SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 16-WEEK AND 52-WEEK PERIODS ENDED AUGUST 28, 2022

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Executive Summary

SIR Corp.'s ("SIR's") fourth quarter of Fiscal 2022 was from May 9, 2022 to August 28, 2022 inclusive. The following is a summary of operational and financial results for SIR's 16-week and 52-week periods ended August 28, 2022 ("Q4 2022" and "Fiscal 2022", respectively):

Coronavirus ("COVID-19") Pandemic:

- The state of the restaurant and bar industry trended positively during the last half of Fiscal 2022 following the easing of government mandated operating restrictions and increased vaccination rates. As of mid-March 2022, all of the remaining indoor dining operating restrictions in each of the provinces where SIR operates were lifted.
- For more details regarding the operating restrictions that impacted SIR and the SIR Royalty Income Fund (the "Fund") from the onset of the pandemic up until the lifting of all remaining operating restrictions in March 2022, 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.
- During Fiscal 2022, SIR recognized government assistance through the Canada Emergency Wage Subsidy ("CEWS") program, the Canada Recovery Hiring Program ("CRHP") and the Tourism and Hospitality Recovery Program ("THRP") of $12.3 million (August 29, 2021 - $22.2 million); the Canada Emergency Rent Subsidy ("CERS") and CRHP/THRP programs of $2.1 million (August 29, 2021 - $5.0 million) and other government subsidies of $0.8 million (August 29, 2021 - $4.2 million). Of these amounts, $14.7 million (August 29, 2021 - $24.1 million) was recognized as a reduction to costs of corporate restaurant operations and $0.5 million (August 29, 2021 - $7.2 million) was recognized as a reduction to corporate costs. Both of these programs commenced on October 24, 2021 and ended on May 7, 2022.
- 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, December 8, 2021 and May 9, 2022. The courts were expected to render a decision within six months of the last hearing on May 9, 2022. As of the filing of this report, SIR has not received a ruling from the courts regarding this matter. This claim includes a rider provision to SIR's property policy which is in favor 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 compliance and credit amendments that have occurred since the onset of the pandemic up until the latest amendments on June 16, 2022, 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 June 16, 2022, SIR and its Lender entered into the Ninth Amending Agreement ("Ninth Amendment") to its Credit Agreement. The Agreement provides for the following:
    - extension of the Maturity Date from July 6, 2022 to July 6, 2023 of Credit Facilities 1 and 2,
    - during the Ninth Amendment, the Cumulative Minimum EBITDA financial covenant was replaced by the two pre-pandemic, financial covenants in the Credit Agreement, which are the Fixed Charge Coverage Ratio and the Senior Leverage Ratio, and
    - extension of the $6.25 million guaranteed facility with Export Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (the "EDC-Guaranteed Facility") to the Maturity Date of the Credit Agreement. The EDC-Guaranteed Facility can be extended at the Lender's sole discretion by a further of 12 months.

  This extension is intended to address SIR's financial requirements, at least until the Maturity Date of July 6, 2023. There can be no assurance that borrowings will be available to SIR, or available on acceptable terms, beyond the Maturity Date, in an amount sufficient to fund SIR's needs. In addition, the $5.96 million guaranteed facility with Business Development Bank of Canada ("BDC") through the guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") ("the "BDC-Guaranteed Facility") remains unchanged. See Page 17 for additional details.

- On June 16, 2022, as part of the Ninth Amendment, the Fund and the SIR Royalty Limited Partnership (the "Partnership") entered into an acknowledgement agreement with the Lender acknowledging, among other things:
  - receipt of a copy of the Ninth Amendment, and
  - that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with the Company.
- 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 began its repayment of deferred royalties and deferred interest on the SIR Loan. Pursuant to the eighth amendment under SIR's Credit Agreement, these amounts were to be repaid over 10 monthly installments of $0.5 million and $0.4 million, respectively. The final scheduled deferral payments were made by SIR on June 15, 2022, enabling SIR to extinguish all liabilities related to these payments.

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

- As previously noted, the easing and eventual lifting of pandemic-related government restrictions, in each of the provinces where SIR operates, had a positive impact on SIR's performance during the second half of Fiscal 2022.
- Food and beverage revenue from corporate restaurant operations for Q4 2022 totaled $88.0 million, an increase of $37.9 million, compared to the 16-week period ended August 29, 2021 ("Q4 2021"). Food and beverage revenue from corporate restaurant operations for Fiscal 2022 totaled $221.7 million, compared to $107.9 million for the 52-week period ended August 29, 2021 ("Fiscal 2021").
- Consolidated SSS[(1)] increased 73.8% and 105.8% for Q4 2022 and Fiscal 2022, respectively.
- SIR's flagship Concept Restaurant brand, Jack Astor's® Bar and Grill ("Jack Astor's"), which generated approximately 75.5% of Pooled Revenue in Q4 2022, had SSS[(1)] increases of 65.2% and 93.4% for Q4 2022 and Fiscal 2022, respectively.
- Scaddabush Italian Kitchen & Bar® ("Scaddabush") had SSS[(1)] increases of 68.9% and 106.9% for Q4 2022 and Fiscal 2022, respectively.
- The Signature Restaurants generated SSS[(1)] increases of 391.2% and 636.9% for Q4 2022 and Fiscal 2022, respectively.
- Please refer to page 11 for a discussion on the factors that impacted SSS[(1)] in Q4 2022 and Fiscal 2022, respectively.

