

Slate Office REIT

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

Slate Office REIT

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Unitholders of Slate Office REIT

Opinion

We have audited the consolidated financial statements of Slate Office REIT ("the Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021
- the consolidated statements of income (loss) for the years then ended
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the fair value of income producing properties

Description of the matter

We draw attention to Note 3 (xxii) and Note 6 to the financial statements. Investment properties are measured at fair value. The fair value is determined by management, and from time to time in conjunction with independent real estate valuation experts using recognized valuation techniques. Investment properties include income producing properties. The Entity has recorded income producing properties at fair value for an amount of \$1,754,338 thousand. Significant assumptions in determining the fair value of income producing properties include:

- future cash flows to be generated by the income producing properties.
- the terminal capitalization rates and discount rates applied to these cash flows.

Why the matter is a key audit matter

We identified the evaluation of the fair value of income producing properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the high degree of estimation uncertainty in determining the fair value of income producing properties. In addition, significant auditor judgement and involvement of those with specialized skills and knowledge were required in evaluating the results of, our audit procedures due to the sensitivity of the fair value of income producing properties to minor changes in significant assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

For a selection of income producing properties, we assessed the Entity's ability to accurately forecast by comparing the future cash flows to be generated by the income producing properties used in the prior year's estimate of the fair value of income producing properties to actual results.

For a selection of income producing properties, we compared the future cash flows to be generated by the income producing properties used by management and independent real estate valuation experts to the actual historical cash flows. We took into account the changes in conditions and events affecting the income producing properties to assess the adjustments, or lack of adjustments, made by management and independent real estate valuation experts in arriving at those future cash flows.

We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the terminal capitalization rates and discount rates of the overall income producing properties portfolio, used by management and independent real estate valuation experts. These rates were evaluated by comparing them to published reports of real estate commentators and the implied rates from recent sales of similar properties while considering the features of the specific income producing property.

We evaluated the competence, capabilities, and objectivity of the independent real estate valuation experts by:

- Inspecting evidence that the independent real estate valuation experts are in good standing with the Appraisal Institute.
- Considering whether the independent real estate valuation experts have the appropriate knowledge in relation to the specific types of income producing properties.
- Reading the reports of the independent real estate valuation experts which refers to their independence.

Other Information

Management is responsible for the other information. Other information comprises:

- Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indicators that the other information appears to be materially misstated.

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Handwritten signature of KPMG LLP in black ink, with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Farah Bundeali.

Toronto, Canada

February 21, 2023

Slate Office REIT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Investment properties	6	\$ 1,754,338	\$ 1,591,958
Finance lease receivable	7	43,213	46,793
Other assets	8	538	1,748
Derivatives	12	26,476	—
Restricted cash		5,300	2,623
		\$ 1,829,865	\$ 1,643,122
Current assets			
Finance lease receivable	7	3,580	3,363
Other assets	8	5,668	7,750
Accounts receivable	9	10,344	9,808
Subscription receipt funds in escrow	15	—	53,912
Convertible debentures funds in escrow		—	81,043
Cash		19,905	9,909
		\$ 39,497	\$ 165,785
Total assets		\$ 1,869,362	\$ 1,808,907
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Debt	10	\$ 779,226	\$ 883,333
Other liabilities	11	5,918	5,055
Derivatives	12	—	11,118
Deferred taxes	27	454	2,750
Accounts payable and accrued liabilities	14	—	1,791
Class B LP units	13	22,832	26,426
		\$ 808,430	\$ 930,473
Current liabilities			
Debt	10	374,027	162,209
Subscription receipts	15	—	56,125
Other liabilities	11	1,222	1,453
Accounts payable and accrued liabilities	14	39,712	36,680
Taxes payable		1,605	—
		\$ 416,566	\$ 256,467
Total liabilities		\$ 1,224,996	\$ 1,186,940
Unitholders' equity		\$ 644,366	\$ 621,967
Total liabilities and unitholders' equity		\$ 1,869,362	\$ 1,808,907

The accompanying notes are an integral part of the consolidated financial statements

Slate Office REIT

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in thousands of Canadian dollars)

	Note	Year ended December 31,	
		2022	2021
Rental revenue	18	\$ 196,515	\$ 172,650
Property operating expenses		(104,117)	(94,106)
Finance income on finance lease receivable	7	3,057	3,262
Interest income		485	489
Interest and finance costs	19	(52,944)	(44,089)
General and administrative expenses	20	(11,191)	(8,033)
Change in fair value of financial instruments	21	39,144	18,824
Change in fair value of investment properties	6	(87,665)	8,708
Depreciation of hotel asset	6	(966)	(1,022)
Transaction costs	5	(1,240)	(657)
Deferred income tax recovery (expense)	27	2,405	(2,728)
Current income tax expense	27	(1,584)	—
Net income (loss) before Class B LP units		\$ (18,101)	\$ 53,298
Change in fair value of Class B LP units	13	3,594	(4,546)
Distributions to Class B LP unitholders	17	(2,112)	(2,112)
Net income (loss)		\$ (16,619)	\$ 46,640

Slate Office REIT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars)

	Note	Year ended December 31,	
		2022	2021
Net income (loss)		\$ (16,619)	\$ 46,640
Other comprehensive loss to be subsequently reclassified to profit or loss:			
Foreign currency translation gain (loss)		11,139	(710)
Total other comprehensive gain (loss)		11,139	(710)
Comprehensive income (loss)		\$ (5,480)	\$ 45,930

The accompanying notes are an integral part of the consolidated financial statements

Slate Office REIT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)

	Note	Trust units	Retained earnings	Accumulated other comprehensive loss	Total equity
December 31, 2021		\$ 518,888	\$ 109,051	\$ (5,972)	\$ 621,967
Equity offering, net of issuance costs	16	60,202	—	—	60,202
Distributions	17	—	(31,613)	—	(31,613)
Repurchase of units	16	(710)	—	—	(710)
Net and comprehensive income (loss)		—	(16,619)	11,139	(5,480)
December 31, 2022		\$ 578,380	\$ 60,819	\$ 5,167	\$ 644,366

	Note	Trust units	Retained earnings	Accumulated other comprehensive loss	Total equity
December 31, 2020		\$ 520,514	\$ 89,491	\$ (5,262)	\$ 604,743
Equity issuance costs	16	(1,626)	—	—	(1,626)
Distributions	17	—	(27,080)	—	(27,080)
Net and comprehensive income (loss)		—	46,640	(710)	45,930
December 31, 2021		\$ 518,888	\$ 109,051	\$ (5,972)	\$ 621,967

The accompanying notes are an integral part of the consolidated financial statements

Slate Office REIT

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

	Note	Year ended December 31,	
		2022	2021
OPERATING ACTIVITIES			
Net income (loss)		\$ (16,619)	\$ 46,640
Items not affecting cash:			
Depreciation of hotel asset	6	966	1,022
Change in fair value of investment properties	6	87,665	(8,708)
Straight-line rent and other changes	6	9,115	8,489
Change in fair value of Class B LP units	13	(3,594)	4,546
Change in fair value of financial instruments	21	(39,144)	(18,824)
Deferred income tax expense	27	(2,405)	2,728
Finance income on finance lease receivable	7	(3,057)	(3,262)
Finance interest payments received on finance lease receivable	7	3,057	3,262
Distributions declared to Class B LP unitholders	17	2,112	2,112
Distributions paid to Class B LP unitholders	17	(2,112)	(2,112)
Interest income		(485)	(489)
Interest received		485	489
Interest and finance costs	19	52,944	44,089
Interest paid		(46,462)	(40,138)
Subscription receipt equivalent amount paid	19	(1,121)	—
Changes in working capital items		8,218	(1,612)
		\$ 49,563	\$ 38,232
INVESTING ACTIVITIES			
Acquisition of properties	4	(223,308)	—
Dispositions	5	85,493	35,089
Subscription receipt funds in escrow	15	—	(53,912)
Convertible debentures receivable	10	81,043	(81,043)
Capital expenditures	6	(22,924)	(24,698)
Leasing costs	6	(12,535)	(12,863)
Proceeds from vendor-take-back loan	8	500	—
Principal payments received on finance lease receivable	7	3,363	3,159
		\$ (88,368)	\$ (134,268)
FINANCING ACTIVITIES			
Settlement of Euro forward contract	12	(156)	—
Proceeds from issuance of units	16	62,600	—
Equity issuance costs	16	(2,398)	(1,626)
Repurchase of units	16	(710)	—
Distributions on REIT units	17	(31,204)	(27,080)
Mortgage advances	28	38,961	31,744
Subscription receipts	15	—	55,003
Issuance of convertible debentures, net	10	45,000	84,200
Convertible debentures costs	28	(2,566)	(3,584)
Mortgage repayments	28	(99,517)	(10,464)
Financing costs on debt	28	(7,157)	(2,490)
Draws (repayments) on revolving and term facilities, net	28	46,900	(28,262)
		\$ 49,753	\$ 97,441
Foreign exchange loss on cash held in foreign currency		(952)	(16)
Increase in cash		\$ 9,996	\$ 1,389
Cash, beginning of period		9,909	8,520
Cash, end of period		\$ 19,905	\$ 9,909

The accompanying notes are an integral part of the consolidated financial statements

Slate Office REIT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

1. DESCRIPTION OF THE REIT AND OPERATIONS

Slate Office REIT (the "REIT") is an unincorporated, open-ended real estate investment trust governed by the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of March 21, 2016, as amended on March 1, 2019 and as further amended on May 13, 2021, as it may be further amended, supplemented or amended and restated from time to time (the "Declaration of Trust"). At December 31, 2022, the REIT's portfolio consists of 54 commercial properties located in Canada, the United States, and Ireland. The units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbol "SOT.UN".

The principal, registered and head office of the REIT is 121 King Street West, Suite 200, Toronto, Ontario, Canada, M5H 3T9.

Key management personnel of the REIT are employed by Slate Asset Management L.P. ("SLAM"). The REIT has a management agreement (the "Management Agreement") with Slate (as defined below), whereby Slate Management ULC ("SMULC"), a subsidiary of SLAM (collectively, "Slate"), as the REIT's manager, provides the REIT with the strategic, administrative, property management, leasing, acquisition, financing and construction management services necessary to manage the strategy and day-to-day operations of the REIT and its assets.

2. BASIS OF PREPARATION

i. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on February 21, 2023.

iii. Basis of measurement

These consolidated financial statements have been prepared on a going concern basis and measured at historical cost except for investment properties, subscription receipts, performance payments and certain financial instruments including derivatives and Class B LP units, which are measured at fair value.

The application of the going concern basis of presentation assumes that the REIT will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The REIT expects to continue as a going concern for the foreseeable future.

iv. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the REIT's functional currency and the functional currency of all of its subsidiaries, except for subsidiaries directly or indirectly holding property in the United States of America (the "U.S.") for which the functional currency is U.S. dollars and the Republic of Ireland ("Ireland") for which the functional currency is Euros.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the significant accounting policies described below.

i. Basis of consolidation

The consolidated financial statements include the accounts of the REIT and its subsidiaries in accordance with IFRS 10, *Consolidated Financial Statements*. Intercompany transactions and balances have been eliminated on consolidation.

A subsidiary is an entity over which the REIT has control. Control exists when the REIT has power over an investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed when necessary to align them with the policies applied by the REIT in these consolidated financial statements.

Changes in the REIT's ownership interests in subsidiaries that do not result in the REIT losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the REIT's interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the unitholders of the REIT. When the REIT loses control of a subsidiary, for example through sale or partial sale, a gain or loss is recognized and is calculated as

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(in thousands of Canadian dollars)

the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests.

ii. Joint arrangements

A joint arrangement is a contractual arrangement in which the REIT has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the return of an arrangement. The REIT classifies joint arrangements as either joint operations or joint ventures.

