
SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER 2025

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2025

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TABLE OF CONTENTS

<i>Executive Summary</i>	3
Same Store Sales ("SSS") ⁽¹⁾	4
Pooled Revenue	5
Restaurant Renovations	6
New and Closed Restaurants	6
Distributions	7
Overview and Business of the Fund	7
Overview and Business of SIR and the Partnership	7
Seasonality	9
Results of Operations	13
Liquidity and Capital Resources	14
Controls and Procedures	16
Off-Balance Sheet Arrangements	17
Transactions with Related Parties	17
Changes in Accounting Policies, Including Recently Issued Accounting Pronouncements	17
Critical Accounting Estimates	17
Investment in the Partnership/Consolidation of Structured Entities	18
Valuation of the SIR Loan and Investment in the Partnership	18
Financial Instruments	18
Risks and Uncertainties	18
Outlook	19
Description of Non-IFRS Accounting Standards measures	19
Forward-Looking Information	20

SIR ROYALTY INCOME FUND MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2025

Executive Summary

Operational and financial results for the three-month period ended March 31, 2025 ("Q1 2025") 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 1.3% in Q1 2025, compared to the three-month period ended March 31, 2024 ("Q1 2024"). Pooled Revenue increased by 7.0% to \$64.7 million in Q1 2025, compared to \$60.5 million in Q1 2024.
- Jack Astor's[®], which accounted for approximately 62.5% of Pooled Revenue in Q1 2025, had a SSS⁽¹⁾ decline of 2.4% in Q1 2025.
- Scaddabush Italian Kitchen & Bar[®] ("Scaddabush") had a SSS⁽¹⁾ increase of 2.6% in Q1 2025.
- The Signature Restaurants had a SSS⁽¹⁾ decrease of 5.0% in Q1 2025.

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

- Royalty income in the Partnership increased to \$3.9 million in Q1 2025 from \$3.6 million for Q1 2024.
- Equity income from the Partnership, which represents the Fund's pro rata share of the residual distributions of the Partnership, was \$2.5 million in Q1 2025 compared to \$2.5 million in Q1 2024.

Net Earnings/Loss

- Net earnings were \$1.0 million for Q1 2025 compared to net earnings of \$2.3 million for Q1 2024.
- Net earnings per Fund unit were \$0.12 (basic and diluted) for Q1 2025 compared to \$0.27 (basic and diluted) for Q1 2024.

Distributable Cash⁽¹⁾ and Payout Ratio⁽¹⁾

- Distributable cash⁽¹⁾ per Fund unit was \$0.27 (basic and diluted) for Q1 2025 compared to \$0.28 (basic) and \$0.27 (diluted) for Q1 2024.
- The Fund's payout ratio⁽¹⁾ was 104.1% in Q1 2025 compared to 103.6% in Q1 2024. The payout ratio⁽¹⁾ since the Fund's inception, up to and including Q1 2025, was 100.0%, in line with the Fund's target payout ratio.

Cyber-security Incident

On September 26, 2024, SIR Corp. ("SIR" or "the Company") experienced a cybersecurity incident that impacted a portion of its IT infrastructure. SIR immediately engaged third-party cybersecurity experts to assist with its containment, remediation and investigation efforts. Despite the related operational disruptions, guest payment platforms remained secure and SIR continued to operate all 54 of its restaurants. As a result of this incident, SIR experienced a decline in revenue, most notably during the 27-day period following the incident, while certain restaurant technology was being restored, as well as increased cost of operations, and other associated costs related to investigation and mitigation of loss services. SIR was able to predominantly restore operational technology and third-party delivery partner servers by October 23, 2024.

SIR has submitted a business interruption claim and is in the process of working with its insurance provider to assess the coverage details and determine the appropriate compensation for the disruption.

(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 Accounting Standards"). For additional information regarding these financial measures, including full details on how these financial measures are calculated, see the "Description of Non-IFRS Accounting Standards Measures" section of this MD&A.

Amendments to SIR's Credit Agreement and Other Loans

For more information regarding SIR's Credit Agreement and all related amendments up until the latest amendment on December 6, 2024, please refer to the Fund and SIR's prior interim and annual filings, which can be found on SEDAR+ at www.sedarplus.ca under the Fund's profile.

