

SIR Royalty Income Fund

Condensed Interim Consolidated Financial Statements
(Unaudited)

**For the three-month periods ended
March 31, 2025 and March 31, 2024**

SIR Royalty Income Fund

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

	March 31, 2025 \$	December 31, 2024 \$
Assets		
Current assets		
Cash	64,885	1,044,762
Prepaid expenses and other assets	51,022	2,572
Income taxes recoverable	-	273,010
Amounts due from related parties (note 8)	3,472,944	3,458,888
	3,588,851	4,779,232
Loan receivable from SIR Corp. (note 3)	37,250,000	38,500,000
Investment in SIR Royalty Limited Partnership (note 4)	50,984,321	50,984,321
	91,823,172	94,263,553
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	157,054	182,057
Income taxes payable	71,332	-
Amounts due to related party (note 8)	2,807,211	3,983,008
	3,035,597	4,165,065
Deferred income taxes (note 11)	2,167,000	2,135,000
	5,202,597	6,300,065
Fund units (note 6)	96,169,787	96,169,787
Deficit	(9,549,212)	(8,206,299)
Total unitholders' equity (Note 6)	86,620,575	87,963,488
	91,823,172	94,263,553

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SIR Royalty Income Fund

Condensed Interim Consolidated Statements of Earnings and Comprehensive Income (Unaudited)

	Three-month period ended	
	March 31, 2025	March 31, 2024
	\$	\$
Equity income from SIR Royalty Limited Partnership (notes 4 and 8)	2,512,939	2,481,586
Change in estimated fair value of the SIR Loan (note 3)	(500,000)	750,000
	2,012,939	3,231,586
General and administrative expenses (note 8)	113,782	108,037
Earnings before income taxes	1,899,157	3,123,549
Income tax expense (note 11)	855,034	856,108
Net earnings and comprehensive income for the period	1,044,123	2,267,441
Basic earnings per Fund unit (note 7)	\$0.12	\$0.27
Diluted earnings per Fund unit (note 7)	\$0.12	\$0.27

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SIR Royalty Income Fund

Condensed Interim Consolidated Statements of Changes in Unitholders' Equity

(Unaudited)

	Three-month period ended March 31, 2025			
	Number of Fund units	Amount \$	Deficit \$	Total \$
Balance – Beginning of period	8,375,567	96,169,787	(8,206,299)	87,963,488
Net earnings for the period	-	-	1,044,123	1,044,123
Distributions declared and paid (note 6)	-	-	(2,387,036)	(2,387,036)
Balance – End of period	8,375,567	96,169,787	(9,549,212)	86,620,575

	Three-month period ended March 31, 2024			
	Number of Fund units	Amount \$	Deficit \$	Total \$
Balance – Beginning of period	8,375,567	96,169,787	(10,686,575)	85,483,212
Net earnings for the period	-	-	2,267,441	2,267,441
Distributions declared and paid (note 6)	-	-	(2,387,036)	(2,387,036)
Balance – End of period	8,375,567	96,169,787	(10,806,170)	85,363,617

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SIR Royalty Income Fund

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

	Three-month period ended	
	March 31, 2025	March 31, 2024
	\$	\$
Cash provided by (used in)		
Operating activities		
Net earnings for the period	1,044,123	2,267,441
Items not affecting cash		
Change in estimated fair value of the SIR Loan (note 3)	500,000	(750,000)
Income tax expense (note 11)	855,034	856,108
Equity income from SIR Royalty Limited Partnership (notes 4 and 8)	(2,512,939)	(2,481,586)
Distributions received from SIR Royalty Limited Partnership (note 8)	2,498,883	2,498,884
Interest received on SIR Loan (note 3)	750,000	750,000
Income taxes paid	(478,692)	(472,578)
Net change in non-cash working capital items (note 9)	(1,249,250)	72,270
	1,407,159	2,740,539
Financing activities		
Distributions paid to unitholders	(2,387,036)	(2,387,036)
Change in cash during the period	(979,877)	353,503
Cash – Beginning of period	1,044,762	412,181
Cash – End of period	64,885	765,684

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

1 Nature of operations and seasonality

Nature of operations

SIR Royalty Income Fund (the Fund) is a trust established on August 23, 2004 under the laws of the Province of Ontario, Canada.

