SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 12-WEEK PERIOD ENDED NOVEMBER 21, 2021

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Executive Summary

SIR Corp.'s ("SIR's") first quarter of Fiscal 2022 was from August 30, 2021 to November 21, 2021 inclusive. The following is a summary of operational and financial results for SIR's 12-week period ended November 21, 2021 ("Q1 2022" and "YTD 2022", respectively):

Coronavirus ("COVID-19") Pandemic:

- Since the date of SIR's last financial report, which was filed on November 29, 2021, the COVID-19 pandemic has continued to significantly impact the operations of the company.
- SIR's restaurants remained open for indoor dining throughout Q1 2022 and the company has also strived to maximize outdoor dining revenues through its investment in numerous newly built and/or extended and heated patios. Operating restrictions were limited during Q1 2022 but were partially offset by more stringent vaccination requirements that have been imposed by all levels of government; thereby allowing only fully vaccinated patrons to access certain public settings including restaurants and bars. Proof of full vaccination (vaccine certificate or passport), along with identification, is required to be shown in order to dine indoors in all provinces where SIR operates its restaurants. In Ontario (where 44 SIR restaurants are located), Nova Scotia (two SIR restaurants) and Newfoundland (one SIR restaurant), proof of vaccination is required for those aged 12 years and older. In Quebec (four SIR restaurants), proof of vaccination is required for those aged 13 and older. While these vaccination requirements have enabled SIR to host patrons for indoor dining, the company's sales remain negatively impacted compared to pre-pandemic periods, due to certain limitations that restrict overall guest counts, including public health and workplace safety measures such as (but not limited to) proof of vaccination requirements and physical distancing. The hospitality industry continues to persevere and respond to the ever-changing pandemic due to new COVID-19 variants.
- Subsequent to Q1 2022, as a result of increasing COVID-19 infections, provincial governments imposed further operating restrictions through the holiday season (at a minimum). These new mandated restrictions, which affect bars and restaurants, include (but are not limited to): new capacity limits of 50% for indoor public settings, shortened operating hours, table limits, physical distancing, masking and ambiance restrictions (live acts, music levels, dancing, etc). Refer to the "Outlook" section on page 23 for more information.
- For more details regarding the operating restrictions that have impacted SIR since the onset of the pandemic up until the start of Q1 2022, please refer to SIR Royalty Income Fund's (the "Fund") and SIR's prior interim filings, which can be found on SEDAR at www.sedar.com under the Fund's profile.
- Effective October 22, 2021, the province of Ontario's "A Plan to Safely Reopen Ontario and Manage COVID-19 for the Long-Term" was put into effect. The plan stated that the province of Ontario would begin to lift vaccine certificate requirements for restaurants and bars on January 17, 2022, provided there are no concerning public health and health care trends following the winter holiday season. The end goal was to lift all remaining public health and workplace safety measures, including masking, by March 28, 2022. With the recent emergence of the Omicron variant, SIR expects that the province of Ontario will modify this plan.
- SIR was deemed eligible for both of the Canada Emergency Rent Subsidy ("CERS") and the Canada Emergency Wage Subsidy ("CEWS") programs. Both programs were ended by the federal government on October 23, 2021.
- On October 21, 2021, the federal government announced the proposed new Tourism and Hospitality Recovery Program ("THRP"). Restaurants are one of the targeted businesses to which this program applies. The program commenced on October 24, 2021 and is intended as a replacement program for the CEWS and CERS programs until at least May 7, 2022. This new program would apply to SIR in any claim period between October 24, 2021 and May 7, 2022, should SIR's revenue decline in the claim period by 40% or more compared to the prior reference period. As proposed, the subsidy rates would be equal to the amount of the revenue decline, to a maximum of 75%, for claim periods between October 24, 2021 and March 12, 2022. The subsidy rate would then be reduced to 50% of the amount of the revenue decline, to a maximum of 37.5%, for claim periods between March 13, 2022 and May 7, 2022.
- On October 21, 2021, the federal government proposed extending the Canada Recovery Hiring Program ("CRHP") 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 be expected to apply to SIR in any claim period between October 21, 2021 and May 7, 2022, should SIR's revenue

decline in the claim period by 10% or more compared to the prior reference period. Bill C-2 was presented to Parliament on November 24, 2021.