A joint operation is a joint arrangement wherein the parties have rights to the assets and obligations for the liabilities. The REIT's interest in a joint operation is accounted for based on the REIT's interest in those assets, liabilities, revenues, and expenses.

iii. Investment properties

Investment properties are held primarily to earn rental income for capital appreciation or for both, but are not for sale in the ordinary course of business. The REIT accounts for its investment properties in accordance with IAS 40, *Investment Property* ("IAS 40"). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination. Acquisitions of investment properties that do not meet the definition of a business are initially measured at cost including directly attributable transaction costs.

Subsequent to acquisition, investment properties are measured at fair value, which is determined based on available market evidence at the statement of financial position date. The determination of fair value of investment properties requires the use of significant assumptions such as future cash flows from investment properties including, but not limited to tenant profiles, future revenue streams and overall repair and condition of the property, capitalization rates, terminal capitalization rates and discount rates applicable to those investment properties. Changes in fair value of investment properties are recognized in net income in the period in which they arise.

The carrying value of investment properties includes the impact of straight-line rent, tenant inducements, direct leasing costs and adjustments related to the impact of IFRIC 21, *Leases* ("IFRIC 21") adjustments.

Direct leasing costs include leasing commissions, lease incentives, and legal fees directly attributable to negotiating and arranging a lease. Lease incentives that are spent on improvements are referred to as tenant improvements and are capitalized. All other lease incentives are referred to as tenant inducements. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized on a straight-line basis over the term of a lease as a reduction of revenue.

An investment property held under an operating lease that meets the definition of an investment property is recognized in the REIT's consolidated statements of financial position and measured at fair value.

When an investment property is disposed of, the gain or loss is determined as the difference between the sales price and the carrying amount of the property and is recognized in net income in the period of disposal as a change in the fair value of investment property. Sales costs are recorded as disposition costs on the consolidated statement of net income.

iv. Business combinations

The REIT accounts for investment property acquisitions as a business combination if the particular assets and set of activities acquired can be operated and managed as a business in its current state. The REIT applies the acquisition method to account for business combinations. The consideration transferred for a business combination is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the REIT. The total consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

The REIT recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration is recognized as a liability in accordance with IFRS 9, *Financial Instruments* ("IFRS 9") primarily in net income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

v. Restricted cash

Restricted cash represents amounts held in reserve for capital improvements and holdbacks as required by mortgages and tenant leases.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

vi. Provisions

A provision is recognized if, as a result of a past event, the REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for site remediation in respect of contaminated land and the related expenses is recognized when the contamination becomes known. For the years ended December 31, 2022 and 2021, the REIT did not recognize a provision for site remediation.

A provision for decommissioning including site restoration and related expenses is recognized and measured as the present value of estimated future expenditures determined in accordance with local conditions and discounted using a risk-free interest rate with a corresponding amount added to the carrying amount of the related investment property. The provision is accreted over time to reflect the unwinding of the discount. The provision is remeasured at the end of each reporting period to reflect changes in estimates and circumstances, including estimates of future cash flows and risk-free interest rates. All changes to the provision for decommissioning are included in the carrying amount of the related investment property.

vii. Leases

Leases where the REIT, as the lessor, does not transfer substantially all the risks and rewards of ownership of its investment properties are classified as operating leases. Leases that transfer substantially all the risks and rewards of ownership of an asset are classified as finance leases. As a lessee, the REIT recognizes assets and liabilities for all leases with terms greater than twelve months unless the underlying asset is of low value.

viii. Revenue recognition

Revenue from investment properties includes rents from tenants under lease agreements, percentage rents, property tax and operating cost recoveries and other incidental income. Lease components, including rents from tenants, percentage rents, and property tax recoveries are accounted for pursuant to IFRS 16, *Leases* ("IFRS 16") and are therefore outside the scope of IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). Non-lease components, which includes operating costs recoveries, are within the scope of IFRS 15. The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. This occurs on the lease inception date or, where the REIT is required to make additions to the property in the form of tenant improvements that enhance the value of the property, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. Straight-line rent, which is included in the carrying amount of the investment property, is the difference between the cumulative rental revenue recorded and the contractual amount received. Operating cost recoveries are recognized in the period that services are performed and are chargeable to tenants.

ix. Expenses

Property operating expenses and other expenses are recognized in net income in the period in which they are incurred.

x. Other comprehensive income ("OCI")

Comprehensive income consists of net income and OCI. OCI represents changes in the REIT's equity during a period arising from transactions and other events with non-owner sources.

xi. Income taxes

The REIT is a mutual fund trust and real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a real estate investment trust that meets prescribed conditions is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes in Canada provided its taxable income is fully distributed to unitholders. The REIT intends to distribute all of its taxable income to unitholders. The REIT is liable to pay income taxes in foreign countries on earnings from investment properties it owns in those locations.

Current income tax assets and liabilities are measured at the amount expected to be received from or paid to tax authorities based on the tax rates and laws enacted or substantively enacted at the date of the consolidated statements of financial position. Deferred tax liabilities are measured by applying the appropriate tax rate to temporary differences between the carrying amounts of assets and liabilities, and their respective tax basis. The appropriate tax rate is determined by reference to the rates that are expected to apply to the year and the jurisdiction in which the assets are expected to be realized or the liabilities settled. Deferred tax assets are recorded for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. For the determination of deferred tax assets and liabilities where the property is measured using the fair value model, the presumption is that the carrying amount of an investment property is recovered through sale, as opposed to

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(in thousands of Canadian dollars)

presuming that the economic benefits of an investment property will be substantially consumed through use over time. Current and deferred income taxes are recognized in correlation to the underlying transaction in net income.

xii. Trust units

The REIT's trust units are redeemable at the option of the holder and, therefore, are considered puttable instruments. In accordance with IAS 32, *Financial instruments: Presentation* ("IAS 32"), puttable instruments are classified as financial liabilities, except where certain conditions are met; in which case, the puttable instruments are classified as equity. The REIT has determined that it has met the conditions set out in IAS 32 that permit instruments that otherwise meet the definition of a financial liability to be classified as equity. Accordingly, the REIT's trust units are classified and accounted for as equity instruments.

Distributions on trust units are recorded in retained earnings in the period they are approved.

xiii. Class B LP units

Class B limited partnership units ("Class B LP units") of certain limited partnership subsidiaries of the REIT are exchangeable into trust units of the REIT at the option of the holder. As described above, the REIT's trust units are puttable instruments and, therefore, the Class B LP units meet the definition of a financial liability under IAS 32. The Class B LP units are designated as fair value through profit and loss ("FVTPL"). The fair value of the Class B LP units is remeasured at the end of each reporting period with changes in fair value recorded in net income. Distributions paid on the Class B LP units are recorded in income when declared as distributions to Class B LP unitholders in net income. Upon exchange into REIT units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date is reclassified to unitholders' equity.

xiv. Financial instruments

Financial instruments are classified as follows: (i) amortized cost, (ii) FVTPL, (iii) fair value through other comprehensive income ("FVTOCI"). The REIT has made the following classifications:

Financial instrument	Classification
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivable	Amortized cost
Other assets	Amortized cost and FVTPL
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost
Subscription receipts	FVTPL
Other liabilities	Amortized cost
Derivatives	FVTPL
Hedges of net investments	FVTOCI
Class B LP units	FVTPL

All financial assets and liabilities are measured at fair value on initial recognition.

Transaction costs, other than those related to financial instruments classified as FVTPL, are capitalized to the carrying amount of the instrument. These costs include amortization of discounts or premiums on borrowings, fees and commissions paid to agents, brokers and advisers, transfer taxes, and duties that are incurred in connection with the arrangement of borrowings.

Subsequent to initial recognition, financial instruments are measured at amortized cost, using the effective interest rate method. Financial instruments classified as FVTPL are measured at fair value with gains and losses recognized in net income and comprehensive income. Hedges of net investments are measured at fair value with unrealized gains and losses recognized in OCI.

The REIT derecognizes a financial asset or liability when its contractual rights or obligations expire, or it transfers its rights or obligations in a transaction in which substantially all the risks and rewards of ownership are transferred. Any rights and obligations created or retained by the REIT in a transfer are recognized as separate assets or liabilities.

xv. Compound financial instruments

Components of a financial instrument that contains both a financial liability and an equity component are recognized separately. The carrying amount assigned to the equity component on initial recognition is the residual amount after deducting the fair value of the financial liability from the fair value of the financial instrument as a whole.

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Transaction costs relating to the issuance of compound instruments are allocated to the liability and equity components in proportion to the allocation of proceeds.

xvi. Convertible debentures

Convertible debentures issued by the REIT are convertible into a fixed number of units at the option of the holder and are redeemable by the REIT under certain conditions. The convertible debentures are separated into their debt component and embedded derivative features which are accounted for separately. The debt component of the convertible debentures is recognized initially at the fair value of a similar debt instrument without the embedded derivative features. Subsequent to initial recognition, the debt component is measured at amortized cost using the effective interest method. The embedded derivative features include a holder conversion option at any time and an issuer redemption option under certain conditions. The multiple embedded derivative features are treated as a single compound embedded derivative liability and initially recognized at fair value. Subsequent to initial recognition, changes in fair value are recognized in net income. Upon issuance, any directly attributable costs are allocated to the debt component and embedded derivative liability in proportion to their initial carrying amounts.

For the debt component, the financing costs are reflected in the determination of the effective interest rate. For the embedded derivative liability, the financing costs are immediately expensed. Upon conversion, the carrying amount of the debt component and the related fair value of the derivative liability as of the date of conversion are transferred to equity. Upon redemption, the redemption proceeds are compared to the carrying amount of the debt component and the related fair value of the embedded derivative extinguished as of the date of redemption, and any gain or loss on redemption is recognized in net income.

xvii. Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the REIT considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date, unless otherwise noted.

Except as noted, the carrying value of the REIT's financial assets and short term financial liabilities approximate their fair values because of the short period until receipt or payment of cash. The fair values of other financial liabilities are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Fair value measurements recognized in the statements of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the REIT can access at the measurement date.
- Level 2: Inputs other than quoted prices included in level 1, which are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

Class B LP units and deferred units are measured at fair value based on the market trading price of REIT units consistent with level 1. The fair values of derivative instruments are calculated using quoted rates. An interest rate valuation methodology, which is a level 2 input, is used to value interest rate swaps and interest rate caps. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments. Investment properties and all other fair value measurements for non-derivative financial instruments are measured using level 3 inputs.

xviii. Deferred unit incentive plan

The REIT has a deferred unit incentive plan ("Trustee DUP") whereby Trustees of the REIT may elect to receive all or a portion of their Trustee fees in the form of deferred units that vest immediately upon grant. The deferred units are equivalent in value to REIT units and accumulate additional deferred units at the same rate that distributions are paid on REIT units in relation to the market value of REIT units, as defined by the Trustee DUP. Deferred units may be redeemed by a participant for a period of two years after the participant ceases to be a Trustee of the REIT in whole or in part for cash or REIT units. The value of deferred units when converted to cash will be equivalent to the market value of REIT units on the date of the redemption request. Deferred units have been classified as a liability and measured at fair value. Changes in the fair value of deferred units is recorded as a gain or loss in net income and comprehensive income in the period of the change.

