SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 12-WEEK PERIOD ENDED NOVEMBER 19, 2023

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TABLE OF CONTENTS

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Executive Summary

SIR Corp.'s ("SIR's") first quarter of Fiscal 2024 ("Q1 2024") comprises the 12-week period from August 28, 2023 to November 19, 2023. The following is a summary of operational and financial results for Q1 2024:

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

- Food and beverage revenue from corporate restaurant operations for Q1 2024 totaled $59.3 million, a decline of 1.5%, or $0.9 million, compared to $60.2 million for the 12-week period ended November 20, 2022 ("Q1 2023").
- Consolidated SSS[(1)] declined by 4.5% in Q1 2024.
- SIR's flagship Concept Restaurant brand, Jack Astor's® Bar and Grill ("Jack Astor's"), which generated approximately 70.1% of Pooled Revenue in Q1 2024, had a SSS[(1)] decline of 7.1% in Q1 2024.
- Scaddabush Italian Kitchen & Bar® ("Scaddabush") had a SSS[(1)] increase of 7.5% in Q1 2024.
- The Signature Restaurants had a SSS[(1)] decline of 8.7% in Q1 2024.

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. In light of current levels of operation, SIR continues to advance its program of restaurant renovations and strategic, new restaurant growth initiatives.

During Q1 2024, SIR completed six restaurant renovations to implement a refreshing, more contemporary and immersive guest experience:

- The Jack Astor's in South London, Ontario was closed for five days to complete a renovation,
- The Jack Astor's in Vaughan, Ontario was closed for 10 days to complete a renovation,
- The Jack Astor's in Newmarket, Ontario was closed for 13 days to complete a renovation,
- The Jack Astor's in Ottawa, Ontario was closed for seven days to complete a renovation,
- The Jack Astor's in Dundas Square, Toronto, was closed for five days to complete a renovation, and
- The Jack Astor's in Scarborough, Ontario was closed for five days to complete a renovation.

During Fiscal 2023, SIR completed the following eight restaurant renovations:

- The Jack Astor's in Whitby, Ontario was closed for eight days during Q1 2023 to complete a renovation,
- The Jack Astor's in Barrie, Ontario was closed for 11 days during Q1 2023 to complete a renovation,
- The Jack Astor's in Brampton, Ontario was closed for nine days during Q2 2023 to complete a renovation,
- The Jack Astor's in Don Mills, Toronto was closed for five days during Q2 2023 to complete a renovation,
- The Jack Astor's in Kanata, Ontario was closed for four days during Q3 2023 to complete a renovation,
- The Jack Astor's in Etobicoke, Ontario was closed for 14 days during Q3 2023 to complete a renovation,
- The Jack Astor's in Kingston, Ontario was closed for seven days during Q3 2023 to complete a renovation, and
- The REDs® Square One in Mississauga, Ontario, was closed for four days during Q4 2023 to complete a renovation.

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 neighbourhood in Toronto, upon which it plans to build four new Scaddabush restaurants. There can be no assurance at this time that these new planned 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 new restaurant construction, the opening schedules of new restaurants will be reviewed regularly by SIR's management and adjusted as necessary.

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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 20).

On September 1, 2023, SIR opened a new Scaddabush restaurant in Whitby, Ontario. This new Scaddabush restaurant is anticipated to be added to the Royalty Pooled Restaurants on January 1, 2024.

Subsequent to Q1 2024, the Scaddabush located in the Mimico neighbourhood of Etobicoke, Ontario, was permanently closed effective November 28, 2023. This restaurant will be removed from the Royalty Pooled Restaurants on January 1, 2024. SIR is currently evaluating alternative uses for this property, including, but not limited to, reopening the location as another SIR restaurant brand.

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 SIR Royalty Limited Partnership (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. A new Scaddabush restaurant was opened at this location on August 1, 2022 and became 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 paid 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 SIR Royalty Income Fund (the "Fund") approved further extensions of the trial, under the existing terms, until December 31, 2022 and December 31, 2023, respectively. The trustees have agreed to further extend the trial until August 25, 2024 to coincide with SIR Corp.'s fiscal year end. 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.

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

- Net loss and comprehensive loss was $5.6 million for Q1 2024, compared to $18.4 million for Q1 2023.
- Adjusted Net Earnings(1) were $0.3 million in Q1 2024, compared to $2.3 million in Q1 2023.
- EBITDA(1) and Adjusted EBITDA(1) were $7.3 million and $3.7 million in Q1 2024, respectively, compared to $9.1 million and $5.5 million in Q1 2023, respectively.

