

**Slate Office REIT**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2020

(unaudited)

## Slate Office REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, unless otherwise stated)

(unaudited)

	Note	June 30, 2020	December 31, 2019
<b>ASSETS</b>			
Non-current assets			
Properties	5	\$ 1,602,165	\$ 1,622,085
Finance lease receivable	6	51,760	53,315
Other assets	7	6,216	6,273
Derivatives	11	—	841
Restricted cash		3,113	4,253
		<b>1,663,254</b>	<b>1,686,767</b>
Current assets			
Finance lease receivable	6	3,061	2,830
Other assets	7	8,691	6,025
Accounts receivable	8	9,499	8,225
Cash		11,354	6,117
		<b>32,605</b>	<b>23,197</b>
<b>Total assets</b>		<b>\$ 1,695,859</b>	<b>\$ 1,709,964</b>
<b>LIABILITIES AND EQUITY</b>			
Non-current liabilities			
Debt	9	\$ 407,414	\$ 818,621
Other liabilities	10	4,464	4,598
Derivatives	11	42,717	7,214
Deferred tax liability	25	—	92
Accounts payable and accrued liabilities	13	2,680	—
Class B LP units	12	19,343	30,918
		<b>476,618</b>	<b>861,443</b>
Current liabilities			
Debt	9	580,047	183,326
Other liabilities	10	1,423	1,675
Accounts payable and accrued liabilities	13	34,475	36,215
		<b>615,945</b>	<b>221,216</b>
<b>Total liabilities</b>		<b>1,092,563</b>	<b>1,082,659</b>
<b>Unitholders' equity</b>		<b>603,296</b>	<b>627,305</b>
<b>Total liabilities and unitholders' equity</b>		<b>\$ 1,695,859</b>	<b>\$ 1,709,964</b>

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

## Slate Office REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS)

(in thousands of Canadian dollars, unless otherwise stated)  
(unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Rental revenue	16	\$ 44,604	\$ 54,452	\$ 94,298	\$ 111,652
Property operating expenses		(20,365)	(26,468)	(55,180)	(64,072)
Finance income on finance lease receivable	6	869	909	1,748	1,827
Interest income		130	145	294	257
Interest and finance costs	17	(9,961)	(13,156)	(20,283)	(26,610)
General and administrative	18	(1,858)	(1,898)	(3,842)	(3,836)
Change in fair value of financial instruments	19	(4,070)	(5,799)	(35,930)	(9,133)
Change in fair value of properties	5	(1,777)	8,384	1,152	14,627
Depreciation of hotel asset	5	(262)	(247)	(524)	(486)
Transaction costs	4	(1,146)	(7,861)	(1,565)	(8,210)
Deferred income tax recovery	25	—	313	96	254
<b>Net income (loss) before Class B LP units</b>		<b>\$ 6,164</b>	<b>\$ 8,774</b>	<b>\$ (19,736)</b>	<b>\$ 16,270</b>
Change in fair value of Class B LP units	12	53	1,268	11,575	528
Distributions to Class B LP unitholders	15	(528)	(528)	(1,056)	(1,365)
<b>Net income (loss)</b>		<b>\$ 5,689</b>	<b>\$ 9,514</b>	<b>\$ (9,217)</b>	<b>\$ 15,433</b>

## Slate Office REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars, unless otherwise stated)  
(unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Net income (loss)		\$ 5,689	\$ 9,514	\$ (9,217)	\$ 15,433
Other comprehensive income (loss) to be subsequently reclassified to profit or loss:					
Foreign currency translation gain (loss)		(5,658)	(2,541)	5,527	(5,042)
Fair value (loss) gain on net investment hedges	19	—	766	(6,396)	2,588
Total other comprehensive loss		(5,658)	(1,775)	(869)	(2,454)
<b>Comprehensive income (loss)</b>		<b>\$ 31</b>	<b>\$ 7,739</b>	<b>\$ (10,086)</b>	<b>\$ 12,979</b>

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## Slate Office REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars, unless otherwise stated)

(unaudited)

