112**	**6,993**	**3,527**	**(654)**	**2,473**	**(12,392)**	**5,065**	**4,820**
Net earnings (loss) and comprehensive income (loss)	**(28,392)**	**(19,353)**	**8,394**	**(5,649)**	**(1,081)**	**38,943**	**6,556**	**33,728**
Adjusted Net Earnings (Loss)(1)	**6,965**	**(4,970)**	**2,511**	**(5,649)**	**(2,308)**	**(17,017)**	**(747)**	**(963)**

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

	4th Quarter Ended August 29, 2021 (16 weeks)	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)
				(in thousands of dollars) (audited)				
Net earnings (loss) and comprehensive income (loss)	(28,392)	(19,353)	(8,394)	(5,649)	(1,081)	38,943	6,556	33,728
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	35,357	14,383	10,905	-	(1,227)	(55,960)	(7,303)	(34,691)
Adjusted Net Earnings (Loss)(1)	**6,965**	**(4,970)**	**2,511**	**(5,649)**	**(2,308)**	**(17,017)**	**(747)**	**(963)**

Selected Consolidated Statement of Cash Flows Information:

	4th Quarter Ended August 29, 2021 (16 weeks)	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)
				(in thousands of dollars) (audited)				
Cash provided by (used in) operations	19,076	8,136	5,841	5,314	4,410	(2,284)	3,936	1,986
Cash used in investing activities	(602)	(81)	(422)	(280)	(91)	(208)	(2,070)	(1,236)
Cash provided by (used in) financing activities	(9,435)	(12,873)	(1,651)	(3,883)	(3,169)	931	(5,331)	1,129
Increase (decrease) in cash and cash equivalents during the period	9,039	(4,818)	3,768	1,151	1,150	(1,561)	(3,465)	1,879
Cash and cash equivalents – Beginning of period	567	5,385	1,617	1,617	467	2,028	5,493	3,614
Cash and cash equivalents – End of period	9,606	567	5,385	2,768	1,617	467	2,028	5,493

Revenue

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

i. Revenue (per the SIR consolidated statements of operations and comprehensive income (loss)) – this is the total consolidated revenue of all SIR restaurants for the period, as well as Abbey's Bakehouse. For the 16-week and 52-week periods ended August 29, 2021, revenue was $50.1 million and $108.1 million, respectively.

ii. Same Store Sales(1) ("SSS") – this is a sub-set of revenue used for tracking comparable year-over-year sales. For Q4 2021 and Q4 2020, SSS(1) includes all SIR restaurants, except for those restaurants that were not open for the entire comparable periods in Fiscal 2021 and Fiscal 2020, and Abbey's Bakehouse as it is not a SIR restaurant. SIR restaurants that have been impacted due to COVID-19 related restrictions beginning in Fiscal 2020, but have not been permanently closed, are included in the calculation of SSS(1) performance. The SSS(1) performance does not include the Jack Astor's location in the St. Lawrence Market neighbourhood of downtown Toronto, the Jack Astor's location on John Street in downtown Toronto, Jack Astors in Calgary, the Canyon Creek location in Burlington, Ontario, the Canyon Creek in Mississauga, Ontario, the Canyon Creek in Scarborough, Ontario the Reds at Yonge and Gerrard in downtown Toronto, the Scaddabush at Yonge and Gerrard in downtown Toronto and the Dukes Refresher at Yonge and Gerrard in downtown Toronto, as their sales are excluded from the calculation of SSS(1) similar to any permanently closed locations. The SSS(1) performance for Scaddabush does not include the new Scaddabush location and in Burlington, Ontario (opened in Q2 2020), as this location was not open for the entire comparable periods in Fiscal 2021 and Fiscal 2020. The new Duke's Refresher in the St. Lawrence Market neighbourhood of downtown Toronto is also excluded from the calculation of SSS(1) for the 16-week and 52-week periods ended August 29, 2021, since it was not open for the entire comparable periods in Fiscal 2021 and Fiscal 2020. For the 16-week and 52-week periods ended August 29, 2021, SSS(1) were $49.0 million and $104.1 million, respectively.

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all Royalty Pooled Restaurants. The Royalty Pooled Restaurants are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. As at August 29, 2021, there were 56 Royalty Pooled Restaurants (51 operating restaurants and five closed restaurants). For the 12-week and 52-week periods ended August 29, 2021, Pooled Revenue was $49.0 million and $104.9 million, respectively. The applicable Royalty payable to the Partnership on the Pooled Revenue for this period was $2.9 million and $6.3 million, respectively.

Same Store Sales(1)

SIR reported an overall SSS(1) increase of 49.7% for Q4 2021 and a SSS(1) decrease of 38.3% in Fiscal 2021. SSS(1) are typically impacted by changes in guest traffic and average cheque amount. Current year-over-year declines in revenue and SSS(1) noted below are primarily attributable to the pandemic. SIR's 49.7% growth in the quarter compares against the 64.3% decline posted in Q4 2020 which was SIR's first full quarter under the pandemic. The other factors noted below relate primarily to the periods prior to COVID-19 related business restrictions.

Prior to the pandemic that materially impacted sales at SIR restaurants beginning in mid-March 2020, SIR identified shifts in consumer behavior related to spending at full-service restaurants, especially in Ontario, that SIR believes impacted SSS(1) performance. SIR believes that price increases at most Ontario restaurants related to the minimum wage increase on January 1, 2018 contributed to a decline in full-service restaurant visits compared to the same periods in prior years. SIR also believes that new stricter legislation for impaired driving contributed to lower alcoholic beverage sales in full-service restaurants.