Dismissal of appeal to Business Interruption claim

SIR's insurer denied any business interruption claims due to COVID-19 related operating restrictions or closures. However, SIR pursued a Business Interruption claim due to Civil Authority orders against its insurer by way of Notice of Application in the Ontario Superior Court. On January 10, 2023, the application was dismissed. SIR filed an appeal, which was heard on May 24, 2023 in the Ontario Court of Appeal ("ONCA"). The ONCA overturned the original decision and reviewed the application anew. On November 22, 2023, the application was dismissed. SIR is considering its option to apply to the Supreme Court of Canada for leave to appeal.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at November 19, 2023, SIR owned 54 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Nova Scotia, and Newfoundland). The Concept Restaurants include Jack Astor's and Scaddabush. The Signature Restaurants are Reds® Wine Tavern, Reds® Square One, Reds Kitchen + Wine Bar Fallsview, Duke's Refresher and Bar™ ("Duke's Refresher") and the Loose Moose® Tap and Grill ("Loose Moose"). SIR also owns one seasonal restaurant, Abbey's Bakehouse®, which along with the one Duke's Refresher in downtown Toronto, are not part of the Royalty Pooled Restaurants. SIR owns 100% of all of its Canadian restaurants. As at November 19, 2023, 51 SIR Restaurants were included in Royalty Pooled Restaurants.

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, 2023. The Duke's Refresher brand is currently being managed and developed by SIR's Signature group.

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 2024 and 2023 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. Additionally, certain holidays and observances also affect guest dining patterns both favourably and unfavourably.

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 12-week period ended November 19, 2023. The audited consolidated financial statements of SIR are prepared in accordance with IFRS and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations and Comprehensive Loss	12-Week Period Ended November 19, 2023	12-Week Period Ended November 20, 2022
	(in thousands of dollars) (unaudited)	
Corporate restaurant operations:		
Revenue	59,445	60,315
Cost of corporate restaurant operations	52,832	52,373
Earnings from corporate restaurant operations	**6,613**	**7,942**
Net loss and comprehensive loss	**(5,607)**	**(18,359)**
Adjusted Net Earnings[(1)]	**333**	**2,349**

Statement of Financial Position	November 19, 2023	August 27, 2023
	(in thousands of dollars) (audited)	
Total assets	121,680	125,964
Total non-current liabilities	252,292	252,736

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

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

The following table reconciles net loss and comprehensive loss for the 12-week periods ended November 19, 2023 and November 20, 2022, respectively, to Adjusted Net Earnings[(1)]:

	12-Week Period Ended November 19, 2023	12-Week Period Ended November 20, 2022
	(in thousands of dollars) (unaudited)	
Net loss and comprehensive loss for the period	(5,607)	(18,359)
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	5,940	20,708
Adjusted Net Earnings[(1)]	**333**	**2,349**

The following table reconciles net loss and comprehensive loss for the 12-week periods ended November 19, 2023 and November 20, 2022 to EBITDA[1] and Adjusted EBITDA[1]:

	12-Week Period Ended November 19, 2023	12-Week Period Ended November 20, 2022
	(in thousands of dollars) (unaudited)	
Net loss and comprehensive loss for the period	(5,607)	(18,359)
Add (deduct):		
Interest expense	466	457
Interest on lease obligations	1,037	1,076
Interest on loan payable to SIR Royalty Income Fund	709	704
Depreciation and amortization	4,733	4,505
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	5,940	20,708
EBITDA[1]	**7,278**	**9,091**
Interest income and other income – net	(6)	(10)
Recovery of impairment of financial assets	(12)	(32)
Loss on disposal of property and equipment	18	23
Cash rent	(3,717)	(3,621)
Preopening costs	149	13
Adjusted EBITDA[1]	**3,710**	**5,464**
Income from Class A & B GP Units of the Partnership[2] (Not included in EBITDA[1] and Adjusted EBITDA[1] above)	411	437
6% Royalty obligations under License and Royalty Agreement[3]	3,416	3,488