	Note	Trust units	Retained earnings	Accumulated other comprehensive income	Total equity
December 31, 2019		\$ 520,890	\$ 102,930	\$ 3,485	\$ 627,305
Issuances, net of costs	14	(18)	—	—	(18)
Distributions	15	—	(13,547)	—	(13,547)
Repurchase of units	14	(358)	—	—	(358)
Net loss and comprehensive loss		—	(9,217)	(869)	(10,086)
<b>June 30, 2020</b>		<b>\$ 520,514</b>	<b>\$ 80,166</b>	<b>\$ 2,616</b>	<b>\$ 603,296</b>

	Note	Trust units	Retained earnings	Accumulated other comprehensive income	Total equity
December 31, 2018		\$ 533,269	\$ 71,937	\$ 6,241	\$ 611,447
Issuances, net of costs	14	(98)	—	—	(98)
Distributions	15	—	(17,886)	—	(17,886)
Units issued pursuant to DRIP	14	650	—	—	650
Repurchase of units	14	(12,974)	—	—	(12,974)
Net income and comprehensive income (loss)		—	15,433	(2,454)	12,979
<b>June 30, 2019</b>		<b>\$ 520,847</b>	<b>\$ 69,484</b>	<b>\$ 3,787</b>	<b>\$ 594,118</b>

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## Slate Office REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unless otherwise stated)

(unaudited)

		Six months ended June 30,	
	Note	2020	2019
<b>Operating activities</b>			
Net (loss) income		\$ (9,217)	\$ 15,433
Items not affecting cash:			
Depreciation of hotel asset	5	524	486
Change in fair value of properties	5	(1,152)	(14,627)
IFRIC 21 property tax adjustment	5	4,593	4,885
Straight-line rent and other changes	5	2,695	962
Change in fair value of Class B LP units	12	(11,575)	(528)
Change in fair value of financial instruments	19	35,930	9,133
Deferred income tax expense	25	(96)	(254)
Finance income on finance lease receivable	6	(1,748)	(1,827)
Finance interest payments received on finance lease receivable	6	1,748	1,827
Distributions declared to Class B LP unitholders	15	1,056	1,365
Distributions paid to Class B LP unitholders	15	(1,056)	(1,519)
Interest income		(294)	(257)
Interest received		294	257
Interest and finance costs	17	20,283	26,610
Interest paid		(19,095)	(24,255)
Working capital items		(3,322)	(3,587)
		<b>19,568</b>	<b>14,104</b>
<b>Investing activities</b>			
Deposit on property	4	(1,146)	—
Proceeds from disposition of property	4	20,185	102,902
Capital expenditures	5	(10,893)	(9,507)
Direct leasing costs	5	(7,859)	(18,627)
Tenant inducements from vendor	5	3,288	—
Principal payments received on finance lease receivable	6	1,324	1,223
		<b>4,899</b>	<b>75,991</b>
<b>Financing activities</b>			
(Payment) proceeds on settlement of net investment hedges	11	(6,396)	2,318
Unit issuance and listing costs	14	(18)	(98)
Repurchase of units	14	(358)	(12,974)
Distributions on REIT units	15	(13,551)	(19,346)
Debt financing advanced	26	67,170	134,101
Debt principal payments	26	(5,709)	(137,373)
Transaction costs on debt	26	(583)	(1,211)
Repayments on revolving and term facilities, net	26	(59,830)	(56,680)
		<b>(19,275)</b>	<b>(91,263)</b>
Foreign exchange gain (loss) on cash held in foreign currency		45	(5)
<b>Increase (decrease) in cash</b>		<b>5,237</b>	<b>(1,173)</b>
<b>Cash, beginning of period</b>		<b>6,117</b>	<b>7,192</b>
<b>Cash, end of period</b>		<b>\$ 11,354</b>	<b>\$ 6,019</b>

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

## Slate Office REIT

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands of Canadian dollars, unless otherwise stated)

(unaudited)

#### 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 March 1, 2019, as it may be further amended, supplemented or amended and restated from time to time (the "Declaration of Trust"). At June 30, 2020, the REIT's portfolio consists of 36 commercial properties located in North America. 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, ON, Canada, M5H 3T9.

#### 2. BASIS OF PRESENTATION

##### i. Statement of compliance

These condensed consolidated interim financial statements (the "consolidated financial statements") have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these consolidated financial statements should be read in conjunction with the REIT's audited consolidated financial statements as at and for the year ended December 31, 2019.

##### ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on July 30, 2020.

##### iii. Basis of measurement

These consolidated financial statements have been prepared on a going concern basis and measured at historical cost except for properties and certain financial instruments, 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.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

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

##### i. Significant accounting policies

These consolidated financial statements have been prepared using the same accounting policies and methods disclosed in the REIT's audited annual consolidated financial statements for the year ended December 31, 2019.

## Slate Office REIT

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands of Canadian dollars, unless otherwise stated)  
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#### 4. DISPOSITIONS

##### 2020 Dispositions

During the six months ended June 30, 2020 the REIT made the following property disposition:

	4211 Yonge Street
Disposition date	January 22, 2020
Location	Toronto, ON
Number of properties	1
Interest disposed <sup>1</sup>	100%
Sale price	\$ 47,250
Capital adjustments	(456)
Working capital and other	(395)
Transaction costs <sup>2</sup>	(419)
Debt assumed by purchaser	(25,795)
<b>Net proceeds</b>	<b>\$ 20,185</b>

<sup>1</sup>The REIT owned a 75% interest in this property which was fully disposed of.

<sup>2</sup>Transaction costs for the six months ended June 30, 2020 includes \$11 million of costs related to an acquisition under contract that did not close.

##### 2019 Dispositions

During the six months ended June 30, 2019 the REIT made the following property dispositions:

	GTA Office Portfolio	895 & 1000 Waverley	Total
Disposition date	April 12, 2019	June 27, 2019	
Location	Greater Toronto Area, ON	Winnipeg, MB	
Number of properties	6	2	8
Interest disposed	25%	100%	
Sale price <sup>1</sup>	\$ 131,793	\$ 21,300	\$ 153,093
Capital adjustments	3,503	(802)	2,701
Working capital and other	(869)	(12)	(881)
Transaction costs	(7,668)	(542)	(8,210)
Debt assumed by purchaser	(43,801)	\$ —	(43,801)
<b>Net proceeds</b>	<b>\$ 82,958</b>	<b>\$ 19,944</b>	<b>\$ 102,902</b>

<sup>1</sup> The REIT's sale of a 25% interest in six office properties located in the Greater Toronto Area (the "GTA Office Portfolio") for an aggregate sale price of \$131.8 million, implies a 100% asset value of \$527.2 million.

## Slate Office REIT

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands of Canadian dollars, unless otherwise stated)  
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#### 5. PROPERTIES

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Balance, beginning of period		\$ 1,608,638	\$ 1,789,784	\$ 1,622,085	\$ 1,780,413
Capital expenditures		5,241	5,726	10,893	9,507
Direct leasing costs		4,906	4,901	7,859	18,627
Dispositions	4	—	(155,794)	(46,794)	(155,794)
Depreciation of hotel asset		(262)	(247)	(524)	(486)
Foreign exchange		(15,409)	(6,826)	14,782	(13,519)
Change in fair value		(1,777)	8,384	1,152	14,627
IFRIC 21 property tax adjustment		2,576	2,212	(4,593)	(4,885)
Straight-line rent and other changes		(1,748)	(612)	(2,695)	(962)
<b>Balance, end of period</b>		<b>\$ 1,602,165</b>	<b>\$ 1,647,528</b>	<b>\$ 1,602,165</b>	<b>\$ 1,647,528</b>

Properties at June 30, 2020 are comprised of the REIT's interests in 35 properties, which includes one mixed-use hotel and office asset, and excludes a data centre in Winnipeg, MB (the "Data Centre"), which is classified as a finance lease (note 6). The REIT owns an undivided interest in all properties with the exception of five office properties in the Greater Toronto Area of 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.

In June 2020, the REIT received \$3.3 million as a post-closing adjustment from the vendor of one of its properties in order to satisfy a tenant improvement obligation. This is recorded under tenant improvements payable (note 13) and is payable to the tenant over a five year period.