On October 1, 2004, the Fund filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering to the Fund of \$51,166,670 were used by the Fund to acquire, directly, certain bank debt of SIR Corp. (the SIR Loan) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of SIR Royalty Limited Partnership (the Partnership). The Partnership owns the Canadian trademarks (the SIR Rights) formerly owned or licensed by SIR Corp. (SIR) or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada (the SIR Restaurants). The Partnership has granted SIR a 99-year licence 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 revenues of the restaurants included in the Royalty Pooled Restaurants (the Licence and Royalty Agreement). The Fund indirectly participates in the revenues generated under the Licence and Royalty Agreement through its Investment in the Partnership (note 4).

The address of the registered office of the Fund is 5360 South Service Road, Suite 200, Burlington, Ontario. The condensed interim consolidated financial statements were approved by the Board of Trustees on May 7, 2025.

Seasonality

The full-service restaurant sector of the Canadian food-service 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 can be open. Additionally, certain holidays and observances also affect dining patterns both favourably and unfavourably. Accordingly, equity income from the Partnership recognized by the Fund will vary in conjunction with the seasonality in revenues experienced by SIR.

2 Basis of presentation

The Fund prepares its condensed interim consolidated financial statements (interim consolidated financial statements) in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34, Interim Financial Reporting. The disclosures contained in these interim consolidated financial statements do not include all requirements of IFRS Accounting Standards for annual consolidated financial statements and should be read in conjunction with the 2024 and 2023 audited annual consolidated financial statements and notes thereto. The financial performance of the Fund for the interim period is not necessarily indicative of the results that may be expected for the full year due to the seasonality of the Fund's business.

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

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 the amendment on the condensed interim consolidated financial statements.

3 Loan receivable from SIR Corp.

	Three-month period ended March 31, 2025 \$	Year ended December 31, 2024 \$
Balance - Beginning of year	38,500,000	36,000,000
Interest received	(750,000)	(3,000,000)
Change in estimated fair value of the SIR Loan	(500,000)	5,500,000
Balance - End of period	37,250,000	38,500,000

The SIR Loan of \$40,000,000 bears interest at 7.5% per annum, is due October 12, 2044 and is collateralized by a general security agreement covering substantially all of the assets of SIR and its subsidiaries in Canada. Interest of \$750,000 was recognized during the three-month period ended March 31, 2025 (three-month period ended March 31, 2024 – \$750,000). Interest of \$750,000 was received during the three-month period ended March 31, 2025 (three-month period ended March 31, 2024 – \$750,000). Interest of \$250,000 is outstanding and receivable from SIR Corp. as at March 31, 2025 (three-month period ended March 31, 2024 – \$250,000).

The fair value of the SIR Loan is estimated by discounting the expected cash flows using a current market interest rate adjusted for SIR’s credit risk. Management has used a discount rate of 8.20% as at March 31, 2025 (December 31, 2024 – 7.90%) to discount the expected cash flows. In determining the appropriate discount rate, management considered available market information as well as the credit risk for SIR. The change in the

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

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 (see note 5).

SIR has a Credit Agreement with a Schedule 1 Canadian chartered bank (the Lender). As at the date of SIR's 12-week period ended February 9, 2025, the Credit Agreement provides for a maximum principal amount of \$40,075,000 consisting of a \$20,000,000 revolving term credit facility (Credit Facility 1), a \$9,600,000 non-revolving term loan (Credit Facility 2), a \$6,250,000 guaranteed facility with Economic Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (EDC-Guaranteed Facility) and a \$4,225,000 Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility"). The term of the Credit Agreement matures on July 6, 2026 ("Maturity Date") (which excludes the term of the EDC-Guaranteed Facility which matures on July 6, 2025). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional \$1,500,000.

Credit Facility 1 is for general corporate and operating purposes, including capital spending on new and renovated restaurants, bearing interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%, principal repaid in one bullet repayment on the Maturity Date. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1. Provided SIR 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 February 9, 2025, \$17,750,000 was drawn Credit Facility 1.