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

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

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	12-Week Period Ended November 19, 2023	12-Week Period Ended November 20, 2022
	(in thousands of dollars) (unaudited)	
Food and beverage revenue reported in consolidated financial statements	59,348	60,249
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(2,421)	(2,096)
Revenue for Restaurants in Royalty pool (Pooled Revenue)	**56,927**	**58,153**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales[(1)]	12-Week Period Ended November 19, 2023	12-Week Period Ended November 20, 2022
	(in thousands of dollars) (unaudited)	
Food and beverage revenue reported in consolidated financial statements	59,348	60,249
Less: Revenue from corporate restaurant operations excluded from Same Store Sales[(1)]	(3,061)	(1,305)
Same Store Sales[(1)]	**56,287**	**58,944**

Same Store Sales[(1)] by Brand	12-Week Period Ended November 19, 2023	12-week Period Ended November 20, 2022	% Fav./ (Unfav.)
	(in thousands of dollars) (unaudited)		
Jack Astor's	39,902	42,960	(7.1%)
Scaddabush	11,882	11,054	7.5%
Signature Restaurants	4,503	4,930	(8.7%)
Same Store Sales[(1)]	**56,287**	**58,944**	**(4.5%)**

Food and beverage revenue by Concept	12-Week Period Ended November 19, 2023	12-Week Period Ended November 20, 2022
Jack Astor's	39,902	42,960
Scaddabush	14,420	11,905
Signature Restaurants	5,026	5,384
	59,348	**60,249**

Summary of Quarterly Results

Statement of Operations	1st Quarter Ended November 19, 2023 (12 weeks)	4th Quarter Ended August 27, 2023 (16 weeks)	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)
				(in thousands of dollars) (audited)				
Corporate Restaurant Operations								
Revenue	59,445	89,456	62,190	60,150	60,315	88,055	56,599	31,656
Cost of corporate restaurant operations	52,832	74,763	51,302	52,753	52,373	74,036	42,835	25,891
Earnings from corporate restaurant operations	**6,613**	**14,693**	**10,888**	**7,397**	**7,942**	**14,019**	**13,764**	**5,765**
Net (loss) earnings and comprehensive (loss) income	**(5,607)**	**21,356**	**(2,022)**	**(21,166)**	**(18,359)**	**1,089**	**(1,581)**	**1,627**
Adjusted Net Earnings(1)	**333**	**8,251**	**4,669**	**674**	**2,349**	**6,315**	**7,817**	**1,135**

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

	1st Quarter Ended November 19, 2023 (12 weeks)	4th Quarter Ended August 27, 2023 (16 weeks)	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)
				(in thousands of dollars) (audited)				
Net (loss) earnings and comprehensive (loss) income	(5,607)	21,356	(2,022)	(21,166)	(18,359)	1,089	(1,581)	1,627
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	5,940	(13,105)	6,691	21,840	20,708	5,226	9,398	(492)
Adjusted Net Earnings(1)	**333**	**8,251**	**4,669**	**674**	**2,349**	**6,315**	**7,817**	**1,135**

Selected Consolidated Statement of Cash Flows Information:

	1st Quarter Ended November 19, 2023 (12 weeks)	4th Quarter Ended August 27, 2023 (16 weeks)	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)
				(in thousands of dollars) (audited)				
Cash provided by (used in) operations	4,484	16,584	12,353	3,017	3,987	18,099	22,724	(4,741)
Cash used in investing activities	(5,627)	(4,471)	(1,491)	(2,769)	(1,352)	(2,755)	(1,067)	(1,195)
Cash (used in) provided by financing activities	(3,543)	(6,322)	(11,193)	(1,894)	(6,350)	(10,316)	(20,252)	5,368
(Decrease) increase in cash and cash equivalents during the period	(4,686)	5,791	(331)	(1,646)	(3,715)	5,028	1,405	(568)
Cash and cash equivalents – Beginning of period	8,231	2,440	2,771	4,417	8,132	3,104	1,699	2,267
Cash and cash equivalents – End of period	3,545	8,231	2,440	2,771	4,417	8,132	3,104	1,699

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 Management Discussion & Analysis. The following definitions are provided for greater clarification of these groupings:

i. Revenue (per the SIR consolidated statements of operations and comprehensive loss) – this is the total consolidated revenue of all SIR restaurants for the period, as well as Abbey's Bakehouse. For the 12-week period ended November 19, 2023, revenue was $59.3 million.

ii. Same Store Sales(1) ("SSS") – this is a subset of revenue used for tracking comparable year-over-year sales. For Q1 2024 and Q1 2023, SSS(1) includes all SIR restaurants, except for those restaurants that were not open for the entire comparable periods in Fiscal 2024 and Fiscal 2023, and Abbey's Bakehouse, as it is a seasonal restaurant. The SSS(1) performance does not include the new Scaddabush in Etobicoke, Ontario and the new Reds Kitchen + Wine Bar Fallsview in Niagara Falls, Ontario since they were not open for both comparable periods in Fiscal 2024 and Fiscal 2023. For the 12-week period ended November 19, 2023, SSS(1) were $56.3 million.

