SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD QUARTER 2023
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023

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SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

(FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023)

Executive Summary

Operational and financial results for the three-month ("Q3 2023") and nine-month ("YTD 2023") periods ended September 30, 2023 for SIR Royalty Income Fund (the "Fund") include:

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

- The Royalty Pooled Restaurants had a SSS(1) decline of 2.1% in Q3 2023 and a SSS(1) increase of 12.3% for YTD 2023, compared to the corresponding periods a year ago. Pooled Revenue increased by 0.2% to $68.8 million in Q3 2023, compared to $68.7 million in the three-month period ended September 30, 2022 ("Q3 2022"), and increased by 14.5% to $201.3 million in YTD 2023, compared to $175.8 million in the nine-month period ended September 30, 2022 ("YTD 2022").
- Jack Astor's®, which accounted for approximately 71.8% of Pooled Revenue in Q3 2023, had a SSS(1) decline of 4.4% in Q3 2023 and a SSS(1) increase of 9.2% for YTD 2023.
- Scaddabush Italian Kitchen & Bar ("Scaddabush")® had SSS(1) increases of 10.0% and 21.1% in Q3 2023 and YTD 2023, respectively.
- The Signature Restaurants had a SSS(1) decline of 9.9% in Q3 2023 and a SSS(1) increase of 24.7% for YTD 2023, respectively.

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

- Royalty income in the Partnership remained consistent at $4.1 million in Q3 2023 compared to Q3 2022, and increased to $12.1 million in YTD 2023 from $10.5 million in YTD 2022.
- Equity income from the Partnership, which represents the Fund's pro rata share of the residual distributions of the Partnership, was also consistent at $2.8 million in Q3 2023 compared to Q3 2022. Equity income was $8.3 million in YTD 2023, compared to $8.2 million in YTD 2022.

Net Earnings/Loss

- Net earnings were $3.0 million for Q3 2023 compared to net earnings of $4.1 million for Q3 2022.
- Net earnings were $7.8 million for YTD 2023 compared to $36.6 million for YTD 2022.
- Net earnings per Fund unit were $0.35 (basic and diluted) for Q3 2023 compared to net earnings per Fund unit of $0.49 (basic) and $0.46 (diluted) for Q3 2022. Net earnings per Fund unit were $0.93 (basic and diluted) for YTD 2023 compared to $4.37 (basic) and $3.90 (diluted) for YTD 2022.

Distributable Cash(1) and Payout Ratio(1)

- Distributable cash(1) per Fund unit was $0.32 (basic and diluted) for Q3 2023 and $0.91 (basic and diluted) for YTD 2023, compared to $0.37 (basic) and $0.36 (diluted) for Q3 2022 and $1.16 (basic) and $1.12 (diluted) for YTD 2022.
- The Fund's payout ratio(1) was 87.8% in Q3 2023 compared to 109.1% in Q3 2022, and 94.0% in YTD 2023 compared to 81.7% in YTD 2022. The payout ratio(1) since the Fund's inception, up to and including Q3 2023, was 99.6%, in line with the Fund's target payout ratio of 100%.

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

For more details regarding the Credit Agreement and all related amendments up until the latest amendment on June 6, 2023, please refer to the Fund and SIR Corp.'s prior interim and annual filings, which can be found on SEDAR+ at www.sedarplus.ca under the Fund's profile.

(1) *Same store sales ("SSS"), same store sales growth ("SSSG"), Distributable cash and payout ratio are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). For additional information regarding these financial measures, including full details on how these financial measures are calculated, see the "Description of Non-IFRS Measures" section of this MD&A (page 21).*

On June 6, 2023, SIR Corp. ("SIR") and its Lender entered into the Tenth Amending Agreement ("Tenth Amendment") to its Credit Agreement. The Tenth Amendment provides for the following:

- extension of the maturity date from July 6, 2023 to July 6, 2026, with the exception of the guaranteed facility with Export Development Canada (the "EDC-Guaranteed Facility") which has a new maturity date of July 6, 2024,
- reduced interest rates with the exception of the interest rate on the guaranteed facility with Business Development Bank of Canada (the "BDC-Guaranteed Facility"), which remains fixed at 4.0% per annum, and
- reduction of Banker's acceptance fees on Credit Facility 1 and Credit Facility 2 with Credit Facility 2 reverting to a revolving term facility.

The Tenth Amendment provides SIR with greater certainty and availability of funding over the next three years, enabling SIR to continue to invest in restaurant renovations, new restaurants and other initiatives to help drive growth in revenue and SSS[1].

On June 6, 2023, as part of the Tenth Amendment, the Fund and the Partnership entered into an acknowledgement agreement with the Lender acknowledging, among other things:

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

Same Store Sales ("SSS")[1]

SIR reported to the Fund that the Royalty Pooled Restaurants had a cumulative SSS[1] decline of 2.1% in Q3 2023 and a SSS[1] increase of 12.3% for YTD 2023. SSS[1] are typically impacted by changes in guest traffic, average cheque amount and other factors as identified below.