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

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

During Q4 2021, SIR gradually re-opened patios and indoor dining as permitted by provincial governments resulting in year-over-year SSS(1) increases for the quarter compared to Q4 2020. However, social distancing seating, limited capacity dining, and other measures continued to impact operating performance, particularly compared to corresponding pre-pandemic operating periods. The year-over-year SSS(1) declines for Fiscal 2021 reflect the greater impact and duration of operating restrictions compared to Fiscal 2020.

Jack Astor's, SIR's flagship Concept Restaurant brand, which contributed approximately 80% of Q4 2021 Pooled Revenue, had a SSS(1) increase of 48.4% for Q4 2021 and a SSS(1) decline of 32.4% for Fiscal 2021.

Scaddabush SSS(1) performance for Q4 2021 and Fiscal 2021 includes nine Scaddabush locations (Mississauga, Richmond Hill, Scarborough, Oakville and Vaughan, and two locations in Etobicoke, Ontario, as well as the Front Street and Yonge and Gerrard locations in downtown Toronto). Scaddabush had a SSS(1) increase of 51.7% and a decline of 37.6% for Q4 2021 and YTD 2021, respectively. The Scaddabush restaurants in the Mimico neighbourhood of Etobicoke, Ontario and in Burlington, Ontario are excluded from the calculation of Q4 2021 and YTD 2021 SSS(1) as they were not in operation for the entire comparable period a year ago.

Canyon Creek had SSS(1) an increase of 142.4% for Q4 2021 and a decline of 89.1% for Fiscal 2021. Sales from the closed Canyon Creek location in Burlington, Ontario (permanently closed in Q2 2020) have been excluded from the calculation of SSS(1) performance for Q4 2021 and Fiscal 2021. Effective January 8, 2021, SIR permanently closed the Canyon Creek locations in: the Square One shopping centre in Mississauga, Ontario, Scarborough, Ontario and Vaughan, Ontario. SIR's management continues to evaluate options for the remaining restaurants in the Canyon Creek portfolio to improve performance.

The downtown Toronto Signature Restaurants had SSS1) an increase of 74.7% for Q4 2021 and a decline of 87.5% for Fiscal 2021. The Fiscal 2021 SSS(1) performance for the Signature Restaurants does not include the Duke's Refresher in the St. Lawrence Market neighborhood of downtown Toronto which opened during Q1 2020, on September 26, 2019.

Cost of Corporate Restaurant Operations

Costs of corporate restaurant operations as a percentage of revenue were 95.8% and 95.4% for Q4 2021 and Fiscal 2021, respectively, compared to 92.8% and 100.0% for Q4 2020 and YTD 2020, respectively. Higher costs as a percentage of revenue for Q4 2021 compared to Q4 2020 was primarily attributed to ramping up for reopening's and fulfilling staff requirements. Lower costs as a percentage of revenue for Fiscal 2021 compared to Fiscal 2020 reflect primarily operating as a take-out and delivery business for most of Fiscal 2021, with lower operating costs due to the dining rooms and bars previously being shutdown at all SIR restaurants, operating efficiencies, and the recognition of income from CEWS, CERS and other government subsidies.

Corporate Costs

Corporate costs (savings) were ($5.7) million and $6.9 million for Q4 2021 and Fiscal 2021, respectively, compared to $2.5 million and $10.9 million for Q4 2020 and Fiscal 2021, respectively. This is primarily a result of reduced leasing costs subsidized through government subsidies, landlord abatements or rent deferrals, as well as significant reductions in headcount and other corporate costs.

Interest Expense

Interest expense for Q4 2021 and Fiscal 2021 was $0.8 million and $2.0 million, respectively, compared to $0.6 million and $1.8 million for Q3 2020 and Fiscal 2020, respectively. This is a result of high debt levels throughout the pandemic.

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

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

Changes in amortized cost are recognized in the consolidated statements of operations and comprehensive income (loss). The change in the amortized cost is a non-cash transaction and accordingly, has no impact on cash flows. For Q4 2021 and Fiscal 2021, the change in amortized cost resulted in an expense of $35.4 million and is due to an increase in the underlying Fund unit price compared to the end of Fiscal 2020. For Q4 2020 and Fiscal 2020, the change in amortized cost is income of $1.2 million and $99.2 million, respectively, and is due to a significant decrease in the underlying Fund unit price compared to the end of Fiscal 2019.

Interest on the SIR Loan totaled $1.0 million and $3.1 million for Q4 2021 and Fiscal 2021, respectively, and $1.0 million and $3.1 million for Q4 2020 and Fiscal 2020, respectively.

EBITDA(1) and Adjusted EBITDA(1)

EBITDA(1) totaled $15.6 million and $31.0 million for Q4 2021 and Fiscal 2021, respectively, compared to $8.4 million and $14.4 million for Q4 2020 and Fiscal 2020, respectively. The favourable variance in EBITDA(1) in Q4 2021 and Fiscal 2021 compared to Q4 2020 and Fiscal 2020 was primarily driven by the recognition of lease surrender income, CEWS, CERS and other government subsidies received, fewer non-financial asset impairments, and efficiencies in food, beverage, labour and corporate costs, offset by significantly lower sales as a result of a full year of operating restrictions due to the pandemic compared to less than half a year in Fiscal 2020. However, the easing of operating restrictions, in June 2021, resulted in increased sales in Q4 2021 compared to Q4 2020 which was offset by a lower subsidy recognized from CEWS in the quarter.