The REIT's properties are classified into income producing and development as follows:

	June 30, 2020	December 31, 2019
Income producing	\$ 1,580,774	\$ 1,600,476
Development	21,391	21,609
	<b>\$ 1,602,165</b>	<b>\$ 1,622,085</b>

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

	Six months ended June 30,	
	2020	2019
Balance, beginning of period	\$ 21,609	\$ 20,265
Capital expenditures	199	63
Direct leasing costs	1,072	155
Change in fair value	(1,449)	—
Straight-line rent and other changes	(40)	—
<b>Balance, end of period</b>	<b>\$ 21,391</b>	<b>\$ 20,483</b>

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. All methods are generally accepted appraisal methodologies. The appropriate methodology is selected by management considering the nature of the property and availability of information. If a third party appraisal is not obtained for a property, management uses one or a combination of the overall income capitalization rate method and the discounted cash flow method. In certain circumstances the direct comparison approach is used by comparing properties to similar properties that have sold, but adjusting for differences in the nature and location of the properties. Under the overall income capitalization rate method, fair values are calculated by applying a capitalization rate to future cash flows based on stabilized net operating income. Under



## Slate Office REIT

### NOTES TO THE FINANCIAL STATEMENTS

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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, capitalization rates, 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 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 properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position. Under the fair value hierarchy, the fair value of the REIT's properties is determined using the methodology described above and using level 3 inputs.

The REIT has estimated the value of \$1,528.9 million of its total property fair values using a direct capitalization or discounted cash flow methodology including those where third party appraisals have been obtained. The weighted average capitalization rate for these properties is 6.07% (December 31, 2019 - 6.25%), excluding parking lots and redevelopment properties. The capitalization rate on the REIT's properties is based on management's estimate of twelve-month forward net operating income or in certain cases stabilized net operating income. The remaining properties of the REIT are valued using alternative valuation methodologies.

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

	June 30, 2020		December 31, 2019	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	6.25%	6.00 %	6.25%	6.00%
Maximum	8.75%	8.25 %	8.75%	8.25%
Weighted average	7.28%	6.69 %	7.27%	6.69%

At June 30, 2020, a 25 basis-point increase in discount, terminal capitalization and capitalization rates would decrease the estimated fair value of the REIT's properties by approximately \$72.2 million (December 31, 2019 – \$64.0 million).

The following table summarizes the number of external appraisals obtained and the aggregate fair value represented by such appraisals:

Quarter ended	Number of properties	Fair Value <sup>1</sup>
June 30, 2019	4 \$	83,500
September 30, 2019	8	92,580
December 31, 2019	6	425,400
March 31, 2020	1	109,000
June 30, 2020	—	—
<b>Total</b>	<b>19 \$</b>	<b>710,480</b>

<sup>1</sup>Represents appraised value provided by respective independent third party appraiser.

## 6. 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.

## Slate Office REIT

### NOTES TO THE FINANCIAL STATEMENTS

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

	Six months ended June 30,	
	2020	2019
Balance, beginning of period	\$ 56,145	\$ 58,630
Lease payments received	(3,072)	(3,050)
Finance income on finance lease receivable	1,748	1,827
<b>Balance, end of period</b>	<b>\$ 54,821</b>	<b>\$ 57,407</b>

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 statements of financial position at June 30, 2020:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	\$ 6,420	\$ 3,359	\$ 3,061
Greater than one year but less than 5 years	25,704	11,326	14,378
Greater than 5 years	45,302	7,920	37,382
<b>Total</b>			<b>\$ 54,821</b>

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 statements of financial position at December 31, 2019:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	\$ 6,282	\$ 3,452	\$ 2,830
Greater than one year but less than 5 years	25,680	11,767	13,913
Greater than 5 years	48,535	9,133	39,402
<b>Total</b>			<b>\$ 56,145</b>

## 7. OTHER ASSETS

Other assets are comprised of the following:

	June 30, 2020	December 31, 2019
Prepaid expenses	\$ 5,285	\$ 2,262
Vendor-take-back loan	2,700	2,700
Interest rate subsidy	646	861
Performance payment	5,245	5,116
Income supplement	—	296
Investment tax credit receivable	812	781
Utilities deposits	219	282
<b>Total</b>	<b>\$ 14,907</b>	<b>\$ 12,298</b>

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

	June 30, 2020	December 31, 2019
Current	\$ 8,691	\$ 6,025
Non-current	6,216	6,273
<b>Total</b>	<b>\$ 14,907</b>	<b>\$ 12,298</b>

## Slate Office REIT

### NOTES TO THE FINANCIAL STATEMENTS

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In connection with the disposition of certain properties, the REIT was provided a \$2.7 million vendor-take-back loan as partial consideration. The vendor-take-back loan bears interest at 8.0% annually, matures in August 2020 and is repayable by the borrower at any time.