Segmented SSS[1] performance for Q3 2023 and YTD 2023 is detailed in the following table:

(in thousands of dollars except percentage of segmented same store sales) (unaudited)	**Three-month period ended**				**Nine-month period ended**			
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	Segmented Same Store Sales	Segmented Same Store Sales	Change in Segmented Same Store Sales	Change in Segmented Same Store Sales	Segmented Same Store Sales	Segmented Same Store Sales	Change in Segmented Same Store Sales	Change in Segmented Same Store Sales
Jack Astor's	49,412	51,708	(4.4%)	26.2%	144,700	132,527	9.2%	88.7%
Scaddabush	14,076	12,795	10.0%	25.5%	39,693	32,776	21.1%	90.4%
Signature	3,805	4,221	(9.9%)	235.1%	12,366	9,918	24.7%	600.7%
Overall SSS[1]	**67,293**	**68,724**	**(2.1%)**	**31.0%**	**196,759**	**175,221**	**12.3%**	**97.2%**

During Q3 2023, consolidated SSS[1] decreased compared to Q3 2022 primarily as a result of the temporary closures of two Jack Astor's locations and one Reds location to complete renovations (refer to the "Restaurant Renovations" section for a description of all locations renovated and the respective durations of the temporary closures), as well as lower guest counts due to macroeconomic factors such as inflation and increased interest rates and their impact on discretionary consumer spending. To combat these challenges, SIR continues to innovate and provide immersive new product and service offerings to increase dine-in guest visits to its restaurants and to capitalize on the rapid growth of take-out and delivery services in commercial foodservice. The increase in SSS[1] during YTD 2023 compared to YTD 2022 was mainly due to the cessation of all pandemic-related operating restrictions in March 2022.

Jack Astor's, which accounted for approximately 71.8% of Pooled Revenue in Q3 2023, had a SSS[1] decline of 4.4% in Q3 2023 and growth of 9.2% for YTD 2023. Jack Astor's SSS[1] performance includes all 37 locations. The temporary closures of two Jack Astor's locations in Q3 2023 and five locations in YTD 2023 had a negative impact on SSS[1] (refer to the "Restaurant Renovations" section for a description of all locations renovated and the respective durations of the temporary closures).

Scaddabush's SSS[1] performance for Q3 2023 includes nine out of the ten locations. The new Scaddabush in Etobicoke, Ontario, was not included as it was not open for both comparable periods in YTD 2023 and YTD 2022. Scaddabush generated SSS[1] growth of 10.0% and 21.1% in Q3 2023 and YTD 2023, respectively, reflecting the continued popularity of this brand.

The Signature Restaurants SSS(1) performance includes three restaurants (Reds® Wine Tavern, Reds® Square One, and the Loose Moose Tap & Grill®). The new Reds Kitchen + Wine Bar Fallsview in Niagara Falls, Ontario, was not included as it was not open for both comparable periods in YTD 2023 and YTD 2022. The Signature Restaurants had a SSS(1) decline of 9.9% and growth of 24.7% in Q3 2023 and YTD 2023, respectively. The decline in Q3 2023 was primarily attributable to lower guest counts, as discussed above, and the temporary closure of the Reds location in the Square One Shopping Centre in Mississauga, Ontario for four days to complete a renovation.

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at September 30, 2023, there were 51 restaurants included in Royalty Pooled Restaurants. Increases or decreases in Pooled Revenue are derived from SSS(1) growth or declines, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular.

The following table sets out Pooled Revenue for the three-month and nine-month periods ended September 30, 2023 and September 30, 2022:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue) (unaudited)	Three-month period ended September 30, 2023		Three-month period ended September 30, 2022		Nine-month period ended September 30, 2023		Nine-month period ended September 30, 2022	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue
Jack Astor's	49,412	37	51,708	37	144,700	37	132,527	37
Scaddabush	14,991	10	12,795	9	42,597	10	32,777	9
Canyon Creek	-	-	-	2	-	-	659	2
Signature	4,388	4	4,164	3	13,982	4	9,854	3
Total Pooled Revenue	68,791	51	68,667	51	201,279	51	175,817	51

The increase in Pooled Revenue in Q3 2023 was primarily attributable to increased pricing and the additional revenue generated from the new Scaddabush located in Etobicoke, Ontario, and the new Reds Kitchen + Wine Bar located in Niagara Falls, Ontario, which were added to the Royalty Pool effective January 1, 2023. The increase in Pooled Revenue for YTD 2023 was primarily attributable to SSS(1) growth resulting from the cessation of pandemic-related operating restrictions in March 2022 and the two new restaurants added to the Royalty Pool, as discussed above. The temporary closures of three restaurant locations during Q3 2023 and six during YTD 2023, to complete renovations, had a negative impact on Pooled Revenue for both Q3 2023 and YTD 2023 (refer to the "Restaurant Renovations" section below for further information).

During Q3 2023, the Renegade Chicken trial earned revenues of $0.1 million compared to $0.2 million in Q3 2022, which are included in Pooled Revenue. In accordance with the trial (please refer to the "New and Closed Restaurants" section below for more details), SIR paid 6% of these revenues earned by Renegade Chicken to the Partnership.

Restaurant Renovations

SIR's Management is committed to maximizing the performance of all of its restaurants. SIR believes that investing in restaurant renovations is a key performance-enhancing initiative. In light of current levels of operation, SIR has resumed a program of restaurant renovations and continues to consider and implement strategic, new restaurant growth activities.

During YTD 2023, SIR completed the following six renovations:

- The Jack Astor's in Kanata, Ontario, resulting in the closure of this location for four days during Q1 2023,
- The Jack Astor's in Etobicoke, Ontario, resulting in the closure of this location for 14 days during Q2 2023,
- The Jack Astor's in Kingston, Ontario, resulting in the closure of this location for seven days during Q2 2023,

- The Jack Astor's in South London, Ontario, resulting in the closure of this location for five days during Q3 2023, and
- The Jack Astor's in Vaughan, Ontario, resulting in the closure of this location for 10 days during Q3 2023.
- The Reds® Square One in Mississauga, Ontario, resulting in the closure of this location for four days during Q3 2023.

Subsequent to Q3 2023, SIR completed the following four renovations:

- The Jack Astor's in Newmarket, Ontario, resulting in the closure of this location for 13 days during Q4 2023,
- The Jack Astor's in Ottawa, Ontario, resulting in the closure of this location for seven days during Q4 2023,
- The Jack Astor's at Dundas Square, Toronto, resulting in the closure of this location for five days during Q4 2023 and
- The Jack Astor's in Scarborough, Ontario, resulting in the closure of this location for five days during Q4 2023.