The REIT also has a deferred unit plan for officers of the REIT ("Officer DUP"). The Officer DUP provides officers of the REIT the opportunity to receive deferred units of the REIT. The maximum number of deferred units reserved for issuance under the Officer DUP is 1% of total units outstanding. One deferred unit, which vests immediately on the grant date, is equal to one REIT unit. Any units issued under the Officer DUP will result in an equal reduction in the asset management fee payable to SMULC, based on the trading price of units

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on the day of issuance. The deferred units may be redeemed by a participant after two years following the date the units were issued in whole or in part for cash or REIT units. The value of the deferred units when converted to cash will be equivalent to the market value of REIT units on the date of the redemption request. Deferred units have been classified as a liability and measured at fair value. Changes in the fair value of deferred units is recorded as a gain or loss in net income in the period of the change.

xix. Interest and finance costs

Interest and finance costs comprise interest expense on borrowings, amortization or derecognition of mark-to-market adjustments on assumption of mortgages, amortization of financing costs, accretion expense, and the subscription receipts equivalent amount. As described above, distributions to Class B LP unitholders are also considered financing costs under IFRS and are recorded as distributions to Class B LP unitholders in net income.

Financing costs associated with financial liabilities measured at amortized cost such as mortgages payable and the revolving credit facility are netted against the carrying amount of the related debt instrument and amortized using the effective interest method over the term of the related debt.

xx. Foreign exchange

The REIT accounts for its investment in its U.S. wholly owned subsidiaries as U.S. dollar functional currency foreign operations and for its Irish wholly owned subsidiaries as Euro functional currency operations. Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the consolidated statements of financial position dates and revenue and expenses are translated at the average exchange rates for the reporting periods. The foreign currency translation adjustment is recorded as a separate component of accumulated other comprehensive income (loss) until there is a reduction in the REIT's net investment in the foreign operations.

Assets and liabilities denominated in a currency other than the functional currency are translated into the functional currency at the exchange rates in effect at the consolidated statements of financial position dates and revenue and expenses are translated at the actual exchange rate on the date incurred, with any gain (loss) recorded in net income, unless the asset or liability is designated as a hedge of the REIT's net investment in its U.S. or Irish subsidiaries, in which case the related gain (loss) is also included as a foreign currency translation adjustment in accumulated other comprehensive income.

xxi. Levies

Under IFRS Interpretations Committee Interpretation 21, *Levies* ("IFRIC 21") realty taxes payable by the REIT are considered levies. IFRIC 21 provides guidance on when to recognize a liability for levies that are accounted for in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and those where the timing and amount of the levy are certain. Levies are outflows from an entity imposed by a government in accordance with legislation. The REIT has assessed property taxes as being within the scope of IFRIC 21, given that property taxes are non-reciprocal charges imposed by a government, in accordance with legislation, and are based on the assessed value of property. IFRIC 21 confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. The REIT has determined that the liability to pay property taxes on its investment properties should be recognized at a point in time, being the start of the fiscal year. This resulted in the REIT recognizing the annual property tax liability and expense on its investment properties.

xxii. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions the REIT may undertake in the future, actual results may differ from these estimates.

Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are discussed below:

- **Business combinations**

The REIT acquires real estate properties. At the time of acquisition, the REIT considers whether or not the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Consideration is made to the extent to which significant processes are acquired and the extent of ancillary services provided by the property, e.g. maintenance, cleaning, security, bookkeeping, etc. The significance of any process is judged with reference to the guidance in IAS 40 regarding ancillary services.

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When the acquisition of a property does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill is recognized.

- **Leases**

The REIT makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property are operating or finance leases. Assets under leases that transfer to the tenant substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. The REIT has determined that its lease for the Data Centre is a finance lease.

- **Lease incentives**

Lease incentives such as rent-free periods and lessee or lessor owned improvements may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease. This assessment requires the consideration of several factors, including whether the incentives enhance the value of the property, uniqueness of the improvements, and tenant discretion in use of funds.

- **Income taxes**

The REIT has determined that it qualifies as a mutual fund trust under the Income Tax Act (Canada). Therefore it is not subject to Canadian income taxes as it intends to continue to meet prescribed conditions under the Income Tax Act (Canada) and make distributions not less than the amount necessary to ensure that it is not liable to pay income taxes under current Canadian tax legislation. The REIT is subject to foreign taxes in respect of its earnings from investment properties held in jurisdictions outside of Canada.

Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Estimates that have the most significant impact on the consolidated financial statements include:

- **Valuation of investment properties**

The fair value of investment properties is determined by management, and from time to time in conjunction with independent real estate valuation experts using recognized valuation techniques. The determination of the fair value of investment property requires the use of significant assumptions such as future cash flows from investment properties including, but not limited to tenant profiles, future revenue streams and overall repair and condition of the property, capitalization rates, terminal capitalization rates, and discount rates applicable to those investment properties. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with independent real estate valuation experts, in their determination of the fair value of the investment properties:

- a. **Income approach**

This approach derives market value by estimating the future cash flows to be generated by the property and then applying an appropriate capitalization rate, terminal capitalization rate or discount rate to those cash flows. This approach can utilize the overall income capitalization method and/or the discounted cash flow analysis, as described below:

Overall income capitalization method: Fair values are calculated by applying a capitalization rate appropriate for each investment property to future cash flows based on a stabilized net operating income. Year one income is stabilized and capitalized at a rate appropriate for each investment property. Capitalization rates and future cash flows are the most significant assumptions in determining fair values under the overall capitalization method. Stabilized net operating income is determined as the property's potential gross income that could be generated at full capacity, less a vacancy and collection allowance. The capitalization rate used is derived from analysis of comparable sales data and the relative relationship of other investment properties' net operating incomes over their sale price. In many cases, industry surveys are available that provide indicative ranges of capitalization rates for recently sold properties or views on value, however, certain adjustments are required to adjust for the specific nature, location and quality of investment properties.

Discounted cash flow method: Fair values are primarily determined by discounting future cash flows, generally over a term of 10 years, including a terminal value based on the application of a terminal capitalization rate to estimated year 11 net operating income.

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For both methods, future cash flows, capitalization rates, terminal capitalization rates, and discount rates are the most significant assumptions in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions.

b. Direct comparison approach

This approach involves comparing investment properties similar to the property for which fair value is being estimated and making adjustments to reconcile differences in size, location, nature and the quality of the property.

The REIT determines the fair value of investment properties based upon either the overall income capitalization rate method, discounted cash flow method, direct comparison approach or in certain circumstances a combination of these methods. The direct comparison approach and overall income capitalization method were not utilized during the current fiscal period.

The fair values of investment properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's investment properties taken in aggregate may differ from the fair value of investment properties measured individually in the REIT's consolidated statements of financial position.

4. ACQUISITIONS

2022 Acquisitions

In the year ended December 31, 2022, the REIT completed the following acquisitions:

- On February 7, 2022, the REIT acquired a portfolio of 23 office, life sciences and lite-industrial properties located in Ireland ("Yew Grove"). The total asset value of the portfolio at the time of acquisition was approximately \$264.4 million. The acquisition was partially funded by cash on hand and by:
 - The proceeds of the sale of 11,225,000 subscription receipts ("Subscription Receipts"), which closed on November 19, 2021, at a price of \$4.90 per Subscription Receipts for gross proceeds of approximately \$55.0 million (the "Offering"), and the proceeds of the sale of \$75.0 million aggregate principal amount of 5.50% extendible unsecured subordinated convertible debentures of the REIT (note 10), which closed on November 19, 2021, as well as the sale of an additional \$9.2 million aggregate principal amount of convertible debentures pursuant to the partial exercise of the convertible debenture over-allotment option granted by the REIT to the syndicate of underwriters in connection with the Offering, which closed on December 17, 2021. The subscription receipts became units of the REIT on February 7, 2022;
 - The private placement of 1,183,800 units of the REIT to SLAM at a price of \$4.90 per unit for gross proceeds of approximately \$5.8 million (note 16 and 22).
- On November 1, 2022, the REIT acquired a newly retrofitted Class A office property in Chicago, Illinois ("275 North Field") for \$26.9 million. The acquisition was partially funded by cash on hand and by proceeds of the sale of \$45.0 million of 7.50% convertible unsecured subordinated debentures of the REIT.

A summary of the acquisitions are as follows:

	275 North Field		Yew Grove		Total
Acquisition date	November 1, 2022		February 7, 2022		
Location	Chicago, IL		Ireland		
Number of properties	1		23		24
REIT's interest	100 %		100 %		
Purchase price	\$	26,919	\$	257,822	\$ 284,741
Transaction costs		489		10,066	10,555
Adjustments		252		—	252
Debt principal amount assumed		—		(72,240)	(72,240)
Investment	\$	27,660	\$	195,648	\$ 223,308

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The investment in the above acquisitions has been allocated as follows:

	275 North Field	Yew Grove	Total
Investment properties	\$ 27,408	\$ 265,680	\$ 293,088
Working capital	252	2,208	2,460
Debt	—	(72,240)	(72,240)
Net assets acquired	\$ 27,660	\$ 195,648	\$ 223,308

In the year ended December 31, 2021, the REIT did not acquire any investment properties.

5. DISPOSITIONS

2022 Dispositions

During the year ended December 31, 2022, the REIT made the following investment property dispositions:

	95 Moatfield Drive	105 Moatfield Drive	Total
Disposition date	September 23, 2022	September 23, 2022	
Location	Toronto, ON	Toronto, ON	
Number of properties	1	1	2
Interest disposed	100 %	100 %	
Sale price	\$ 37,837	\$ 59,183	\$ 97,020
Capital adjustments	(1,680)	(2,628)	(4,308)
Working capital	(3,886)	(2,093)	(5,979)
Transaction costs	(484)	(756)	(1,240)
Discharge of mortgage	(19,636)	(30,712)	(50,348)
Net proceeds	\$ 12,151	\$ 22,994	\$ 35,145

2021 Dispositions

During the year ended December 31, 2021, the REIT made the following investment property dispositions:

	Note	4 Herald Avenue	1 Eva Road	Total
Disposition date		October 15, 2021	October 18, 2021	
Location		Corner Brook, NL	Toronto, ON	
Number of properties		1	1	2
Interest disposed		100 %	100 %	
Sale price		\$ 2,800	\$ 34,000	\$ 36,800
Capital adjustments		—	(265)	(265)
Working capital and other		(4)	(285)	(289)
Transaction costs		(98)	(559)	(657)
Vendor-take-back loan	8	(500)	—	(500)
Net proceeds		\$ 2,198	\$ 32,891	\$ 35,089

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6. INVESTMENT PROPERTIES

The change in the carrying value of the REIT's investment properties is as follows:

	Note	Year ended December 31,	
		2022	2021
Beginning of period		\$ 1,591,958	\$ 1,593,945
Acquisitions ¹	4	293,088	—
Capital expenditures		22,924	24,698
Leasing costs		12,535	12,863
Dispositions	5	(92,712)	(36,535)
Depreciation of hotel asset		(966)	(1,022)
Foreign exchange		24,134	(2,210)
Change in fair value		(87,665)	8,708
IFRIC 21 property tax adjustment		157	—
Straight-line rent and other changes		(9,115)	(8,489)
End of period		\$ 1,754,338	\$ 1,591,958

¹Represents the purchase price and transaction costs.

Investment properties at December 31, 2022 are comprised of the REIT's interests in 53 properties, which includes one mixed-use hotel and office asset, and excludes a data centre in Winnipeg, Manitoba (the "Data Centre"), which is classified as a finance lease (note 7). The REIT owns an undivided interest in all investment properties with the exception of five office properties in the Greater Toronto Area in which the REIT owns a 75% interest.

The hotel portion of the REIT's mixed-use asset does not meet the definition of an investment property under IAS 40, *Investment Property*, and accordingly is measured at cost less depreciation and any accumulated impairment losses, with depreciation charged to income over the estimated useful life of the components of the hotel asset.