Adjusted EBITDA(1) totaled $9.2 million and $9.9 million for Q4 2021 and Fiscal 2021, respectively, compared to $2.8 million and $7.4 million for Q4 2020 and Fiscal 2020, respectively. (See Selected Consolidated Historical Financial Information – Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA(1) and Adjusted EBITDA(1).

SIR Royalty Income Fund

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

(a) *SIR Loan*

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

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

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

Interest expense on the SIR Loan was charged to the consolidated statements of operations and comprehensive income (loss) in the amount of $1.0 million and $3.1 million for Q4 2021 and Fiscal 2021, respectively, and $1.0 million and $3.1 million for Q4 2020 and Fiscal 2020, respectively.

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

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 Partnership and Fund continued to defer the collection of royalties and the interest on the SIR Loan, during Q4 2021. Subsequent to Q4 2021, effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (refer to the Liquidity and Capital Resources section on page 18 for details of the aforementioned conditions), 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.

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

	16-Week Period Ended August 29, 2021	17-week Period Ended August 30, 2020	52-Week Period Ended August 29, 2021	53-Week Period Ended August 30, 2020
	(in thousands of dollars) (audited)			
Balance – Beginning of the period	25,288	1,227	-	105,755
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	35,357	(1,227)	60,645	(99,181)
Distributions paid to Ordinary LP and Class A LP unitholders	(547)	-	(547)	(6,574)
Balance – End of period	60,098	-	60,098	-
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(6,572)	-	(6,572)	-
Ordinary LP Units and Class A LP Units of the Partnership	53,526	-	53,526	-

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

Pooled Revenue[4]	49,031	33,567	104,946	180,308
Partnership royalty income[5]	2,983	2,014	6,316	10,883
Other Income	5	7	22	24
Partnership expenses	(48)	(31)	(163)	(85)
Net earnings of the Partnership	2,940	1,990	6,175	10,822
SIR's residual interest in the earnings of the Partnership:				
Income from Class A & B GP Units of the Partnership	(541)	(328)	(726)	(1,997)
Income from Class C GP Units of the Partnership	(909)	(968)	(2,992)	(3,033)
	(1,450)	(1,296)	(3,718)	(5,030)
Fund's interest in the earnings of the Partnership	1,490	694	2,457	5,792

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash consideration of $11.2 million. The Fund has also acquired Class A LP Units upon SIR's conversion of its Class A GP Units into Fund units. The holders of the Ordinary LP Units and Class A LP Units are entitled to receive their pro rata share of all residual distributions of the Partnership. The distributions are declared by the board of directors of SIR GP Inc., which is controlled by the Fund.

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

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

Accordingly, the Ordinary LP Units and Class A LP Units of the Partnership have been classified as a financial liability in the consolidated statements of financial position. The Ordinary LP Units and Class A LP Units of the Partnership are accounted for at amortized cost, with changes in the carrying value recorded in the consolidated statements of operations and comprehensive income (loss).

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

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

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

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

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

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

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

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	16-Week Period Ended August 29, 2021	17-week Period Ended August 30, 2020	52-Week Period Ended August 29, 2021	53-Week Period Ended August 30, 2020
	(in thousands of dollars)			
	(audited)			
Cash provided by operations	19,076	2.795	33,053	8,047
Cash used in (provided by) investing activities	(602)	982	(1,105)	(3,605)
Cash used in financing activities	(9,435)	(3,169)	(23,959)	(6,439)
Increase (decrease) in cash and cash equivalents during the period	9,039	608	7,989	(1,997)
Cash and cash equivalents – Beginning of period	567	1,009	1,617	3,614
Cash and cash equivalents – End of period	9,606	1,617	9,606	1,617

Cash provided by operations increased by $16.4 million in Q4 2021 compared to Q4 2020. The increase is primarily attributable to a favourable variance in the net change in working capital of $10.0 million, and a $36.6 million favourable change in amortized cost of Ordinary LP and Class A LP units of the Partnership. These were offset by a greater loss provided by operations of $27.4 million in Q4 2021 compared to Q4 2020, along with a $0.5 million increase in distributions paid to the Ordinary LP and Class A LP unitholders and a decrease in the impairment of non-financial assets by $2.1 million.

Investing activities used cash of $0.6 million and $1.1 million for Q4 2021 and Fiscal 2021, respectively, compared to $(0.9) million and $3.6 million for Q4 2020 and Fiscal 2020, respectively. Purchases of property and equipment and other assets amounted to $0.3 million and $1.0 million for Q4 2021 and Fiscal 2021, respectively, compared to $(1.0) million and $3.7 million in Q4 2020 and Fiscal 2020, respectively. The majority of the capital expenditures for Q4 2021 and Fiscal 2021 relate to maintenance related items for continued operations. Repayment of loans and advances amounted to amounted to $0.3 million and $0.1 million for Q4 2021 and Fiscal 2021, respectively, compared to $nil and $(0.1) million in Q4 2020 and Fiscal 2020, respectively.

