

SIR Royalty Limited Partnership

Condensed Interim Financial Statements
(Unaudited)

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

This document is being filed with the Canadian securities regulatory authorities via www.sedar.com by and/or on behalf of, and with the approval of, SIR Corp. While it is located under the SIR Royalty Income Fund's issuer profile on www.sedar.com as a matter of convenience to investors in the SIR Royalty Income Fund, it is not being filed by or on behalf of, or with the approval, authorization, acquiescence or permission of, (a) the SIR Royalty Income Fund or any of its trustees or officers, and (b) the SIR Holdings Trust or any of its trustees or officers. None of them have approved, authorized, permitted or acquiesced with respect to the filing or contents hereof.

SIR Royalty Limited Partnership

Condensed Interim Statements of Financial Position

(Unaudited)

	June 30, 2025 \$	December 31, 2024 \$
Assets		
Current assets		
Cash	950,949	165,864
Amounts due from related parties (note 6)	4,321,015	4,668,069
Prepaid expenses and other assets	8,139	-
	5,280,103	4,833,933
Intangible assets (note 3)	99,075,730	91,994,795
	104,355,833	96,828,728
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	195,138	333,654
Amounts due to related parties (note 6)	5,084,955	4,500,269
	5,280,093	4,833,923
Partners' interest (note 4)	99,075,740	91,994,805
	104,355,833	96,828,728

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

SIR Royalty Limited Partnership

Condensed Interim 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
	\$	\$	\$	\$
Revenues				
Royalty income (note 6)	4,376,934	4,048,740	8,261,419	7,680,152
Administration fee (note 6)	6,000	6,000	12,000	12,000
	4,382,934	4,054,740	8,273,419	7,692,152
Expenses				
General and administrative	33,335	20,844	52,222	39,646
Impairment loss on financial assets (note 6)	34,291	33,288	52,961	51,911
Net earnings and comprehensive income for the period	4,315,308	4,000,608	8,168,236	7,600,595

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

SIR Royalty Limited Partnership

Condensed Interim Statements of Partners' Interest

(Unaudited)

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

	Number of units (note 4)	Balance - January 1, 2025 \$	Units returned \$ (note 4)	Net Earnings for the period \$	Distributions declared \$	Balance – June 30, 2025 \$
Ordinary LP units	5,356,667	7,633,570	-	2,939,039	(2,939,039)	7,633,570
Class A LP units	3,018,900	27,983,375	-	2,479,607	(2,479,607)	27,983,375
Ordinary GP units	100	11	-	30	(30)	11
Class A GP units	1,569,147	16,377,848	7,080,935	1,249,554	(1,249,554)	23,458,783
Class B GP units	96,007,138	1	-	6	(6)	1
Class C GP units	4,000,000	40,000,000	-	1,500,000	(1,500,000)	40,000,000
		91,994,805	7,080,935	8,168,236	(8,168,236)	99,075,740

	Number of units (note 4)	Balance - January 1, 2024 \$	Units issued \$ (note 4)	Net Earnings for the period \$	Distributions declared \$	Balance – June 30, 2024 \$
Ordinary LP units	5,356,667	7,633,570	-	2,876,727	(2,876,727)	7,633,570
Class A LP units	3,018,900	27,983,375	-	2,450,532	(2,450,532)	27,983,375
Ordinary GP units	100	11	-	30	(30)	11
Class A GP units	987,835	17,990,473	(1,612,625)	773,300	(773,300)	16,377,848
Class B GP units	96,588,450	1	-	6	(6)	1
Class C GP units	4,000,000	40,000,000	-	1,500,000	(1,500,000)	40,000,000
		93,607,430	(1,612,625)	7,600,595	(7,600,595)	91,994,805

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

SIR Royalty Limited Partnership

Condensed Interim Statements of Cash Flows

(Unaudited)

	Six-month period ended June 30, 2025 \$	Six-month period ended June 30, 2024 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the period	8,168,236	7,600,595
Adjustments for non-cash items		
Net change in non-cash working capital		
items (note 8)	240,131	(1,112,071)
Impairment of financial assets	52,961	51,911
	<u>8,461,328</u>	<u>6,540,435</u>
Financing activities		
Distributions paid	<u>(7,676,243)</u>	<u>(7,239,553)</u>
Change in cash during the period	785,085	(699,118)
Cash - Beginning of period	<u>165,864</u>	<u>776,498</u>
Cash - End of period	<u>950,949</u>	<u>77,380</u>

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

SIR Royalty Limited Partnership

Notes to the Condensed Interim Financial Statements

June 30, 2025 and June 30, 2024

(Unaudited)

1 Nature of operations and seasonality

Nature of operations

SIR Royalty Limited Partnership (the Partnership) is a limited partnership formed under the laws of the Province of Ontario, Canada.