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all Royalty Pooled Restaurants. The Royalty Pooled Restaurants are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. As at November 19, 2023, there were 51 Royalty Pooled Restaurants. For the 12-week period ended November 19, 2023, Pooled Revenue was $56.9 million. The applicable Royalty payable to the Partnership on the Pooled Revenue for Q1 2024 was $3.4 million.

Same Store Sales(1)

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.

SIR had an overall SSS(1) decline of 4.5% for Q1 2024. SSS(1) are typically impacted by changes in guest traffic and average cheque amount. The SSS(1) decline in Q1 2024 was primarily attributable to lower guest counts at Jack Astor's and the Signature Restaurants, partially offset by price increases across SIR's restaurant network and the strong SSSG(1) of Scaddabush.

Jack Astor's, SIR's flagship Concept Restaurant brand, which contributed approximately 70.1% of Q1 2024 Pooled Revenue, had a SSS(1) decline of 7.1% for Q1 2024. All 37 Jack Astor's locations are included in the calculation of SSS(1) performance for Q1 2024. The temporary closures of six Jack Astor's locations for a combined total of 45 days to complete renovations during Q1 2024 had a negative impact on guest counts and SSS(1) for the quarter. During Q1 2023, two Jack Astor's restaurants were temporarily closed for a combined total of 19 days to complete renovations (refer to the "Investment in new and existing restaurants and closed restaurants" section for a description of all locations renovated). The decline in Jack Astor's SSS(1) for Q1 2024 was attributable to lower guest counts, primarily due to the temporary closures of six Jack Astor's locations during the quarter to complete renovations, partially offset by increased pricing. Management believes the decline in guest counts is also partially attributable to macroeconomic factors such as inflation and increased interest rates and their related impact on discretionary consumer spending.

Scaddabush SSS(1) performance for Q1 2024 includes nine Scaddabush locations (Mississauga, Richmond Hill, Scarborough, Burlington, Oakville and Vaughan, and two locations in Etobicoke, Ontario, as well as the Front Street location in downtown Toronto). Scaddabush had a SSS(1) increase of 7.5% for Q1 2024, reflecting the continued popularity of this brand and increased pricing.

The Signature Restaurants SSS(1) performance for Q1 2024 includes four restaurants (Reds Wine Tavern, Reds Square One, Duke's Refresher and the Loose Moose). The Signature Restaurants had a SSS(1) decline of 8.7% in Q1 2024. Management believes the decline was primarily attributable to lower guest counts due to macroeconomic factors, as discussed above. The decline in guest counts was partially offset by increased pricing.

Cost of Corporate Restaurant Operations

Cost of corporate restaurant operations totaled $52.8 million, or 88.9% of revenue, in Q1 2024, compared to $52.4 million, or 86.8% of revenue, for Q1 2023. The increase in cost of corporate restaurant operations in Q1 2024 reflects higher business input costs, including increased costs of food and beverage supplies.

Corporate Costs

Corporate costs were $4.1 million for Q1 2024, compared to $3.4 million for Q1 2023. In light of current macroeconomic factors and rising input costs (see Outlook section on page 18), SIR invested in new business processes and cost optimization initiatives, which increased corporate costs for Q1 2024.

Interest Expense

Interest expense for Q1 2024 was $0.5 million, compared to $0.4 million for Q1 2023.

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

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

Changes in amortized cost are recognized in the consolidated statements of operations and comprehensive loss. The change in the amortized cost is a non-cash transaction and accordingly, has no impact on cash flows. For Q1 2024, the change in amortized cost resulted in an expense of $5.9 million, reflecting an increase in the underlying Fund unit price compared to the end Fiscal 2023. For Q1 2023, the change in amortized cost resulted in an expense of $20.7 million reflecting an increase in the underlying Fund unit price compared to the end of Fiscal 2022.