On December 6, 2024, SIR and its Lender finalized the terms and entered into the Twelfth Amending Agreement ("Twelfth Amendment") to its Credit Agreement. The Agreement provides temporary amendments to the two financial covenants in the Credit Agreement. During SIR's 12-week period ended November 17, 2024, SIR was in breach of these covenants, which the Company attributed to loss of revenue as a result of the cybersecurity incident on its operations. As a result, the carrying value of the credit facilities under the Credit Agreement were reclassified to current liabilities.

The Twelfth Amendment provides, for the following:

- Increases the maximum Senior Leverage Ratio financial covenant from 2.5x to 3.0x for SIR's Fiscal 2025 first and second quarters. The Senior Leverage Ratio financial covenant returns to 2.5x for SIR's Fiscal 2025 third quarter,
- Excludes the \$6.25 million Export Development Canada (the "EDC Guaranteed Facility") principal repayment in July 2025 from the calculation of fixed charges in the Fixed Charge Coverage Ratio financial covenant,
- Reverts Credit Facility 2 to a non-revolving facility, and
- Increases the applicable interest rates by 0.50%, with the exception of the guaranteed facility with Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") (the "BDC-Guaranteed Facility"), which remains fixed at 4.00% per annum.

On December 6, 2024, as part of the Twelfth Amendment, the Fund and the Partnership entered into an acknowledgement agreement with the Lender acknowledging, among other things:

- Receipt of a copy of the Twelfth 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 the Company.

On February 2, 2025, SIR received a \$2.5 million loan from a shareholder, with a maturity date of July 6, 2026, bearing interest at 5.20%. The shareholder entered into a Subordination Agreement to subordinate the loan to the Lender. The Lender issued a Waiver and Consent Agreement to SIR and the shareholder allowing the loan to be considered "permitted indebtedness" pursuant to the Credit Agreement, waiving any instances of covenant defaults, as at the effective date of February 3, 2025. However, the Lender's waiver and consent was received subsequent to the 24-week period ended February 9, 2025, and as a result SIR was in breach of certain non-financial covenants resulting in the carrying value of the credit facilities under the Credit Agreement remaining classified as current liabilities (see "Liquidity and Capital Resources" section of this MD&A for additional details).

Same Store Sales ("SSS")⁽¹⁾

SIR reported to the Fund that the Royalty Pooled Restaurants had a cumulative SSS⁽¹⁾ decline of 1.3% in Q1 2025. SSS⁽¹⁾ are typically impacted by changes in guest traffic, average cheque amount and other factors as identified below.

Segmented SSS⁽¹⁾ performance for Q1 2025 is detailed in the following table:

	Three-month period ended			
	March 31, 2025	March 31, 2024	March 31, 2025	March 31, 2024
(in thousands of dollars except percentage of segmented same store sales) (unaudited)	Segmented Same Store Sales	Segmented Same Store Sales	Change in Segmented Same Store Sales (%)	Change in Segmented Same Store Sales (%)
Jack Astor's	40,452	41,453	(2.4%)	(4.1%)
Scaddabush	15,391	14,997	2.6%	5.2%
Signature	3,266	3,439	(5.0%)	19.2%
Overall SSS⁽¹⁾	59,109	59,889	(1.3%)	(1.1%)

The decline in consolidated SSS⁽¹⁾ in Q1 2025 compared to Q1 2024 was primarily attributable to decreased in sales for Jack Astor's and the Signature Restaurants, partially offset by increased SSS⁽¹⁾ for Scaddabush. The decline in SSS⁽¹⁾ for

Jack Astor's and the Signature Restaurants reflects decreased dine-in guest traffic and reduced take-out and delivery sales at certain locations, partially offset by price increases. SIR Management believes that the decline in delivery sales and dine-in guest traffic is partially due to current macroeconomic factors, such as inflation and increased interest rates, and their impact on discretionary consumer spending. In response to these macroeconomic factors, SIR continues to innovate and provide immersive new product and service offerings to increase dine-in guest visits and to capitalize on the rapid growth of take-out and delivery services in commercial foodservice.

Jack Astor's, which accounted for approximately 62.5% of Pooled Revenue in Q1 2025, had a SSS⁽¹⁾ decline of 2.4% in Q1 2025. Jack Astor's SSS⁽¹⁾ performance includes all 36 locations that were in operation during the quarter.