A development property in Ireland was completed and occupied in the year ended December 31, 2022 and was transferred to income producing properties. The change in carrying value of the REIT's development property is as follows:

		Year ended December 31,	
		2022	2021
Acquisition of IDA Athlone Block C - Extension	\$	12,542	\$ —
Capital expenditures		5,527	—
Direct leasing costs		234	—
Foreign exchange		(1,016)	—
Change in fair value		1,877	—
Transfer of IDA Athlone Block C - Extension to income producing properties		(19,164)	—
End of period	\$	—	\$ —

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The REIT determines the fair value of investment properties based upon either the overall income capitalization rate method, discounted cash flow method, direct comparison approach or through a combination of these methods as described in Note 3 xxii. All methods are generally accepted appraisal methodologies. The appropriate methodology is selected by management and by independent real estate valuation experts considering the nature of the property and availability of information. The direct comparison approach and overall income capitalization method were not utilized during the current fiscal period. Under the discounted cash flow method, fair values are primarily determined by discounting the future cash flows, generally over a term of 10 years, including a terminal value based on the application of a terminal capitalization rate to estimated year 11 net operating income. Future cash flows, discount rates and terminal capitalization rates are the most significant assumptions in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other evidence including current market conditions, in determining the most appropriate assumptions.

The fair values of investment properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's investment properties taken in aggregate may differ from the fair value of investment properties measured individually in the REIT's consolidated statements of financial position. Under the fair value hierarchy, the fair value of the REIT's investment properties is determined using the methodology described above and using level 3 inputs.

The following table presents a summary of the discount and terminal capitalization rates for the fair value of the REIT's investment properties:

	December 31, 2022		December 31, 2021	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	6.50%	6.25%	6.25%	6.00%
Maximum	10.75%	10.25%	8.75%	8.50%
Weighted average	7.64%	7.05%	7.23%	6.60%

At December 31, 2022, a 25 basis-point increase in discount and terminal capitalization rates would decrease the estimated fair value of the REIT's investment properties by approximately \$68.7 million (December 31, 2021 – \$62.0 million). A 25 basis-point decrease in discount and terminal capitalization rates would increase the estimated fair value of the REIT's investment properties by approximately \$74.0 million (December 31, 2021 – \$67.3 million).

The following table summarizes the number of independent appraisals obtained during the three months ended December 31, 2022 and the aggregate fair value represented by such appraisals:

	Number of investment properties	Fair Value
December 31, 2022	6	\$ 414,550

7. FINANCE LEASE RECEIVABLE

The Data Centre owned by the REIT is fully leased. The tenant occupying the Data Centre has a lease with an initial term to maturity of 15 years, which commenced on June 5, 2015, with the option to extend for three additional five year terms. The tenant has a one-time option to acquire the property after the initial term of the lease for \$12.0 million. At its inception, the lease met the requirements for classification as a finance lease, as the minimum lease payments amounted to substantially all of the fair value of the leased asset and the tenant has the right to acquire the Data Centre for a price expected to be below the fair value of the property at maturity.

A reconciliation of the change in the finance lease receivable is as follows:

	Year ended December 31,	
	2022	2021
Beginning of period	\$ 50,156	\$ 53,315
Lease payments received	(6,420)	(6,421)
Finance income on finance lease receivable	3,057	3,262
End of period	\$ 46,793	\$ 50,156

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The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the consolidated statement of financial position at December 31, 2022:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	\$ 6,420	\$ 2,840	\$ 3,580
Greater than one year but less than 5 years	26,546	8,817	17,729
Greater than 5 years	28,410	2,926	25,484
Total			\$ 46,793

The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the consolidated statement of financial position at December 31, 2021:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	\$ 6,420	\$ 3,057	\$ 3,363
Greater than one year but less than 5 years	26,209	9,883	16,326
Greater than 5 years	35,167	4,700	30,467
Total			\$ 50,156

8. OTHER ASSETS

Other assets are comprised of the following:

	December 31, 2022	December 31, 2021
Prepaid expenses	\$ 3,064	\$ 4,270
Vendor-take-back loan	2,450	3,200
Performance payment	—	1,141
Investment tax credit receivable	606	669
Utilities deposits	86	218
Total	\$ 6,206	\$ 9,498

Other assets have been classified between current and non-current as follows:

	December 31, 2022	December 31, 2021
Current	\$ 5,668	\$ 7,750
Non-current	538	1,748
Total	\$ 6,206	\$ 9,498

In connection with the disposition of a property, the REIT was provided a \$500 thousand vendor-take-back loan as partial consideration. The vendor-take-back loan bearing interest at 10.0% annually was repaid in full by the borrower on July 4, 2022.

The REIT was also provided a \$2.7 million vendor-take-back loan as partial consideration in connection with the disposition of certain investment properties. The vendor-take-back loan bears interest at 8.0% annually and was due to be repaid in September 2022. Repayment was not received, the REIT is working with the borrower on repayment of the loan and provided a \$250 thousand allowance as an expected credit loss, which has been recorded in general and administrative expenses.

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The REIT is entitled to a performance payment related to its disposition of a 25.0% interest in six GTA office properties. An additional amount is payable to the REIT based on the financial performance of the properties to a maximum amount of \$6.0 million. The amount is recorded in other assets on the consolidated statements of financial position at FVTPL at an amount equal to the present value of the future expected amount. No amounts have, or are expected to be settled in cash until the purchaser has exited its investment in these six properties. The performance payment is valued using level 3 inputs that pertain to the expected cash flows from the underlying investment properties.

The REIT is eligible for a Manitoba data processing investment tax credit as a result of its development of the Data Centre. The REIT expects to receive the tax credit in installments through to 2029. Half of the tax credit is payable to the Data Centre tenant as the credits are received. The tax credit payable is included in other liabilities (see note 11).

9. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	December 31, 2022	December 31, 2021
Rent receivable	\$ 4,183	\$ 3,621
Accrued recovery income	801	559
Other amounts receivable	6,246	5,812
Allowance	(886)	(184)
Total	\$ 10,344	\$ 9,808

Rent receivable consists of base rent and operating expense recoveries receivable from tenants.

Accrued recovery income represents amounts that have not been billed to tenants and are generally billed and paid in the period following the period to which they relate.

Included in other amounts receivable is \$0.2 million (December 31, 2021 – \$0.2 million) due from SMULC relating to a prior acquisition for future free rent adjustments, tenant inducements, and leasing commissions. The related party receivable will be collected as the related items are paid or incurred in connection with the tenant lease agreements. The receivable is non-interest bearing and unsecured.

The change in allowance is as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Beginning of period	\$ (184)	\$ (139)
Change in allowance	(799)	(286)
Bad debt write-off	97	241
End of period	\$ (886)	\$ (184)

The REIT measures the allowance at an amount equal to lifetime expected losses by taking into account past default experience and considering both current and potential bankruptcy, abandonment by tenants and certain tenant disputes.

The aging analysis of rents receivable past due but not impaired, net of allowance is as follows:

	December 31, 2022	December 31, 2021
Current to 30 days	\$ 1,534	\$ 1,735
31 to 90 days	610	576
Greater than 90 days	1,153	1,126
Total	\$ 3,297	\$ 3,437

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10. DEBT

Debt held by the REIT at December 31, 2022 is as follows:

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn ¹
Mortgages ^{2 3 4}	Various	Various	16	\$ 947,623	\$ 591,592	\$ 591,592	\$ —	\$ —
Revolving facilities ^{4 5 6}	Oct. 14, 2024	Various	15	532,248	330,760	288,110	900	41,750
Term loan ^{4 7}	Apr. 5, 2027	Euribor+265 bps	23	273,867	135,723	135,723	—	—
Convertible debentures ⁸	Various	Various	—	—	157,950	157,950	—	—
Total			54	\$ 1,753,738	\$ 1,216,025	\$ 1,173,375	\$ 900	\$ 41,750

¹Debt is only available to be drawn subject to certain covenants and other requirements.

²The weighted average remaining term to maturity of mortgages is 1.6 years with maturities ranging from 0.3 years to 7.8 years and the weighted average interest rate of mortgages is 4.73% with coupons ranging from 2.53% to 7.70%.

³Security includes the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's investment properties. The fair value of security includes the carrying value of the finance lease receivable.

⁴Certain amounts have been translated from U.S. dollars and Euros to Canadian dollars using the prevailing exchange rates on December 31, 2022.

⁵Stand-by fees incurred on the unused portion of the revolving operating facility are 50.63 bps, charged and paid quarterly.

⁶Principal balance includes \$224,000 and U.S. \$47,300 of revolving facilities. The remaining term to maturity of revolving facilities is 1.8 years and the weighted average interest rate is 6.90%.

⁷The term loan facility is secured by 23 properties in Ireland.

⁸Principal balance includes \$28,750, \$84,200 and \$45,000 of convertible unsecured subordinated debentures of the REIT. The maturity dates of the convertible debentures ranges from February 28, 2023 to December 31, 2027, with coupons ranging from 5.25% to 7.50%.

The carrying value of debt held by the REIT at December 31, 2022 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	\$ 591,592	\$ (3,542)	\$ 1,800	\$ 589,850	\$ 345,277	\$ 244,573
Revolving facilities	288,110	(6,356)	4,435	286,189	—	286,189
Term loan	135,723	(4,783)	660	131,600	—	131,600
Convertible debentures ¹	157,950	(14,269)	1,933	145,614	28,750	116,864
Total	\$ 1,173,375	\$ (28,950)	\$ 8,828	\$ 1,153,253	\$ 374,027	\$ 779,226

¹Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion option and the issuer redemption option, originally recorded in the aggregate amount of \$7.0 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

In February 2022, in connection with the Yew Grove acquisition, the REIT assumed debt of \$72.2 million with an Irish lender (note 4). This debt was repaid on the day of acquisition with part of the funds received from the completion of a bridge term loan facility in the aggregate of \$135.7 million with the same lender, maturing in November 2022. In April 2022, the bridge term loan facility was converted into a term loan facility in the aggregate of \$135.7 million with the lender, maturing in April 2027. In April 2022, the REIT also entered into a revolving credit facility with the lender, in which \$3.6 million will be available to be drawn subject to certain covenants and other requirements.

In September 2022, the REIT extended U.S. \$101.1 million of its financing to October 2022, and amended the interest rate benchmark from U.S. London Interbank Offering Rate ("LIBOR") to Secured Overnight Financing Rate ("SOFR"). On October 19, 2022, the REIT extended the maturity to April 2023 and repaid \$27.4 million. The REIT also extended debt of \$13.0 million to November 2023.

On October 19, 2022, the REIT refinanced its revolving credit facility extending the maturity date to October 2024 with no change to interest margins. The Canadian revolving credit commitment was reduced from \$285.0 million to \$260.0 million and the U.S. revolving commitment from \$82.3 million to \$76.9 million.

On October 24, 2022, the REIT issued \$45.0 million of 7.50% convertible unsecured subordinated debentures of the REIT (described below).

On October 26, 2022, the REIT increased the financing of one of its Atlantic properties by \$8.0 million on a 2.4 year term with interest only payments at 1 month CDOR plus 2.15%.

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On November 1, 2022, the REIT financed the purchase of 275 North Field with \$14.2 million on a five year term with interest only payments at 1 month SOFR plus 2.60%.

On November 18, 2022, the REIT refinanced one of its Ontario properties for incremental proceeds of \$2.4 million on a three year term with interest-only payments at CAD Prime plus 1.25%.

Debt held by the REIT at December 31, 2021 is as follows:

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn ¹
Mortgages ^{2 3 4}	Various	Various	17	\$ 1,021,411	\$ 641,712	\$ 641,712	\$ —	\$ —
Revolving facilities ^{4 5 6}	Oct. 14, 2023	Various	15	569,947	359,095	300,316	900	57,879
Convertible debentures ⁷	Various	Various	—	—	112,950	112,950	—	—
Total			32	\$ 1,591,358	\$ 1,113,757	\$ 1,054,978	\$ 900	\$ 57,879

¹Debt is only available to be drawn subject to certain covenants and other requirements.