- During Q1 2022, SIR recognized government assistance through the combination of the CEWS and/or CRHP programs of $2.0 million (Q1 2021 - the CEWS program of $6.7 million) and the CERS program of $0.03 million (Q1 2021 - nil). Of these amounts, $2.0 million (Q1 2021 - $6.2 million), was recognized as a reduction to costs of corporate restaurant operations and $0.03 million (Q1 2021 - $0.5 million), was recognized as a reduction to corporate costs.
- SIR's insurer has denied any business interruption claims due to COVID-19 related operating restrictions or closures. However, SIR continues to pursue a Business Interruption claim 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 November 25, 2021 and December 8, 2021. The courts shall render a decision within six months of the last hearing 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 up until the latest amendments on May 31, 2021, please refer to the Fund's 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 its latest 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. SIR has resumed current royalty payments to the Partnership and to the Fund for interest on the SIR Loan in accordance with the Credit Agreement and the approval of SIR's Lender.
- 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 November 21, 2021, the Partnership continued to defer the collection of royalties and the Fund continues to defer the collection of interest on the SIR Loan as part of the conditions required by SIR's senior lender to grant SIR a series of waiver and amending agreements under its Credit Agreement in order to provide SIR with financial support during the pandemic. However, effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (refer to SIR's prior interim and year end filings on SEDAR), 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 condensed interim financial statements for the 12-week period ended November 21, 2021, as well as page 5 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 16.

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, starting on March 16, 2020, during SIR's fiscal 2020 third quarter ("Q3 2020"). In Q1 2022, the rollout of proof of vaccine mandates in conjunction with the easing of operating restrictions, has supported the recovery of SIR's revenue, compared to prior periods during the pandemic when there were greater operating

(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 24).

restrictions and/or restaurant closures.

- Food and beverage revenue from corporate restaurant operations for Q1 2022 totaled $45.6 million, an increase of 58.6%, or $16.9 million, compared to the 12-week period ended November 22, 2020 ("Q1 2021").
- Consolidated SSS(1) increased 64.0% for Q1 2022.
- SIR's flagship Concept Restaurant brand, Jack Astor's®, which generated approximately 74.8% of Pooled Revenue in Q1 2022, had a SSS(1) increase of 53.6% for Q1 2022.
- Scaddabush Italian Kitchen & Bar ("Scaddabush")® generated a SSS(1) increase of 71.8% for Q1 2022.
- Canyon Creek had a SSS(1) an increase of 263.2% for Q1 2022.
- The Signature Restaurants generated a SSS(1) increase of 333.6% for Q1 2022.
- Please refer to page 12 for a discussion on the factors that impacted SSS(1) in Q1 2022.
- 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, SIR did not undertake any restaurant renovations due to the impact of the pandemic on its cash flows and financial liquidity. During this time however, SIR made significant investments and/or incurred significant additional expenses to enhance guest and team member safety as well as taking steps to maximize its business opportunities and seating capacity under pandemic-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.

During Q1 2022, 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.

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 permanently closed six restaurants, including: three Canyon Creek locations, one Scaddabush location, Reds Midtown Tavern and one Duke's Refresher + Bar ("Duke's Refresher") location.

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

- Net loss and comprehensive loss was $50.8 million for Q1 2022, compared to $5.6 million for Q1 2021.
- Adjusted Net Earnings(1) were $0.5 million in Q1 2022, compared to an Adjusted Net Loss(1) of $5.6 million in Q1 2021.
- EBITDA(1) and Adjusted EBITDA(1) were $7.4 million and $4.0 million in Q1 2022, respectively, compared to $2.7 million and $1.1 million in Q1 2021, respectively.

Going concern assumption

The condensed interim 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 the Liquidity and Capital Resources section on page 16 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,
- 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 THRP and CRHP programs,
- business interruption insurance coverage, and
- SIR's ability (as required) 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 the 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 November 21, 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 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 November 21, 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 permanently closed six restaurants, including:

- three Canyon Creek locations (the former location at Square One shopping centre in Mississauga, Ontario, a location in Scarborough, Ontario and a location in Vaughan, Ontario, and
- three restaurants located at the corner of Yonge and Gerrard in downtown Toronto (one Scaddabush, Reds Midtown Tavern and one Duke's Refresher).