Scaddabush generated SSS⁽¹⁾ growth of 2.6% in Q1 2025, reflecting price increases and the continued popularity of this brand. Scaddabush SSS⁽¹⁾ performance for Q1 2024 includes 10 out of the 13 open locations. The Scaddabush locations in London and Guelph, Ontario, and the Don Mills neighborhood of Toronto are excluded from the calculation of SSS⁽¹⁾ in Q1 2025 as they were not open for the entire comparable periods in 2025 and 2024.

The Signature Restaurants had a SSS⁽¹⁾ decline of 5.0% in Q1 2025. The Signature Restaurants SSS⁽¹⁾ performance includes two restaurants (Reds® Square One and the Loose Moose Tap & Grill®).

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 March 31, 2025, there were 52 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 periods ended March 31, 2025 and March 31, 2024:

Summary of Pooled Revenue

*(unaudited in thousands of dollars except
number of restaurants
included in Pooled Revenue)*

	Three-month period ended March 31, 2025		Three-month period ended March 31, 2024	
	Restaurants included in		Restaurants included in	
	Pooled Revenue	Pooled Revenue	Pooled Revenue	Pooled Revenue
Jack Astor's	40,452	36	42,091	37
Scaddabush	19,781	13	14,997	10
Signature	4,509	3	3,439	2
Total Pooled Revenue	64,742	52	60,527	49

The increase in Pooled Revenue in Q1 2025 compared to Q1 2024 reflects the additional revenue generated from the four new restaurants that were added to the Royalty Pool effective January 1, 2025, partially offset by the one closed restaurant that was removed from the Royalty Pool effective January 1, 2025, and the 1.3% decline in consolidated SSS⁽¹⁾ for the quarter. The new restaurants added to the Royalty Pool consist of the three new Scaddabush locations in London and Guelph, Ontario, and the Don Mills neighborhood of Toronto and the new Signature Restaurant Edna + Vita™.

During Q1 2025, the Renegade Chicken trial earned revenues of \$0.1 million compared to \$0.1 million in Q1 2024, 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 the 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. During 2024 the following restaurants were renovated to implement a refreshing, more contemporary and immersive guest-facing experience:

- The Jack Astor's in Ancaster, Ontario, resulting in the closure of this location for 13 days during Q1 2024,
- The Jack Astor's in Richmond Hill, Ontario, resulting in the closure of this location for 13 days during Q1 2024, and
- The Jack Astor's in Halifax, Nova Scotia, resulting in the closure of this location for 12 days during Q2 2024.

New and Closed Restaurants

SIR currently owns 53 restaurants in Canada. Since the Fund's Initial Public Offering in October 2004 up until the date of this report, SIR has opened 48 new restaurants, including: 22 Jack Astor's, four Canyon Creek restaurants, 13 Scaddabush restaurants, four Reds restaurants, three Duke's Refresher® + Bar locations ("Duke's Refresher"), one seasonal restaurant and retail outlet (Abbey's Bakehouse®) and one Edna + Vita. During this same period, SIR closed 26 restaurants including: eight Jack Astor's restaurants, six Canyon Creek restaurants, three Alice Fazooli's restaurants, two Scaddabush restaurants, three Reds restaurants, two Duke's Refresher restaurants, and one Signature restaurant and Abbey's Bakehouse.

SIR permanently closed the Reds Wine Tavern restaurant located in downtown Toronto, effective December 31, 2023 (the final day of operation). This restaurant ceased to be a Royalty Pooled Restaurant on January 1, 2024. On April 26, 2024, SIR opened a new, Italian-themed, fine dining restaurant brand at this location, called Edna + Vita. SIR elected, as is its option, under the License and Royalty Agreement, to treat this location as a New Additional Restaurant. This new restaurant was added to Royalty Pooled Restaurants on January 1, 2025.

On February 27, 2024, SIR opened a new Scaddabush restaurant in the Don Mills neighborhood of Toronto. SIR elected, as is its option, under the License and Royalty Agreement, to treat this location as a New Additional Restaurant. This new restaurant was added to Royalty Pooled Restaurants effective January 1, 2025.

On April 17, 2024, SIR opened a new Scaddabush restaurant in London, Ontario. SIR has elected, as is its option, under the License and Royalty Agreement, to treat this location as a New Additional Restaurant. This new restaurant was added to Royalty Pooled Restaurants on January 1, 2025.