On October 1, 2004, SIR Royalty Income Fund (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 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 address of the Partnership's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The financial statements were approved by the Board of Directors of SIR GP Inc. 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, royalty income recognized by the Partnership will vary in conjunction with the seasonality in revenues experienced by SIR.

2 Basis of presentation

The Partnership 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 Limited Partnership

Notes to the Condensed Interim Financial Statements

June 30, 2025 and June 30, 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 Partnership 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 Partnership has not yet assessed the impact of the amendment on the interim consolidated financial statements.

3 Intangible assets

	Six-month period ended June 30, 2025 \$	Year ended December 31, 2024 \$
SIR Rights – Beginning of period	91,994,795	93,607,420
Adjustment to Royalty Pooled Restaurants	7,080,935	(1,612,625)
SIR Rights – End of period	99,075,730	91,994,795

The Partnership reviews the SIR Rights for indicators of impairment or whether there is any indication that an impairment loss recognised in prior periods, for an asset other than goodwill, should no longer exist or may have decreased. If any such indication exists, the Partnership shall estimate the recoverable amount of the SIR Rights to determine whether the carrying amount of the assets may be adjusted. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the asset, as determined by management). A reversal of previous impairment losses is recognized when the recoverable amount of the SIR Rights is higher than the carrying value. As at June 30, 2025, management did not note any indications of impairment.

SIR Royalty Limited Partnership

Notes to the Condensed Interim Financial Statements

June 30, 2025 and June 30, 2024

(Unaudited)

4 Partners' interest

The authorized and issued capital of the Partnership consists of the following:

Class	Authorized	Issued	As at	Issued	As at
			June 30, 2025		December 31, 2024
			Amount		Amount
			\$		\$
Class A LP Units	Unlimited	3,018,900	27,983,375	3,018,900	27,983,375
Class C LP Units	Unlimited	-	-	-	-
Ordinary LP Units	Unlimited	5,356,667	7,633,570	5,356,667	7,633,570
Ordinary GP Units	Unlimited	100	11	100	11
Class A GP Units (note 3)	Unlimited	1,569,147	23,458,783	987,835	16,377,848
Class B GP Units (note 3)	Unlimited	96,007,138	1	96,588,450	1
Class C GP Units	Unlimited	4,000,000	40,000,000	4,000,000	40,000,000
			<u>99,075,740</u>		<u>91,994,805</u>

Generally, the Partnership units have no voting rights, except in certain specified conditions.

Ordinary LP Units and Ordinary GP Units

The holders of the Ordinary LP Units are entitled to receive a pro rata share of all residual distributions.

The Ordinary GP Units have the right to receive distributions of \$5 per month in aggregate.

SIR GP Inc., a direct subsidiary of the Fund, holds 99 Ordinary GP Units and is the Managing General Partner. SIR holds the remaining Ordinary GP Unit and is the General Partner. The Fund and SIR have an 80% and 20% interest in the common shares of SIR GP Inc., respectively.

SIR Holdings Trust, a direct subsidiary of the Fund, holds all of the issued Ordinary LP Units.

Class A GP Units, Class A LP Units and Class B GP Units

The holders of the Class A GP Units are entitled to receive a pro rata share of all residual distributions, and the Class A GP Units are exchangeable into units of the Fund. The holders of the Class A LP Units are entitled to receive a pro rata share of all residual distributions.

Class B GP Units are convertible into Class A GP Units based on a conversion formula defined in the Partnership Agreement for each new restaurant opened in the previous fiscal year. On dissolution of the Partnership, the Class B GP Units are entitled to receive \$10 in aggregate.

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

SIR Royalty Limited Partnership

Notes to the Condensed Interim Financial Statements

June 30, 2025 and June 30, 2024

(Unaudited)

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 would be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. 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 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).

Effective January 1, 2025, SIR's residual interest in the Partnership is 15.78%.