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 Duke's Refresher in downtown Toronto is 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 2022 and 2021 consist of 52 weeks.

Seasonality

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

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 12-week period ended November 21, 2021. 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 Loss	12-Week Period Ended November 21, 2021	12-Week Period Ended November 22, 2020
	(in thousands of dollars) (unaudited)	
Corporate restaurant operations:		
Revenue	45,686	28,775
Cost of corporate restaurant operations	40,148	29,429
Earnings (loss) from corporate restaurant operations	**5,538**	**(654)**
Net loss and comprehensive loss	**(50,798)**	**(5,649)**
Adjusted Net Earnings (Loss)[(1)]	**511**	**(5,649)**

Statement of Financial Position	November 21, 2021	August 29, 2021
	(in thousands of dollars)	
Total assets	125,792	135,899
Total non-current liabilities	179,267	135,118

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 loss and comprehensive loss for the 12-week period ended November 21, 2021 and November 22, 2020, to Adjusted Net Earnings (Loss)[(1)]:

	12-Week Period Ended November 21, 2021	12-Week Period Ended November 22, 2020
	(in thousands of dollars) (unaudited)	
Net loss for the period	(50,798)	(5,649)
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	51,309	-
Adjusted Net Earnings (Loss)[(1)]	**511**	**(5,649)**

The following table reconciles net loss and comprehensive loss for the 12-week period ended November 21, 2021 and November 22, 2020 to EBITDA[(1)] and Adjusted EBITDA[(1)]:

	12-Week Period Ended November 21, 2021	12-Week Period Ended November 22, 2020
	(in thousands of dollars) (unaudited)	
Net loss and comprehensive loss for the period	(50,798)	(5,649)
Add (deduct):		
Interest expense	372	399
Interest on lease obligations	1,208	1,377
Interest on loan payable to SIR Royalty Income Fund	727	704
Depreciation and amortization	4,614	5,825
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	51,309	-
EBITDA[(1)]	**7,432**	**2,656**
Interest (income) and other expense (income) – net	(76)	1,845
Loss on disposal of property and equipment	20	8
Cash rent	(3,394)	(3,447)
Adjusted EBITDA[(1)]	**3,982**	**1,062**
Income from Class A & B GP Units of the Partnership[(2)] (Not included in EBITDA[(1)] and Adjusted EBITDA[(1)] above)	464	256
6% Royalty obligations under License and Royalty Agreement[(3)]	2,706	1,664

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

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

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	12-Week Period Ended November 21, 2021	12-Week Period Ended November 22, 2020
	(in thousands of dollars) (unaudited)	
Food and beverage revenue reported in consolidated financial statements	45,633	28,764
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(533)	(1,028)
Revenue for Restaurants in Royalty pool (Pooled Revenue)	**45,100**	**27,736**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales(1)	12-Week Period Ended November 21, 2021	12-Week Period Ended November 22, 2020
	(in thousands of dollars) (unaudited)	
Food and beverage revenue reported in consolidated financial statements	45,633	28,764
Less: Revenue from corporate restaurant operations excluded from Same Store Sales(1)	-	(937)
Same Store Sales(1)	**45,633**	**27,827**

Same Store Sales(1) by Segment	12-Week Period Ended November 21, 2021	12-week Period Ended November 22, 2020	% Fav./ (Unfav.)
	(in thousands of dollars) (unaudited)		
Jack Astor's	33,750	21967	53.6%
Scaddabush	8,826	5,136	71.8%
Canyon Creek	425	117	263.2%
Signature Restaurants	2,632	607	333.6%
Same Store Sales(1)	**45,633**	**27,827**	**64.0%**