Cash used by financing activities was $9.4 million and $24.0 million for Q4 2021 and Fiscal 2021, respectively, compared to cash used in financing activities of $3.2 million and $6.4 million for Q4 2020 and Fiscal 2020, respectively. Bank indebtedness decreased by $nil and $3.7 million for Q4 2021 and Fiscal 2021. Proceeds from issuance of long-term debt were $nil million and $20.2 million for Q4 2021 and Fiscal 2021, respectively, and $0.1 million and $21.5 million, respectively, for the corresponding periods a year ago. Principal repayments on long-term debt were $6.0 million and $23.9 million for Q4 2021 and Fiscal 2021, respectively, and $4.2 million and $11.4 million for Q4 2020 and Fiscal 2020, respectively. Principal repayments on lease obligations were $2.0 million and $13.8 million for Q4 2021 and Fiscal 2021, respectively, compared to $1.1 million and $13.5 million for Q4 2020 and Fiscal 2020, respectively. Interest paid was $1.1 million and $2.5 million for Q4 2021 and Fiscal 2021, respectively, compared to $0.5 million and $3.7 million for Q4 2020 and Fiscal 2020, respectively.

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

As at August 29, 2021, SIR had current assets of $21.8 million (August 30, 2020 – $18.8 million) and current liabilities of $123.8 million (August 30, 2020 – $125.6 million) resulting in a working capital deficit of $102.0 million (August 30, 2020 – $106.8 million). Revenues in the restaurant business are largely paid by cash and credit cards whereas most suppliers offer credit terms for payment. Therefore, restaurants are able to pay their suppliers from the cash received on revenues in the following months, as the supplier payables are due. Cash balances are typically used to construct new restaurants or re-invest in existing restaurants to grow the business. As a result, SIR, like many other restaurant businesses, would anticipate having a negative working capital balance in the foreseeable future. The reclassification of both the carrying value of the credit facilities under the Credit Agreement and the carrying value of the loan payable to the Fund to current liabilities has resulted in a significant increase in current liabilities. SIR's available working capital has been impacted by the pandemic. For more information, please refer to note 1, Going Concern Assumption, in SIR's consolidated financial statements for the 52-week period ended August 29, 2021.

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

The Credit Agreement between SIR and the Lender, as amended on December 8, 2017, July 6, 2018, April 1, 2020, June 30, 2020, September 30, 2020, December 21, 2020, March 31, 2021 and May 31, 2021 provides for a maximum principal amount of $50.7million consisting of:

- a $20.0 million revolving term credit facility (Credit Facility 1),
- a $18.2 million revolving term loan (Credit Facility 2),
- a $6.25 million guaranteed facility with Export Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") ("EDC-Guaranteed Facility"), and
- a $6.25 million Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility").

SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $1.5 million.

Credit Facility 1 is for general corporate and operating purposes, bearing interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%, principal repaid in one bullet repayment on July 6, 2022. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1.

Credit Facility 2 bears interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%. Each advance under Credit Facility 2 is repayable in equal quarterly instalments based on a seven year amortization, with the remaining outstanding principal balance due on July 6, 2022.

As at August 29, 2021, the Company has drawn $9.9 million on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 30, 2020 - $36.7 million).

The EDC-Guaranteed Facility is a 364-day revolving term credit facility and can be extended at the Lender's sole discretion by a further 12 months. As at August 29, 2021, the Company has drawn $6.25 million on this facility.

The BDC-Guaranteed Facility is a 10-year term credit facility, with a one year principal payment moratorium, bearing a fixed rate interest of 4%. As at August 29, 2021, the Company has drawn $6.25 million on this facility.

At May 3, 2020, the end of SIR's third quarter, SIR was in breach of the covenants in the SIR Loan Agreement and the financial covenants in its Credit Agreement. On June 30, 2020, effective April 1, 2020, SIR, as part of the Third Amending Agreement obtained a waiver with its senior lender on its covenants until June 30, 2020. A copy of the Third Amending Agreement has been filed on SEDAR.

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

- extension of the waivers of certain anticipated covenant breaches and events of default granted in the May 27, 2020 Third Amending Agreement effective April 1, 2020 until August 31, 2020 (the "Waiver Period"),
- waiving, for the Waiver Period and for the period September 1, 2020 to the Maturity Date, the financial covenants in the Credit Agreement,
- during the Waiver Period and the period from September 1, 2020 until the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount, and
- the addition of a new $6.25 million EDC guaranteed BCAP (the "EDC-Guaranteed Facility") to the Credit Agreement – the EDC-Guaranteed Facility is a 364-day revolving term credit facility and can be extended at the Lender's sole discretion by a further 12 months.

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

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

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

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

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

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

On December 31, 2020 SIR and its Lender entered into the Sixth Amending Agreement to its Credit Agreement. The Sixth Amending Agreement provides for the following:

- an extension of the waivers of certain of the previously granted anticipated covenant breaches and events of default until March 31, 2021 (the "Waiver Period"),
- extends the period of the deferral until the maturity date of $1.0 million in principal payments previously scheduled between December 31, 2020 to January 31, 2021, and
- allowance for the potential additions of up to an additional $0.4 million in subordinated debt made available by Investissement Québec ("IQ") to SIR pursuant to IQ's Concerted Temporary Action Program for Businesses ("PACTE") on terms and conditions satisfactory to the Lender.

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

- receipt of a copy of the Sixth Amending Agreement,
- that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with SIR,
- the extension of the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from December 31, 2020 to March 31, 2021,
- the recognition of a potential new PACTE Loan of up to $0.4 million, and
- the waiver of any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until March 31, 2021.