On May 22, 2024, SIR opened a new Duke's Refresher at the intersection of Queen Street East and Broadview Avenue in Toronto. This new Duke's Refresher is currently not under consideration to become a Royalty Pooled Restaurant (refer to the section "Overview and Business of SIR and the Partnership" on page 7).

On August 7, 2024, SIR opened a new Scaddabush restaurant in Guelph, Ontario. SIR elected, as is its option, under the License and Royalty Agreement, to treat this location as a New Additional Restaurant. This new restaurant was added to Royalty Pooled Restaurants on January 1, 2025.

SIR permanently closed the Jack Astor's restaurant located in the North York neighbourhood in Toronto, Ontario, effective September 4, 2024. This restaurant ceased to be a Royalty Pooled Restaurant effective January 1, 2025.

SIR permanently closed the Jack Astor's restaurant located in the Greenfield Park neighbourhood of Longueuil, Quebec, effective April 27, 2025. This restaurant will cease to be a Royalty Pooled Restaurant effective January 1, 2026.

As at the date of this report, SIR has leased properties in Barrie and Oshawa, Ontario, upon which it plans to develop two new Scaddabush locations. There can be no assurance at this time that these planned new 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, inflation 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.

Renegade Chicken Trial

On January 27, 2022, SIR began offering Renegade Chicken takeout and delivery services on a trial basis out of certain Jack Astor's locations. SIR has agreed to remit to the Partnership an amount equivalent to 6% of revenues earned from this trial. This program has been extended on multiple occasions, with the most recent extension covering eight Jack Astor's locations, occurring on August 7, 2024, thereby extending the trial period to August 31, 2025. Renegade Chicken offers a selection of fried chicken sandwiches, tenders, and wings, complemented by fresh cut in-house fries and targets the growing consumer demand for fried chicken within the fast-casual dining sector.

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 Q1 2025, distributions of \$0.095 per Fund unit were declared and paid in the months of January to March. Subsequent to Q1 2025, a distribution of \$0.095 per Fund unit was paid on April 30, 2025, to unitholders of record as at April 21, 2025. On May 7, 2025, a distribution of \$0.095 per Fund unit was declared to unitholders of record as at May 16, 2025.

The payout ratio⁽¹⁾ of cash distributed to distributable cash⁽¹⁾ is intended to average 100% per annum over the long term. The Fund pays 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 Q1 2025 was 104.1%, compared to 103.6% for Q1 2024. The payout ratio⁽¹⁾ since the Fund's inception in 2004, up to and including Q1 2025, is 100.0%, which is in line with the Fund's target payout ratio of 100%.

Please refer to page 11 for distributable cash⁽¹⁾ and a description of the Fund's payout ratio⁽¹⁾ and page 12 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 on SEDAR+ at www.sedarplus.ca under the SIR Royalty Income Fund's 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 March 31, 2025, 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 include Reds Square One (which also operates an Abbey's Bakehouse retail outlet) the Loose Moose Tap & Grill (the "Loose Moose") and Edna + Vita. Sir also owns two Duke's Refresher restaurants located in downtown Toronto, which are also considered Signature Restaurants, but are currently not part of Royalty Pooled Restaurants. SIR owns 100% of its Canadian restaurants. As at March 31, 2025, 52 SIR Restaurants were included in Royalty Pooled Restaurants, including 36 Jack Astor's locations, 13 Scaddabush locations, Reds Square One, the Loose Moose, and Edna + Vita.

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 25, 2024, Duke's Refresher was not added to the Royalty Pool on January 1, 2025.

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 trademark 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 continues to offer Renegade Chicken takeout and delivery services on a trial basis and the trial is expected to continue until August 31, 2025, as approved by the Trustees of the Fund (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, 2025, four new SIR Restaurants were added (January 1, 2024 – one) to the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of four new SIR Restaurants on January 1, 2025 (January 1, 2024 – one) as well as the Second Incremental Adjustment for the one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2024 (January 1, 2023 – two), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. In addition, there was a re-conversion of Class A GP Units into Class B GP Units for the permanent closure of one (January 1, 2024 – three) SIR Restaurants during 2024. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 581,312 Class B GP Units into 581,312 Class A GP Units on January 1, 2025 (January 1, 2024 – SIR converted 212,825 Class A GP Units into Class B GP Units), increasing the value of the SIR Rights by \$7.1 million (January 1, 2024 – decreasing the value of the SIR rights by \$1.6 million).