Summary of Quarterly Results

Statement of Operations	1st Quarter Ended November 21, 2021 (12 weeks)	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)
				(in thousands of dollars) (unaudited)				
Corporate Restaurant Operations								
Revenue	45,686	50,113	16,260	12,866	28,775	34,451	27,941	61,511
Cost of corporate restaurant operations	40,148	48,001	9,308	16,393	29,429	31,978	40,333	56,446
Earnings (Loss) from corporate restaurant operations	**5,538**	**2,112**	**6,993**	**3,527**	**(654)**	**2,473**	**(12,392)**	**5,065**
Net (loss) earnings and comprehensive (loss) income	**(50,798)**	**(28,392)**	**(19,353)**	**8,394**	**(5,649)**	**(1,081)**	**38,943**	**6,556**
Adjusted Net Earnings (Loss)(1)	**511**	**6,965**	**(4,970)**	**2,511**	**(5,649)**	**(2,308)**	**(17,017)**	**(747)**

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

	1st Quarter Ended November 21, 2021 (12 weeks)	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)
				(in thousands of dollars) (unaudited)				
Net (loss) earnings and comprehensive (loss) earnings	(50,798)	(28,392)	(19,353)	(8,394)	(5,649)	(1,081)	38,943	6,556
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	51,309	35,357	14,383	10,905	-	(1,227)	(55,960)	(7,303)
Adjusted Net Earnings (Loss)(1)	**511**	**6,965**	**(4,970)**	**2,511**	**(5,649)**	**(2,308)**	**(17,017)**	**(747)**

Selected Consolidated Statement of Cash Flows Information:

	1st Quarter Ended November 21, 2021 (12 weeks)	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)
				(in thousands of dollars) (unaudited)				
Cash provided by (used in) operations	2,853	19,076	8,136	5,841	5,314	4,410	(2,284)	3,936
Cash used in investing activities	(801)	(602)	(81)	(422)	(280)	(91)	(208)	(2,070)
Cash provided by (used in) financing activities	(9,391)	(9,435)	(12,873)	(1,651)	(3,883)	(3,169)	931	(5,331)
Increase (decrease) in cash and cash equivalents during the period	(7,339)	9,039	(4,818)	3,768	1,151	1,150	(1,561)	(3,465)
Cash and cash equivalents – Beginning of period	9,606	567	5,385	1,617	1,617	467	2,028	5,493
Cash and cash equivalents – End of period	2,267	9,606	567	5,385	2,768	1,617	467	2,028

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 loss) – this is the total consolidated revenue of all SIR restaurants for the period, as well as Abbey's Bakehouse. For the 12-week period ended November 21, 2021, revenue was $45.6 million.

ii. Same Store Sales[(1)] ("SSS") – this is a sub-set of revenue used for tracking comparable year-over-year sales. For Q1 2022 and Q1 2021, SSS[(1)] includes all SIR restaurants, except for those restaurants that were not open for the entire comparable periods in Fiscal 2022 and Fiscal 2021, 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 Astors in Calgary, the Canyon Creek in Burlington, Ontario, the Canyon Creek in Mississauga, Ontario, the Canyon Creek in Scarborough, Ontario, and the former Reds Midtown Tavern, Scaddabush and Dukes Refresher locations at Yonge and Gerrard in downtown Toronto, as their sales are excluded from the calculation of SSS[(1)] similar to any permanently closed locations. For the 12-week period ended November 21, 2021, SSS[(1)] were $45.6 million.

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 November 21, 2021, there were 56 Royalty Pooled Restaurants (51 operating restaurants and five closed restaurants). For the 12-week period ended November 21, 2021, Pooled Revenue was $45.1 million. The applicable Royalty payable to the Partnership on the Pooled Revenue for this period was $2.7 million.

Same Store Sales[(1)]

SIR reported an overall SSS[(1)] increase of 64.0% for Q1 2022. SSS[(1)] are typically impacted by changes in guest traffic and average cheque amount. Current year-over-year increases in revenue and SSS[(1)] are primarily attributable to SIR's recent recovery from the pandemic due to vaccine certificates and the uninterrupted resumption of indoor dining since Q4 2021. The other factors noted below relate primarily to the periods prior to pandemic-related business restrictions.

Prior to the pandemic that materially impacted sales at SIR restaurants beginning in mid-March 2020, SIR identified shifts in consumer behaviour 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. On November 2, 2021, the Ontario government announced that it plans to introduce legislation that, if passed, would further raise the minimum wage from $14.35 to $15.00 per hour, effective January 1, 2022. SIR also believes that new stricter legislation for impaired driving contributed to lower alcoholic beverage sales in full-service restaurants.

