

SIR Royalty Income Fund

Condensed Interim Consolidated Financial Statements
(Unaudited)

**For the three-month and six-month periods ended
June 30, 2025 and June 30, 2024**

SIR Royalty Income Fund

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

	June 30, 2025 \$	December 31, 2024 \$
Assets		
Current assets		
Cash	1,075,767	1,044,762
Income taxes recoverable	-	273,010
Amounts due from related parties (note 8)	3,879,799	3,458,888
Prepaid expenses and other assets	33,787	2,572
	4,989,353	4,779,232
Loan receivable from SIR Corp. (note 3)	38,250,000	38,500,000
Investment in SIR Royalty Limited Partnership (note 4)	50,984,321	50,984,321
	94,223,674	94,263,553
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	96,390	182,057
Income taxes payable	1,215,634	-
Amounts due to related parties (note 8)	2,985,785	3,983,008
	4,297,809	4,165,065
Deferred income taxes (note 11)	2,167,000	2,135,000
	6,464,809	6,300,065
Fund units (note 6)	96,169,787	96,169,787
Deficit	(8,410,922)	(8,206,299)
Total unitholders' equity	87,758,865	87,963,488
	94,223,674	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		Six-month period ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	\$	\$	\$	\$
Equity income from SIR Royalty Limited Partnership (notes 4 and 8)	2,905,737	2,845,703	5,418,676	5,327,289
Change in estimated fair value of the SIR Loan (note 3)	1,750,000	2,000,000	1,250,000	2,750,000
	4,655,737	4,845,703	6,668,676	8,077,289
General and administrative expenses (note 8)	135,172	162,642	248,954	270,679
Earnings before income taxes	4,520,565	4,683,061	6,419,722	7,806,610
Income tax expense (note 11)	995,239	859,646	1,850,273	1,715,754
Net earnings and comprehensive income for the period	3,525,326	3,823,415	4,569,449	6,090,856
Basic earnings per Fund unit (note 7)	\$0.42	\$0.46	\$0.55	\$0.73
Diluted earnings per Fund unit (note 7)	\$0.40	\$0.44	\$0.55	\$0.71

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)

	Six-month period ended June 30, 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	-	-	4,569,449	4,569,449
Distributions declared and paid (note 6)	-	-	(4,774,072)	(4,774,072)
Balance – End of period	8,375,567	96,169,787	(8,410,922)	87,758,865

	Six-month period ended June 30, 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	-	-	6,090,856	6,090,856
Distributions declared and paid (note 6)	-	-	(4,774,073)	(4,774,073)
Balance – End of period	8,375,567	96,169,787	(9,369,792)	86,799,995

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)

	Six-month period ended	
	June 30, 2025	June 30, 2024
	\$	\$
Cash provided by (used in)		
Operating activities		
Net earnings for the period	4,569,449	6,090,856
Items not affecting cash		
Change in estimated fair value of the SIR Loan (note 3)	(1,250,000)	(2,750,000)
Income tax expense (note 11)	1,850,273	1,715,754
Equity income from SIR Royalty Limited Partnership (notes 4 and 8)	(5,418,676)	(5,327,289)
Distributions received from SIR Royalty Limited Partnership (note 8)	4,997,765	4,997,765
Interest received on SIR Loan (note 3)	1,500,000	1,500,000
Income taxes paid	(329,629)	(936,698)
Net change in non-cash working capital items (note 9)	(1,114,105)	234,857
	4,805,077	5,525,245
Financing activities		
Distributions paid to unitholders	(4,774,072)	(4,774,072)
Change in cash during the period	31,005	751,173
Cash - Beginning of period	1,044,762	412,181
Cash - End of period	1,075,767	1,163,354

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

June 30, 2025 and June 30, 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 August 6, 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.

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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 Fund has not yet assessed the impact of the amendment on the 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 Fund has not yet assessed the impact of the amendment on the interim consolidated financial statements.

3 Loan receivable from SIR Corp.

	Three-month period ended June 30, 2025 \$	Six-month period ended June 30, 2025 \$	Year ended December 31, 2024 \$
Balance - Beginning of period	37,250,000	38,500,000	36,000,000
Interest received	(750,000)	(1,500,000)	(3,000,000)
Change in estimated fair value of the SIR Loan	1,750,000	1,250,000	5,500,000
Balance - End of period	38,250,000	38,250,000	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 and \$1,500,000 was recognized during the three-month and six-month periods ended June 30, 2025, respectively (three-month and six-month periods ended June 30, 2024 – \$750,000 and \$1,500,000). Interest of \$750,000 and \$1,500,000 was received during the three-month and six-month periods ended June 30, 2025 (three-month and six-month periods ended June 30, 2024 – \$750,000 and \$1,500,000). Interest of \$250,000 is outstanding and receivable from SIR Corp. at June 30, 2025.