In addition, the revenues of the one (January 1, 2023 – two) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2024 were greater than 80% of the Initial Adjustment's estimated revenue and, as a result, the distributions of the Class A GP Units were increased by a special conversion distribution of \$0.04 million in December 2024 and paid in January 2025 (January 1, 2023 – the revenues of the two new SIR Restaurants were less than 80% of the Initial Adjustment's estimated revenue and, as a result, the distributions of the Class A GP Units were reduced by a special conversion refund of \$0.05 million in December 2023 and paid in February 2024).

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 year for 2024 consisted of 52 weeks. SIR's fiscal year for 2025 will include 53 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 Accounting Standards"). 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.

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)*

	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
Royalty Pooled Restaurants	52	49	49	49	49	51	51	51
Pooled Revenue generated by SIR	64,742	62,271	64,795	67,479	60,527	64,736	68,792	71,122
Royalty income to Partnership - 6% of Pooled Revenue	3,884	3,729	3,888	4,049	3,632	3,884	4,128	4,267
Partnership other income	6	6	6	6	6	6	6	6
(Impairment) recovery of financial and intangible assets	(19)	52	(9)	(33)	(18)	60	(12)	(35)
Partnership income (expenses)	(18)	(15)	(19)	(21)	(19)	(16)	(58)	(23)
Partnership earnings	3,853	3,772	3,866	4,001	3,601	3,934	4,064	4,215
SIR's interest (Class A, B and C GP Units)	(1,340)	(1,160)	(1,144)	(1,155)	(1,119)	(1,180)	(1,243)	(1,256)
Partnership income allocated to Fund⁽²⁾	2,513	2,612	2,722	2,846	2,482	2,754	2,821	2,959
Change in estimated fair value of the SIR Loan ⁽³⁾	(500)	750	2,000	2,000	750	9,750	1,000	2,750
	2,013	3,362	4,722	4,846	3,232	12,504	3,821	5,709
General & administrative expenses	(114)	(197)	(135)	(163)	(108)	(143)	(135)	(176)
Net earnings before income taxes of the Fund	1,899	3,165	4,587	4,683	3,124	12,361	3,686	5,533
Income tax expense	(855)	(976)	(838)	(860)	(857)	(1,076)	(718)	(972)
Net earnings for the period	1,044	2,189	3,749	3,823	2,267	11,285	2,968	4,561
Basic earnings per Fund unit	\$0.12	\$0.26	\$0.45	\$0.46	\$0.27	\$1.35	\$0.35	\$0.54
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	1,475	2,461	4,036	4,119	2,536	11,599	3,327	5,260
Weighted average number of Class A GP Units	N/A	N/A	988	988	N/A	1,200	1,200	1,200
Weighted average number of Fund units outstanding – Diluted	N/A	N/A	9,363	9,363	N/A	9,576	9,576	9,576
Diluted earnings per Fund unit	\$0.12	\$0.26	\$0.43	\$0.44	\$0.27	\$1.21	\$0.35	\$0.51

In Q1 2025, the Class A GP Units are excluded from the calculation of diluted earnings per Fund unit, as the conversion is anti-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.

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.

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							
	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
Cash provided by operating activities	1,407	2,479	1,907	2,785	2,741	2,462	1,569	3,042
Add (deduct): Net change in non-cash working capital items ⁽⁴⁾	1,249	(474)	(120)	(163)	(72)	(143)	(126)	(176)
Net change in income tax payable ⁽⁹⁾	(376)	351	489	(396)	(348)	595	953	(765)
Net change in distribution receivable from the Partnership ⁽⁹⁾	14	(437)	223	347	(18)	(629)	322	460
Distributable cash⁽¹⁾	2,294	2,189	2,499	2,573	2,303	2,285	2,718	2,561
Cash distributed for the period	2,387	2,387	2,387	2,387	2,387	2,743	2,387	2,387
(Shortfall) surplus of distributable cash⁽¹⁾	(93)	(198)	112	186	(84)	(458)	331	174
Payout ratio^{(1), (5)}	104.1%	109.0%	95.5%	92.8%	103.6%	120.0%	87.8%	93.2%
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	\$0.27	\$0.26	\$0.30	\$0.31	\$0.28	\$0.27	\$0.32	\$0.31
Distributable cash ⁽¹⁾ for the period – Diluted	2,725	2,461	2,786	2,869	2,572	2,599	3,077	3,261
Weighted average number of Class A GP Units	N/A	N/A	988	988	988	N/A	N/A	1,200
Weighted average number of Fund units outstanding – Diluted ⁽⁶⁾	N/A	N/A	9,363	9,364	9,364	N/A	N/A	9,576
Distributable cash ⁽¹⁾ per Fund unit – Diluted ⁽¹¹⁾	\$0.27	0.26	\$0.30	\$0.31	\$0.27	0.27	\$0.32	\$0.31