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

Jack Astor's, SIR's flagship Concept Restaurant brand, which contributed approximately 74.8% of Q1 2022 Pooled Revenue, had a SSS[(1)] increase of 53.6% for Q1 2022.

Scaddabush SSS[(1)] performance for Q1 2022 includes nine Scaddabush locations (Mississauga, Richmond Hill, Scarborough, Burlington, Oakville and Vaughan, and two locations in Etobicoke, Ontario, as well as the Front Street location in downtown Toronto). Scaddabush had a SSS[(1)] increase of 71.8% for Q1 2022.

Canyon Creek had SSS[(1)] an increase of 263.2% for Q1 2022. During fiscal 2021, SIR permanently closed three Canyon Creek locations and now operates one remaining location near the Toronto Pearson International Airport in Etobicoke, Ontario. SIR's management continues to evaluate options related to the outlook for this Canyon Creek location to improve performance. The downtown Toronto Signature Restaurants had SSS[1)] an increase of 333.6% for Q1 2022.

Cost of Corporate Restaurant Operations

Costs of corporate restaurant operations as a percentage of revenue were 87.9% for Q1 2022, compared to 102.3%, for Q1 2021. Lower costs as a percentage of revenue for Q1 2022 compared to Q1 2021 were primarily attributable to the easing of pandemic-related operating restrictions and continued indoor dining without closures, resulting in an increase of revenue during the quarter.

Corporate Costs

Corporate costs were $2.8 million for Q1 2022, compared to $0.7 million for Q1 2021. As operating restrictions are eased and indoor dining continues without closures, leasing costs are being normalized through reduced government subsidies and limited (if any) further landlord abatements or rent deferrals. Increased corporate costs in Q1 2022 also reflect additional head office support personnel and a reduction in subsidies under the CEWS program compared to Q1 2021.

Interest Expense

Interest expense for Q1 2022 was $0.4 million, compared to $0.4 million for Q1 2021.

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 loss. The change in the amortized cost is a non-cash transaction and accordingly, has no impact on cash flows. For Q1 2022, the change in amortized cost resulted in an increase of $51.3 million and is due to an increase in the underlying Fund unit price compared to the end of Fiscal 2021.

Interest on the SIR Loan totaled $0.7 million for Q1 2022, and $0.7 million for Q1 2021.

EBITDA(1) and Adjusted EBITDA(1)

EBITDA(1) totaled $7.4 million for Q1 2022 compared to $2.7 million for Q1 2021. The increase was primarily driven by significantly higher sales as a result of reduced pandemic-related operating restrictions, continued indoor dining without closures and efficiencies in food, beverage, labour and corporate costs.

Adjusted EBITDA(1) totaled $4.0 million for Q1 2022 compared to $1.1 million for Q1 2021. (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 loss in the amount of $0.7 million for Q1 2022 compared to $0.7 million Q1 2021.

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 Q1 2022. Effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (refer to the Liquidity and Capital Resources section on page 16 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

	12-Week Period Ended November 21, 2021	12-week Period Ended November 22, 2020
	(in thousands of dollars) (unaudited)	
Balance – Beginning of the period	60,098	-
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	51,309	-
Distributions paid to Ordinary LP and Class A LP unitholders	(1,398)	-
Balance – End of period	110,009	-
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(9,307)	-
Ordinary LP Units and Class A LP Units of the Partnership	100,702	-

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

	12-Week Period Ended November 21, 2021	12-week Period Ended November 22, 2020
	(in thousands of dollars) (unaudited)	
Pooled Revenue(4)	45,100	27,736
Partnership royalty income(5)	2,706	1,664
Other Income	8	6
Partnership expenses	(89)	(54)
Net earnings of the Partnership	2,625	1,616
SIR's residual interest in the earnings of the Partnership:		
Income from Class A & B GP Units of the Partnership	(464)	(256)
Income from Class C GP Units of the Partnership	(691)	(692)
	(1,155)	(948)
Fund's interest in the earnings of the Partnership	1,470	668

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

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

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

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 November 21, 2021 (August 29, 2021 – 17.84%).