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 2022, SIR completed two restaurant renovations to implement a refreshing, more contemporary and immersive guest experience:

- The Jack Astor's restaurant at the Square One shopping centre in Mississauga, Ontario was closed for nine days to complete a renovation in Q1 2022.
- The Jack Astor's located in London, Ontario was closed for five days to complete a renovation during Q4 2022.

Subsequent to Q4 2022, SIR completed two similar restaurant renovations at the Jack Astor's locations in Whitby and Barrie, Ontario.

SIR also converted its Canyon Creek location at the Fallsview Casino Resort in Niagara Falls, Ontario into the new Reds® Kitchen + Wine Bar Fallsview, which opened on March 31, 2022. This former Canyon Creek location was a Royalty Pooled Restaurant, but it had not been in operation since the onset of the pandemic in mid-March 2020. In accordance with the License and Royalty Agreement between SIR and the SIR Royalty Limited Partnership, this former Canyon Creek location will be treated as a permanently closed restaurant and the new Reds Kitchen + Wine Bar Fallsview is expected to become a new Royalty Pooled Restaurant effective January 1, 2023.

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(1) Same store sales ("SSS"), same store sales growth ("SSSG"), Adjusted Net Earnings (Loss), Earnings before interest, tax, depreciation, and amortization ("EBITDA"), and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). For additional information regarding these financial measures, including full details on how these financial measures are calculated, see the "Description of Non-IFRS Measures" section of this MD&A (page 22).

The last remaining Canyon Creek restaurant, located in Etobicoke, Ontario, in close proximity to the Pearson International Airport, was permanently closed effective May 23, 2022. A new Scaddabush restaurant was opened at this location on August 1, 2022 and is expected to become a new Royalty Pooled Restaurant effective January 1, 2023.

SIR began offering Renegade Chicken takeout and delivery services again on a trial basis as of January 27, 2022. The services were initially offered out of 21 Jack Astor's locations in Ontario, with two additional Jack Astor's locations added to the trial as of February 16, 2022. SIR agreed to pay an amount equal to 6% of the revenues earned from the trial to the Partnership. The trial was initially scheduled to continue until March 31, 2022, at SIR's option. Effective March 29, 2022, SIR opted to extend the trial until August 28, 2022, but it reduced the number of Jack Astor's locations supporting the trial to eight locations. On August 29, 2022, the Trustees of the Fund approved a further extension of the trial, under the existing terms, until December 31, 2022. In exchange, SIR will continue to pay 6% of the revenues arising therefrom to the Partnership. The Trustees of the Fund are supportive of the continuation of the trial. The Renegade Chicken brand offers a variety of fried chicken sandwiches, fingers and wings, paired with freshly cut in-house fries, and is capitalizing on the emergence of fried chicken growth brands in the fast casual dining space.

The pandemic 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:

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

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

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

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

- Net earnings (loss) and comprehensive income (loss) was $1.1 million for Q4 2022, compared to ($28.4) million for Q4 2021. Net earnings (loss) and comprehensive income (loss) was ($49.7) million for Fiscal 2022, compared to ($61.8) million for Fiscal 2021.
- Adjusted Net Earnings(1) were $6.3 million in Q4 2022, compared to $7.0 million in Q4 2021. Adjusted Net Earnings(1) were $15.8 million in Fiscal 2022, compared to an Adjusted Net Loss(1) of $1.1 million in Fiscal 2021.
- EBITDA(1) and Adjusted EBITDA(1) were $15.3 million and $10.5 million in Q4 2022, respectively, compared to $15.6 million and $9.2 million in Q4 2021, respectively.
- EBITDA(1) and Adjusted EBITDA(1) were $45.8 million and $30.1 million in Fiscal 2022, respectively, compared to $31.0 million and $9.9 million in Fiscal 2021, respectively.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at August 28, 2022, SIR owned 53 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Nova Scotia, and Newfoundland). The Concept Restaurants are Jack Astor's and Scaddabush. The Signature Restaurants are Reds® Wine Tavern, Reds® Square One, Reds Kitchen + Wine Bar Fallsview and the Loose Moose® Tap and Grill. SIR also owns one Duke's Refresher in downtown Toronto and one seasonal restaurant, Abbey's Bakehouse® ("Abbey's Bakehouse"), which are not part of Royalty Pooled Restaurants. SIR owns 100% of all its Canadian restaurants. As at August 28, 2022, 51 SIR Restaurants were included in Royalty Pooled Restaurants.

The COVID-19 pandemic has drastically altered SIR's operating environment and put a great deal of stress on many businesses, including SIR. As a result, during Fiscal 2021, SIR permanently closed six restaurants. For more details on the closed restaurants, please refer to page 5.

On September 26, 2019, SIR opened a new Duke's Refresher in the St. Lawrence Market neighborhood 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 have occurred, this restaurant was not added to the Royalty Pool on January 1, 2022. 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 both 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 16-week and 52-week periods ended August 28, 2022 and August 29, 2021, respectively. The audited consolidated financial statements of SIR are prepared in accordance with IFRS and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations and Comprehensive Income (Loss)	16-Week Period Ended August 28, 2022	16-Week Period Ended August 29, 2021	52-Week Period Ended August 28, 2022	52-Week Period Ended August 29, 2021
	(in thousands of dollars) (audited)			
Corporate restaurant operations:				
Revenue	88,055	50,113	221,996	108,055
Cost of corporate restaurant operations	74,036	48,001	182,910	103,131
Earnings from corporate restaurant operations	**14,019**	**2,112**	**39,086**	**4,924**
Net earnings (loss) and comprehensive income (loss)	**1,089**	**(28,392)**	**(49,663)**	**(61,788)**
Adjusted Net Earnings (Loss)[(1)]	**6,315**	**6,965**	**15,778**	**(1,143)**