During Fiscal 2022, SIR completed the following five restaurant renovations:

- The Jack Astor's in North London, Ontario, resulting in the closure of this location for five days during Q3 2022,
- The Jack Astor's in Whitby, Ontario, resulting in the closure of this location for eight days during Q4 2022,
- The Jack Astor's in Barrie, Ontario, resulting in the closure of this location for 11 days during Q4 2022,
- The Jack Astor's in Brampton, Ontario, resulting in the closure of this location for nine days during Q4 2022, and
- The Jack Astor's in Don Mills, Toronto, resulting in the closure of this location for five days during Q4 2022.

These renovations were undertaken to implement a refreshing, more contemporary and immersive guest facing experience.

New and Closed Restaurants

SIR currently owns 54 restaurants, including one seasonal restaurant, in Canada. Since the Fund's Initial Public Offering in October 2004, SIR has opened 44 new restaurants (22 Jack Astor's, four Canyon Creek restaurants, 11 Scaddabush restaurants, four Reds restaurants, two Duke's Refresher® + Bar locations ("Duke's Refresher"), and one seasonal restaurant (Abbey's Bakehouse® restaurant) and one seasonal retail outlet (Abbey's Bakehouse). During this same period, SIR closed 20 restaurants (six Jack Astor's restaurants, six Canyon Creek restaurants, three Alice Fazooli's restaurants, one Reds, three Signature restaurants and one Scaddabush restaurant) and the seasonal Abbey's Bakehouse retail outlet.

During Q1 2022, SIR 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 Partnership, this former Canyon Creek location was treated as a permanently closed restaurant and the new Reds Kitchen + Wine Bar Fallsview became a new Royalty Pooled Restaurant effective January 1, 2023.

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. SIR opened a new Scaddabush restaurant at this location on August 1, 2022, and it became a new Royalty Pooled Restaurant effective January 1, 2023.

During Q3 2023, on September 1, 2023, SIR opened a new Scaddabush restaurant in Whitby, Ontario. SIR has elected, as is its option, under the License and Royalty Agreement, to treat this location as a New Additional Restaurant. The new Scaddabush restaurant is anticipated to be added to the Royalty Pooled Restaurants on January 1, 2024.

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 reduced the number of Jack Astor's locations supporting the trial to eight locations. On August 29, 2022 and on December 15, 2022, respectively, the Trustees of the Fund approved further extensions of the trial, under the existing terms, until December 31, 2022 and December 31, 2023, respectively. In exchange, SIR will continue to pay 6% of the revenues arising therefrom to the Partnership. 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.

As at the date of this report, SIR has commitments to lease four properties in Barrie, London and Guelph, Ontario, and the Don Mills neighborhood in Toronto, upon which it plans to build four new Scaddabush restaurants. There can be no assurance at this time that the new Scaddabush restaurants will be opened or will become part of the Royalty Pooled Restaurants.

SIR's management continues to monitor consumer confidence and economic conditions such as interest rates and consumer spending patterns. Based on the assessment of these conditions and the timing of any new restaurant construction, the opening schedules will be reviewed regularly by SIR's management and adjusted as necessary.

Distributions

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

During YTD 2023, distributions of $0.095 per Fund unit were declared and paid in the months of January to September 2023. Subsequent to September 30, 2023, a distribution of $0.095 per Fund unit was declared and paid in the month of October 2023, to unitholders of record as at October 20, 2023.

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the long term. The Fund has the objective of paying even monthly distributions to unitholders, while its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR). As a result, there are times during the year when the Fund's payout ratio(1) exceeds or is lower than 100%. The payout ratio(1) of cash distributed to distributable cash(1) for Q3 2023 was 87.8%, compared to 109.1% for Q3 2022, and 94.0% for YTD 2023 compared to 81.7% for YTD 2022. The payout ratio(1) since the Fund's inception in 2004, up to and including Q3 2023, is 99.6%, which is in line with the Fund's target payout ratio of 100%.

Please refer to page 12 for distributable cash(1) and a description of the Fund's payout ratio(1) and page 13 for a summary of monthly distributions since inception.

Overview and Business of the Fund

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

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

Overview and Business of SIR and the Partnership

SIR, which stands for Service Inspired Restaurants, is a private company amalgamated under the Business Corporations Act of Ontario. As at September 30, 2023, SIR owned 54 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Nova Scotia, and Newfoundland). The Concept Restaurants include Jack Astor's Bar and Grill and Scaddabush Italian Kitchen & Bar. The Signature Restaurants are Reds Wine Tavern, Reds Square One, Reds Kitchen + Wine Bar Fallsview and the Loose Moose Tap & Grill. As at September 30, 2023, SIR also owned one Duke's Refresher restaurant located in downtown Toronto, and one seasonal restaurant, Abbey's Bakehouse, which are considered Signature restaurants, but are not part of Royalty Pooled Restaurants. SIR owns 100% of its Canadian restaurants. As at September 30, 2023, 51 SIR Restaurants were included in Royalty Pooled Restaurants.

SIR believes that Duke's Refresher has multi-unit growth potential and has advised the Fund that Duke's Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke's Refresher could be added to the Royalty Pool would be the Adjustment Date following the earlier of: (i) the date that four Duke's Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of SIR's fiscal year in which revenues from all Duke's Refresher restaurants in Canada first exceed $12.0 million (the "Trigger Event"). As neither of these events occurred before August 28, 2022, Duke's Refresher was not added to the Royalty Pool on January 1, 2023.

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

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

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

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

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

The Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and are exchangeable into Units of the Fund on a one for one basis.

SIR began offering Renegade Chicken takeout and delivery services again on a trial basis as of January 27, 2022 and it is expected to continue until December 31, 2023, as approved by the Trustees of the Fund on December 15, 2022 (refer to the "New and Closed Restaurants" section of this MD&A for further information about the agreement between SIR and the Partnership).