Interest on the SIR Loan totaled $0.7 million for Q1 2024 compared to $0.7 million for Q1 2023.

Net Loss and Comprehensive Loss, and Adjusted Net Earnings

Net loss and comprehensive loss was $5.6 million for Q1 2024 compared to $18.4 million for Q1 2023. The positive variance primarily reflects changes in the amortized cost of the Ordinary LP Units and Class A Units of the Partnership that SIR holds. This resulted in an expense of $5.9 million in Q1 2024, compared to an expense of $20.7 million in Q1 2023. These non-cash changes in Q1 2024 and Q1 2023 are due to increases in the underlying unit price of the Fund compared to the end of Fiscal 2023 and the end of Fiscal 2022, respectively.

Adjusted Net Earnings[2] were $0.3 million in Q1 2024 compared to $2.3 million in Q1 2023. The decline primarily reflects a $1.3 million reduction in earnings from corporate restaurant operations in Q1 2024 compared to Q1 2023 and a $0.7 million increase in corporate costs in Q1 2024 compared to Q1 2023.

EBITDA(1) and Adjusted EBITDA(1)

EBITDA(1) totaled $7.3 million for Q1 2024, compared to $9.1 million for Q1 2023. The decrease in Q1 2024 was primarily attributable to changes in the amortized cost of ordinary LP and Class A LP units which is based on the underlying Fund unit price, decreased sales and higher cost of corporate restaurant operations.

Adjusted EBITDA(1) totaled $3.7 million for Q1 2024 compared to $5.5 million for Q1 2023. (See Selected Consolidated Historical Financial Information – Reconciliation of net loss and comprehensive 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 $0.7 million for Q1 2024 and $0.7 million for Q1 2023.

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.

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

	12-Week Period Ended November 19, 2023	12-week Period Ended November 20, 2022
	(in thousands of dollars) (unaudited)	
Balance – Beginning of the period	141,609	117,299
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	5,940	20,708
Distributions paid to Ordinary LP and Class A LP unitholders	(2,499)	(2,383)
Balance – End of period	145,050	135,624
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(9,991)	(9,990)
Ordinary LP Units and Class A LP Units of the Partnership	135,059	125,634

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

	12-Week Period Ended November 19, 2023	12-week Period Ended November 20, 2022
	(in thousands of dollars) (unaudited)	
Pooled Revenue[4]	56,927	58,153
Partnership royalty income[5]	3,416	3,488
Other Income	6	8
Partnership expenses	(78)	(36)
Net earnings of the Partnership	3,344	3,460
SIR's residual interest in the earnings of the Partnership:		
Income from Class A & B GP Units of the Partnership	(411)	(437)
Income from Class C GP Units of the Partnership	(691)	(691)
	(1,102)	(1,128)
Fund's interest in the earnings of the Partnership	2,242	2,332

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

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

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the "License and Royalty Agreement"). Under the terms of the License and Royalty Agreement, 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. On 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, 2023, two new SIR Restaurants were added to 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

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

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

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 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 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 has advised the Partnership that, pursuant to Section 13.10 (4) of the License and Royalty Agreement between the Partnership and SIR, a Partnership Change of Control (the defined term is included on page 127 of the Fund's final prospectus dated October 1, 2004, as filed on SEDAR+) occurred with the changes in the Trustees of the Fund that occurred at the Fund's annual meeting in Fiscal 2023. SIR has further advised the Partnership that, as a result, all of the SIR Rights held by SIR under the License and Royalty Agreement (a number of which were already exclusive) have become exclusive in favour of SIR.

SIR's residual interest in the Partnership is 12.54% as at November 19, 2023 (August 27, 2023 – 12.54%).

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

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	12-Week Period Ended November 19, 2023	12-week Period Ended November 20, 2022
	(in thousands of dollars) (unaudited)	
Cash provided by operations	4,484	3,987
Cash used in investing activities	(5,627)	(1,352)
Cash used in financing activities	(3,543)	(6,350)
(Decrease) increase in cash and cash equivalents during the period	(4,686)	(3,715)
Cash and cash equivalents – Beginning of period	8,231	8,132
Cash and cash equivalents – End of period	3,545	4,417

Cash provided by operations increased by $0.5 million in Q1 2024. The increase was primarily attributable to a favourable change in net earnings for the period of $12.8 million, a favourable variance of $2.3 million in working capital items and an increase in amortization expense of $0.2 million. These were partially offset by an unfavourable change in the amortized cost of the Ordinary LP and Class A LP units of $14.8 million.