²The weighted average remaining term to maturity of mortgages was 2.5 years with maturities ranging from 0.8 to 8.8 years and the weighted average interest rate of mortgages was 3.31% with coupons ranging from 2.45% to 4.38%.

³Security includes the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's properties. The fair value of security includes the carrying value of the finance lease receivable.

⁴Amounts have been translated from U.S. to Canadian dollars using the prevailing exchange rate on December 31, 2021.

⁵Stand-by fees incurred on the unutilized portion of the revolving operating facility are 50.63 bps, charged and paid quarterly.

⁶Principal balance includes \$238,900 and U.S. \$48,600 of operating facilities. The remaining term to maturity of revolving facilities was 1.8 years and the weighted average interest rate was 2.63%.

⁷Principal balance includes \$28,750 and \$84,200 of convertible unsecured subordinated debentures of the REIT. The maturity date of the convertible debentures is February 28, 2023 and December 31, 2026, respectively with coupons ranging from 5.25% to 5.50%.

The carrying value of debt held by the REIT at December 31, 2021 is as follows:

	Principal	MTM adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	\$ 641,712	\$ (2,857)	\$ 63	\$ 638,918	\$ 162,209	\$ 476,709
Revolving facilities	300,316	(4,819)	2,136	297,633	—	297,633
Convertible debentures ¹	112,950	(4,903)	944	108,991	—	108,991
	\$ 1,054,978	\$ (12,579)	\$ 3,143	\$ 1,045,542	\$ 162,209	\$ 883,333

¹Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion option and the issuer redemption option, originally recorded in the aggregate amount of \$0.2 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

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Future repayments of mortgages payable by year of maturity at December 31, 2022 are as follows:

	Weighted average interest rate of principal maturities ¹	Amortizing principal payments	Principal maturities	Total repayments
2023	5.37%	\$ 6,677	\$ 338,600	\$ 345,277
2024	3.55%	4,776	—	4,776
2025	3.65%	4,633	187,973	192,606
2026	4.09%	3,037	—	3,037
2027	4.61%	3,079	29,403	32,482
Thereafter	4.38%	7,519	5,895	13,414
	4.73%	\$ 29,721	\$ 561,871	\$ 591,592
Unamortized financing costs				(1,742)
Total				\$ 589,850

¹The weighted average interest rate of principal maturities is calculated using the rates in effect at December 31, 2022.

Future principal payments and maturities for all debt at December 31, 2022 are as follows:

2023	\$ 374,027
2024	292,886
2025	192,605
2026	98,198
2027	202,245
Thereafter	13,414
	\$ 1,173,375
Unamortized financing costs	(20,122)
Total	\$ 1,153,253

Convertible Debentures

On October 24, 2022, the REIT issued \$45.0 million of 7.50% extendible convertible unsecured subordinated debentures of the REIT (the "2022 Convertible Debentures"). The proceeds from the issuance of the 2022 convertible debentures were used to proactively pay down secured mortgage debt and partially fund the acquisition of 275 North Field.

The 2022 Convertible Debentures are convertible into freely tradable units at the option of the holder at any time prior to the close of business on the earliest of: (i) the last business day before the Final Maturity Date; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of \$5.50 per unit (the "Conversion Price"). Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures (or the date of the Offering closing if no interest has yet been paid on the convertible debentures) to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units.

The 2022 Convertible Debentures may not be redeemed by the REIT prior to December 31, 2025. On and from December 31, 2025, and prior to December 31, 2026, the convertible debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice provided that the volume weighted-average trading price of the units on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from December 31, 2026, and prior to December 31, 2027, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

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On November 19, 2021, the REIT issued \$84.2 million of 5.50% extendible convertible unsecured subordinated debentures of the REIT (the "2021 Convertible Debentures"). The proceeds from the issuance of the 2021 convertible debentures were received on February 7, 2022 and were used to partially fund the acquisition of Yew Grove.

The 2021 Convertible Debentures are convertible into freely tradable units at the option of the holder at any time prior to the close of business on the earliest of: (i) the last business day before the Final Maturity Date; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of \$6.50 per unit. Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures (or the date of the Offering closing if no interest has yet been paid on the convertible debentures) to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units.

The 2021 Convertible Debentures may not be redeemed by the REIT prior to December 31, 2024. On and from December 31, 2024, and prior to December 31, 2025, the convertible debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice provided that the volume weighted-average trading price of the units on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from December 31, 2025, and prior to December 31, 2026, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

On January 26, 2018, the REIT issued \$28.8 million of 5.25% convertible unsecured subordinated debentures of the REIT (the "2018 Convertible Debentures").

The 2018 Convertible Debentures are convertible into freely tradable units at the option of the holder at any time prior to the close of business on the earliest of: (i) the last business day before February 28, 2023; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of \$10.53 per unit. Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units.

The 2018 Convertible Debentures may not be redeemed by the REIT prior to February 28, 2021, and none of the convertible debentures have been redeemed as at December 31, 2022. On and from February 28, 2022, and prior to February 28, 2023, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

11. OTHER LIABILITIES

Other liabilities are comprised of the following:

	Note	December 31, 2022	December 31, 2021
Security deposits		\$ 5,655	\$ 5,358
Deferred units	16	1,182	815
Investment tax credit payable		303	335
Total		\$ 7,140	\$ 6,508

Other liabilities have been classified between current and non-current as follows:

	December 31, 2022	December 31, 2021
Current	\$ 1,222	\$ 1,453
Non-current	5,918	5,055
Total	\$ 7,140	\$ 6,508

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The REIT is eligible to receive a Manitoba data processing investment tax credit in connection with the development of the Data Centre (see note 8). Half of the tax credit to be received is payable to the tenant of the Data Centre, the amount for which is recorded as an other liability. The credit is expected to be received through to 2029 and has been recorded in other liabilities at its discounted amount determined upon establishment of the liability.

12. DERIVATIVES

Derivatives include interest rate protection instruments, including interest rate swaps and caps, foreign exchange instruments, and derivative features embedded in the REIT's convertible debentures, which include the convertible debenture holder conversion option and the REIT's redemption option.

Derivatives are comprised of the following:

	December 31, 2022	December 31, 2021
Fair value of conversion option on convertible debentures	\$ (4,216)	\$ —
Fair value of interest rate swaps	25,289	(10,792)
Fair value of cross currency swap	1,570	(717)
Fair value of interest rate caps	3,833	—
Fair value of foreign exchange forward contract	—	391
Derivatives, net	\$ 26,476	\$ (11,118)

The following is a reconciliation of the change in the fair value of derivatives:

	Year ended December 31,	
	2022	2021
Fair value, beginning of period	\$ (11,118)	\$ (35,869)
Initial recognition of embedded derivatives on issuance of convertible debentures	(6,798)	—
Fair value change of convertible debenture embedded derivatives	2,582	3
Fair value change of interest rate swaps	35,558	13,643
Net payments made on interest rate swaps	390	11,300
Foreign exchange gain on U.S. interest rate swap	133	131
Fair value change on cross currency interest rate swap	2,287	(717)
Premium paid on interest rate caps	3,161	—
Fair value change of interest rate caps	628	—
Foreign exchange gain on U.S. and Euro interest rate caps	44	—
Foreign exchange gain (loss) on Euro forward contract	(547)	391
Settlement of Euro forward contract	156	—
Fair value, end of period	\$ 26,476	\$ (11,118)

Interest rate protection instruments

The REIT enters into interest rate derivatives to reduce the impact of interest rate risk of certain debt with floating interest rates. The REIT currently has in place certain pay-fixed receive-float interest rate swaps and two interest rate caps. Swaps are derivative financial instruments that require a periodic exchange of payments with counter-parties without the exchange of the notional amount on which the payments are based. The recorded interest expense on the underlying mortgages payable reflects payments made and received under the interest rate swaps.

Interest rate derivatives are measured at fair value with fair values estimated as the present value of contractual cash flows based on forward curves and an applicable discount rate.

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The following are the terms and fair values of the REIT's interest rate swaps:

Maturity date	Floating interest rate ¹	Fixed interest rate	Notional amount ²		Fair value	
			December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
April 12, 2023	1 month BA	1.90%	\$ 58,281	\$ 58,281	\$ 568	\$ (488)
April 12, 2023	1 month CDOR	2.04%	73,550	75,629	704	(881)
April 12, 2023	1 month CDOR	2.04%	34,735	35,716	332	(416)
August 14, 2023	1 month BA	2.77%	17,303	17,786	137	(441)
February 1, 2024	1 month U.S. LIBOR	1.80%	67,770	63,185	2,303	(1,311)
March 22, 2024	1 month CDOR	1.90%	100,000	100,000	3,436	(797)
March 3, 2025	1 month BA	1.23%	62,500	62,500	4,199	1,234
March 3, 2025	1 month BA	1.23%	10,000	10,000	672	—
March 3, 2025	1 month BA	4.31%	8,000	—	11	—
September 10, 2025	1 month U.S. LIBOR	2.18%	136,997	127,728	7,229	(5,201)
October 30, 2026	1 month CDOR	2.30%	100,000	100,000	5,698	(2,491)
Total			\$ 669,136	\$ 650,825	\$ 25,289	\$ (10,792)

¹BA" means the Bankers' Acceptances rate, "LIBOR" means the U.S. London Interbank Offering Rate, and "CDOR" means the Canadian Dollar Offered Rate.

²The notional amount of the U.S. dollar pay-fixed receive-float interest rate swaps, maturing September 10, 2025 and February 1, 2024, are U.S. \$101.1 million and U.S. \$50.0 million respectively.

In connection with the Yew Grove acquisition, the REIT entered into a cross currency interest rate swap transaction on November 16, 2021 to pay a fixed rate of 3.72% and receive a fixed rate of 5.50%, effective on January 31, 2022 and maturing on December 31, 2026. Interest payments are payable semi-annually on or around June 30 and December 30, commencing June 30, 2022. As at December 31, 2022, the REIT recorded a fair value gain of \$2.3 million which is recorded in the consolidated statement of income.

The following are the terms and fair values of the REIT's cross currency interest rate swap:

Maturity date	Pay Euro interest rate	Receive \$ interest rate	Notional amount ¹		Fair value	
			December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
December 31, 2026	3.72%	5.50%	\$ 75,000	\$ 75,000	\$ 1,570	\$ (717)
Total			\$ 75,000	\$ 75,000	\$ 1,570	\$ (717)

¹The notional amount of the pay Euro interest rate of 3.72% is €52.5 million and the notional amount of the receive Canadian dollar interest rate of 5.50% is \$75.0 million.

In connection with the acquisition of 275 North Field in November 2022, the REIT entered into a U.S. dollar interest rate cap which has a \$16.1 million notional amount, a strike price of 3.75% based on one month SOFR and a maturity date of November 1, 2025. During the year ended December 31, 2022, the REIT also entered into a Euro interest rate cap which has a \$135.7 million notional amount, a strike price of 1.60% based on the three-month Euro Interbank Offered Rate ("EURIBOR") and a maturity date of July 8, 2024.

The following are the terms and fair values of the REIT's interest rate caps:

Maturity date	Strike price	Notional amount ¹		Fair value	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
July 8, 2024	1.60%	\$ 135,723	\$ —	\$ 3,454	\$ —
November 1, 2025	3.75%	\$ 16,129	\$ —	\$ 379	\$ —
Total		\$ 151,852	\$ —	\$ 3,833	\$ —

¹The notional amounts of the Euro and U.S. dollar interest rate caps are €93.6 million and U.S. \$11.9 million, respectively.