On January 1, 2023, two new SIR Restaurants were added to the Royalty Pooled Restaurants (January 1, 2022 – nil) in accordance with the Partnership Agreement. There were no Second Incremental Adjustments on January 1, 2023 as no new SIR Restaurants were added to the Royalty Pooled Restaurants on January 1, 2022 (January 1, 2021 – one). As consideration for the additional Royalty associated with the addition of two new SIR Restaurants added to the Royalty Pooled Restaurants on January 1, 2023, SIR converted its Class B GP Units into Class A GP Units based on the formulas defined in the Partnership Agreement. In addition, there was a re-conversion of Class A GP Units into Class B GP Units for the permanent closure of two SIR Restaurants during 2022 (January 1, 2022 – five). The net effect of these adjustments to the Royalty Pooled Restaurants was that SIR converted 90,958 Class A GP Units into Class B GP Units (January 1, 2022 – 679,934) on January 1, 2023, increasing the value of the SIR rights by $1.5 million (January 1, 2022 – reducing the value of the SIR rights by $8.1 million).

In addition, there were no conversion distributions effective in December 2022, as no new SIR Restaurants were added to the Royalty Pooled Restaurants on January 1, 2022 (January 1, 2022 – revenues of 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 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).

SIR's fiscal year is comprised of 13 periods of four weeks each, ending on the last Sunday in August. To preserve this year-end, an additional week must be added approximately every five years. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks. SIR's fiscal years for 2022 and 2021 both consisted of 52 weeks.

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

Seasonality

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

Selected Consolidated Financial Information

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

Financial Highlights

(in thousands of dollars or units, except restaurants and per unit amounts) *(unaudited)*	**Three-month period ended September 30, 2023**	**Three-month period ended September 30, 2022**	**Nine-month period ended September 30, 2023**	**Nine-month period ended September 30, 2022**
Royalty Pooled Restaurants	51	51	51	51
Pooled Revenue generated by SIR	68,791	68,667	201,279	175.817
Royalty income to Partnership - 6% of Pooled Revenue	4,128	4,120	12,077	10,549
Partnership other income	6	6	18	18
(Impairment) recovery of financial and intangible assets	(12)	(32)	28	56,004
Partnership expenses	(58)	(33)	(102)	(96)
Partnership earnings	4,064	4,061	12,021	66,475
SIR's interest (Class A, B and C GP Units)	(1,243)	(1,275)	(3,701)	(3,799)
SIR's interest (recovery of impairment of intangible and financial assets)	-	-	-	(54,435)
Partnership income allocated to Fund[(2)]	2,821	2,786	8,320	8,241
Recovery of investment in Partnership and financial assets	-	-	-	30,066
Other income	-	-	-	49
Change in estimated fair value of the SIR Loan[(3)]	1,000	1,750	2,500	1,250
	3,821	4,536	10,820	39,606
General & administrative expenses	(135)	(130)	(448)	(448)
Net earnings before income taxes of the Fund	3,686	4,406	10,372	39,158
Income tax expense	(718)	(298)	(2,544)	(2,550)
Net earnings for the period	2,968	4,108	7,828	36,608
Basic earnings per Fund unit	$0.35	$0.49	$0.93	$4.37
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376
Net earnings for the period – Diluted	3,327	4,492	8,888	37,739
Weighted average number of Class A GP Units	1,200	1,291	1,200	1,291
Weighted average number of Fund units outstanding – Diluted	9,576	9,667	9,576	9,667
Diluted earnings per Fund unit	$0.35	$0.46	$0.93	$3.90

Class A GP Units have been included in both Q3 2023 and YTD 2023 calculations since the conversions were dilutive.

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

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

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

Summary of Quarterly Financial Information

(in thousands of dollars or units, except restaurants and per unit amounts) (unaudited)	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**	**June 31, 2022**	**March 31, 2021**	**December 31, 2021**
Royalty Pooled Restaurants	51	51	51	51	51	51	51	56
Pooled Revenue generated by SIR	68,791	71,122	61,366	64,866	68,667	68,016	39,117	47,495
Royalty income to Partnership - 6% of Pooled Revenue	4,128	4,267	3,682	3,892	4,120	4,081	2,348	2,849
Partnership other income	6	6	6	6	6	6	6	6
(Impairment) recovery of financial and intangible assets	(12)	(35)	76	(31)	(32)	55,289	747	133
Partnership (expenses) income	(58)	(23)	(21)	(34)	(33)	(45)	(18)	3
Partnership earnings	4,064	4,215	3,743	3,833	4,061	59,331	3,083	2,991
SIR's interest (Class A, B and C GP Units)	(1,243)	(1,256)	(1,202)	(1,238)	(1,275)	(1,383)	(1,141)	(1,359)
SIR's interest recovery of impairment of intangible and financial assets	-	-	-	-	-	(54,435)	-	-
Partnership income allocated to Fund[(2)]	2,821	2,959	2,541	2,595	2,786	3,513	1,942	1,632
Recovery of financial and intangible assets	-	-	-	-	-	29,646	420	560
Other Income	-	-	-	-	-	12	37	75
Change in estimated fair value of the SIR Loan	1,000	2,750	(1,250)	6,750	1,750	-	(500)	750
	3,821	5,709	1,291	9,345	4,536	33,171	1,899	3,017
General & administrative expenses	(135)	(176)	(137)	(177)	(130)	(161)	(157)	(95)
Net earnings before income taxes of the Fund	3,686	5,533	1,154	9,168	4,406	33,010	1,742	2,922
Income tax expense	(718)	(972)	(854)	(1,367)	(298)	(1,566)	(687)	(620)
Net earnings for the period	2,968	4,561	300	7,801	4,108	31,444	1,055	2,302
Basic earnings per Fund unit	$0.35	$0.54	$0.04	$0.93	$0.49	$3.75	$0.13	$0.27
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Net earnings for the period – Diluted	3,327	5,260	630	8,157	4,492	31,906	1,055	2,747
Weighted average number of Class A GP Units	1,200	1,200	N/A	1,291	1,291	1,291	N/A	1,971
Weighted average number of Fund units outstanding – Diluted	9,576	9,576	N/A	9,667	9,667	9,667	N/A	10,347
Diluted earnings per Fund unit	$0.35	$0.51	$0.04	$0.84	$0.46	$3.30	$0.13	$0.27

In Q3 2023, the Class A GP Units were included in the calculation of diluted earnings per Fund unit, as the conversion was dilutive.