Cash used in investing activities increased by $4.3 million in Q1 2024. The increase was due to property and equipment purchases.

Cash used in financing activities decreased by $2.8 million in Q1 2024. The decrease was a result of $3.0 million of additional bank indebtedness partially offset by $0.2 million of capital stock repurchases.

As at November 19, 2023, SIR had current assets of $17.1 million (August 27, 2023 – $22.2 million) and current liabilities of $68.3 million (August 27, 2023 – $66.3 million) resulting in a working capital deficit of $51.2 million (August 27, 2023 – $44.1 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.

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 matures on July 6, 2026 ("Maturity Date") and as at the date of this report provides for a maximum principal amount of $42.04 million, consisting of:

- a $20.0 million revolving term credit facility (Credit Facility 1),
- a $10.7 million revolving term credit facility (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 $5.09 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 2.75% and/or the bankers' acceptance rate plus 3.75%, principal repaid in one bullet repayment on the Maturity Date. 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. As at November 19, 2023, $2.96 million was drawn on Credit Facility 1.

Credit Facility 2 is a $10.7 million revolving facility and bears interest at the prime rate plus 2.75% and/or the bankers' acceptance rate plus 3.75%. 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 November 19, 2023, $9.66 million was drawn on Credit Facility 2.

As at November 19, 2023, the Company has drawn $11.01 million on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 27, 2023 - $4.68 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 November 19, 2023, the Company had fully drawn this facility.

The BDC-Guaranteed Facility is a 10-year term non-revolving 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 Q1 2024, SIR repaid $0.2 million on this facility. As at November 19, 2023, SIR had drawn $5.09 million on this facility.

For more details regarding the Credit Agreement and all related Amending Agreements, please refer to the Fund's and SIR's prior interim filings, which can be found on SEDAR+ at www.sedarplus.ca under the Fund's profile.

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.

As at November 19, 2023, SIR's liquidity was comprised of $1.6 million of cash on hand (net of the cash balance of the Partnership) and $18.1 million available to borrow under its credit facility (August 27, 2023 - $6.0 million and $20.0 million).

Two new restaurants were added to the Royalty Pooled Restaurants effective January 1, 2023 (January 1, 2022 - nil). Refer to page 13 for further details of all changes and adjustments under the License and Royalty Agreement. After the net adjustments to the Royalty Pooled Restaurants on January 1, 2023, SIR held 1,200,660 Class A GP Units, representing a 12.54% residual interest in the Partnership. 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, which, as at November 19, 2023, had a market value of approximately $19.6 million. Under the Credit Agreement and without prior consent from the Lender, SIR may convert Class A GP Units into Fund Units and promptly sell such units for the purposes of financing construction projects for new and existing restaurants, provided in any year the sale of the units does not exceed the lower of $7.0 million and 0.4 million units.

Contractual Obligations

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

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

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 neighbourhood in Toronto upon which it plans to build four new Scaddabush restaurants. Final costs of construction are subject to uncertainties as to their amounts and timing. Items such as finalization of design and final construction quotations could change the total cost of these projects. There can be no assurance at this time that these new planned Scaddabush restaurants will be opened or will become part of the Royalty Pooled Restaurants.

Off-Balance Sheet Arrangements

SIR did not have any material off-balance sheet arrangements as at November 19, 2023, nor did it have any subsequent to Q1 2024.

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	12-Week Period Ended November 19, 2023	12-Week Period Ended November 20, 2022
	(in thousands of dollars) (unaudited)	
Property and equipment		
Fixtures purchased from a shareholder of SIR	26	19
Equipment purchased from a company owned by a director and shareholder of SIR, together with a member of executive management of SIR	179	77

- SIR advanced $0.01 million to a company owned by a shareholder and director, together with a member of executive management of SIR, during the 52-week period ended August 27, 2017. This advance is non-interest bearing and is payable on demand. SIR purchased fixtures from this company for $0.03 million and $0.18 million during Q1 2024 (Q1 2023 - $0.02 million and $0.08 million).

Transactions with the SIR Royalty Income Fund

Advances receivable from the Fund and its subsidiaries as at November 19, 2023 were $3.0 million (August 27, 2023 – $3.0 million). Advances receivable are non-interest bearing and due on demand.