Statement of Financial Position	August 28, 2022	August 29, 2021
	(in thousands of dollars)	
Total assets	126,070	135,899
Total non-current liabilities	218,161	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 earnings (loss) and comprehensive income (loss) for the 16-week and 52-week periods ended August 28, 2022 and August 29, 2021, respectively, to Adjusted Net Earnings (Loss)(1):

	16-Week Period Ended August 28, 2022	16-Week Period Ended August 29, 2021	52-Week Period Ended August 28, 2022	52-Week Period Ended August 29, 2021
	(in thousands of dollars) (audited)			
Net earnings (loss) and comprehensive income (loss) for the period	1,089	(28,392)	(49,663)	(61,788)
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	5,226	35,357	65,441	60,645
Adjusted Net Earnings (Loss)(1)	**6,315**	**6,965**	**15,778**	**(1,143)**

The following table reconciles net earnings (loss) and comprehensive income (loss) for the 16-week and 52-week periods ended August 28, 2022 and August 29, 2021 to EBITDA(1) and Adjusted EBITDA(1):

	16-Week Period Ended August 28, 2022	16-Week Period Ended August 29, 2021	52-Week Period Ended August 28, 2022	52-Week Period Ended August 29, 2021
	(in thousands of dollars) (audited)			
Net earnings (loss) and comprehensive income (loss) for the period	1,089	(28,392)	(49,663)	(61,788)
Add (deduct):				
Provision for income taxes	-	(9)	-	(3)
Interest expense	686	792	2,127	2,135
Interest on lease obligations	1,104	1,203	4,622	5,145
Interest on loan payable to SIR Royalty Income Fund	918	934	3,048	3,056
Depreciation and amortization	6,276	5,694	20,181	21,812
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	5,226	35,357	65,441	60,645
EBITDA(1)	**15,299**	**15,579**	**45,756**	**31,002**
Interest (income) and other expense (income) – net	277	(2,026)	268	(11,262)
(Recovery) impairment of non-financial assets	(772)	(634)	(1,652)	2,554
Loss on disposal of property and equipment	121	1,019	155	1,065
Cash rent	(4,949)	(4,783)	(15,303)	(13,415)
Preopening costs	541	-	830	-
Adjusted EBITDA(1)	**10,517**	**9,155**	**30,054**	**9,944**
Income from Class A & B GP Units of the Partnership(2) (Not included in EBITDA(1) and Adjusted EBITDA(1) above)	771	541	2,183	726
6% Royalty obligations under License and Royalty Agreement(3)	5,162	2,983	13,076	6,316

(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.

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	16-Week Period Ended August 28, 2022	16-Week Period Ended August 29, 2021	52-Week Period Ended August 28, 2022	52-Week Period Ended August 29, 2021
	(in thousands of dollars) (audited)			
Food and beverage revenue reported in consolidated financial statements	87,957	50,077	221,711	107,921
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(1,883)	(1,047)	(3,730)	(2,974)
Revenue for Restaurants in Royalty pool (Pooled Revenue)	**86,074**	**49,030**	**217,981**	**104,947**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales(1)	16-Week Period Ended August 28, 2022	16-Week Period Ended August 29, 2021	52-Week Period Ended August 28, 2022	52-Week Period Ended August 29, 2021
	(in thousands of dollars) (audited)			
Food and beverage revenue reported in consolidated financial statements	87,957	50,077	221,711	107,922
Less: Revenue from corporate restaurant operations excluded from Same Store Sales(1)	(1,041)	(62)	(2,544)	(1,425)
Same Store Sales(1)	**86,916**	**50,015**	**219,167**	**106,497**

Same Store Sales(1) by Brand	16-Week Period Ended August 28, 2022	16-Week Period Ended August 29, 2021	% Fav./ (Unfav.)	52-Week Period Ended August 28, 2022	52-Week Period Ended August 29, 2021	% Fav./ (Unfav.)
	(in thousands of dollars) (audited)					
Jack Astor's	64,986	39,337	65.2%	163,313	84,435	93.4%
Scaddabush	15,991	9,469	68.9%	41,653	20,135	106.9%
Signature Restaurants	5,939	1,209	391.2%	14,201	1,927	636.9%
Same Store Sales(1)	**86,916**	**50,015**	**73.8%**	**219,167**	**106,497**	**105.8%**

Summary of Quarterly Results

Statement of Operations	4th Quarter Ended August 28, 2022 (16 weeks)	3rd Quarter Ended May 8, 2022 (12 weeks)	2nd Quarter Ended February 13, 2022 (12 weeks)	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)
	(in thousands of dollars) (audited)							
Corporate Restaurant Operations								
Revenue	88,055	56,599	31,656	45,686	50,113	16,301	12,866	28,775
Cost of corporate restaurant operations	74,036	42,835	25,891	40,148	48,001	17,989	16,393	29,429
Earnings (Loss) from corporate restaurant operations	**14,019**	**13,764**	**5,765**	**5,538**	**2,112**	**(1,688)**	**(3,527)**	**(654)**
Net earnings (loss) and comprehensive income (loss)	**1,089**	**(1,581)**	**1,627**	**(50,798)**	**(28,392)**	**(19,353)**	**(8,394)**	**(5,649)**
Adjusted Net Earnings (Loss)(1)	**6,315**	**7,817**	**1,135**	**511**	**6,965**	**(4,970)**	**2,511**	**(5,649)**