As part of a prior acquisition, the REIT received an interest rate subsidy in the initial amount of \$2.4 million (note 20). This subsidy is to be held in escrow and released to the REIT over the term to maturity of the debt assumed on the acquisition in order to compensate the REIT for the assumption of an above market rate mortgage.

The REIT is entitled to a performance payment related to its disposition of a 25% 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. This amount is recorded in other assets on the consolidated statements of financial position at fair value through profit and loss ("FVTPL") at an amount equal to the present value of the future expected amount.

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 10).

#### 8. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	June 30, 2020	December 31, 2019
Rent receivable	\$ 5,045	\$ 2,143
Accrued recovery income	1,481	2,017
Other amounts receivable	3,043	4,089
Allowance	(70)	(24)
<b>Total</b>	<b>\$ 9,499</b>	<b>\$ 8,225</b>

Rent receivable consists of base rent and operating expense recoveries receivable from tenants. As a result of the COVID-19 pandemic, the REIT has entered into short-term rent deferral programs with certain tenants of which \$0.5 million remains outstanding at June 30, 2020. Included in rent receivable are final billings to tenants for the 2019 fiscal year of \$1.4 million and \$1.3 million of tenant charge backs. These receivables are expected to be collected in the near term.

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, 2019 – \$0.2 million) due from Slate (as defined in note 20) relating to a prior acquisition for future free rent adjustments, tenant inducements and leasing commissions. The 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 for doubtful accounts is as follows:

	Six months ended June 30,	
	2020	2019
Balance, beginning of period	\$ (24)	\$ (54)
Change in allowance	(46)	(22)
Bad debt write-off	—	25
Bad debt recovery	—	19
<b>Balance, end of period</b>	<b>\$ (70)</b>	<b>\$ (32)</b>

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.

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### NOTES TO THE FINANCIAL STATEMENTS

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

	June 30, 2020	December 31, 2019
Current to 30 days	\$ 2,158	\$ 1,261
31 to 90 days	2,517	338
Greater than 90 days	300	520
<b>Total</b>	<b>\$ 4,975</b>	<b>\$ 2,119</b>

## 9. DEBT

Debt held by the REIT at June 30, 2020 is as follows:

	Maturity	Coupon <sup>1</sup>	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn <sup>2</sup>
Mortgages <sup>3 4 5</sup>	Various	Various	17	\$ 1,084,383	\$ 631,146	\$ 631,146	\$ —	\$ —
Revolving facilities <sup>5 6 7</sup>	Various	Various	13	421,716	265,943	225,314	900	39,729
Term loan	Jun. 30, 2021	BA+213bps	5	144,833	108,000	106,117	—	1,883
Convertible debentures	Feb. 28, 2023	5.25%	—	—	28,750	28,750	—	—
<b>Total</b>			<b>35</b>	<b>\$ 1,650,932</b>	<b>\$ 1,033,839</b>	<b>\$ 991,327</b>	<b>\$ 900</b>	<b>\$ 41,612</b>

<sup>1</sup>BA" means the one-month Bankers' Acceptances rate and "bps" means basis point or 1/100th of one percent.

<sup>2</sup>Debt is only available to be drawn subject to certain covenants and other requirements.

<sup>3</sup>The weighted average remaining term to maturity of mortgages is 31 years with maturities ranging from 0.2 to 10.3 years and the weighted average interest rate of mortgages is 3.75% with coupons ranging from 2.45% to 7.75%.

<sup>4</sup>Security 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.

<sup>5</sup>Amounts have been translated from U.S. to Canadian dollars using the prevailing exchange rate on June 30, 2020.

<sup>6</sup>Stand-by fees incurred on the unutilized portion of the revolving operating facility and the revolving credit facility are each 0.40%, charged and paid quarterly.

<sup>7</sup>Principal balance includes \$110.8 million and U.S. \$54.2 million of operating facilities and a credit facility of \$41.0 million. The weighted average remaining term to maturity of revolving facilities is 0.6 years and the weighted average interest rate of revolving facilities is 2.23%.