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

- an extension of the waivers of certain of the previously granted anticipated covenant breaches and events of default until July 6, 2021 (the "Seventh Amending Agreement Waiver Period"),
- waiving, for the Seventh Amending Agreement Waiver Period which now extends to the July 6, 2021 Maturity Date, the financial covenants in the Credit Agreement,
- during the Seventh Amending Agreement Waiver Period which now extends to the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount,
- waiver of the minimum quarterly EBITDA covenant amount for SIR's fiscal 2021 second quarter,
- the addition of a new $6.25 million Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility") to the

Credit Agreement. The BDC-Guaranteed Facility is a 10 year term credit facility, with a one year principal payment moratorium, bearing a fixed rate interest of 4%,

- consents to SIR making a distribution to the Partnership or the Fund in an amount up to $1.0 million for previously deferred royalty payments and/or payments of interest on the SIR Loan (the "Anticipated Fund Distribution") which is expected to be paid in April 2021,
- the Fund and the Partnership were required to acknowledge, consent and subordinate to the BDC-Guaranteed Facility, and
- the Fund and the Partnership were required to extend their agreement to defer payments by SIR of interest on the SIR Loan and royalty payments from April 1, 2021 until July 6, 2021.

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

- receipt of a copy of the Seventh Amending Agreement,
- consent to the new BDC-Guaranteed Facility of $6.25 million,
- that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with SIR, and
- that any debt arising under the BDC-Guaranteed Facility constitutes Permitted Debt (as such term is defined in the SIR Loan Agreement).

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

- receipt of a copy of the Seventh Amending Agreement,
- the extension of the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from March 31, 2021 to July 6, 2021, and
- the waiver of any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until July 6, 2021.

In order to provide SIR with financial support, including SIR securing necessary waivers and extension from the Lender, SIR gaining access to additional needed debt facilities, along with the additional consideration of the $1.0 million Anticipated Fund Distribution, the Partnership deferred the collection of restaurant royalties and the Fund deferred the collection of interest on the SIR Loan from SIR until July 6, 2021. Failure to obtain the waiver extensions from the Lender would have materially and adversely affected SIR, the Fund and the Partnership. The long-term viability of SIR is considered to be in the best interests of the Fund and the Partnership.

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

- an extension of the waivers of certain of the previously granted anticipated covenant breaches and events of default until July 6, 2022 (the "Eighth Amending Agreement Waiver Period"),
- waiving, for the Eighth Amending Agreement Waiver Period which now extends to the July 6, 2022 Maturity Date, the financial covenants in the Credit Agreement,
- during the Eighth Amending Agreement Waiver Period which now extends to the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a Cumulative Minimum EBITDA Covenant,
- SIR will be allowed to miss quarterly projections by up to $3.5 million cumulatively prior to July 6, 2022.
- waiver of the minimum quarterly EBITDA covenant amount for SIR's fiscal 2021 third quarter,
- the definition of EBITDA has been amended back to the definition in the original credit agreement.
- royalty payments on current sales to the Fund are to recommence effective July 7, 2021,
- SIR will be entitled to begin repaying deferred royalty payments to the Partnership and interest on the SIR Loan to the Fund under the condition that at least 25 restaurants have, for six consecutive weeks, been allowed the use of at least 50 indoor dining seats and the use of their patios (with physical distancing). The repayments, which on a net basis amount to approximately $4.8 million as of August 29, 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 August 29, 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 August 29, 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.

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

Starting in April of 2020, the Fund and the Partnership granted SIR deferrals of interest on a loan owing by SIR to the Fund (the "SIR Loan") and royalty payments owing by SIR to the Partnership through a series of short-term deferral agreements, the latest of which is set to expire on July 6, 2022. These deferral agreements were conditions required by SIR's senior lender for a series of waiver and amending agreements that it granted to SIR. In the absence of these waiver and amending agreements from SIR's senior lender, as a result of the impact of COVID-19 on SIR's sales and financial results, SIR would have breached a number of financial and non-financial covenants and events of default under its credit agreement. The Fund and the Partnership have security interests over the assets of SIR, but these security interests are subordinated and postponed to those of SIR's senior lender. The ongoing cooperation and support of SIR's senior lender has been necessary and will in SIR's view continue to be necessary in order for SIR to retain sufficient liquidity to operate. The Partnership's and the Fund's cooperation in the form of deferrals on royalties and on interest on the SIR Loan, as well as waivers of certain covenants and events of default, have been requirements for SIR to obtain the needed funding, waivers and deferrals that have been granted to it by its senior lender. Failure to obtain them would have materially and adversely affected SIR, the Fund and the Partnership. The long-term viability of SIR is in the best interests of the Fund and the Partnership. Additionally, the waiver and extension agreements approved by the Fund and the Partnership on June 30, 2020 enabled SIR to add $6.25 million in much needed liquidity through the addition of the EDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Further, the waiver and extension agreements approved by the Fund and the Partnership on March 31, 2021 enabled SIR to add $6.25 million in much needed liquidity through the addition of the BDC-Guaranteed Facility, to which the Fund and Partnership are also subordinated. Accordingly, each of the deferral agreements was approved by the independent Trustees of the Fund. The deferral agreements and related documents have also been filed on SEDAR.