Class A GP Units and Class B GP Units are held by SIR. Class A LP Units are held by SIR Holdings Trust, a direct subsidiary of the Fund.

Class C GP Units

The holders of Class C GP Units are entitled to receive a cumulative preferential monthly cash distribution equal to \$0.063 per Class C GP Unit held, payable on the dates that distributions are paid on the units of the Fund.

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.

SIR Royalty Limited Partnership

Notes to the Condensed Interim Financial Statements

June 30, 2025 and June 30, 2024

(Unaudited)

Class C LP Units

The Class C LP Units have similar attributes to the Class C GP Units.

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	As at
		June 30,	December 31,
		2025	2024
		\$	\$
	Classification		
Cash	Financial assets at		
	amortized cost	950,949	165,864
Amounts due from related parties	Financial assets at		
	amortized cost	4,321,015	4,668,069
Accounts payable and accrued liabilities	Financial liabilities at		
	amortized cost	195,138	333,654
Amounts due to related parties	Financial liabilities at		
	amortized cost	5,084,955	4,500,269

Carrying and fair value

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.

SIR Royalty Limited Partnership

Notes to the Condensed Interim Financial Statements

June 30, 2025 and June 30, 2024

(Unaudited)

6 Related party balances and transactions

	As at June 30, 2025 \$	As at December 31, 2024 \$
Royalties receivable from SIR Corp.	1,338,230	685,061
Advances receivable from the SIR Royalty Income Fund and its subsidiaries	2,982,785	3,983,008
Amounts due from related parties	4,321,015	4,668,069
Distributions payable to SIR Corp.	1,219,530	1,148,448
Advances payable to SIR Corp.	235,626	142,933
Amounts due to SIR Corp.	1,455,156	1,291,381
Distributions payable to SIR Royalty Income Fund and its subsidiaries	3,629,799	3,208,888
Amounts due to related parties	5,084,955	4,500,269

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

During the three-month and six-month periods ended June 30, 2025, the Partnership recognized an impairment loss of \$34,291 and \$52,961, respectively, on royalties receivable from SIR (three-month and six-month periods ended June 30, 2024 – impairment loss of \$33,288 and \$51,911, respectively) based on management's assessment of the SIR-specific risk.

A rate of 7.5% was applied to the royalties receivable to estimate an impairment provision as at June 30, 2025:

	As at June 30, 2025 \$
SIR Corp.	
Royalties receivable	1,446,736
Less: Provision for impairment	(108,506)
	1,338,230

SIR Royalty Limited Partnership

Notes to the Condensed Interim Financial Statements

June 30, 2025 and June 30, 2024

(Unaudited)

During the three-month and six-month periods ended June 30, 2025, the Partnership earned royalty income of \$4,376,934 and \$8,261,419, respectively, from SIR (three-month and six-month periods ended June 30, 2024 – \$4,048,740 and \$7,680,152, respectively). The Partnership's royalty income is determined based on 6% of the revenues from certain SIR Restaurants subject to the Licence and Royalty Agreement between the Partnership and SIR. SIR makes 13 Royalty payments based on SIR's 13 four- or five-week period fiscal year and, as such, royalty payments can fluctuate depending on how the four- or five-week periods coincide with the Partnership's calendar fiscal year. 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 the conversion formula defined in the Partnership Agreement (note 4).

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.

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 and six-month periods 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-month and six-month periods ended June 30, 2024 – \$6,000 and \$12,000, respectively), which was the amount of consideration agreed to by the related parties

7 Economic dependence

The partnership earns substantially all of its revenue from SIR; accordingly, the Partnership is economically dependent on SIR.

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.

SIR Royalty Limited Partnership

Notes to the Condensed Interim Financial Statements

June 30, 2025 and June 30, 2024

(Unaudited)

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 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 Royalty Limited Partnership

Notes to the Condensed Interim Financial Statements

June 30, 2025 and June 30, 2024

(Unaudited)

8 Net change in non-cash working capital items

	Six-month period ended	
	June 30, 2025	June 30, 2024
	\$	\$
Prepaid expenses and other assets	(8,139)	11,970
Amounts due from related parties	294,093	(977,321)
Amounts due to related parties	92,693	20,451
Accounts payable and accrued liabilities	(138,516)	(167,171)
	240,131	(1,112,071)