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

	4th Quarter Ended August 28, 2022 (16 weeks)	3rd Quarter Ended May 8, 2022 (12 weeks)	2nd Quarter Ended February 13, 2022 (12 weeks)	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)
	(in thousands of dollars) (audited)							
Net earnings (loss) and comprehensive income (loss)	1,089	(1,581)	1,627	(50,798)	(28,392)	(19,353)	(8,394)	(5,649)
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	5,226	9,398	(492)	51,309	35,357	14,383	10,905	-
Adjusted Net Earnings (Loss)(1)	**6,315**	**7,817**	**1,135**	**511**	**6,965**	**(4,970)**	**2,511**	**(5,649)**

Selected Consolidated Statement of Cash Flows Information:

	4th Quarter Ended August 28, 2022 (16 weeks)	3rd Quarter Ended May 8, 2022 (12 weeks)	2nd Quarter Ended February 13, 2022 (12 weeks)	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)
	(in thousands of dollars) (audited)							
Cash provided by (used in) operations	18,099	22,724	(4,741)	2,853	19,076	8,136	527	5,314
Cash used in investing activities	(2,755)	(1,067)	(1,196)	(801)	(602)	(81)	(142)	(280)
Cash (used in) provided by financing activities	(10,316)	(20,252)	5,368	(9,391)	(9,435)	(12,873)	2,232	(3,883)
Increase (decrease) in cash and cash equivalents during the period	5,028	1,405	(569)	(7,339)	9,039	(4,818)	2,617	1,151
Cash and cash equivalents – Beginning of period	3,104	1,699	2,268	9,606	567	5,385	2,768	1,617
Cash and cash equivalents – End of period	8,132	3,104	1,699	2,267	9,606	567	5,385	2,768

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 16-week and 52-week periods ended August 28, 2022, revenue was $88.0 million and $221.7 million, respectively.

ii. Same Store Sales(1) ("SSS") – this is a subset of revenue used for tracking comparable year-over-year sales. 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 Canyon Creek locations in Mississauga, Scarborough, Vaughan, Niagara Falls and Etobicoke, 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 16-week and 52-week periods ended August 28, 2022, SSS(1) were $87.0 million and $220.5 million, respectively.

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all Royalty Pooled Restaurants. The Royalty Pooled Restaurants are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. As at August 28, 2022, there were 51 Royalty Pooled Restaurants. For the 16-week and 52-week periods ended August 28, 2022, Pooled Revenue totaled $86.1 million and $218.0 million, respectively. The applicable Royalty payable to the Partnership on the Pooled Revenue for this period was $5.2 million and $13.1 million, respectively.

Same Store Sales(1)

SIR reported an overall SSS(1) increase of 73.8% and 105.8% for Q4 2022 and Fiscal 2022, respectively. 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. The other factors noted below relate primarily to the periods prior to COVID-19 related business restrictions.

Prior to the pandemic which materially impacted sales at SIR restaurants beginning in mid-March 2020, SIR identified shifts in consumer behavior related to spending at full-service restaurants, especially in Ontario, that SIR believes impacted SSS(1) performance.

SIR 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 had negatively impacted the volume of guest visits to full-service restaurants prior to the pandemic. In addition, due to the nature of take-out and delivery orders, guests who choose these options were previously unable to order alcoholic beverages, which had contributed to a decline in beverage sales at SIR restaurants. Government regulations designed to support restaurants during the pandemic permitted sales of alcohol with take-out and delivery orders effective March 26, 2020. The Ontario government has since allowed 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.

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 only partially offset the negative impact on SIR's food and beverage revenue due to various indoor dining capacity restrictions during the pandemic.

Jack Astor's, SIR's flagship Concept Restaurant brand, contributed approximately 75.5% of Q4 2022 Pooled Revenue. Jack Astor's SSS(1) performance includes all 37 locations, which generated, SSS(1) increases of 65.2% and 93.4% for Q4 2022 and Fiscal 2022, respectively.

The SSS(1) increase in Q4 2022 reflects the absence of pandemic-related operating restrictions compared to Q4 2021 when restrictions were still in place. The SSS(1) increase in Fiscal 2022 reflects a decline in pandemic-related operating restrictions in the first half of Fiscal 2022 compared to the corresponding period in Fiscal 2021, followed by the lifting of pandemic-related operating restrictions during Q3 2022 and the absence of restrictions throughout Q4 2022.

Scaddabush SSS(1) performance for Q4 2022 and Fiscal 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 SSS(1) increases of 68.9% and 106.9% for Q4 2022 and Fiscal 2022, respectively. The increase is primarily due to the easing of operating restrictions in the first half of Fiscal 2022 and the eventual lifting of pandemic-related operating restrictions in Q3 2022, as discussed above.

The Signature Restaurants SSS(1) performance for Q3 2022 includes three restaurants (Reds Wine Tavern, Reds Square One and the Loose Moose Tap + Grill). The Signature Restaurants had SSS1) increases of 391.2% and 636.9% for Q4 2022 and Fiscal 2022, respectively. These restaurants were effectively closed in Q1 2021 through Q3 2021, and while opened during Q4 2021, were affected by pandemic-related operating restrictions. The SSS1) increase in Fiscal 2022 prior to Q4 2022 was attributable to these restaurants being open in Q1 2022, Q2 2022 and Q3 2022 combined with a gradual easing of operating restrictions. The SSS1) increase in Q4 2022 reflects the absence of pandemic-related operating restrictions, as discussed above.