The payout ratio⁽¹⁾ of cash distributed to distributable cash⁽¹⁾ for Q1 2025 was 104.1% compared to 103.6% in Q1 2024.

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.

(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.

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 ⁽⁷⁾
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
October 2022 to date	\$0.095
December 2012 Special Distribution	\$0.050 ⁽⁸⁾
December 2017 Special Distribution	\$0.020 ⁽⁸⁾
December 2021 Special Distribution	\$0.100 ⁽⁸⁾
July 2022 Special Distribution	\$0.135 ⁽⁸⁾
December 2022 Special Distribution	\$0.050 ⁽⁸⁾
December 2023 Special Distribution	\$0.0425 ⁽⁸⁾

Since the Fund's inception in October 2004 up to and including Q1 2025, the Fund has generated \$158.0 million in cumulative distributable cash⁽¹⁾ and has paid cumulative cash distributions of \$158.0 million, representing a cumulative payout ratio⁽¹⁾ of 100.0% (the ratio of cumulative cash distributions paid since inception to cumulative distributable cash⁽¹⁾ generated).

(7) 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.

(8) The special year-end distributions of: \$0.05 per unit declared in December 2012 (paid in January 2013), \$0.02 per unit declared in December 2017 (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), \$0.05 per unit declared in December 2022 (paid in December 2022) and \$0.0425 per unit declared in December 2023 (paid in December 2023) 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:

<i>(in thousands of dollars)</i> <i>(unaudited)</i>	Three-month period ended March 31, 2025	Three-month period ended March 31, 2024
Cash provided by operating activities	1,407	2,741
Net earnings for the period	1,044	2,267
Cash distributed for the period	2,387	2,387
(Shortfall) excess of cash provided by operating activities over cash distributed for the period⁽⁹⁾	(980)	354
(Shortfall) of net earnings for the period over cash distributed for the period⁽¹⁰⁾	(1,343)	(120)

The \$1.0 million shortfall of cash provided by operating activities over cash distributed for Q1 2025 compared to the \$0.4 million excess for Q1 2024 was primarily due to the net change in working capital items (\$1.3 million decrease to cash flow in Q1 2025 compared to \$0.1 million increase to cashflow in Q1 2024).

The \$1.3 million shortfall of net earnings over cash distributed for Q1 2025, compared to the shortfall of \$0.1 million for Q1 2024, is primarily attributable to a \$0.5 million loss attributable to the change in the estimated fair value of the SIR loan during the quarter (Q1 2024 – gain of \$0.8 million).

Balance Sheet

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

<i>(in thousands of dollars)</i>	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
Total assets	91,823	94,264	94,078	93,105	91,131	90,957	82,666	82,939
Unitholders' equity	86,621	87,963	88,162	86,800	85,364	85,483	76,941	76,360

Results of Operations

The Fund's income for Q1 2025 is comprised of equity income from the Partnership of \$2.5 million (Q1 2024 – \$2.5 million) and a \$0.5 million decrease in the estimated fair market value of the SIR Loan (Q1 2024 – \$0.8 million increase).

Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the three-month periods ended March 31, 2025 and March 31, 2024. The Partnership recognized an impairment loss of \$0.02 million on its royalty receivables for Q1 2025 (Q1 2024 – an impairment loss of \$0.02 million).