Distributable Cash[(1)]

Distributable cash represents the amount of money which the Fund expects to have available for distribution to Unitholders of the Fund, and is calculated as cash provided by operating activities of the Fund, adjusted for the net change in non-cash working capital items including a reserve for income taxes payable, and the net change in the distribution receivable from the Partnership.

Distributable Cash[(1)]

(in thousands of dollars or units, except per unit amounts and payout ratio[(1)]) *(unaudited)*	**Three-month period ended September 30, 2023**	**Three-month period ended September 30, 2022**	**Nine-month period ended September 30, 2023**	**Nine-month period ended September 30, 2022**
Cash provided by operating activities	1,569	4,179	5,579	8,324
Add/(deduct):				
Net change in non-cash working capital items[(4)]	(126)	(130)	(402)	(430)
Net change in income tax payable[(4)]	953	137	1,618	(36)
Net change in distribution receivable from the Partnership[(4)]	322	(1,078)	824	1,826
Distributable cash[(1)]	**2,718**	**3,108**	**7,619**	**9,684**
Cash distributed for the period	**2,387**	**3,392**	**7,161**	**7,915**
Surplus (shortfall) of distributable cash[(1)]	**331**	**(284)**	**458**	**1,769**
Payout ratio[(1), (5)]	87.8%	109.1%	94.0%	81.7%
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376
Distributable cash[(1)] per Fund unit – Basic	$0.32	$0.37	$0.91	$1.16
Distributable cash[(1)] for the period – Diluted[(6)]	3,077	3,492	8,678	10,814
Weighted average number of Class A GP Units	N/A	1,291	1,200	1,291
Weighted average number of Fund units outstanding – Diluted	N/A	9,667	9,576	9,667
Distributable cash[(1)] per Fund unit – Diluted	$0.32	$0.36	$0.91	$1.12

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

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

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

Summary of Quarterly Distributable Cash[1] *(in thousands of dollars or units, except per unit amounts and payout ratio*[1]*) (unaudited)*	**Three-month periods ended**							
	September 30, 2023	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**	**March 31, 2021**	**December 31, 2021**
Cash provided by operating activities	1,569	3,042	968	3,259	4,179	2,657	1,488	3,430
Add/(deduct): Net change in non-cash working capital items[7]	(126)	(176)	(100)	1,322	(130)	(166)	(135)	191
Net change in income tax payable[7]	953	(765)	1,429	(931)	137	(1,130)	957	(48)
Net change in distribution receivable from the Partnership[7]	322	460	42	(1,849)	(1,078)	2,238	666	(784)
Distributable cash[1]	**2,718**	**2,561**	**2,339**	**1,801**	**3,108**	**3,599**	**2,976**	**2,789**
Cash distributed for the period	**2,387**	**2,387**	**2,387**	**2,806**	**3,392**	**2,261**	**2,261**	**3,099**
Surplus (Shortfall) of distributable cash[1]	**331**	**174**	**(48)**	**(1,005)**	**(284)**	**1,338**	**715**	**(310)**
Payout ratio[1],[8]	87.8%	93.2%	102.0%	155.8%	109.1%	62.8%	76.0%	111.1%
Weighted average number of Fund units outstanding – Basic	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Distributable cash[1] per Fund unit – Basic	$0.32	$0.31	$0.28	$0.22	$0.37	$0.43	$0.36	$0.33
Distributable cash[1] for the period – Diluted[9]	3,077	3,261	2,669	2,180	3,492	4,060	3,262	3,234
Weighted average number of Class A GP Units	N/A	1,200	1,200	N/A	1,291	1,291	1,291	1,971
Weighted average number of Fund units outstanding – Diluted	N/A	9,576	9,576	N/A	9,667	9,667	9,667	10,347
Distributable cash[1] per Fund unit – Diluted[9]	$0.32	$0.31	$0.28	$0.22	$0.36	$0.42	$0.34	$0.31

The payout ratio[1] of cash distributed to distributable cash[1] for Q3 2023 was 87.8% compared to 109.1% in Q3 2022. The payout ratio[1] of cash distributed to distributable cash for YTD 2023 was 94.0%, compared to 81.7% for YTD 2022. Distributable cash during Q3 2023 and YTD 2023, compared to Q2 2022 and YTD 2022, reflect the normalization of income in a post-pandemic environment without material loss provisions or recoveries, which has affected tax installments and as such taxation expense to date.

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

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

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

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

A history of distributions is as follows:

Months Paid	Distribution per Unit
Inception to May 2006	$0.100
June 2006 to May 2007	$0.105
June 2007 to May 2008	$0.110
June 2008 to January 2011	$0.115
February 2011 to May 2012	$0.083(10)
June 2012 to May 2013	$0.088
June 2013 to March 2018	$0.095
April 2018 to August 2018	$0.100
September 2018 to October 2019	$0.105
November 2019 to February 2020	$0.0875
March 2020 to June 2021	Nil
July 2021 to August 2021	$0.070
September 2021 to September 2022	$0.090
December 2012 Special Distribution	$0.050(11)
December 2017 Special Distribution	$0.020(11)
December 2021 Special Distribution	$0.100(11)
July 2022 Special Distribution	$0.135(11)
December 2022 Special Distribution	$0.050(11)
October 2022 to date	$0.095

Since the Fund's inception in October 2004 up to and including Q3 2023, the Fund has generated $143.8 million in cumulative distributable cash[1] and has paid cumulative cash distributions of $143.3 million, representing a cumulative payout ratio[1] (the ratio of cumulative cash distributions paid since inception to cumulative distributable cash[1] generated) of 99.6%.