Cost of Corporate Restaurant Operations

Costs of corporate restaurant operations as a percentage of revenue were 84.1% and 82.4% for Q4 2022 and Fiscal 2022, respectively, compared to 95.8% and 95.4% for Q4 2021 and Fiscal 2021, respectively. Lower costs as a percentage of revenue for Q4 2022 and Fiscal 2022 were primarily attributable to the gradual easing and eventual lifting of pandemic-related operating restrictions resulting in an increase in revenues compared to the corresponding periods a year ago.

Corporate Costs

Corporate costs were $4.7 million and $13.2 million for Q4 2022 and Fiscal 2022, respectively, compared to corporate cost (savings) of ($5.7) million and $7.0 million for Q4 2021 and Fiscal 2021 respectively. As all operating restrictions were eased and eventually lifted during Q3 2022, leasing costs are being normalized through reduced government subsidies and limited (if any) further landlord abatements or rent deferrals.

Interest Expense

Interest expense for Q4 2022 and Fiscal 2022 was $0.7 million and $2.1 million, respectively, compared to $0.8 million and $2.1 million for Q4 2021 and Fiscal 2021, respectively.

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

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

Changes in amortized cost are recognized in the consolidated statements of operations and comprehensive loss. The change in the amortized cost is a non-cash transaction and accordingly, has no impact on cash flows. For Q4 2022 and Fiscal 2022, the change in amortized cost resulted in an expense of $5.2 million and $65.4 million, respectively, and is due to an increase in the underlying Fund unit price compared to the end of Fiscal 2021. For Q4 2021 and Fiscal 2021, the change in amortized cost resulted in an expense of $35.4 million and $60.6 million, respectively, and was due to an increase in the underlying Fund unit price compared to the end of Fiscal 2020.

Interest on the SIR Loan totaled $0.9 million and $3.0 million for Q4 2022 and Fiscal 2022, respectively, compared to $1.0 million and $3.1 million for Q4 2021 and Fiscal 2021, respectively.

EBITDA(1) and Adjusted EBITDA(1)

EBITDA(1) totaled $15.3 million and $45.8 million for Q4 2022 and Fiscal 2022, respectively, compared to $15.6 million and $31.0 million for Q4 2021 and Fiscal 2021, respectively. The increases were primarily driven by significantly higher sales due to the easing and eventual lifting of pandemic-related operating restrictions in the latter half of Fiscal 2022 and efficiencies in food, beverage, labour and corporate costs.

Adjusted EBITDA(1) totaled $10.5 million and $30.1 million for Q4 2022 and Fiscal 2022, respectively, compared to $9.2 million and $9.9 million for Q4 2021 and Fiscal 2021, respectively. (See Selected Consolidated Historical Financial Information – Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA(1) and

Adjusted EBITDA[(1)]).

SIR Royalty Income Fund

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

(a) SIR Loan

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

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

Under the Intercreditor Agreement, absent any 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 $0.9 million and $3.0 million for Q4 2022 and Fiscal 2022, respectively and $1.0 million and $3.1 million for Q4 2021 and Fiscal 2021, respectively.

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

Under the Eighth Amending Agreement to SIR's Credit Agreement, on July 7, 2021, SIR's Lender agreed to a framework for the resumption of current distributions and royalty payments along with a framework to enable SIR to catch up on deferred royalty and deferred interest payments by July 6, 2022. Effective September 15, 2021, SIR began its repayment of deferred royalties and deferred interest on the SIR Loan over 10 monthly installments of $0.5 million and $0.4 million, respectively. The final scheduled deferral payments were made by SIR on June 15, 2022, enabling SIR to extinguish all liabilities related to the deferred payments.

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

	16-Week Period Ended August 28, 2022	16-Week Period Ended August 29, 2021	52-Week Period Ended August 28, 2022	52-Week Period Ended August 29, 2021
		(in thousands of dollars) (audited)		
Balance – Beginning of the period	60,098	25,288	60,098	-
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	5,226	35,357	65,441	60,645
Distributions paid to Ordinary LP and Class A LP unitholders	(3,151)	(547)	(8,240)	(547)
Balance – End of period	62,173	60,098	117,299	60,098
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(9,307)	(6,572)	(9,307)	(6,572)
Ordinary LP Units and Class A LP Units of the Partnership	52,866	53,526	107,992	53,526

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

	16-Week Period Ended August 28, 2022	16-Week Period Ended August 29, 2021	52-Week Period Ended August 28, 2022	52-Week Period Ended August 29, 2021
		(in thousands of dollars) (audited)		
Pooled Revenue[4]	86,075	49,031	217,981	104,946
Partnership royalty income[5]	5,162	2,983	13,076	6,316
Other Income	5	5	24	22
Partnership expenses	(41)	(48)	(145)	(163)
Net earnings of the Partnership	5,126	2,940	12,955	6,175
SIR's residual interest in the earnings of the Partnership:				
Income from Class A & B GP Units of the Partnership	(771)	(541)	(2,183)	(726)
Income from Class C GP Units of the Partnership	(909)	(909)	(2,992)	(2,992)
	(1,680)	(1,450)	(5,175)	(3,718)
Fund's interest in the earnings of the Partnership	3,446	1,490	7,780	2,457

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

(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.*

accounted for at amortized cost, with changes in the carrying value recorded in the condensed interim consolidated statements of operations and comprehensive income loss.