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The following are a summary of the REIT's interest rate caps:

	Year ended December 31,	
	2022	2021
Beginning of the period	\$ —	\$ —
Premiums paid	3,161	—
Fair value changes	628	—
Foreign exchange gain	44	—
End of period	3,833	—

Foreign exchange rate protection instruments

In connection with the Yew Grove acquisition, the REIT entered into a foreign exchange transaction on November 16, 2021 to sell \$45.7 million at an exchange rate of 1.4284 and purchase Euro on January 31, 2022. This transaction was settled on January 31, 2022.

The following are the terms and fair values of the REIT's foreign exchange transaction:

Maturity date	Book foreign exchange rate	Sell amount		Foreign exchange gain	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
January 31, 2022	1.4284	\$ —	\$ 45,700	\$ —	\$ 391
Total		\$ —	\$ 45,700	\$ —	\$ 391

From time to time, the REIT may use forward foreign exchange contracts to hedge against fair value changes in the REIT's U.S. dollar net investment in its U.S. operations arising from fluctuations in the U.S. and Canadian dollar exchange rates, and its Euro net investment in its Irish operations arising from fluctuations in the Euro and Canadian dollar exchange rates. Sources of hedge ineffectiveness include instances where the net investments in U.S. and Irish operations is less or greater than outstanding hedge instruments and potential misalignment between the term of the hedging instrument and the holding term of the REIT's net investment in U.S. and Irish operations.

The REIT settled one foreign exchange transaction as above, it did not settle any other derivative or foreign exchange contracts during the year ended December 31, 2022 and did not enter into any derivative or foreign exchange contracts during the year ended December 31, 2021.

13. CLASS B LP UNITS

Class B LP units are exchangeable at the option of the holder into trust units of the REIT on a one-for-one basis subject to normal anti-dilution adjustments and are entitled to distributions of cash, as applicable, equal to the cash distributions paid to holders of units by the REIT.

Each Class B LP unit is attached to a special voting unit of the REIT, providing Class B LP unitholders voting rights in the REIT. Special voting units have no economic entitlement in the REIT but entitle the holder to one vote per special voting unit at any meeting of the unitholders of the REIT. Special voting units are not transferable separately from the Class B LP units to which they are attached. Upon the exchange or surrender of a Class B LP units for units of the REIT, the special voting unit attached to a Class B LP unit will automatically be redeemed and cancelled.

The Class B LP units are remeasured based on the quoted closing price of REIT units into which they are exchangeable with changes in fair value recognized in net income.

The change in Class B LP units for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Units	Amount	Units	Amount
Beginning of period	5,285,160	\$ 26,426	5,285,160	\$ 21,880
Fair value changes	—	(3,594)	—	4,546
End of period	5,285,160	\$ 22,832	5,285,160	\$ 26,426

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14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Note	December 31, 2022	December 31, 2021
Accounts payable and accrued liabilities		\$ 25,974	\$ 25,897
Distributions payable	17	2,841	2,432
Prepaid rent		10,865	7,391
Tenant improvements payable		32	2,751
Total		\$ 39,712	\$ 38,471

Accounts payable and accrued liabilities have been classified between current and non-current as follows:

	December 31, 2022	December 31, 2021
Current	\$ 39,712	\$ 36,680
Non-current	—	1,791
Total	\$ 39,712	\$ 38,471

In June 2020, the REIT received \$3.3 million as a post-closing adjustment from the vendor of 95-105 Moatfield Drive in order to satisfy a tenant improvement obligation. This obligation was recorded under tenant improvements payable and was payable to the tenant over a five year period. In connection with the disposition in September 2022, the remaining payable balance was transferred to the buyer.

15. SUBSCRIPTION RECEIPTS

On November 19, 2021, the REIT completed a bought deal public offering of 11,225,000 subscription receipts of the REIT at a price of \$4.90 per Subscription Receipt, for gross proceeds of \$55.0 million. Concurrently with the Yew Grove acquisition on February 7, 2022, each subscription receipt was automatically exchanged for one unit of the REIT and a cash distribution equivalent payment of \$0.10 being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between November 19, 2021 and February 7, 2022. The cash distribution equivalent payment of \$1.1 million has been recorded in interest and finance costs whereby \$0.4 million was accrued for the year ended December 31, 2022 and \$0.7 million was accrued for the year ended December 31, 2021 (note 19). The proceeds of the sale of the 11,225,000 subscription receipts were received on February 7, 2022 and used to partially fund the acquisition of Yew Grove.

Prior to conversion the difference between the \$4.90 offered price per unit and the closing price of \$5.06 per unit on the day of conversion of the subscription receipts was recorded to net income and comprehensive income as a \$0.7 million fair value change of financial instruments for the year ended December 31, 2022 and \$1.1 million for the year ended December 31, 2021.

16. UNITHOLDERS' EQUITY

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time.

The REIT is also authorized to create and issue an unlimited number of preferred units, in one or more classes comprised of unlimited series, having terms and conditions as may be determined by the Board of Trustees from time to time. No preferred units have been issued.

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The change in trust units during the years ended December 31, 2022 and 2021 is as follows:

	Note	2022		2021	
		Units	Amount	Units	Amount
Beginning of period		67,765,409	\$ 518,888	67,765,409	\$ 520,514
Issued on public offering	4	11,225,000	56,799	—	—
Issued on private placement	4, 22	1,183,800	5,801	—	—
Equity issuance costs		—	(2,398)	—	(1,626)
Repurchase of units		(150,800)	(710)	—	—
End of period		80,023,409	\$ 578,380	67,765,409	\$ 518,888

Repurchase of units

On June 22, 2022, the REIT renewed its normal course issuer bid ("NCIB"), whereby the REIT may purchase up to 6,252,619 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of June 21, 2023 and the repurchase of the maximum number of trust units. During the year ended December 31, 2022, the REIT repurchased 150,800 units at a cost of \$0.7 million under its NCIB. The REIT did not repurchase units under its NCIB during the year ended December 31, 2021.

On June 17, 2022, the REIT established an at the market equity program ("ATM program") that allows the REIT to issue, at its discretion, up to \$40.0 million of trust units to the public from time to time through its agents. Issuance pursuant to the ATM program will be made in accordance with the terms of an equity distribution agreement dated June 17, 2022 entered into among the REIT and its agents. The ATM program will be effective until May 29, 2023, unless terminated in accordance with the terms of the equity distribution agreement. During the years ended December 31, 2022 and 2021, the REIT did not issue units under its ATM program.

Trustee deferred unit plan

Trustees who are not employees of the REIT or the Manager, Slate Asset Management L.P., or any of their subsidiaries, are eligible to participate in the REIT's Trustee deferred unit plan ("the Trustee DUP"). Participants may elect to receive all or a portion of their annual retainer, meeting fees and additional compensation (including travel fees), in deferred units. One deferred unit, which vests immediately on the grant date, is equivalent to one trust unit. Additional deferred units accumulate at the same rate that distributions are paid on the trust units.

The deferred units may be redeemed by a participant for a period of two years after the participant ceases to be a Trustee of the REIT in whole or in part for cash or trust units. The value of the deferred units when converted to cash will be equivalent to the market value of trust units on the date of the redemption request.

At December 31, 2022, the liability associated with the deferred units issued under the Trustee DUP was \$1.1 million (December 31, 2021 - \$0.8 million), and the number of outstanding deferred units was 260,332 (December 31, 2021 - 151,733 units).

Officer deferred unit plan

The Officer deferred unit plan ("the Officer DUP") provides officers of the REIT the opportunity to receive deferred units of the REIT through the Officer DUP. The maximum number of deferred units reserved for issuance under the Officer DUP is 1% of total units outstanding. One deferred unit, which vests immediately on the grant date, is equal to one trust unit. Any units issued under the Officer DUP result in an equal reduction in the asset management fee payable to Slate Management Corporation, based on the trading price of units on the day of issuance.

The deferred units may be redeemed by a participant after two years following the date the units were issued in whole or in part for cash or trust units. The value of the deferred units when converted to cash will be equivalent to the market value of trust units on the date of the redemption request. If a participant ceases to be an officer of the REIT, the deferred units must be redeemed no later than two years following that date.

At December 31, 2022, the liability associated with deferred units issued under the Officer DUP was \$57 thousand (December 31, 2021 - \$60 thousand), and the number of deferred units was 13,170 units (December 31, 2021 - 12,103 units).

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The change in DUP units during the years ended December 31, 2022 and 2021 is as follows:

	Note	2022		2021	
		Units	Amount	Units	Amount
Beginning of period		163,836	\$ 815	212,875	\$ 881
Issued		93,499	420	38,500	194
Reinvested distributions		16,167	77	17,258	83
Redemption of units		—	—	(104,797)	(563)
Fair value adjustment	21	—	(130)	—	220
End of period		273,502	\$ 1,182	163,836	\$ 815

Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the years ended December 31, 2022 and 2021. The diluted weighted average trust units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	Year ended December 31,	
	2022	2021
Basic weighted average units outstanding	78,857,525	67,765,409
Class B LP units	5,285,160	5,285,160
Basic weighted average deferred units outstanding	190,561	206,591
Diluted weighted average units outstanding	84,333,246	73,257,160

Diluted units outstanding

The following is the diluted number of units outstanding as at December 31, 2022 and 2021. The diluted number of units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	December 31, 2022	December 31, 2021
Trust units outstanding	80,023,409	67,765,409
Class B LP units	5,285,160	5,285,160
Deferred units	273,502	163,836
Diluted units outstanding	85,582,071	73,214,405

Accumulated other comprehensive loss consists of the below:

	Year ended December 31, 2022			Year ended December 31, 2021		
	Foreign currency translation	Net investment hedges	Total	Foreign currency translation	Net investment hedges	Total
Beginning of period	\$ (1,152)	\$ (4,820)	\$ (5,972)	\$ (442)	\$ (4,820)	\$ (5,262)
Currency translation	11,139	—	11,139	(710)	—	(710)
End of period	\$ 9,987	\$ (4,820)	\$ 5,167	\$ (1,152)	\$ (4,820)	\$ (5,972)

17. DISTRIBUTIONS

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the Board of Trustees. Distributions to Class B LP unitholders are recorded in net income. All distributions settled during the years ended December 31, 2022 and 2021 have been paid in cash.

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The following table presents the distributions during the years ended December 31, 2022 and 2021:

	2022		2021	
	Trust units	Class B LP units	Trust units	Class B LP units
Distributions declared during the period	\$ 31,613	\$ 2,112	\$ 27,080	\$ 2,112
Add: Distributions payable, beginning of period	2,256	176	2,256	176
Less: Distributions payable, end of period	(2,665)	(176)	(2,256)	(176)
Distributions paid during the period	\$ 31,204	\$ 2,112	\$ 27,080	\$ 2,112

18. RENTAL REVENUE

Rental revenue is comprised of the following:

	Year ended December 31,	
	2022	2021
Property base rent ¹	\$ 112,308	\$ 87,628
Operating cost recoveries	56,268	59,245
Tax recoveries	26,873	30,411
Hotel	10,181	3,855
Straight-line rent and other changes	(9,115)	(8,489)
Total	\$ 196,515	\$ 172,650

¹Includes parking revenue earned at properties.

The REIT has contracted to receive the following future minimum lease payments under non-cancellable operating leases:

	December 31, 2022	December 31, 2021
Not later than one year	\$ 90,055	\$ 109,736
Later than one year and not later than five years	376,141	339,393
Later than five years	245,531	208,316
Total	\$ 711,727	\$ 657,445

Future minimum lease payments for the Data Centre are excluded from the above as the lease is classified as a finance lease. Future minimum lease payments for the Data Centre are disclosed in note 7.

19. INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Year ended December 31,	
	2022	2021
Mortgage interest	\$ 26,051	\$ 25,787
Interest on other debt	13,715	12,245
Amortization of financing costs	5,068	3,358
Amortization of debt mark-to-market adjustments	1,041	(155)
Subscription receipts equivalent amount ¹	373	748
Interest on convertible debentures ^{2,3,4}	6,696	2,106
Total	\$ 52,944	\$ 44,089

¹On February 7, 2022, each subscription receipt issued by the REIT on November 19, 2021 was exchanged for one unit and a cash distribution equivalent payment of \$0.0666 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between December 15, 2021 and January 17, 2022). The cash distribution equivalent payment of \$0.4 million for the year ended December 31, 2022 has been recorded in interest and finance costs (December 31, 2021 - \$0.7 million).

²The convertible debentures issued on January 26, 2018 pay interest at 5.25%. Payments are made semi-annually on or about February 28th and August 30th. The amount above represents the interest both accrued and but not yet paid.

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³The convertible debentures issued on November 19, 2021 pay interest at 5.50%. Payments are made semi-annually on or about June 30th and December 31st. The amount above represents the interest accrued and paid.

⁴The convertible debentures issued on October 24, 2022 pay interest at 7.50%. Payments are made semi-annually on or about June 30th and December 31st. The amount above represents the interest accrued but not yet paid.

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	Note	Year ended December 31,	
		2022	2021
Asset management fees	22	\$ 5,837	\$ 5,069
Professional fees		1,756	1,145
Trustee fees		652	470
Bad debt expense, net		1,324	319
Other		1,622	1,030
Total		\$ 11,191	\$ 8,033

21. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The change in fair value of financial instruments is comprised of the following:

	Note	Year ended December 31,	
		2022	2021
Interest rate swaps	12	\$ 35,558	\$ 13,643
Net payments made on interest rate swaps	12	390	11,300
Convertible debenture embedded derivatives	12	2,582	3
Interest rate cap	12	628	—
Deferred units	16	130	(220)
Performance payment		(1,210)	(4,453)
Subscription receipts		(674)	(1,123)
Foreign exchange forwards	12	(547)	391
Cross currency swap	12	2,287	(717)
Total change in fair value of financial instruments recognized in net income		\$ 39,144	\$ 18,824

22. RELATED PARTY TRANSACTIONS

The REIT has a management agreement (the "Management Agreement") with Slate (as defined in note 1), whereby SM ULC as the REIT's manager provides the REIT with the strategic, administrative, property management, leasing, acquisition, financing and construction management services necessary to manage the strategy and day-to-day operations of the REIT and its assets. Key management personnel of the REIT are employed by SLAM.

These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established under contract and as approved by the REIT's Board of Trustees. The REIT's key personnel include trustees and officers of the REIT.

Slate held the following interests in the REIT:

	December 31, 2022	December 31, 2021
REIT units	2,871,051	1,687,251
Class B LP units	5,285,160	5,285,160
Total	8,156,211	6,972,411
Economic interest	9.5%	9.5%

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On November 16, 2021, SLAM agreed to purchase 1,183,800 REIT units via a private placement on the completion of the Yew Grove acquisition. The acquisition completed in February 2022 (note 4), following which SLAM's economic interest stayed at 9.5%.

The Management Agreement provides for the following fees:

Type	Basis
Property management	3% of gross revenue ¹
Asset management	0.3% of gross book value ²
Leasing	5% on new leases, 2% on renewals ³
Financing	0.25% of debt financed
Construction	5.0% of costs
Acquisition	Variable ⁴

¹Gross revenue is defined as all revenues received by and/or on behalf of the REIT from the leasing and/or licensing of the REIT's investment properties.

²Gross book value is defined as the book value of the REIT's assets as shown on the previous quarter's consolidated financial statements, less restricted cash.

³Leasing fees are charged to the REIT net of any third party brokerage fees paid to leasing agents retained by the REIT. No fee is charged to the REIT where such third party fees are equal to or greater than the lease fee payable to Slate.

⁴Acquisition fees are 1.00% on the first \$100 million of acquisitions; 0.75% on the next \$100 million of acquisitions and 0.50% for acquisitions in excess of \$200 million.

Property and asset management fees are recorded as property operating and general and administrative expenses, respectively, in the period incurred. Acquisition, construction and leasing fees are recorded as additions to investment properties when payable to SMULC. Financing fees are capitalized to debt placed at the time of closing and amortized to interest expense over the term to maturity of the related debt.

Fees payable during the period to SMULC and SLAM for services provided were as follows:

	Year ended December 31,	
	2022	2021
Property management	\$ 5,745	\$ 5,408
Asset management	5,837	5,069
Leasing, financing and construction management	4,146	2,951
Acquisition	2,091	—
Transaction fee ¹	2,899	—
Total	\$ 20,718	\$ 13,428

¹Fees charged for acquiring Yew Grove's processes and platform.

Property administration fees are generally recoverable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's investment properties. Property administration fees were \$9.9 million for the year ended December 31, 2022 (December 31, 2021 – \$9.4 million). Administrative fees are recovered from most tenants by the REIT in accordance with the terms of the leases, whereas property management fees payable by the REIT to the Manager are determined in accordance with the Management Agreement. The REIT entered into an agreement to lease approximately 6,000 square feet of office space to Slate at one of its properties at market rents which expires October 31, 2029. In 2022, the REIT agreed to lease approximately 4,000 additional square feet to Slate at the same property and at the same rent rate and expiration. Total rent of \$0.5 million was received under this lease for the year ended December 31, 2022 (December 31, 2021 - \$0.3 million). There were no amounts receivable related to this lease at December 31, 2022 and December 31, 2021.

The following are the assets and liabilities included in the consolidated statements of financial position of the REIT related to SMULC and SLAM:

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 412	\$ 376
Accounts payable and accrued liabilities	(220)	(304)
Class B LP units	(22,832)	(26,426)

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23. FAIR VALUES

The REIT uses various methods in estimating the fair values of assets and liabilities recognized and measured at fair value in its consolidated financial statements. The REIT has a management team that has overall responsibility for overseeing all significant fair value measurements. Significant unobservable inputs and valuation adjustments are reviewed on a regular basis. In addition, when third party information is used to measure fair values, supporting evidence is obtained and reviewed to ensure compliance with the IFRS requirements.

The following categories in the fair value hierarchy reflect the significance of inputs used in determining fair values:

- Level 1: Quoted prices in active markets;
- Level 2: Inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3: Valuation technique for which significant inputs are not based on observable market data.

The fair values of the REIT's cash, restricted cash, accounts receivable, subscription receipts, other assets and accounts payable and accrued liabilities and other liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments. The fair value of the REIT's revolving credit facility, revolving operating facility and term loan approximates their carrying value since the facilities bear interest at floating market interest rates. Mortgages are measured at amortized cost, and their fair values are based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

The following tables summarize the fair value measurements recognized on the consolidated statements of financial position or disclosed in the REIT's consolidated financial statements, categorized by fair value hierarchy, excluding current assets and liabilities measured at amortized cost:

December 31, 2022	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Assets					
Investment properties	6	\$ 1,754,338	\$ —	\$ —	1,754,338
Derivatives, net	12	26,476	—	26,476	—
Restricted cash		5,300	5,300	—	—
Total assets		\$ 1,786,114	\$ 5,300	\$ 26,476	\$ 1,754,338
Liabilities					
Class B LP units	13	(22,832)	(22,832)	—	—
Debt	10	(1,153,253)	—	(1,156,914)	—
Total liabilities		\$ (1,176,085)	\$ (22,832)	\$ (1,156,914)	—

December 31, 2021	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Assets					
Investment properties	6	\$ 1,591,958	\$ —	\$ —	1,591,958
Cash		9,909	9,909	—	—
Restricted cash		2,623	2,623	—	—
Performance payment	8	1,141	—	—	1,141
Total assets		\$ 1,605,631	\$ 12,532	\$ —	\$ 1,593,099
Liabilities					
Derivatives, net	12	(11,118)	—	(11,118)	—
Class B LP units	13	(26,426)	(26,426)	—	—
Debt	10	(1,045,542)	—	(1,057,741)	—
Total liabilities		\$ (1,083,086)	\$ (26,426)	\$ (1,068,859)	—

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24. RISK MANAGEMENT

In the normal course of business, the REIT is exposed to financial risks that arise from its financial instruments. Other than the use of interest rates and foreign exchange derivatives related to its floating rate mortgages and revolving facilities payable and net investment in foreign operations, the REIT does not use hedging transactions to manage risk. As a part of the overall operation of the REIT, management takes steps to avoid undue concentrations of risks. The following describes the types of risks that the REIT is exposed to and its objectives and policies for managing those risk exposures:

Liquidity risk

Liquidity risk is the risk that the REIT will encounter difficulty in meeting its debt and other financial obligations as they mature.

The principal liquidity needs of the REIT arise from working capital requirements; debt servicing and repayment obligations; distributions to unitholders; obligations to redeem outstanding puttable trust units at the option of the unitholders; planned funding of maintenance capital expenditures and leasing costs; and future investment property acquisition funding requirements.

The liquidity needs of the REIT are funded by cash flows from operating the REIT's investment property portfolio and available credit facilities, with the exception of debt repayment obligations, investment property acquisition funding requirements and obligations to redeem puttable trust units. These are funded by refinancing the REIT's maturing debt, financing unencumbered properties, or future issuances of REIT units and debentures. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of this strategy. The REIT's liquidity is also impacted by certain covenants as described in note 25.

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the REIT or on any terms at all. The risk associated with the refinancing of maturing debt is mitigated by matching debt maturities on mortgages with lease renewals to optimize the value of the assets with the leverage to achieve the best value for pricing. In addition, the REIT staggers the maturity dates of the REIT's debt over a number of years. If the REIT is unable to refinance or obtain new sources of financing, the REIT is able to manage liquidity by reducing discretionary capital expenditures or leasing costs and if required, distributions which all remain at the discretion of the REIT.

The following table summarizes the estimated future contractual maturities of the REIT's financial liabilities at December 31, 2022:

	Note	Total contractual cash flow	2023	2024-2025	2026-2027	Thereafter
Accounts payable and accrued liabilities	14	\$ 39,712	\$ 39,712	\$ —	\$ —	\$ —
Amortizing principal repayments on debt	10	43,423	6,677	9,409	19,818	7,519
Principal repayments on maturity of debt	10	1,129,952	367,350	476,082	280,625	5,895
Interest on debt ¹		130,669	50,345	56,771	22,342	1,211
Interest rate swaps ²		(17,994)	(11,372)	(6,345)	(277)	—
Other liabilities	11	7,140	1,222	1,395	806	3,717
Total		\$ 1,332,902	\$ 453,934	\$ 537,312	\$ 323,314	\$ 18,342

¹Interest amounts on floating rate debt have been determined using rates at December 31, 2022.

²Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the forward rates determined at December 31, 2022.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows or fair values of the REIT's financial instruments.

Interest rate cash flow risk is minimized by the REIT by having a portion of its mortgages on fixed term arrangements. In addition, the maturity dates of mortgages are staggered over a number of years to mitigate the exposure in any one year. The REIT also utilizes interest rate swaps to fix interest rates on a portion of its floating rate debt.

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At December 31, 2022, after the impact of interest rate swaps and caps, the REIT had floating rate debt of \$75.4 million (December 31, 2021 – \$105.9 million). The following table presents the annualized impact of a change in floating interest rates of 25 bps on finance costs:

	December 31, 2022	December 31, 2021
Change of 25 bps	\$ 188	\$ 265

The REIT is exposed to U.S. LIBOR interest rate on debt pertaining to various of its U.S. properties, which is subject to the interest rate benchmark reform. The REIT has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority ("FCA") and the US Commodity Futures Trading Commission) regarding the transition away from U.S. LIBOR to SOFR. The FCA has made clear that it will no longer seek to persuade, or compel, banks to submit to LIBOR.