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

(11) The special year-end distributions of: $0.05 per unit declared in December 2012 (paid in January 2013), $0.02 per unit declared (paid in December 2017), $0.10 per unit declared in December 2021 (paid in December 2021), $0.135 per unit declared in July 2022 (paid in July 2022) and $0.05 per unit declared in December 2022 (paid in December 2022) were declared because additional distributable cash was available and approved by the Trustees of the Fund to be distributed.

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

(in thousands of dollars) *(unaudited)*	**Nine-month period ended September 30, 2023**	**Nine-month period ended September 30, 2022**
Cash provided by operating activities	5,579	8,324
Net earnings for the period	7,829	36,608
Cash distributed for the period	7,161	7,915
(Shortfall) excess of cash provided by operating activities over cash distributed for the period(12)	**(1,582)**	**409**
Excess of net earnings for the period over cash distributed for the period(13)	**668**	**28,693**

The $1.6 million shortfall of cash provided by operating activities over cash distributed for the period compared to $0.4 million excess for the prior period was primarily a result of the normalization of income in a post-pandemic environment without material loss provisions or recoveries, which has increased tax installments and as such taxation expense to date.

The $0.7 million excess of net earnings over cash distributed for YTD 2023 compared to $28.0 million for YTD 2022 was primarily due to a $29.0 million reversal of previous impairments to the Fund's investment in the Partnership in the prior period.

Balance Sheet

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

(in thousands of dollars) *(unaudited)*	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**
Total assets	82,666	82,939	79,851	83,221	78,642	77,951	47,498	49,481
Unitholders' equity	76,941	76,360	74,187	76,274	71,279	70,562	41,380	42,585

Results of Operations

The Fund's income for Q3 2023 is comprised of equity income from the Partnership of $2.8 million (Q3 2022 – $2.8 million) and a $1.0 million increase in the estimated fair market value of the SIR Loan (Q3 2022 – $1.8 million).

The Fund's income for YTD 2023 is comprised of equity income from the Partnership of $8.3 million (YTD 2022 – $8.2 million), a reversal of previous impairments on the investment in SIR Royalty Limited Partnership and financial assets of $nil (YTD 2022 – $30.1 million) and a $2.5 million increase in the estimated fair value of the SIR Loan (YTD 2022 – $1.3 million).

Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the three-month and nine-month periods ended September 30, 2023 and September 30, 2022. The Partnership recognized an impairment loss of $0.03 million and $0.1 million on its royalty receivables for the three-month and nine-month periods ended September 30, 2023, respectively (three-month and nine-month periods ended September 30, 2022 – $0.03 million and $1.0 million, respectively).

The changes in estimated fair value of the SIR Loan of $1.0 million and $2.5 million for the three-month and nine-month periods ended September 30, 2023 (Q3 2022 and YTD 2022 – $1.8 million and $1.3 million), respectively, are related

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

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

to IFRS 9, which requires the Fund to recognize the SIR Loan at fair value, with changes in the fair value being recorded in the statement of earnings.

The Fund's operating expenses, which are limited to general and administrative expenses, totaled $0.1 million and $0.4 million for Q3 2023 and YTD 2023, respectively ($0.1 million and $0.4 million for Q3 2022 and YTD 2022, respectively). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

The Fund recorded income tax expenses of $0.7 million and $2.5 million for Q3 2023 and YTD 2023, respectively ($0.3 million and $2.5 million for Q3 2022 and YTD 2022).

Net earnings were $3.0 million for Q3 2023 (Q3 2022 – $4.1 million). Net earnings per Fund unit for Q3 2023 were $0.35 (basic and diluted) (Q3 2022 - $0.49 (basic) and $0.46 (diluted)).

Net earnings were $7.8 million for YTD 2023 (YTD 2022 – $36.6 million). Net earnings per Fund unit for YTD 2023 were $0.93 (basic and diluted), compared to net earnings per Fund unit for YTD 2022 of $4.37 (basic) and $3.90 (diluted).

Liquidity and Capital Resources

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

The Credit Agreement between SIR and the Lender, as amended on December 8, 2017, July 6, 2018, April 1, 2020, June 30, 2020, September 30, 2020, December 21, 2020, March 31, 2021, May 31, 2021, June 16, 2022 and June 6, 2023, matures on July 6, 2026 ("Maturity Date") and provides for a maximum principal amount of $42.61 million as at the date of SIR's latest reporting on June 21, 2023 consisting of:

- a $20.0 million revolving term credit facility (Credit Facility 1),
- a $10.92 million revolving term loan (Credit Facility 2),
- a $6.25 million guaranteed facility with Export Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (the "EDC-Guaranteed Facility"), and
- a $5.44 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%, with principal to be repaid in one bullet repayment on the Maturity Date. A standby fee of 0.85% is charged on the undrawn balance of this facility. 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. As at May 7, 2023 (the end of SIR Corp.'s fiscal 2023 third quarter), $nil was drawn on this facility.

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 the Maturity Date. As at May 7, 2023, in accordance with the Ninth Amending Agreement ("Ninth Amendment"), $10.92 million was drawn on this facility.

As at May 7, 2023, SIR had drawn $9.2 million on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 28, 2022 - $7.5 million).