Credit Facility 2 is a non-revolving facility that can be drawn for capital expenditures on new restaurants and renovations or remodelling of existing restaurants and bears interest at the prime rate plus 3.25% and/or the CORRA advances' 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 balance due on the Maturity Date. For the 12-week period ended February 9, 2025, SIR repaid \$1,037,000 on this facility. As at February 9, 2025, \$8,578,000 was drawn on Credit Facility 2.

As at February 9, 2025, the Company has drawn \$26,356,000 on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 25, 2024 - \$19,126,000).

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 0.90% is charged on the undrawn balance of this facility. As at February 9, 2025, SIR had fully drawn \$6,250,000 on this facility.

The BDC-Guaranteed Facility is a 10-year non-revolving term credit facility, with 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. For the 12-week period ended February 9, 2025, SIR repaid \$174,000 on this facility. As at February 9, 2025, \$4,225,000 was drawn on this facility.

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, among other things, as follows:

- 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,

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

- Excludes the \$6.25 million 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 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 to remain classified as current liabilities.

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. The Credit Agreement qualifies as "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. The terms of the subordination are as contemplated in the previous agreements between the Fund, the Partnership and SIR. This subordination 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 and will be effected pursuant to the terms of an 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

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

covenants of the Fund and the Partnership in which they are compliant. SIR has the right to require the Fund to, indirectly, purchase the Class C GP Units and assume a portion of the SIR Loan as consideration for the acquisition of the Class C GP Units.

4 Investment in SIR Royalty Limited Partnership

On October 12, 2004, the Fund, indirectly through the Trust and SIR GP Inc., respectively, acquired all of the Ordinary LP Units and 99 Ordinary GP Units. The holders of the Ordinary LP Units are entitled to receive a pro rata share of distributions and the holders of the Ordinary GP Units receive a fixed monthly distribution of \$5 in aggregate.

The holders of the Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership. As at March 31, 2025, the Fund's interest in the residual earnings of the Partnership was 84.2% (December 31, 2024 – 89.5%). Generally, the Partnership units have no voting rights, except in certain specified conditions.

The Partnership makes cash distributions to its partners in the following order of priority: i) First, to the holders of the Class C GP Units and the Class C LP Units, ii) second, to the holders of the Class B GP Units, iii) third, to the holders of the Ordinary GP Units, and iv) thereafter, to the holders of the Class A GP Units, the Class A LP Units, and the Ordinary LP Units.

The continuity of the Investment in the Partnership is as follows:

	Three-month period ended	
	March 31, 2025	March 31, 2024
	\$	\$
Balance - Beginning of period	50,984,321	50,984,321
Equity income	2,512,939	2,481,586
Distributions declared	(2,512,939)	(2,481,586)
Balance - End of period	50,984,321	50,984,321

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

The summarized financial information of the Partnership is as follows:

	As at March 31, 2025 \$	As at December 31, 2024 \$
Cash	1,047,523	165,864
Other current assets	3,735,556	4,668,069
Intangible assets	99,075,730	91,994,795
Total assets	103,858,809	96,828,728
Total liabilities	4,783,069	4,833,923
Partners' Interest		
SIR Royalty Income Fund	35,616,956	35,616,956
SIR Corp.	63,458,784	56,377,849
Total partners' interest	99,075,740	91,994,805
	Three-month period ended	
	March 31, 2025 \$	March 31, 2024 \$
Revenue	3,890,485	3,637,412
Net earnings and comprehensive income of the Partnership	3,852,928	3,599,986

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

The reconciliation of the Fund's investment in the Partnership to the Partnership's partners' interest is as follows:

	As at March 31, 2025 \$	As at December 31, 2024 \$
Investment in the Partnership	50,984,321	50,984,321
Transaction costs incurred by the Partnership to issue the Ordinary LP units	(3,533,090)	(3,533,090)
Difference between carrying value and fair value on the conversion of the Class A GP units to Class A LP units	(11,834,275)	(11,834,275)
SIR Royalty Income Fund's interest in the Partnership	35,616,956	35,616,956

The reconciliation of the Partnership's net earnings distributed to the Fund's equity income is as follows:

	Three-month period ended March 31, 2025 \$	March 31, 2024 \$
Net earnings and comprehensive income of the Partnership	3,852,928	3,599,986
Priority income distributed to SIR Corp. (Class C GP and Class B GP units)	(750,003)	(750,003)
Residual earnings	3,102,925	2,849,983
SIR Corp.'s share	(589,986)	(368,397)
Equity income	2,512,939	2,481,586

The following table presents the carrying amounts of assets and liabilities recognized by the Fund relating to its interest in the Partnership as well as the Fund's maximum exposure to loss from those interests:

	As at March 31, 2025 \$		As at December 31, 2024 \$	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Distributions receivable	3,222,944	3,222,944	3,208,888	3,208,888
Advances payable	(2,807,211)	(2,807,211)	(3,983,008)	(3,983,008)
Amounts due to related parties	415,733	415,733	(774,120)	(774,120)
Investment in SIR Royalty Limited Partnership	50,984,321	50,984,321	50,984,321	50,984,321

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

The maximum exposure to loss is equal to the current carrying amounts of the assets and liabilities recognized by the Fund. The Fund does not provide financial support to the Partnership, nor has the Fund provided any guarantees or other contingent support to the Partnership.

5 Financial instrument

Classification

As at March 31, 2025 and December 31, 2024 the classifications of the financial instruments, as well as their carrying and fair values, are as follows:

		Carrying and fair value	
		As at	As at
		March 31,	December 31,
		2025	2024
		\$	\$
	Classification		
Cash	Financial assets at amortized cost	64,885	1,044,762
Amounts due from related parties	Financial assets at amortized cost	3,472,944	3,458,888
Loan receivable from SIR Corp.	Financial assets at fair value through profit and loss	37,250,000	38,500,000
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	157,054	182,057
Amounts due to related parties	Financial liabilities at amortized cost	2,807,211	3,983,008

Carrying and fair values

Cash, amounts due from related parties, accounts payable and accrued liabilities, and amounts due to related parties are short-term financial instruments whose fair value approximates the carrying amount given that they will mature in the short term. The fair value of the SIR Loan, which approximates its carrying amount, is estimated to be \$37,250,000 (December 31, 2024 – \$38,500,000). 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. Changes in the estimated fair value of the SIR Loan are recorded in the condensed interim consolidated statement of earnings and comprehensive income.

Management has estimated the discount rate by considering comparable corporate bond rates, risk free rates and SIR's credit risk. During the three-month period ended March 31, 2025, management adjusted the discount rate from 7.90% at December 31, 2024 to 8.20% at March 31, 2025. 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 \$900,000 decrease or increase in the fair value of the SIR Loan.

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

6 Fund units

An unlimited number of Fund units may be issued pursuant to the Declaration of Trust. Fund units are redeemable by the holder at a price equal to the lesser of 90% of the market price of a Fund unit during the ten consecutive trading day period ending on the trading day immediately prior to the date on which the Fund units were surrendered for redemption and an amount based on the closing price on the redemption date, subject to certain restrictions. Each holder of Fund units participates pro rata in any distributions from the Fund.

As at March 31, 2025, there are 8,375,567 (December 31, 2024 – 8,375,567) Fund units issued and outstanding. Each Fund unit is entitled to one vote at any meeting of unitholders.

During the three-month period ended March 31, 2025, the Fund declared and paid distributions of \$0.095 per unit for the months of January to March 2025. Subsequent to March 31, 2025, distributions of \$0.095 per unit were declared and paid for the month of April 2025.

The distribution policy of the Fund is, at the discretion of the Trustees, to make distributions of its available cash to the fullest extent possible, taking into account trends in revenues, earnings and cash flows.

7 Earnings per Fund unit

Basic earnings per Fund unit is computed by dividing net earnings by the weighted average number of Fund units outstanding during the year.

SIR has the right to convert the Class A GP Units into Fund units. Diluted earnings per Fund unit is calculated using the weighted average number of Fund units outstanding adjusted to include the effect of the conversion of the Class A GP Units into Fund units.