Under the Intercreditor Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Fund and the Partnership can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the License and Royalty Agreement. However, if a default or an event of default were to occur, the Fund and the Partnership agree not to take actions on their security until the Lender has been repaid in full. However, payments by SIR, to the Fund and the Partnership, will be permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Fund, the Partnership and SIR will have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan by up to 50% without triggering a cross default under the Credit Agreement, for a period of up to nine consecutive months. SIR and each Obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and SIR and its shareholders in exchange for the Subordinating Parties not demanding repayment or enforcing security as a result of any such Related Party Obligation Default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership. For greater certainty, the preemptive deferral arrangements described above, were not used in the deferral agreements between SIR, the Fund and the Partnership deferring royalty payments and interest payments on the SIR loan between April 1, 2020 and July 6, 2022, described above as those breaches could not be avoided by a simple preemptive deferral by the Partnership and the Fund.

As at August 29, 2021, SIR would have been in breach of the covenants in the SIR Loan Agreement for which a waiver had been previously obtained. The waiver extends until July 6, 2022; however, there can be no certainty that SIR will not continue to be in breach of the covenants subsequent to July 6, 2022. As a result, the carrying value of the loan payable to the Fund was reclassified to current liabilities.

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

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

As at August 29, 2021, SIR's liquidity was comprised of $8.3 million in cash on hand and $20.0 million available to borrow under its credit facility.

SIR's ability to meet its obligations for the next 12 to 18 months also depends on, among other factors, the length of the closure of dine-in operations at certain of its restaurants due to COVID-19, the speed at which SIR is able to return to full operating capacity in the near future, Canadian economic conditions after bars and restaurants are able to fully re-open, and SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases. SIR's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue its claim through legal avenues. There can be no assurance this action will be successful.

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

SIR currently holds 1.9 million Class A GP Units, representing a 19.05% residual interest in the Partnership. The Class A GP Units are exchangeable into units of the Fund on a one for one basis, and, as at August 29, 2021, have a market value of approximately $17.6 million.

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

Contractual Obligations

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

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

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

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

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

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

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

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

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

- Effective January 8, 2021, SIR permanently closed the Canyon Creek locations at the Square One shopping centre in Mississauga, Ontario and in Scarborough, Ontario.
- Effective February 9, 2021, SIR permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three restaurants closed included a Scaddabush, a Reds and a Duke's. The Scaddabush and Reds locations were part of the Royalty Pool, but the Duke's was not.
- Effective March 31, 2021, SIR permanently closed the Canyon Creek location in Vaughan, Ontario.

Off-Balance Sheet Arrangements

With the adoption of IFRS 16, operating leases relating to SIR's head office and restaurant locations with minimum annual payments are no longer considered off-balance sheet arrangements. SIR did not have any material off-balance sheet arrangements as at August 29, 2021, nor did it have any subsequent to Q4 2021.

Transactions with Related Parties

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

Transactions with Related Parties	16-Week Period Ended August 29, 2021	16-Week Period Ended August 30, 2020	52-Week Period Ended August 29, 2021	53-Week Period Ended August 30, 2020
	(in thousands of dollars) (audited)			
Corporate costs				
Maintenance services provided by a shareholder of SIR	-	-	-	1
Design fees paid to a company owned by a shareholder of SIR	-	-	-	7
Direct costs of restaurant operations				
Occupancy costs provided by a company owned by a party related to a director and shareholder of SIR	-	-	-	3
Services provided by a shareholder of SIR	-	-	-	3
Property and equipment				
Design and construction management fees and fixtures purchased from a company owned by a shareholder of SIR	-	-	-	12
Fixtures purchased from a shareholder of SIR	-	-	-	16
Equipment purchased from a company owned by a director and shareholder of SIR, together with a member of executive management of SIR	-	-	-	29

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

	As at August 29, 2021	As at August 30, 2020
	(in thousands of dollars)	
Amounts due from related parties		
Amounts due from U.S. S.I.R. L.L.C. and its subsidiary	100	31
Amounts due to related parties		
Amounts due to companies owned by a shareholder or director of SIR	189	189

- Received repayment against loans and advances from U.S. S.I.R. L.L.C. of $nil for the 16-week and 52-week periods ended August 29, 2021, respectively (17-week and 53-week periods ended August 30, 2020 - $nil and $0.1 million, respectively). SIR recognized interest income on those loans and advances of $nil for the 16-week and 52-week periods ended August 29, 2021, respectively (17-week and 53-week periods ended August 30, 2020 - $0.03 million and $0.01 million, respectively). As at August 29, 2021, SIR has loans and advances (adjusted for a provision and advances) of $0.1 owing from U.S. S.I.R. L.L.C. (August 30, 2020 – $0.4 million).
- SIR advanced $0.01 million to a company owned by a shareholder and director, together with a member of executive management of SIR, during the 52-week period ended August 27, 2017. This advance is non-interest bearing and is payable on demand.
- During the 52-week period ended August 25, 2019, SIR advanced $0.2 million to a shareholder and director. This advance bears interest at prime plus 2.25%. SIR recognized interest income on this loan of $nil and $0.003 million for the 16-week and 52-week periods ended August 29, 2021, respectively ($0.004 million and $0.01 million for the 17-week and 53-week periods ended August 30, 2020, respectively).

Transactions with the SIR Royalty Income Fund

Advances receivable from the Fund and its subsidiaries as at August 29, 2021 were $2.0 million (August 30, 2020 – $3.5 million). Advances receivable are non-interest bearing and due on demand.