The EDC-Guaranteed Facility bears interest at the prime rate plus 3.0%. The EDC-Guaranteed Facility is a 364-day revolving-term credit facility and can be extended at the Lender's sole discretion, in 12 month increments, by up to a further

12 months beyond the current expiration date of July 6, 2024. A standby fee of 0.90% is charged on the undrawn balance of this facility. As at May 7, 2023, SIR had fully drawn this facility.

The BDC-Guaranteed Facility bears interest at a fixed rate of 4.0%. The BDC-Guaranteed Facility is a 10-year non-revolving-term credit facility, with a one year principal payment moratorium. The moratorium has elapsed and SIR has commenced repayment on this facility. As at May 7, 2023, SIR had fully drawn this facility.

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

Under the Intercreditor Agreement, absent 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 without triggering a cross default under the Credit Agreement, by up to 50% for a period of up to nine consecutive months. SIR and each Obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and SIR and its shareholders in exchange for the Subordinating Parties not demanding repayment or enforcing security as a result of any such Related Party Obligation Default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership.

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

The latest extension agreement, the Tenth Amendment to SIR's Credit Agreement, is intended to address SIR's financial requirements, at least until the Maturity Date. 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.

The Credit Agreement and all related Amending Agreements are filed on SEDAR+.

The Fund did not have any capital expenditures in Q3 2023 and YTD 2023 and by its nature is not expected to have significant capital expenditures in the future. Capital expenditures related to Royalty Pooled Restaurants are borne at the operating company (SIR) level. The Fund's operating and administrative expenses are expected to be stable and predictable and are considered to be in the ordinary course of business.

While SIR is not owned by the Fund, the Fund's cash flows are derived from interest received on the SIR Loan and distributions from the Partnership and accordingly, the Fund is economically dependent upon SIR. Credit risk arises from the potential default of SIR on the SIR Loan. Management monitors the SIR Loan for credit risk and to date all interest payments have been made. The Fund also depends on the distributions from the Partnership, which are dependent upon SIR paying the Royalty to the Partnership. Information regarding SIR and its liquidity can be found in SIR's unaudited condensed interim and audited annual consolidated financial statements and MD&A, which can be found on SEDAR+ under the Fund's profile titled as "Other". The most recent unaudited condensed interim consolidated financial statements and MD&A for SIR's third quarter are listed with a filing date of June 21, 2023.

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

Selected Unaudited Consolidated Statement of Cash Flows Information[14]	3rd Quarter Ended May 7, 2023 (12 weeks)	2nd Quarter Ended February 12, 2023 (12 weeks)	1st Quarter Ended November 20, 2022 (12 weeks)	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)
				(in thousands of dollars) (unaudited)				
Cash provided by (used in) operations	12,353	3,017	3,987	18,099	22,724	(4,741)	2,853	19,076
Cash used in investing activities	(1,491)	(2,769)	(1,352)	(2,755)	(1,067)	(1,195)	(801)	(602)
Cash (used in) provided by financing activities	(11,193)	(1,894)	(6,350)	(10,316)	(20,252)	5,368	(9,391)	(9,435)
Increase (decrease) in cash and cash equivalents during the period	(331)	(1,646)	(3,715)	5,028	1,405	(568)	(7,339)	9,039
Cash and cash equivalents – Beginning of period	2,771	4,417	8,132	3,104	1,699	2,267	9,606	567
Cash and cash equivalents – End of period	2,440	2,771	4,417	8,132	3,104	1,699	2,267	9,606

Controls and Procedures

Disclosure controls and procedures:

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and includes controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Management carried out an evaluation of the effectiveness of the design and operation of the Fund's disclosure controls and procedures, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at September 30, 2023 under the supervision of and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer.

Based on that evaluation, the Fund's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective as at September 30, 2023.

Internal controls over financial reporting:

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

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

Management carried out an evaluation of the effectiveness of the design and operation of the Fund's internal controls over financial reporting, as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", as at September 30, 2023 and under the supervision and with the participation of the Fund's Chief Executive Officer and Chief Financial Officer. The evaluation was conducted using the framework and criteria established in Internal Control - Integrated Framework: 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013.

(14) Information presented is in accordance with IFRS and is derived solely from documents filed with the Canadian securities regulatory authorities by SIR in its interim Q3 2023 MD&A filed on June 21, 2023 and has not been approved by the Fund or its Trustees, officers, SIR GP Inc., or SIR Holdings Trust, or their respective Trustees, managing general partners, directors, or officers.

Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that internal controls over financial reporting are effective and there are no material weaknesses in the Fund's internal controls over financial reporting as at September 30, 2023. There have been no substantive changes in the Fund's internal controls over financial reporting that occurred during the most recent interim period beginning January 1, 2023 through to September 30, 2023, that have materially affected, or are reasonably likely to materially affect the Fund's internal control over financial reporting. The Fund does not own, control or consolidate SIR and therefore, the Fund's disclosure controls and procedures and the internal controls over financial reporting do not encompass SIR or SIR's disclosure controls and procedures or SIR's internal controls over financial reporting.

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

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

During the three-month period ended September 30, 2023, the Fund earned equity income of $2.8 million from the Partnership (September 30, 2022 - $2.8 million) and recorded equity income of $8.3 million from the Partnership for the nine-month period ended September 30, 2023 (September 30, 2022 - $8.2 million). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the three-month period ended September 30, 2023 , the Fund recognized $0.8 million of interest payments towards the value of the SIR Loan (September 30, 2022 - $0.8 million). For the nine-month period ended September 30, 2023, the Fund received interest payments of $2.3 million from the SIR Loan (September 30, 2022 - $2.3 million) and deferred interest installments of $nil on the SIR Loan (September 30, 2022 - $2.1 million). A description of the terms of the SIR Loan is included in the notes to the consolidated financial statements of the Fund for the year ended December 31, 2022.