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

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	12-Week Period Ended November 21, 2021	12-week Period Ended November 22, 2020
	(in thousands of dollars) (unaudited)	
Cash provided by operations	2,853	5,314
Cash used in (provided by) investing activities	(801)	(280)
Cash used in financing activities	(9,391)	(3,883)
(Decrease) increase in cash and cash equivalents during the period	(7,339)	1,151
Cash and cash equivalents – Beginning of period	9,606	1,617
Cash and cash equivalents – End of period	2,267	2,768

Cash provided by operations decreased $2.5 million in Q1 2022 compared to Q1 2021. The decrease is primarily attributable to a loss provided by operations of $45.1 million, an unfavourable variance in the net change in working capital of $4.1 million, $1.4 million in distributions paid to the Ordinary LP and Class A LP unitholders, a decrease of $1.7 million in the impairment of non-financial assets, a $1.2 million reduction of amortization and a $0.2 million reduction in interest on SIR's lease obligations. These were offset by a $51.3 million favourable change in amortized cost of Ordinary LP and Class A LP units of the Partnership.

Investing activities used cash of $0.8 million for Q1 2022 compared to $0.3 million Q1 2021. Purchases of property and equipment and other assets amounted to $0.8 million Q1 2022 compared to $0.3 million Q1 2021. During Q1 2022, investing activities included capital expenditures of $0.4 million related to a renovation of a Jack Astor's location near the Square One shopping centre in Mississauga, Ontario, while the remaining purchases are maintenance related items for continued operations.

Cash used by financing activities were $9.4 million for Q1 2022, compared to $3.8 million for Q1 2021. Bank indebtedness decreased by $3.7 million for Q1 2022. Proceeds from issuance of long-term debt were $nil for Q1 2022 and $7.5 million for the corresponding period a year ago. Principal repayments on long-term debt were $1.0 million Q1 2022 and $2.8 million for Q1 2021. Interest paid was $2.5 million for Q1 2022 compared to $0.5 million for Q1 2021.

The 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 November 21, 2021, SIR had current assets of $15.5 million (August 29, 2021 – $21.8 million) and current liabilities of $120.4 million (August 29, 2021 – $123.8 million) resulting in a working capital deficit of $104.8 million (August 29, 2021 – $102.0 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 both of SIR's condensed interim consolidated financial statements for the 12-week period ended November 21, 2021 and 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 $49.6 million consisting of:

- a $20.0 million revolving term credit facility (Credit Facility 1),
- a $17.1 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 November 21, 2021, the Company has drawn $17.1 million on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 29, 2021 - $9.9 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 November 21, 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 November 21, 2021, the Company has drawn $6.25 million on this facility.

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.

The Third, Fourth, Fifth, Sixth, Seventh and Eighth Amending Agreements are 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 November 21, 2021, the SIR would have been in breach of the covenants in the SIR Loan Agreement and the financial covenants in its Credit Agreement, for which waivers have been previously obtained, as a result of the impact of the pandemic on its operations. The current amendment and extension executed on May 31, 2021 (all Amending Agreements are filed on SEDAR) extends all waivers until July 6, 2022; however, there can be no certainty that the Company 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 and SIR's credit facilities were 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.

Compliance with the covenants included in SIR's amended Credit Agreement is monitored by management on a quarterly basis. As at November 21, 2021, SIR was in compliance of these amended covenants.

Given the uncertainty surrounding the pandemic, specifically related to ever-changing variants of the COVID-19 virus, and the risk of increasing government mandated restrictions and/or closures, 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 November 21, 2021, SIR's liquidity was comprised of $nil cash on hand and $20.0 million available to borrow under its credit facility (August 29, 2021 - $8.3 million and $20.0 million).

SIR's ability to meet its obligations for the next 12 to 18 months also depends on the risk of any future restrictions and/or closures of dine-in operations due to new variants of the COVID-19 virus at certain of its restaurants, the length of any potential future closures, SIR's ability to maintain operating at full or near full capacity with limited restrictions, should closures occur, the speed at which SIR is able to return to full operating capacity in the near future, Canadian economic conditions that affect bars and restaurants in the vaccine certificate period and thereafter, 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 (if needed). 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 condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should SIR be unable to continue as a going concern. Such adjustments could be material.