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 7.95% as at June 30, 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.

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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 (see note 5).

During the six-month period ended June 30, 2025, on May 15, 2025, SIR entered into a new Credit Agreement ("New Credit Agreement") with a syndicate of two Schedule 1 Canadian chartered banks (the "Lenders") to refinance the previous credit facility. The New Credit Agreement provides for a three-year facility for a maximum principal amount of \$68,000,000 consisting of a \$5,000,000 revolving term credit facility (the "Operating Facility"), a \$38,000,000 revolving term loan (the "Term Facility") and a \$25,000,000 non-revolving term loan (the "Delayed Draw Facility"). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional \$1,500,000. The Term Facility was fully drawn at closing and was used to extinguish SIR's previous senior debt.

The Operating Facility is for general corporate and operating purposes, with full repayment due on May 15, 2028.

The initial advance on the Term Facility is repayable in quarterly instalments of \$792,000, with the remaining outstanding principal balance due on May 15, 2028. Subsequent advances on the Term Facility may be requested (subject to availability and lender approval), in a minimum amount of \$1,000,000 and in multiples of \$100,000, to finance capital spending on renovated restaurants. Each subsequent advance will be repayable in equal quarterly instalments based on a twelve-year amortization, with the remaining outstanding principal balance due on May 15, 2028.

The initial advance on the Delayed Draw Facility was \$912,000, repayable in quarterly instalments of \$21,000 with the first quarterly repayment to be made on August 28, 2026, and the remaining outstanding principal balance due on May 15, 2028. Subsequent advances on the Delayed Draw Facility may be requested (subject to availability and lender approval), in a minimum amount of \$250,000, to finance capital spending on new restaurants. Each subsequent advance will be subject to interest only payments for the first four quarters and interest plus principal repayable thereafter in equal quarterly instalments based on an eleven-year amortization, with the remaining outstanding principal balance due on May 15, 2028.

The Operating Facility, the Term Facility and the Delayed Draw Facility bear interest at the prime rate and/or the term CORRA rate plus an applicable margin that is dependent on the Senior Net Funded Debt to Adjusted EBITDA Ratio. A standby fee, dependent on the Senior Net Funded Debt to Adjusted EBITDA Ratio, is charged on the undrawn balance of each facility.

Under the new Intercreditor Agreement, absent any default or event of default under the New 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 Lenders have 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 New 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

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

The New Credit Agreement allows for repayment of the \$2.5 million shareholder loan, received by SIR on February 2, 2025, provided, among other conditions outlined in the New Credit Agreement, the entire outstanding amount, including all principal and interest, is repaid in a single payment and is made using excess cash on hand. The shareholder entered into a Subordination Agreement to subordinate the loan to the Lenders.

Subsequent to June 30, 2025, on July 28, 2025, SIR repaid the shareholder loan, including all accrued interest, in full.

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 June 30, 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.

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

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

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(Unaudited)

	Three-month period ended		Six-month period ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	\$	\$	\$	\$
Balance - Beginning of period	50,984,321	50,984,321	50,984,321	50,984,321
Equity income	2,905,737	2,845,703	5,418,676	5,327,289
Distributions declared	(2,905,737)	(2,845,703)	(5,418,676)	(5,327,289)
Balance - End of period	50,984,321	50,984,321	50,984,321	50,984,321

The summarized financial information of the Partnership is as follows:

	As at June 30, 2025 \$	As at December 31, 2024 \$
Cash	950,949	165,864
Other current assets	4,329,154	4,668,069
Intangible assets	99,075,730	91,994,795
Total assets	104,355,833	96,828,728
Current liabilities and total liabilities	5,280,093	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		Six-month period ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	\$	\$	\$	\$
Revenue	4,382,934	4,054,740	8,273,419	7,692,152
Net earnings and comprehensive income of the Partnership	4,315,308	4,000,608	8,168,236	7,600,595

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

	As at June 30, 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	<u>35,616,956</u>	<u>35,616,956</u>

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

	Three-month period ended		Six-month period ended	
	June 30, 2025 \$	June 30, 2024 \$	June 30, 2025 \$	June 30, 2024 \$
Net earnings and comprehensive income of the Partnership	4,315,308	4,000,608	8,168,236	7,600,595
Priority income distributed to SIR Corp. (Class C GP and Class B GP units)	(750,003)	(750,003)	(1,500,006)	(1,500,006)
Residual earnings	3,565,305	3,250,605	6,668,230	6,100,589
SIR Corp.'s share	(659,568)	(404,902)	(1,249,554)	(773,300)
Equity income	<u>2,905,737</u>	<u>2,845,703</u>	<u>5,418,676</u>	<u>5,327,289</u>

SIR Royalty Income Fund

Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited)