During Fiscal 2021, the Partnership continues to defer the collection of restaurant royalties in order to provide SIR with financial support. In addition, the Partnership continues to defer payment of distributions to unitholders and the Fund continues to defer collection of the interest on the SIR Loan. Effective July 7, 2021, SIR has resumed current royalty payments to the Partnership and current payments to the Fund for interest on the SIR Loan. As a result, during the 52-week period ended August 29, 2021, the Partnership recognized an impairment loss on the advances receivable from the Trust, GP and Fund based on management's assessment of the company-specific risks. A rate of 40% was applied to the advances receivable and a provision of $1.6 million was recognized at August 29, 2021 (August 30, 2020 – $2.0 million).

During Q4 2021 and Fiscal 2021, distributions of $1.5 million and $2.4 million, respectively, were declared to the Fund by the Partnership, compared to $0.7 million and $5.8 million for Q4 2020 and Fiscal 2020, respectively. The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions previously declared, but unpaid as at August 29, 2021 were $5.3 million (August 30, 2020 – $3.8 million).

Interest expense on the SIR Loan totaled $0.9 million and $3.1 million for Q4 2021 and Fiscal 2021, respectively, and $1.0 million and $3.1 million for Q4 2020 and Fiscal 2020, respectively. Interest payable on the SIR Loan as at August 29, 2021 was $3.1 million (August 30, 2020 – $3.1 million).

SIR, through the Partnership, has entered into an arrangement with the Fund and the Trust whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the managing general partner of the Partnership. The Partnership provided these services to the Fund and the Trust for consideration of $0.005 million and $0.022 million for Q4 2021 and Fiscal 2021, respectively ($0.007 million and $0.024 million for Q4 2020 and Fiscal 2020, respectively), which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates and Judgments

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

Changes in Accounting Policies, Including Recently Issued Accounting Pronouncements

Recently adopted accounting pronouncements

Amendments to IFRS 16, Leases, COVID-19-Related Rent Concessions

In May 2020, the IASB issued an amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The mandatory effective date was for annual periods beginning on or after June 1, 2020. The amended standard has been implemented by the company and did not have a material impact on these consolidated financial statements

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

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

Amendments to IFRS 3, Business Combinations

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

IFRS 16, Leases (IFRS 16)

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

Recently issued accounting pronouncements

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

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

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

This standard has been amended to clarify the classification of liabilities as current or non-current, depending on the rights that exist at the end of the reporting period. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 16, Property, Plant and Equipment

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

IAS 37, Provisions

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

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued amendments to IAS 8 to introduce a new definition of accounting estimates to clarify the distinction between changes in accounting policies and changes in accounting estimates and the correction of errors. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

In May 2021, the IASB issued amendments to IAS 12 that require an entity to recognize deferred tax on certain transactions such as leases and decommissioning obligations that give rise to equal amounts of taxable and deductible temporary differences on initial recognition. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

Disaggregated revenue

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

Food and beverage revenue by Concept	16-Week Period Ended August 29, 2021	17-Week Period Ended August 30, 2020	52-Week Period Ended August 29, 2021	53-Week Period Ended August 30, 2020
Jack Astor's	39,337	26,521	84,435	126,623
Scaddabush	9,468	6,819	20,690	34,322
Canyon Creek	337	141	468	8,443
Signature Restaurants	935	862	2,328	16,420
	50,077	**34,343**	**107,921**	**185,808**

Financial Instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statements of operations or in comprehensive loss. SIR's financial instruments consist of cash and cash equivalents, trade and other receivables, loans and advances, trade and other payables, long-term debt, loan payable to the Fund, and Ordinary LP Units and Class A LP Units of the Partnership. The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts due to their short-term maturity. The carrying value of the loans and advances approximates fair values as the effective interest rate approximates current market rates. The fair value of the long-term debt as at August 30, 2020 is $30.4 million and is determined based on the estimated contractual schedule of payments as the interest rate varies with the current market rates or, in the case of the finance lease obligations, the effect interest rate approximates current market rates. The fair value of the Ordinary LP Units and Class A LP Units of the Partnership could only be determined through the valuation of the financial instruments. The Ordinary LP Units and Class A LP Units of the Partnership are held by the Fund and there is no active market for the Ordinary LP Units and Class A LP Units. As a result, the determination of its fair value is not practicable within the constraints of timeliness and cost.

The loan payable to the Fund is due to a related party and there is no active market for the debt. SIR intends to hold the loan payable to the Fund until its maturity on October 12, 2044. The fair value of the loan payable to the Fund as at September 30, 2021 is estimated to be $20.8 million (January 1, 2021 - $21.8 million).

The fair value of the loan payable to the Fund is estimated by discounting the expected cash flows using a current market interest rate adjusted for the Company's credit risk. In determining the appropriate discount rate, management considered available market information as well as the credit risk for SIR.

Management has estimated the discount rate by considering comparable corporate bond rates, risk free rates and SIR's credit risk.

During the nine-month period ended September 30, 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% and an increase in the Canadian risk free rate 0.81%.

SIR's financial instruments exposed to credit risk include cash and cash equivalents, trade and other receivables and loans and advances. SIR minimizes the credit risk of cash and cash equivalents by depositing funds with reputable financial institutions. SIR's trade and other receivables primarily comprise amounts due from major credit card companies; therefore, management believes that SIR's trade and other receivables credit risk exposure is limited. SIR monitors the collectability of its loans and advances, predominantly due from related parties, by reviewing them for impairment on an individual basis and recording the instrument at its estimated recoverable amount. SIR has determined that the loans and advances to U.S. S.I.R. L.L.C. are impaired based on estimated future cash flows. Accordingly, the carrying values of these loans and advances are recorded at their estimated recoverable amounts, which were determined by discounting the expected future cash flows.