SIR currently holds 1.9 million Class A GP Units, representing a 19.05% residual interest in the Partnership. The Class A GP Units are exchangeable into units of the Fund on a one for one basis, and, as at November 21, 2021, have a market value of approximately $26.1 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.

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 the pandemic, 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 November 21, 2021, nor did it have any subsequent to Q1 2022.

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.

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

	As at November 21, 2021	As at August 29, 2021
	(in thousands of dollars)	
Amounts due from related parties		
Amounts due from U.S. S.I.R. L.L.C. and its subsidiary	144	100
Amounts due to related parties		
Amounts due to companies owned by a shareholder or director of SIR	170	189

- Received repayment against loans and advances from U.S. S.I.R. L.L.C. of $nil for the 12-week period ended November 21, 2021 (12-week period ended November 22, 2020 - $nil). SIR recognized interest income on those loans and advances of $nil for the 12-week period ended November 21, 2021 (12-week period ended November 22, 2020 - $0.007 million). As at November 21, 2021, SIR has loans and advances (adjusted for a provision and advances) of $0.2 million owing from U.S. S.I.R. L.L.C. (August 29, 2021 – $0.1 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. SIR purchased fixtures from this company for $0.03 million during the 12-week period ended November 21, 2021 (12-week period ended November 22, 2020 - $nil).
- 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 has made repayments of $0.02 million for the 12-week period ended November 21, 2021 (12-week period ended November 22, 2020 - $nil). SIR recognized interest income on this loan of $0.002 million for the 12-week period ended November 21, 2021 ($0.003 million 12-week period ended November 22, 2020).

Transactions with the SIR Royalty Income Fund

Advances receivable from the Fund and its subsidiaries as at November 21, 2021 were $2.9 million (August 29, 2021 – $2.3 million). Advances receivable are non-interest bearing and due on demand.

Effective July 7, 2021, SIR has resumed current royalty payments to the Partnership and to the Fund for interest on the SIR Loan in accordance with the Credit Agreement and the approval of SIR's Lender.

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 November 21, 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, until July 6, 2022, in order to provide SIR with financial support during the pandemic. However, effective September 15, 2021, having met the conditions stipulated by SIR's senior lender (refer to SEDAR for details of the "Eighth Amending Agreement"), SIR has begun its repayment of deferred royalties and interest on the SIR Loan. Pursuant to the eighth amendment under SIR's Credit Agreement, these amounts will be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively. During Q1 2022, the SIR paid $1.6 million (Q1 2022 - nil) of deferred royalties owing to the Partnership and $1.1 million (Q1 2022 - nil) of deferred interest on the SIR Loan owing to the Fund.

During Q1 2022, 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 November 21, 2021 (August 29, 2021 – $1.6 million).

During Q1 2022, distributions of $1.5 million were declared to the Fund by the Partnership compared to $0.7 million for Q1 2021. 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 November 21, 2021 were $4.2 million (August 29, 2021 – $4.1 million).

Interest expense on the SIR Loan totaled $0.7 million for both Q1 2022 and Q1 2021. Interest payable on the SIR Loan as at November 21, 2021 was $2.6 million (August 29, 2021 – $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 $0.008 million for Q1 2022 ($0.006 million for Q1 2021), 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 29, 2021. The reader will find this information in the annual MD&A for the year ended August 29, 2021.

Changes in Accounting Policies, Including Recently Issued Accounting Pronouncements

Recently adopted accounting pronouncements

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

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

Amendments to IFRS 3, Business Combinations

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

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. SIR has received certain rent concessions related to COVID-19 and has applied the amendment which resulted in no lease modifications.

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

Recently issued accounting pronouncements

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, 2022. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 16, Property, Plant and Equipment

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

IAS 37, Provisions

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

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	12-Week Period Ended November 21, 2021	12-Week Period Ended November 22, 2020
Jack Astor's	33,750	21,967
Scaddabush	8,826	5,515
Canyon Creek	425	117
Signature Restaurants	2,632	1,165
	45,633	**28,764**

Financial Instruments

Management believes that there have been no substantial changes in the nature of critical accounting estimates since the year ended August 29, 2021. The reader will find this information in the annual MD&A for the year ended August 29, 2021.