Upon the expected discontinuation of the U.S. LIBOR rates used by the REIT, there is uncertainty in the determination of the applicable interest rate and payment amount. This will depend on the terms agreed to by the REIT and may result in changes to the determination of the REIT's expected future cash flows. The calculation of interest rates under the replacement benchmarks may impact the REIT's interest and finance costs and overall financial condition or results of operations. Additionally, debt holders or governing bodies may decide to transition to a successor rate prior to the expected LIBOR phase-out date.

The REIT will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the REIT is exposed ends. The REIT has assumed that this uncertainty will not end until the REIT's contracts that reference U.S. LIBOR are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. The REIT has amended its debt agreements to introduce applicable fall back clauses for the transition of its benchmark rates from U.S. LIBOR.

In September 2022, the REIT refinanced debt of U.S. \$101.1 million, for which the interest rate benchmark was amended from U.S. LIBOR to SOFR. On October 19, 2022, the REIT extended the maturity to April 2023 and repaid \$27.4 million.

In October 2022, the REIT refinanced its revolving credit facility for which the interest rate benchmark on the U.S. revolving credit commitment was amended from U.S. LIBOR to SOFR.

Credit risk

Credit risk is the risk that the REIT incurs a loss as a result of a counterparty not fulfilling its financial obligation. Credit risk is associated with the REIT's accounts receivable, finance lease receivable, and vendor-take-back loan. The REIT controls risks by avoiding undue concentration of assets in any geographic location, in any industry or with any specific tenants. This risk is further mitigated by signing long-term leases with tenants who have investment-grade credit ratings and investing cash and cash equivalents in large financial institutions with strong credit ratings. The REIT has credit policies to address credit risk, which are applied during lease negotiations and may include the analysis of the financial position of the debtor, and a review of credit limits, credit history and credit performance.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. Foreign currency forwards may be used from time-to-time to hedge the REIT's net investment in foreign operations. Refer to notes 12 and 21 for details of the REIT's forward currency transactions. The REIT is exposed to foreign currency risk on its foreign exchange forward transaction and its cross currency swap which were set to mitigate the foreign exchange risk of its Irish assets and U.S. assets as well as monetary assets and liabilities denominated in U.S. dollars and Euros. In order to mitigate a portion of this risk, the REIT has financed its U.S. operations with U.S. dollar denominated debt and its Irish operations with Euro denominated debt, acting as a natural hedge.

25. CAPITAL MANAGEMENT

The REIT's capital management objectives are to (i) ensure compliance with the REIT's Declaration of Trust (ii) ensure compliance with restrictions in debt agreements, and (iii) provide sufficient liquidity to operate the REIT's investment properties, fund obligations as they become due and build unitholder value. Procedures to monitor compliance with the Declaration of Trust and debt agreements are performed as a part of the overall management of operations and periodically by review of the REIT's Board of Trustees and reporting to the REIT's lenders. In order to maintain or adjust the capital structure, the REIT may issue trust units, debentures or mortgage debt, adjust the amount of distributions paid to unitholders, return capital to unitholders, or reduce or increase debt.

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The REIT considers its debt and equity instruments to be its capital as follows:

	December 31, 2022	December 31, 2021
Debt	\$ 1,153,253	\$ 1,045,542
Class B LP units	22,832	26,426
Equity	644,366	621,967
Total	\$ 1,820,451	\$ 1,693,935

The Declaration of Trust provides that the REIT is not permitted to exceed financial leverage in excess of 65% of gross book value, as defined by the Declaration of Trust, and calculated as follows:

	December 31, 2022	December 31, 2021
Total assets	\$ 1,869,362	\$ 1,808,907
Less: Subscription receipt funds in escrow	—	(53,912)
Less: Restricted cash	(5,300)	(2,623)
Gross book value	1,864,062	1,752,372
Debt	1,153,253	1,045,542
Leverage ratio	61.9%	59.7%

Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

The REIT's revolving credit facility, term loan, construction facility and some mortgages are subject to financial and other covenants, including customary maximum leverage ratios, interest service coverage ratios, minimum debt service coverage ratios, minimum unitholders' equity among others which may impact the available capacity based on the financial results of the REIT. The REIT is in compliance with these covenants.

26. SEGMENTED DISCLOSURES

The REIT operates in Canada, the United States, and Ireland. The following is a summary of investment properties by geographic location:

	December 31, 2022	December 31, 2021
Canada	\$ 1,118,886	\$ 1,256,756
United States	361,585	335,202
Ireland	273,867	—
Total	\$ 1,754,338	\$ 1,591,958

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The following is a summary of rental revenue and property operating expenses by geographic location:

	Year ended December 31, 2022			
	Canada	United States	Ireland	Total
Property revenue	\$ 139,705	\$ 46,571	\$ 19,354	\$ 205,630
Property operating expenses	(74,131)	(25,349)	(4,637)	(104,117)
Net operating income	\$ 65,574	\$ 21,222	\$ 14,717	\$ 101,513
Straight-line rent and other changes				(9,115)
Finance income on finance lease receivable				3,057
Interest income				485
Interest and finance costs				(52,944)
General and administrative				(11,191)
Change in fair value of financial instruments				39,144
Change in fair value of investment properties				(87,665)
Depreciation of hotel asset				(966)
Transaction costs				(1,240)
Deferred income tax recovery				2,405
Current income tax expense				(1,584)
Net loss before Class B LP units			\$	(18,101)
Change in fair value of Class B LP units				3,594
Distributions to Class B LP unitholders				(2,112)
Net loss			\$	(16,619)

	Year ended December 31, 2021		
	Canada	United States	Total
Property revenue	\$ 137,739	\$ 43,400	\$ 181,139
Property operating expenses	(71,340)	(22,766)	(94,106)
Net operating income	\$ 66,399	\$ 20,634	\$ 87,033
Straight-line rent and other changes			(8,489)
Finance income on finance lease receivable			3,262
Interest income			489
Interest and finance costs			(44,089)
General and administrative			(8,033)
Change in fair value of financial instruments			18,824
Change in fair value of investment properties			8,708
Depreciation of hotel asset			(1,022)
Transaction costs			(657)
Deferred income tax expense			(2,728)
Net income before Class B LP units			\$ 53,298
Change in fair value of Class B LP units			(4,546)
Distributions to Class B LP unitholders			(2,112)
Net income			\$ 46,640

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(in thousands of Canadian dollars)

27. INCOME TAXES

The REIT has reviewed the specified investment flow-through (“SIFT”) trusts which include publicly-listed income trusts (the “SIFT Rules”) and has assessed their application to the REIT’s assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the years ended December 31, 2022 and 2021, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes payable is required, except for amounts incurred by the U.S. and Irish subsidiaries.

As at December 31, 2022 and 2021, there are no taxes payable for the Canadian entity.

The REIT’s U.S. and Irish subsidiaries are subject to income tax on taxable income from U.S. and Irish operations respectively. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle. Based on tax laws enacted at the reporting date, the U.S. subsidiary is subject to a combined federal and state rate of 28.51%, and the Irish subsidiaries are subject to a tax rate of 25.0% on rental income, and 33.0% on capital gain.

The following is a reconciliation of deferred tax liabilities during the period:

	Year ended December 31,	
	2022	2021
Beginning of period	\$ 2,750	\$ —
Deferred income tax expense (recovery)	(2,405)	2,728
Foreign exchange	109	22
End of period	\$ 454	\$ 2,750

A reconciliation of the expected income taxes based upon the 2022 statutory rates and the income tax recovery recognized during the years ended December 31, 2022 and 2021 are as follows:

	Year ended December 31,	
	2022	2021
Net income (loss) before Class B LP units and taxes	\$ (18,922)	\$ 56,026
Canadian statutory tax rate	26.5%	26.5%
	\$ (5,014)	\$ 14,847
Income not subject to tax	4,319	(11,148)
Valuation allowance	287	(1,249)
Tax rate differential	(413)	278
Current and deferred income tax expense (recovery)	\$ (821)	\$ 2,728

The Income Tax Act (Canada) contains legislation affecting the tax treatment of specified investment flow-through (“SIFT”) trusts which include publicly-listed income trusts (the “SIFT Rules”). Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT’s taxable income, and the SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital are generally not subject to tax. The SIFT Rules do not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the “REIT Conditions”). Instead, a real estate investment trust that meets the REIT Conditions is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period.

At December 31, 2022 and December 31, 2021, the REIT had tax losses carried forward available to reduce future years’ taxable income, which expire as follows:

Year of expiry	December 31, 2022	December 31, 2021
2037	\$ 268	\$ 268
2038	2,751	2,751
Total non-capital losses	\$ 3,019	\$ 3,019

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(in thousands of Canadian dollars)

At December 31, 2022, a subsidiary of the REIT had U.S. \$6.1 million of U.S. federal and state losses carried forward available to reduce future years' taxable income. These federal losses do not expire, but are limited to 80% of the subsidiary's taxable income in a given year. The recently passed "Cares Act" provides that the 80% limitation is suspended for tax years beginning before January 1, 2021.

28. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities for the year ended December 31, 2022 are as follows:

	Cash flows				Non-cash changes				December 31, 2022
	December 31, 2021	Proceeds	Payments	Financing costs and other	Assumptions	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs	
Derivatives, net	\$ 11,118	\$ —	\$ (3,551)	\$ —	\$ —	\$ (2,073)	\$ (31,970)	\$ —	\$ (26,476)
Facilities ¹	297,633	13,760	(30,352)	(1,478)	—	4,370	—	2,256	286,189
Mortgages ¹	638,918	38,961	(99,517)	(1,185)	—	10,467	—	2,206	589,850
Term loan	—	135,732	(72,240)	(4,494)	72,240	(298)	—	660	131,600
Convertible debentures ²	108,991	45,000	—	(2,566)	—	—	(6,798)	987	145,614
Class B LP units	26,426	—	—	—	—	—	(3,594)	—	22,832
Total	\$ 1,083,086	\$ 233,453	\$ (205,660)	\$ (9,723)	\$ 72,240	\$ 12,466	\$ (42,362)	\$ 6,109	\$ 1,149,609

¹Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 12 for more detail.

²Changes in fair value consist of \$2.8 million and \$4.0 million as the equity option on the 2021 and 2022 Convertible Debentures respectively.

Changes in liabilities arising from financing activities for the year ended December 31, 2021 are as follows:

	Cash flows				Non-cash changes				December 31, 2021
	December 31, 2020	Proceeds	Payments	Financing costs and other	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs		
Derivatives, net	\$ 35,869	\$ —	\$ (11,300)	\$ —	\$ —	\$ (13,451)	\$ —	\$ 11,118	
Facilities ¹	326,336	48,899	(77,161)	(1,621)	(626)	—	1,806	297,633	
Mortgages ¹	618,202	31,744	(10,464)	(869)	(783)	—	1,088	638,918	
Convertible debentures	28,066	84,200	—	(3,584)	—	—	309	108,991	
Class B LP units	21,880	—	—	—	—	4,546	—	26,426	
Total	\$ 1,030,353	\$ 164,843	\$ (98,925)	\$ (6,074)	\$ (1,409)	\$ (8,905)	\$ 3,203	\$ 1,083,086	

¹Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 12 for more detail.

29. SUBSEQUENT EVENTS

The following events occurred subsequent to December 31, 2022:

- i. On January 16, 2023, the REIT paid a monthly distribution of \$0.0333 per trust unit. Holders of Class B LP units of the REIT were also paid a distribution of \$0.0333 per unit.
- ii. On January 27, 2023, a meeting of the 2018 convertible debenture holders was held at which they agreed to amend the terms of the 2018 convertible debentures, changing the maturity to February 2026, the interest rate to 9.00% and the conversion price to \$5.50 per Unit.
- iii. On February 15, 2023, the REIT paid a monthly distribution of \$0.0333 per trust unit. Holders of Class B LP units of the REIT were also paid a distribution of \$0.0333 per unit.