SIR is exposed to interest rate risk with respect to its credit facility because it has a floating interest rate. The loan payable to the Fund has a fixed interest rate. Accordingly, changes in interest rates for this financial liability would not impact the consolidated statements of operations and comprehensive loss or the carrying value of this financial liability. However the fair value of this financial liability will vary with changes in the interest rates.

SIR is exposed to price risk as the expected cash flows used in the estimate of the amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership are derived from the market price of the Fund units adjusted for taxes and SIR's loan payable to the Fund. Accordingly, the change in the carrying value of the Ordinary LP Units and Class A LP Units changes with changes in the market price of the Fund units.

Risks and Uncertainties

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

In addition, factors such as business and economic conditions, changes in foreign exchange, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages and cannabis legislation), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants, and growth in off-premise traffic due to an increase in delivery and takeout orders affect the restaurant industry in general and therefore SIR. Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR**.**

SIR also faces risks and uncertainties related to the 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

The current state of the restaurant and bar industry 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 increased operating restrictions due to the pandemic could 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.

Subsequent to Q4 2021, 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. 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.

Subsequent to Q4 2021, effective September 1, 2021, Quebec entered into 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.

Subsequent to Q4 2021, 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 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, subsequent to Q4 2021, on October 23, 2021.

SIR was deemed eligible for the CERS. SIR received rebates under the program beginning on September 27, 2020. The program ended, subsequent to Q4 2021, on October 23, 2021. Additionally, SIR was eligible for the 25% lockdown support in qualifying claim periods.

Subsequent to Q4 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 as 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 has received a rebate under this program beginning on January 4, 2021.

SIR'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 6 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 SIR's performance. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about SIR than investors would have if they simply considered IFRS measures alone.

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

Same Store Sales and Same Store Sales Growth

SIR believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. SIR's method of calculating SSS and SSSG may differ from those of other issuers and, accordingly, SSS and SSSG may not be comparable to measures used by other issuers. SSSG is the percentage increase in SSS over the prior comparable period. SSS includes revenue from all SIR Restaurants except for those locations that were not open for the entire comparable periods in fiscal 2021 and fiscal 2020 and Abbey's Bakehouse as it is not a SIR Restaurant. When a SIR Restaurant is closed, the revenue for the closed restaurant is excluded from the calculation of SSS and SSSG for both the quarter in which the restaurant is closed and the current year-to-date. Please refer to the reconciliation of consolidated revenue to SSS on page 11 and to the definition of SSS in the Revenue section on page 13.

Adjusted Net Earnings (Loss)

Adjusted Net Earnings (Loss) is calculated by removing the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership from the net earnings (loss) for the period. Adjusted Net Earnings (Loss) is a non-GAAP financial measure and does not have a standardized meaning prescribed by IFRS. Management believes that in addition to net earnings (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate SIR's performance. Changes in the amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership is a non-cash transaction and varies with changes in the market price of the Fund units. The exclusion of the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership eliminates this non-cash impact. Management cautions investors that Adjusted Net Earnings (Loss) should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating Adjusted Net Earnings (Loss) may differ from the methods used by other issuers. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings (Loss) on page 9 of this document.

EBITDA and Adjusted EBITDA

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

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

Management believes that, in addition to net earnings or loss, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating SIR's performance, as these are useful estimates of the core business' contribution to cash flow from operations and approximate the funds generated by SIR which are available to meet its financing obligations and capital expenditure requirements. Management interprets trends in EBITDA and Adjusted EBITDA as indicators of relative operating performance. EBITDA and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. Management cautions investors that EBITDA and Adjusted EBITDA should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating EBITDA and Adjusted EBITDA may differ from the methods used by other issuers. Therefore, SIR's EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Please refer to the reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA and Adjusted EBITDA on page 9 of this document.

Forward Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: the impact of the COVID-19 pandemic; market conditions at the time of this filing; competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products; changes in tariffs and international trade; changes in foreign exchange; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation, including the cost and/or availability of labour as it relates to changes in minimum wage rates or other changes to labour legislation and forced closures of restaurants and bars; laws affecting the sale and use of alcohol (including availability and enforcement); changes in cannabis laws; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. There can be no assurance that SIR will remain compliant in the future with all of its financial covenants under the Credit Agreement and imposed by the lender. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance, and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly disclose or release any updates or revisions to any forward looking statements, except as required by securities legislation**.** 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 26, 2021.

In formulating the forward-looking statements contained herein, Management has assumed that it will be successful in dealing with the effects of the COVID-19 pandemic and that business and economic conditions affecting SIR's restaurants and the Fund will return to normalcy within the medium term. For more information concerning the Fund's risks and uncertainties, please refer to the March 31, 2021 Annual Information Form, for the period ended December 31, 2020, which is available under the Fund's profile at www.sedar.com**.**

All of the forward-looking statements made in this report are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or SIR.

Additional information related to the Fund, the Partnership, and SIR can be found at www.sedar.com under SIR Royalty Income Fund and on SIR's website at www.sircorp.com