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 June 30, 2025 \$		As at December 31, 2024 \$	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Distributions receivable	3,629,799	3,629,799	3,208,888	3,208,888
Advances payable	(2,982,785)	(2,982,785)	(3,983,008)	(3,983,008)
Amounts due from (to) related parties	647,014	647,014	(774,120)	(774,120)
Investment in SIR Royalty Limited Partnership	50,984,321	50,984,321	50,984,321	50,984,321

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 instruments

Classification

As at June 30, 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 June 30, 2025 \$	As at December 31, 2024 \$
	Classification		
Cash	Financial assets at amortized cost	1,075,767	1,044,762
Amounts due from related parties	Financial assets at amortized cost	3,879,799	3,458,888
Loan receivable from SIR Corp.	Financial assets at fair value through profit and loss	38,250,000	38,500,000
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	96,390	182,057
Amounts due to related parties	Financial liabilities at amortized cost	2,985,785	3,983,008

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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 SIR Loan is carried at its estimated fair value of \$38,250,000 (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 June 30, 2025, management adjusted the discount rate from 7.90% at December 31, 2024 to 7.95% at June 30, 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.

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 June 30, 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 six-month period ended June 30, 2025, the Fund declared and paid distributions of \$0.095 per unit for the months of January to June 2025. Subsequent to June 30, 2025, distributions of \$0.10 per unit were declared and paid for the month of July 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 period.

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.

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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 June 30, 2025				
	Basic	Adjustment for conversion of Class A GP Units		Diluted
Net earnings	\$ 3,525,326	\$ 481,485	\$	4,006,811
Weighted average number of Fund units outstanding	8,375,567	1,569,147		9,944,714
Net earnings per Fund unit	\$ 0.42		\$	0.40
Six-month period ended June 30, 2025				
	Basic	Adjustment for conversion of Class A GP Units		Diluted
Net earnings	\$ 4,569,449	\$ N/A	\$	4,569,449
Weighted average number of Fund units outstanding	8,375,567	N/A		8,375,567
Net earnings per Fund unit	\$ 0.55		\$	0.55
Three-month period ended June 30, 2024				
	Basic	Adjustment for conversion of Class A GP Units		Diluted
Net earnings	\$ 3,823,415	\$ 295,578	\$	4,118,993
Weighted average number of Fund units outstanding	8,375,567	987,835		9,363,402
Net earnings per Fund unit	\$ 0.46		\$	0.44
Six-month period ended June 30, 2024				
	Basic	Adjustment for conversion of Class A GP Units		Diluted
Net earnings	\$ 6,090,856	\$ 564,508	\$	6,655,364
Weighted average number of Fund units outstanding	8,375,567	987,835		9,363,402
Net earnings per Fund unit	\$ 0.73		\$	0.71

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8 Related party transactions and balances

During the three-month and six-month periods ended June 30, 2025, the Fund recorded equity income of \$2,905,737 and \$5,418,676, respectively (three-month and six-month periods ended June 30, 2024 – \$2,845,703 and \$5,327,289, respectively) and received distributions of \$2,498,882 and \$4,997,765 (three-month and six-month periods ended June 30, 2024 – \$2,498,881 and \$4,997,765) 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.

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

SIR Royalty Income Fund

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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).

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 and six-month period ended June 30, 2025, the Partnership provided these services to the Fund and the Trust for consideration of \$6,000 and \$12,000, respectively, (three and six-month period ended June 30, 2024 – \$6,000 and \$12,000, respectively), 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 June 30, 2025 \$	As at December 31, 2024 \$
Interest receivable from SIR Corp.	250,000	250,000
Distributions receivable from SIR Royalty Limited Partnership	<u>3,629,799</u>	<u>3,208,888</u>
Amounts due from related parties	<u>3,879,799</u>	<u>3,458,888</u>
Advances payable to SIR Corp	3,000	-
Advances payable to SIR Royalty Limited Partnership	<u>2,982,785</u>	<u>3,983,008</u>
Amounts due to related parties	<u>2,985,785</u>	<u>3,983,008</u>

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.

SIR Royalty Income Fund

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(Unaudited)

9 Net change in non-cash working capital items

Net change in non-cash working capital items comprises:

	Six-month period ended	
	June 30, 2025	June 30, 2024
	\$	\$
Prepaid expenses and other assets	(31,215)	7,571
Accounts payable and accrued liabilities	(85,667)	(72,937)
Amounts due to related parties	(997,223)	300,223
	(1,114,105)	234,857

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.

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		Six-month period ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	\$	\$	\$	\$
Current	995,239	859,646	1,818,273	1,679,754
Deferred	-	-	32,000	36,000
	995,239	859,646	1,850,273	1,715,754

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 and six-month periods ended June 30, 2025 (three-month and six-month periods ended June 30, 2024 – 26.5%).