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 state of the restaurant and bar industry had been trending positively due to increasing vaccination rates and the implementation of mandatory vaccine certificates (or passports). However, with the emergence of new COVID-19 variants (Delta and Omicron), and increasing infection rates, new operating restrictions have been introduced in all provinces where SIR operates its restaurants. These new restrictions are expected to remain in effect throughout the holiday season (at a minimum) and are expected to have a negative impact of SIR's sales.

• Effective December 19, 2021, the province of Ontario, where SIR operates 44 restaurants, implemented: i) 50% capacity limits for bars and restaurants, ii) restaurants will be required to close at 11 p.m. and the sale of alcohol will be restricted after 10 p.m., iii) a maximum table capacity of 10 patrons, and iv) guests must remain seated at all times.

• Effective December 20, 2021, the province of Quebec, where SIR operates four restaurants, implemented: i) 50% capacity limits for restaurants, ii) restaurants will be required to close at 10 p.m., iii) physical distancing between tables (one metre) if there are no partitions between them, and iv) maximum table capacity of 6 patrons.

• Effective December 17, 2021, the province of Nova Scotia, where SIR operates two restaurants, implemented: i) 50% capacity limits for bars and restaurants, ii) restaurants will be required to close at 11 p.m., iii) physical distancing between tables (two metres), iv) a maximum table capacity of 10 patrons, and v) patrons must be seated to remove their mask for eating and/or drinking; all other mask requirements for indoor public places remain.

• Effective December 20, 2021, the province of Newfoundland, where SIR operates one restaurant, implemented 50% capacity limits for bars and restaurants, with physical distancing measures in effect.

The potential risk of future restaurant closures and/or increased capacity restrictions due to the pandemic, could further impact future sales at SIR restaurants. As a result, these ongoing government and public health recommendations and restrictions could create material uncertainties that may cast doubt, on SIR's ability to continue as a going concern.

The province of Ontario's "A Plan to Safely Reopen Ontario and Manage COVID-19 for the Long-Term" originally stated that 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. With the recent emergence of the Omicron variant, SIR expects that the province of Ontario will modify this plan.

On November 2, 2021, the Ontario government announced that it plans to increase the general minimum wage from $14.35 to $15.00 per hour, effective January 1, 2022. It was also announced that the special minimum wage paid to servers, who serve alcohol (which applies to SIR's servers), will be eliminated, which will increase the minimum wage for a significant number of SIR employees from $12.55 to $15.00 per hour.

Subsequent to Q1 2022, on December 17, 2021, Bill C-2 was enacted and approved, among other things, the THRP and extension of the CRHP. SIR will recognize additional government assistance through the extended CRHP of $0.6 million (increase in the subsidy rate from 20% to 50% of eligible expenditures) as at December 17, 2021. On December 22, 2021, the federal government announced its intention to temporarily expand eligibility for key support programs under Bill C-2. The announcement indicated, that for claim periods between December 19, 2021 and February 12, 2022: i) the current-month revenue decline threshold requirement would be reduced to 25% (from 40%), ii) eligible employers would then receive wage and rent subsidies from 25% up to a maximum of 75%, depending on their degree of revenue loss, and iii) the 12-month revenue decline test would not be required in order to access this support.

On December 22, 2021 the Ontario government announced the new Ontario Business Costs Rebate Program to support businesses that are most affected by the recent public health measures, announced on December 19, 2021, in response to the Omicron variant. Eligible businesses, within Ontario, will receive a rebate equivalent to 50% of the property tax and energy costs incurred while subject to the current capacity limits. This rebate will be retroactive to December 19, 2021 on all eligible expenses incurred.

SIR's ability to meet their obligations for the next 12 to 18 months depends on, among other factors, the length of the recently implemented operating restrictions and the speed at which SIR is able to return to full operating capacity in the near future, Canadian economic conditions affecting bars and restaurants, SIR's ability (if needed) 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 5 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, November 25, 2021, and December 8, 2021. The courts shall render a decision within six-months of the last hearing 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.

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 2022 and fiscal 2021 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 10 and to the definition of SSS in the Revenue section on page 12.

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 8 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 loss for the period to EBITDA and Adjusted EBITDA on page 8 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 December 23, 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.