The changes in estimated fair value of the SIR Loan of \$0.5 million loss for the three-month ended March 31, 2025, (Q1 2024 – \$0.8 million gain) are related 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 for Q1 2025 (\$0.1 million for Q1 2024). 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 \$0.9 million for Q1 2025 (\$0.9 million for Q1 2024).

(9) 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.

(10) 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.

Net earnings were \$1.0 million for Q1 2025 (Q1 2024 – \$2.3 million). Net earnings per Fund unit for Q1 2025 were \$0.12 (basic and diluted) (Q1 2024 – \$0.27 basic and 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 trademarks 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 matures on July 6, 2026 (“Maturity Date”) (which excludes the term of the EDC-Guaranteed Facility which matures on July 6, 2025) and provides for a maximum principal amount of \$39.03 million as at February 9, 2025, the date of SIR’s most recent quarter end, consisting of:

- a \$20.0 million revolving term credit facility (Credit Facility 1),
- a \$8.58 million revolving term credit facility (Credit Facility 2),
- a \$6.25 million EDC-Guaranteed Facility, and
- a \$4.2 million 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, and bears interest at the prime rate plus 3.25% and/or the CORRA Advance rate plus 4.25%, 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 re-borrowed at any time during the term of the Credit Agreement. As at February 9, 2025, \$17.75 million was drawn on Credit Facility 1.

Credit Facility 2 is a \$8.58 million revolving facility that can be drawn for capital expenditures on new restaurants and renovations or remodeling of existing restaurants, and bears interest at the prime rate plus 3.25% and/or the CORRA Advance 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. During Q2 2025, SIR repaid \$1.04 million on this facility. As at February 9, 2025, \$8.58 million was drawn on Credit Facility 2.

As at February 9, 2025, the SIR has drawn \$26.4 million on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 25, 2024 - \$19.1 million).

The EDC-Guaranteed Facility is a 364-day revolving term credit facility with a maturity date of July 6, 2025, that bears interest at the prime rate plus 3.50%. A standby fee of 0.9% is charged on the undrawn balance of this facility. As at February 9, 2025, 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 4.00%. The moratorium has elapsed, and SIR has commenced repayment on this facility. During Q2 2025, SIR repaid \$0.2 million on this facility. As at February 9, 2025, SIR had drawn \$4.2 million on 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 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.

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 Twelfth Amendment to SIR's Credit Agreement, is intended to address SIR's financial requirements, at least until the Maturity Date (refer to the "Amendments to SIR's Credit Agreement" section for further information). 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+ at www.sedarplus.ca under the Fund's profile.

On February 2, 2025, SIR received a \$2.5 million shareholder loan, with a maturity date of July 6, 2026, bearing interest at 5.2%. The shareholder entered into a Subordination Agreement to subordinate and postpone their claims against the Company in favour of the Lender, effective February 3, 2025. Refer to section "Amendments to SIR's Credit Agreement and Other Loans" for more information.

The Fund did not have any capital expenditures in Q1 2025 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 Fiscal 2025 second quarter are listed with a filing date of March 25, 2025.

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

<i>Selected Unaudited Consolidated Statement of Cash Flows Information⁽¹¹⁾</i>	2 nd Quarter Ended February 9, 2025 (12 weeks)	1 st Quarter Ended November 17, 2024 (12 weeks)	4 th Quarter Ended August 25, 2024 (16 weeks)	3 rd Quarter Ended May 5, 2024 (12 weeks)	2 nd Quarter Ended February 11, 2024 (12 weeks)	1 st Quarter Ended November 19, 2023 (12 weeks)	4 th Quarter Ended August 27, 2023 (16 weeks)	3 rd Quarter Ended May 7, 2023 (12 weeks)
	(in thousands of dollars)							
Cash provided by operations	3,505	2,917	18,887	6,464	1,773	4,449	16,584	12,353
Cash used in investing activities	(1,072)	(3,701)	(8,043)	(5,986)	(4,339)	(5,627)	(4,471)	(1,491)
Cash (used in) provided by financing activities	(2,590)	(3,127)	(5,901)	(849)	899	(3,508)	(6,322)	(11,193)
(Decrease) increase in cash during the period	(157)	(3,911)	4,943	(371)	(1,667)	(4,686)	5,791	(331)
Cash – Beginning of period	2,539	6,450	1,507	1,878	3,545	8,231	2,440	2,771
Cash – End of period	2,382	2,539	6,450	1,507	1,878	3,545	8,231	2,440

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 March 31, 2025 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 March 31, 2025.