During Q1 2024, distributions of $2.2 million were declared to the Fund by the Partnership, compared to distributions of $2.3 million declared for Q1 2023. The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions previously declared, but unpaid as at November 19, 2023 were $4.1 million.

Interest expense on the SIR Loan totaled $0.7 million for Q1 2024 and $0.7 million for Q1 2023.

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 for Q1 2024 (Q1 2023 - $0.008 million), 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 27, 2023. The reader will find this information in the annual MD&A for the year ended August 27, 2023.

Changes in Accounting Policies, Including Recently Issued Accounting Pronouncements

Recently adopted IFRS

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

The narrow-scope amendment aims to improve accounting policy disclosures and to help distinguish between changes in accounting estimates and changes in accounting policies. The amendment is effective for annual periods beginning on or after January 1, 2023. The amended standard has been implemented by the Company and did not have a material impact on these consolidated financial statements.

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

In January 2023, the IASB issued amendments to IAS 12 that aim to provide temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules. The amendment is effective for annual period beginning on or after January 1, 2023. The amended standard has been implemented by the Company and did not have a material impact on these consolidated financial statements.

Recently issued but not yet effective

IAS 1, Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued an amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. In October 2022, the IASB issued an amendment to IAS 1, Non-current Liabilities with Covenants, to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The 2022 amendments also introduce additional disclosure requirements to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. The 2022 amendments changed the effective date of the 2020 amendments. The mandatory effective date would be annual periods beginning on or after January 1, 2024, with early adoption permitted. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IFRS 16, Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The mandatory effective date would be annual periods beginning on or after January 1, 2024, with early adoption permitted. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 7, Disclosures on Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require specific disclosures regarding supplier finance arrangements. The mandatory effective date would be annual periods beginning on or after January 1, 2024. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

Financial Instruments

Management believes that there have been no substantial changes in the nature of critical accounting estimates since the year ended August 27, 2023. The reader will find this information in the annual MD&A for the year ended August 27, 2023.

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. For additional information, 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 continues to monitor consumer spending behavior amid current evolving macroeconomic factors, including inflation and higher interest rates, and their 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.

As of May 1, 2023, the province of Quebec raised its minimum wage from $14.25 to $15.25 per hour. The province of Ontario instituted a minimum wage increase from $15.50 to $16.55 per hour as of October 1, 2023. Nova Scotia and Newfoundland implemented a minimum wage increase from $14.50 to $15.00 per hour starting October 1, 2023.

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 amendment to SIR's Credit Agreement with its Lender in June 2023 provides greater certainty and availability of funding, 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 opening schedules will be reviewed regularly by SIR and adjusted as necessary.

During Q1 2024, SIR completed renovations to six Jack Astor's restaurants (London, Vaughan, Newmarket, Ottawa and Scarborough, Ontario, and Dundas Square in Toronto), expanding the total number of renovated Jack Astor's locations to 15 since the beginning of Fiscal 2022. SIR also completed renovations to its Reds® Square One location in Mississauga, Ontario during Q4 2023. The Company is pleased with the success of these renovations and plans to invest in similar restaurant renovations throughout Fiscal 2024.

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

Subsequent to Q1 2024, the Scaddabush located in the Mimico neighbourhood of Etobicoke, Ontario, was permanently closed effective November 28, 2023. This Scaddabush restaurant will be removed from the Royalty Pooled Restaurants on January 1, 2024. SIR is currently evaluating alternative uses for this property, including, but not limited to, reopening the location as another SIR restaurant brand.

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 neighbourhood in Toronto, upon which it plans to build four new Scaddabush restaurants. There can be no assurance at this time that these new planned Scaddabush restaurants will be opened or will become part of the Royalty Pooled Restaurants. SIR is actively pursuing additional new restaurant development sites to further expand its Jack Astor's and Scaddabush brands.

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 2023 and Fiscal 2022 and Abbey's Bakehouse as it is a seasonal 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 10.

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 income (loss) for the period to EBITDA and Adjusted EBITDA on page 6 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 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 December 21, 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. For more information concerning the Fund's risks and uncertainties, please refer to 'Risk Factors' in the Fund's Annual Information Form dated March 16, 2023 for the period ended December 31, 2022, which is available under the Fund's profile at www.sedarplus.ca.

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