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

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

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

On January 1, 2022, no new SIR restaurants were added (January 1, 2021 – one new SIR restaurant was added) to the Royalty Pooled Restaurants in accordance with the Partnership Agreement. There was a Second Incremental Adjustment done for the one new SIR restaurant added to the Royalty Pooled Restaurants on January 1, 2021 (January 1, 2020 – one). As consideration for this adjustment, SIR converted Class B GP Units into Class A GP Units based on the formula based on the formula defined in the Partnership Agreement. In addition, there was a reconversion of Class A GP units into Class B GP units for the permanent closure of five (January 1, 2021 – one) SIR restaurants during 2021. The net effect of these adjustments to the Royalty Pooled Restaurants was that SIR returned 679,934 Class A GP units for 679,934 Class B GP units (January 1, 2021 – SIR converted 153,201 Class B GP units into 153,201 Class A GP units) on January 1, 2022 and reduced the value of the SIR Rights by $8.1 million (January 1, 2021 – $nil impact to the SIR Rights value as the Class A and B GP Units had a $nil value). As a result of the reversal of the previous impairment to the SIR Rights, the value of SIR Rights were reduced by $8.8 million of adjustments to the Royalty Pooled Restaurants from January 1, 2021 and January 1, 2022.

In addition, the revenues of the one (January 1, 2020 – one) new SIR Restaurant added to the Royalty Pooled Restaurants on January 1, 2021 were greater than 80% of the Initial Adjustment's estimated revenue (January 1, 2020 – revenue of one SIR Restaurant was less than 80% of the Initial Adjustment's estimated revenue) and, as a result, a special conversion distribution of $0.1 million was declared on the Class B GP Units in December 2021 and paid in January 2022 (distributions of Class A GP Units were reduced by a special conversion refund of $0.009 million in December 2020 and paid in January 2021).

SIR's residual interest in the Partnership was 13.36% as at August 28, 2022 (August 29, 2021 – 19.05%).

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

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	16-Week Period Ended August 28, 2022	16-Week Period Ended August 29, 2021	52-Week Period Ended August 28, 2022	52-Week Period Ended August 29, 2021
	(in thousands of dollars) (audited)			
Cash provided by operations	18,099	19,076	38,954	33,053
Cash used in investing activities	(2,755)	(602)	(5,819)	(1,105)
Cash used in financing activities	(10,316)	(9,435)	(34,609)	(23,959)
Increase (decrease) in cash and cash equivalents during the period	5,028	9,039	(1,474)	7,989
Cash and cash equivalents – Beginning of period	3,104	567	9,606	1,617
Cash and cash equivalents – End of period	8,132	9,606	8,132	9,606

Cash provided by operations decreased by $1.0 million in Q4 2022 and increased by $5.9 million Fiscal 2022. For Q4 2022, the decrease is primarily attributable to a favourable variance in the net loss for the period of $29.4 million and an increase in amortization of $0.6 million which were offset by $30.0 million of unfavourable change in the amortized cost of the Ordinary LP and Class A LP units and a reduced loss on the disposal of property and equipment of $0.9 million.

For Fiscal 2022, the increase in cash provided by operations is a result of a favourable variance in net loss for the period of $12.1 million, a $4.8 million favourable change in the amortized cost of Ordinary LP and Class A LP units and a favourable change of $0.5 million in other items. These were offset by a recovery of prior impairments on loans and advances of $3.8 million and an increase in distributions paid to Ordinary LP and Class A LP unitholders of $7.7 million.

Cash used in investing activities increased by $2.1 million and $4.7 million in Q4 2022 and Fiscal 2022, respectively. For Q4 2022, the increase was a result of $2.4 million of purchases of property and equipment and other assets partially offset by a $0.3 million repayment of loans and advances. For Fiscal 2022, the increase is due to $4.9 million in property and equipment and intangible asset purchases partially offset by a $0.2 million repayment of loans and advances.

Cash provided by financing activities decreased by $0.9 million and $10.6 million in Q4 2022 and Fiscal 2022, respectively. For Q4 2022, the decrease is a result of a $1.8 million reduction in bank indebtedness, a $2.8 million increase in lease obligation payments and a $1.1 million increase in interest paid. These were offset by a $4.6 million reduction in principal repayments of long-term debt and a decrease in financing fees paid of $0.2 million. For Fiscal 2022, the decrease is due to an overall increase in bank indebtedness of $3.7 million coupled with a $19.4 million decrease in principal repayments of long-term debt and a decrease in financing fees paid of $0.2 million. These were offset by a $20.2 million increase in repayment of long-term debt, a $7.1 million increase in lease obligation payments and a $6.6 million increase in interest paid.

No new restaurants were added (January 1, 2021 – one new SIR restaurant was added) to the Royalty Pooled Restaurants effective January 1, 2022. The amount of Class A GP Units were adjusted for the Second Incremental Adjustment for the one New Additional Restaurant that was added to the Royalty Pooled Restaurants on January 1, 2021 and was reduced by an adjustment for the permanent closures of five SIR restaurants in 2021. 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 adjustments to the Royalty Pooled Restaurants on January 1, 2022, SIR held 1,291,618 Class A GP Units.

As at August 28, 2022, SIR had current assets of $22.5 million (August 29, 2021 – $21.8 million) and current liabilities of $80.6 million (August 29, 2021 – $123.8 million) resulting in a working capital deficit of $58.1 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 carrying value of the credit facilities under the Credit Agreement remain classified under current liabilities as the Credit Agreement is due within 12 months of the year-ended August 28, 2022. The SIR Loan has been reclassified to long-term liabilities as SIR is in compliance with all covenants related to this loan and all deferred interest has now been repaid as at June 15, 2022.