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

The following table reconciles the basic and diluted weighted average number of Fund units outstanding and basic and diluted earnings per Fund unit:

Three-month period ended March 31, 2025				
	Basic	Adjustment for conversion of Class A GP Units		Diluted
Net earnings	\$ 1,044,123	\$ N/A	\$	1,044,123
Weighted average number of Fund units outstanding	8,375,567	N/A		8,375,567
Net earnings per Fund unit	\$ 0.12		\$	0.12
Three-month period ended March 31, 2024				
	Basic	Adjustment for conversion of Class A GP Units		Diluted
Net earnings	\$ 2,267,441	\$ N/A	\$	2,267,441
Weighted average number of Fund units outstanding	8,375,567	N/A		8,375,567
Net earnings per Fund unit	\$ 0.27		\$	0.27

For both three-month periods ended March 31, 2025 and March 31, 2024, the conversion of Class A GP Units into Fund Units is anti-dilutive. Therefore, the Class A GP Units are excluded from the calculation of diluted earnings per Fund unit.

8 Related party transactions and balances

During the three-month period ended March 31, 2025, the Fund recorded equity income of \$2,512,939 (three-month period ended March 31, 2024 – \$2,481,586) and received distributions of \$2,498,883 (three-month period ended March 31, 2024 – \$2,498,884) from the Partnership. 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 revenues generated by SIR for the restaurants subject to the Licence and Royalty Agreement. On January 1 of each year (the Adjustment Date), the restaurants subject to the Licence and Royalty Agreement are adjusted for new restaurants opened for at least 60 days preceding such Adjustment Date in the previous fiscal year. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units into Class A GP Units based on a conversion formula defined in the Partnership Agreement.

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

On January 27, 2022, SIR began offering Renegade Chicken takeout and delivery services on a trial basis. 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 freshly cut in-house fries, and targets the growing consumer demand for fried chicken within the fast-casual dining sector.

On January 1 of each year, Class B GP Units are converted into Class A GP Units for new SIR Restaurants added to the Royalty Pooled Restaurants based on 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted into 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 provided that actual revenues of the new SIR Restaurants exceed 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, 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 Restaurant 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 \$7,080,935 (January 1, 2024 - decreasing the value of the SIR rights by \$1,612,625).

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 \$36,292 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 \$52,099 in December 2023 and paid in February 2024).

Class A GP Units and Class B GP Units are held by SIR.

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, or SIR as the General Partner. SIR, on behalf of SIR GP Inc., also provides services to the Partnership for its administration. For the three-month period ended March 31, 2025, the Partnership provided these services to the Fund and the Trust for consideration of \$6,000 (three-month period ended March 31, 2024 - \$6,000),

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

which was the amount of consideration agreed to by the related parties and has been recorded in general and administrative expenses.

Amounts due from (to) related parties consist of:

	As at March 31, 2025 \$	As at December 31, 2024 \$
Interest receivable from SIR Corp.	250,000	250,000
Distributions receivable from SIR Royalty Limited Partnership	3,222,944	3,208,888
Amounts due from related parties	3,472,944	3,458,888

	As at March 31, 2025 \$	As at December 31, 2024 \$
Advances payable to SIR Royalty Limited Partnership	2,807,211	3,983,008

Amounts due from (to) related parties are non-interest bearing and due on demand. All advances were conducted as part of the normal course of business operations.

9 Net change in non-cash working capital items

Net change in non-cash working capital items comprises:

	Three-month period ended	
	March 31, 2025 \$	March 31, 2024 \$
Prepaid expenses and other assets	(48,450)	(12,923)
Accounts payable and accrued liabilities	(25,003)	(98,962)
Amounts due to related parties	(1,175,797)	184,155
	(1,249,250)	72,270

10 Economic dependence

The Fund's income is derived from the SIR Loan and distributions from the Partnership; accordingly, the Fund is economically dependent on SIR.

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2025 and March 31, 2024

(Unaudited)

11 Income taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

Income tax expense is as follows:

	Three-month period ended	
	March 31, 2025 \$	March 31, 2024 \$
Current	823,034	820,108
Deferred	32,000	36,000
	<u>855,034</u>	<u>856,108</u>

The Fund's income not distributed to its unitholders is taxable at a rate of 53.53% (2024 – 53.53%). Distributions to unitholders are taxable at the combined federal and provincial tax rate, which is 26.5% for the three-month period ended March 31, 2025 (three-month period ended March 31, 2024 – 26.5%).