As at September 30, 2023 , the Fund had amounts receivable from SIR of $0.3 million (September 30, 2022 - $0.3 million) and distributions receivable from the Partnership of $3.7 million (September 30, 2022 - $4.8 million). As at September 30, 2023, the Fund had advances payable to the Partnership of $3.1 million (September 30, 2022 - $4.0 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

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

Investment in the Partnership/Consolidation of Structured Entities

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

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

Valuation of the SIR Loan and Investment in the Partnership

Management reviews for objective evidence whether there may be an impairment of the SIR Loan or the investment in the Partnership. The review includes a review of the earnings, cash flows and available cash of SIR on a prospective basis to assess SIR's ability to meet its obligations to the Fund for interest payments on the SIR Loan and to the Partnership for the Royalty. Based on the analysis completed as at September 30, 2023, no impairments to the SIR Loan and the Investment in the Partnership have been recorded in the consolidated financial statements (three-month period ended September 30, 2022 – $nil).

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

During Q3 2023, the discount rate remained consistent at 11.75% from December 31, 2022. The estimated decrease in the corporate bond rate of 0.59% was offset by an increase of 0.59% in the Canadian risk-free rate.

The fair value of the SIR Loan is sensitive to changes in the discount rate. A 0.25% increase or decrease in the discount rate will result in a $0.6 million decrease or increase in the fair value of the SIR Loan.

Financial Instruments

The Fund's financial instruments consist of cash, amounts due from related parties, the SIR Loan, accounts payable and accrued liabilities, and amounts due to related parties. Management estimates that the fair values of these financial instruments approximate their carrying values due to their short-term maturity except for the SIR Loan. The fair value of the SIR Loan is estimated to be $27.0 million. The fair value was estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR's credit risk. The estimate of fair value is within level 3 of the fair value hierarchy.

Disclosure of Outstanding Unit Data

As at September 30, 2023, the number of outstanding units of the Fund was 8,375,567.

Risks and Uncertainties

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

In addition, factors such as business and economic conditions, changes in foreign exchange, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages and cannabis legalization), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants, and growth in off-premise traffic due to an increase in delivery and takeout orders affect the restaurant industry in general and therefore SIR. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty or interest on the SIR Loan may be impaired. Please refer to the March 16, 2023 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR**.**

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 continues to monitor consumer spending behavior in light of current evolving macroeconomic factors, including inflation and higher interest rates, and their potential impact on the Canadian economy and consumer confidence. Ongoing business impacts due to changes in the minimum wage, rising commodity costs and supply shortages have all been influential in the bar and restaurant industry's changes in pricing overall.

SIR continues to innovate and provide immersive new product and service offerings to increase dine-in guest visits to its restaurants and to capitalize on the rapid growth of take-out and delivery services in commercial foodservice. The recent amendment to SIR's Credit Agreement with its Lender provides greater certainty and availability of funding over the next three years, enabling SIR to continue to invest in restaurant renovations, new restaurants and other initiatives to drive growth.

In consideration of the ongoing conditions mentioned above and the timing of new restaurant construction and renovations, the related restaurant opening schedules will be reviewed regularly by SIR and adjusted as necessary.

As at the date of this report, SIR has commitments to lease four properties in Barrie, London, and Guelph, Ontario, and in the Don Mills neighborhood in Toronto upon which it plans to build four new Scaddabush restaurants. There can be no assurance at this time that the new Scaddabush restaurants will be opened or will become part of the Royalty Pooled Restaurants.

The Reds Kitchen + Wine Bar Fallsview in Niagara Falls, Ontario, opened on March 31, 2022, was added to the Royalty Pooled Restaurants effective January 1, 2023.

The Scaddabush restaurant in Etobicoke, Ontario, opened on August 1, 2022, was added to the Royalty Pooled Restaurants effective January 1, 2023.

During Q3 2023, SIR opened a new Scaddabush restaurant in Whitby, Ontario on September 1, 2023 which is expected to be added to the Royalty Pooled Restaurants on January 1, 2024.

During YTD 2023, SIR completed renovations to a Reds location in the Square One Shopping Centre in Mississauga, Ontario and to five Jack Astor's restaurants in Kanata, Etobicoke, Kingston, South London and Vaughan, Ontario. These renovations are intended to drive enhanced performance for those locations. Subsequent to Q3 2023, SIR completed renovations to three additional Jack Astor's locations in Newmarket and Ottawa, Ontario and at the location at Dundas Square in Toronto. SIR has one ongoing renovation at a Jack Astor's location in Scarborough, Ontario that has not been completed as of the date of this report. SIR plans to continue to invest in similar restaurant renovations going forward.

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. 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. On January 10, 2023, the application was dismissed by the courts. SIR filed an appeal which was heard on May 24, 2023 in the Ontario Court of Appeal, and is awaiting the rendering of a judgement.

Description of Non-IFRS measures

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

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

<u>Same Store Sales and Same Store Sales Growth</u>

The Fund believes that Same Store Sales ("SSS") and Same Store Sales Growth ("SSSG") are useful measures and provide investors with an indication of the change in year-over-year sales. SSS includes revenue from all SIR Restaurants included in Pooled Revenue for the fiscal years 2023 and 2022, except for those locations that were not open for the entire comparable periods in fiscal 2023 and fiscal 2022. The seasonal Abbey's Bakehouse is not a SIR Restaurant. SSSG is the percentage increase in SSS over the prior comparable period. When a SIR Restaurant is closed, the revenue for the closed restaurant is excluded from the calculation of SSS and SSSG for both the quarter in which the restaurant is closed and the current year-to-date.

<u>Distributable Cash and Payout Ratio</u>

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

Forward-Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the 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 war 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 except as expressly required by law. 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 23, 2023.

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 16, 2023 for the period ended December 31, 2022.

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