SIR has a 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 trademarks 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, May 31, 2021 and June 16, 2022 provides for a maximum principal amount of $46.2 million consisting of:

- a $20.0 million revolving term credit facility (Credit Facility 1),
- a $14.0 million revolving term loan (Credit Facility 2),
- a $6.25 million guaranteed facility (the "EDC-Guaranteed Facility"), and
- a $5.96 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, including capital spending on new and renovated restaurants, bearing interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%, principal repaid in one bullet repayment on July 6, 2023. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1. Provided the Company is in compliance with the Credit Agreement, the principal amount of Credit Facility 1 can be repaid and reborrowed at any time during the term of the Credit Agreement.

Credit Facility 2 bears interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%. Each advance under Credit Facility 2 is repayable in equal quarterly instalments based on a seven-year amortization, with the remaining outstanding principal balance due on July 6, 2023. (Refer to the "Amendments to SIR's Credit Agreement, payment of royalties and interest on the SIR Loan" section of the MDA on page 3 for details on the latest Ninth Amendment).

As at August 28, 2022, SIR had drawn $7.5 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 bears interest at the prime rate plus 3.50%. The EDC-Guaranteed Facility is a 364-day revolving term credit facility. A standby fee of 0.90% is charged on the undrawn balance of this facility. As at August 28, 2022, 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%. The moratorium has elapsed and SIR has commenced repayment on this facility. During Q4 2022, SIR repaid $0.3 million. As at August 28, 2022, the Company has drawn $5.96 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 expired 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, in SIR's view, was necessary during the period April 2020 to July 6, 2022 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, were 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, Eighth and Ninth Amending Agreements are filed on SEDAR.

Under the Intercreditor Agreement, absent any 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.

Compliance with the covenants included in SIR's amended Credit Agreement is monitored by management on a quarterly basis. As part of the Ninth Amendment (all Amending Agreements are filed on SEDAR), the Cumulative Minimum EBITDA Covenant has been replaced by the two financial covenants in the Credit Agreement and the Credit Agreement has been extended to July 6, 2023. As at August 28, 2022, the Company was in compliance with the covenants stipulated by the Ninth Amending Agreement. The Credit Agreement was renegotiated and extended, however, the carrying value of the credit facilities under the Credit Agreement remain classified to current liabilities as they are due within the next 12 months, as at August 28, 2022. Furthermore, there can be no certainty that the Company will continue to be in compliance with the covenants subsequent to July 6, 2023.

As at August 28, 2022, SIR's liquidity was comprised of $6.5 million of 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 currently holds 1.3 million Class A GP Units, representing a 13.36% residual interest in the Partnership. The Class A GP Units are exchangeable into units of the Fund on a one for one basis, and, as at August 28, 2022, have a market value of approximately $18.0 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.

The pandemic has drastically altered SIR's operating environment and put a great deal of stress on many businesses, including SIR. As a result, during Fiscal 2021, SIR has permanently closed six restaurants, (five of which were included within the Royalty Pool). These restaurants ceased to be part of Royalty Pooled Restaurants effective January 1, 2022. For more details on the closed restaurants, please refer to page 5.

Off-Balance Sheet Arrangements

With the adoption of IFRS 16, operating leases relating to SIR's head office and restaurant locations with minimum annual payments are no longer considered off-balance sheet arrangements. SIR did not have any material off-balance sheet arrangements as at August 28, 2022, nor did it have any subsequent to Q4 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.

Transactions with Related Parties	16-Week Period Ended August 28, 2022	16-Week Period Ended August 29, 2021	52-Week Period Ended August 28, 2022	52-Week Period Ended August 29, 2021
	(in thousands of dollars) (audited)			
Property and equipment				
Fixtures purchased from a shareholder of SIR	18	-	20	-
Equipment purchased from a company owned by a director and shareholder of SIR, together with a member of executive management of SIR	59	-	141	-

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

	As at August 28, 2022	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	-	100
Amounts due to related parties		
Amounts due to companies owned by a shareholder or director of SIR	-	189

- SIR recognized interest income on loans and advances from U.S. S.I.R. L.L.C. of $nil for Fiscal 2022 (Fiscal 2021 - $nil). SIR received repayments against this loan of $0.08 million during Fiscal 2022 (Fiscal 2021 - $nil). As at August 28, 2022, SIR has loans and advances (adjusted for a provision and advances) of $nil 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 $0.02 million and $0.06 million during Q4 2022 and $0.02 million and $0.1 million for Fiscal 2022, respectively (Q4 2021 and Fiscal 2021 - $nil and $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 received repayments of $0.02 million and $0.051 million during Q4 2022 and Fiscal 2022, respectively (Q4 2021 and Fiscal 2021 - $nil). SIR recognized interest income on this loan of $0.003 million and $0.01 million during Q4 2022 and Fiscal 2022, respectively (Q4 2021 and Fiscal 2021 - $0.003 and $0.009 million).

Transactions with the SIR Royalty Income Fund

Advances receivable from the Fund and its subsidiaries as at August 28, 2022 were $2.9 million (August 29, 2021 – $2.0 million). Advances receivable are non-interest bearing and due on demand.

During Q4 2022 and Fiscal 2022, distributions of $2.8 million and $5.2 million, respectively, were declared to the Fund by the Partnership, compared to distributions of $1.5 million and $2.4 million for Q4 2021 and Fiscal 2021, respectively. The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions previously declared, but unpaid as at August 28, 2022 were $4.2 million (August 29, 2021 – $5.3 million).