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 Accounting Standards and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS Accounting Standards, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and
- 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 March 31, 2025 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.

⁽¹¹⁾ Information presented is in accordance with IFRS Accounting Standards and is derived solely from documents filed with the Canadian securities regulatory authorities by SIR in its interim Q2 2025 MD&A filed on March 25, 2025 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 March 31, 2025. 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, 2025 through to March 31, 2025, 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 March 31, 2025, the Fund earned equity income of \$2.5 million from the Partnership (equity income of \$2.5 million for the three-month period ended March 31, 2024). 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 March 31, 2025, the Fund recognized \$0.8 million of interest payments towards the value of the SIR Loan (\$0.8 million for the three-month period ended March 31, 2024). For the three-month period ended March 31, 2025, the Fund received interest payments of \$0.8 million from the SIR Loan (\$0.8 million in interest payments for the three-month period ended March 31, 2024). 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, 2024.

As at March 31, 2025, the Fund had amounts receivable from SIR of \$0.3 million (March 31, 2024 - \$0.3 million) and distributions receivable from the Partnership of \$3.2 million (March 31, 2024 - \$3.1 million). As at March 31, 2025, the Fund had advances payable to the Partnership of \$3.5 million (March 31, 2024 - \$3.4 million). All advances were conducted as part of the normal course of business operations.

Changes in Accounting Policies, Including Recently Issued Accounting Pronouncements

IFRS Accounting Standards issued but not yet effective

IFRS 18, Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued a new standard – IFRS 18, 'Presentation and Disclosure in Financial Statements' – in response to investors' concerns about the comparability and transparency of entities' performance reporting. The new requirements introduced in IFRS 18 will help to achieve comparability of the financial performance of similar entities, especially related to how 'operating profit or loss' is defined. The new disclosures required for some management-defined performance measures will also enhance transparency. The new standard will be effective for annual reporting periods beginning on or after January 1, 2027, including for interim financial statements. The Company has not yet assessed the impact of the amendment on the condensed interim consolidated financial statements.

IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments

On May 30, 2024, the IASB issued targeted amendments to IFRS 9, 'Financial Instruments', and IFRS 7, 'Financial Instruments: Disclosures'. The amendments respond to recent questions arising in practice, and include new requirements not only for financial institutions but also for corporate entities. These new requirements will apply from January 1, 2026, with early application permitted. The Company has not yet assessed the impact of these amendments on the condensed interim consolidated financial statements.

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 during the three-month period ended March 31, 2025, no impairments to the SIR Loan and the Investment in the Partnership have been recorded in the consolidated financial statements (March 31, 2024 – \$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 Q1 2024, management adjusted the discount rate from 7.90% at December 31, 2024 to 8.20% at March 31, 2025. In determining the appropriate discount rate, management considered available market information as well as the credit risk for SIR. The change in the discount rate is driven by the change in the spread between similar corporate bonds and the risk-free rate over the same periods, and by management's estimate of the credit risk for SIR.

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 \$0.9 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 \$37.25 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 March 31, 2025, 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), tariffs, weather, seasonality, cyber-security, 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 13, 2025 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, elevated interest rates and the impact of new cross border-tariffs between Canada and the U.S., 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 and to capitalize on the rapid growth of take-out and delivery services in commercial foodservice.

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.

As at the date of this report, SIR has leased properties in Barrie and Oshawa, Ontario, upon which it plans to develop two new Scaddabush locations. There can be no assurance at this time that these planned new restaurants will be opened or will become part of the Royalty Pooled Restaurants.

Description of Non-IFRS Accounting Standards measures

Management believes that disclosing certain non-IFRS Accounting Standards 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 Accounting Standards 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 Accounting Standards measures alone.

The non-IFRS Accounting Standards financial measures do not have standardized meanings prescribed by IFRS Accounting Standards. The Fund's method of calculating these non-IFRS Accounting Standards 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

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 2025 and 2024, except for those locations that were not open for the entire comparable periods in fiscal 2025 and fiscal 2024. 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.

Distributable Cash and Payout Ratio

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: 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; the impact of cybersecurity breaches; 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 May 7, 2025.

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 13, 2025 for the period ended December 31, 2024.

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