Interest expense on the SIR Loan totaled $0.9 million and $3.0 million for Q4 2022 and Fiscal 2022, respectively, and $0.9 million and $3.1 million for Q4 2021 and Fiscal 2021, respectively. Interest payable on the SIR Loan as at August 28, 2022 was $3.0 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 $0.006 million and $0.019 million for Q4 2022 and Fiscal 2022, respectively ($0.005 million and $0.022 million for Q4 2021 and Fiscal 2021, respectively), which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates and Judgments

Management believes that there have been no substantial changes in the nature of critical accounting estimates since the year ended August 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 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 and 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.

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.

Recently issued accounting pronouncements

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 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 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 fulfill a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

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

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

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

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

Disaggregated revenue

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

Food and beverage revenue by Concept	16-Week Period Ended August 28, 2022	16-Week Period Ended August 29, 2021	52-Week Period Ended August 28, 2022	52-Week Period Ended August 29, 2021
Jack Astor's	64,986	39,337	163,313	84,435
Scaddabush	16,239	9,468	41,901	20,690
Canyon Creek	75	337	1,337	469
Signature Restaurants	6,657	935	15,160	2,328
	87,957	**50,077**	**221,711**	**107,922**

Financial Instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statement of operations or in comprehensive loss. SIR's financial instruments consist of cash and cash equivalents, trade and other receivables, loans and advances, trade and other payables, long-term debt, loan payable to the Fund, and Ordinary LP Units and Class A LP Units of the Partnership. The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts due to their short-term maturity. The carrying value of the loans and advances approximates fair values as the effective interest rate approximates current market rates. The fair value of the long-term debt as at August 28, 2022 is $26.1 million and is determined based on the estimated contractual schedule of payments as the interest rate varies with the current market rates or, in the case of the finance lease obligations, the effect interest rate approximates current market rates. The fair value of the Ordinary LP Units and Class A LP Units of the Partnership could only be determined through the valuation of the financial instruments. The Ordinary LP Units and Class A LP Units of the Partnership are held by the Fund and there is no active market for the Ordinary LP Units and Class A LP Units. As a result, the determination of its fair value is not practicable within the constraints of timeliness and cost.

The loan payable to the Fund is due to a related party and there is no active market for the debt. SIR intends to hold the loan payable to the Fund until its maturity on October 12, 2044. The fair value of the loan payable to the Fund as at September 30, 2022 is estimated to be $20.7 million (January 1, 2022 - $21.5 million).

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

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

During the ninth-month period ended September 30, 2022, management adjusted the discount rate from 14.45% at

December 31, 2021 to 15.15% at September 30, 2022. The adjustment consists of an estimated increase in the corporate bond rate of 1.20% combined with an increase of 1.26% in the Canadian risk free rate which was offset by a 1.76% decrease in the SIR specific risk.

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

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

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

Risks and Uncertainties

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

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

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

Since the onset of the pandemic in March 2020 through to mid-February 2022, restaurants and bars across Canada experienced a series of government mandated operating capacity restrictions and/or full restaurant closures. Since mid-February 2022, the state of the restaurant and bar industry has been trending positively due to increased vaccination rates and the easing government restrictions. As of mid-March 2022, all remaining operational restrictions in the provinces where SIR operates were lifted.

The new Reds Kitchen + Wine Bar Fallsview, opened on March 31, 2022, is expected to be added to the Royalty Pooled Restaurants effective January 1, 2023.

The new Scaddabush in Etobicoke, Ontario, opened on August 1, 2022, is expected to be added to the Royalty Pooled Restaurants effective January 1, 2023.

Subsequent to the end of Fiscal 2022, SIR completed renovations to its Jack Astor's locations in Whitby and Barrie, Ontario. SIR plans to invest in similar restaurant renovations in Fiscal 2023.

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, December 8, 2021 and May 9, 2022. The courts were expected to render a decision within six months of the last hearing on May 9, 2022. As of the filing of this report, SIR has not received a ruling from the courts regarding this matter. 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 8 and to the definition of SSS in the Revenue section on page 11.

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 6 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.

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 SIR Holdings Trust (the "Trust"), the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", 'could", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: the impact of the COVID-19 pandemic; market conditions at the time of this filing; competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products; the ability to maintain staffing levels; the impact of inflation, including on input prices and wages; the impact of the crisis in the Ukraine; changes in tariffs and international trade; changes in foreign exchange and interest rates; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation, including the cost and/or availability of labour as it relates to changes in minimum wage rates or other changes to labour legislation and forced closures of or other limits placed on restaurants and bars; laws affecting the sale and use of alcohol (including availability and enforcement); changes in cannabis laws; changes in environmental laws; privacy matters; accounting policies and practices; changes in tax laws; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. There can be no assurance that SIR will remain compliant in the future with all of its financial covenants under the Credit Agreement and imposed by the lender. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly disclose or release any updates or revisions to any forward-looking statements. Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. This Management's Discussion and Analysis is provided as of November 24, 2022.

In formulating the forward-looking statements contained herein, SIR 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 short to medium term. For more information concerning the Fund's risks and uncertainties, please refer to the Fund's Annual Information Form dated March 22, 2022 for the period ended December 31, 2021, which is available under the Fund's profile at www.sedar.com.

All of the forward-looking statements made herein are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or SIR. See 'Risk Factors' in the Fund's Annual Information Form dated March 22, 2022 for the period ended December 31, 2021.

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