The carrying value of debt held by the REIT at June 30, 2020 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	\$ 631,146	\$ (3,828)	\$ 1,528	\$ 628,846	\$ 249,382	\$ 379,464
Revolving facilities	225,314	(2,265)	1,886	224,935	224,935	—
Term loan	106,117	(727)	340	105,730	105,730	—
Convertible debentures <sup>1</sup>	28,750	(1,320)	520	27,950	—	27,950
	<b>\$ 991,327</b>	<b>\$ (8,140)</b>	<b>\$ 4,274</b>	<b>\$ 987,461</b>	<b>\$ 580,047</b>	<b>\$ 407,414</b>

<sup>1</sup>Represents 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.

On January 22, 2020, the REIT disposed of 4211 Yonge Street in Toronto, ON. The net proceeds were used to repay debt on one of the REIT's revolving facilities. The REIT's share of the assumed debt by the purchaser was \$25.8M.

On April 2, 2020, the REIT refinanced the Maritime Centre in Halifax, NS. This financing is comprised of a \$62.5 million mortgage and a \$12.6 million construction facility for a term of 5 years with interest-only payments at a fixed rate of 2.8%. At June 30, 2020 the REIT has drawn \$4.7 million under this construction facility.

## Slate Office REIT

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Future repayments of mortgages payable by year of maturity at June 30, 2020 are as follows:

	Weighted average interest rate of principal maturities <sup>1</sup>	Scheduled principal amortization	Principal maturities	Total repayments
Remainder of 2020	3.97%	\$ 5,722	\$ 177,219	\$ 182,941
2021	4.05%	10,395	90,722	101,117
2022	—%	8,599	—	8,599
2023	3.90%	5,863	182,599	188,462
2024	—%	4,730	—	4,730
Thereafter	3.14%	19,628	125,669	145,297
	<b>3.78%</b>	<b>\$ 54,937</b>	<b>\$ 576,209</b>	<b>\$ 631,146</b>
Unamortized debt financing costs				(2,300)
			<b>\$</b>	<b>628,846</b>

<sup>1</sup>The weighted average interest rate of principal maturities is calculated using the rate in effect at June 30, 2020.

Future principal payments and maturities, excluding amortization of mark-to-market adjustments and transaction costs on debt at June 30, 2020 are as follows:

Remainder of 2020	\$ 182,941
2021	432,548
2022	8,599
2023	217,212
2024	4,730
Thereafter	145,297
	<b>\$ 991,327</b>

#### Convertible Debentures

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

The convertible debentures are convertible into freely tradeable 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 (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 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 convertible debentures may not be redeemed by the REIT prior to February 28, 2021. On and from February 28, 2021, and prior to February 28, 2022, 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 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.

## Slate Office REIT

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#### 10. OTHER LIABILITIES

Other liabilities are comprised of the following:

	Note	June 30, 2020	December 31, 2019
Security deposits		\$ 4,843	\$ 5,139
Deferred units	14	638	742
Investment tax credit payable		406	392
<b>Total</b>		<b>\$ 5,887</b>	<b>\$ 6,273</b>

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

	June 30, 2020	December 31, 2019
Current	\$ 1,423	\$ 1,675
Non-current	4,464	4,598
<b>Total</b>	<b>\$ 5,887</b>	<b>\$ 6,273</b>

The REIT is eligible to receive a Manitoba data processing investment tax credit in connection with the development of the Data Centre (see note 7). 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.

#### 11. DERIVATIVES

Derivatives include the REIT's interest rate protection instruments, including interest rate swaps and caps, 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:

	June 30, 2020	December 31, 2019
Fair value of conversion option on convertible debentures	\$ (6)	\$ —
Fair value of interest rate swaps	(42,711)	(6,373)
<b>Derivatives, net</b>	<b>\$ (42,717)</b>	<b>\$ (6,373)</b>
Derivatives, fair value of asset	—	841
<b>Derivatives, fair value of liability</b>	<b>\$ (42,717)</b>	<b>\$ (7,214)</b>

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

	Six months ended June 30,	
	2020	2019
Fair value, beginning of period	\$ (6,373)	\$ (4,062)
Fair value change of convertible debenture embedded derivatives	(6)	22
Fair value change of interest rate swaps	(38,765)	(8,936)
Net payments made on interest rate swaps	2,563	—
Foreign exchange loss on U.S. interest rate swap	(136)	80
Fair value change of hedges of net investment in foreign operations	(6,396)	2,588
Settlement of net investment foreign exchange hedges	6,396	(2,318)
<b>Fair value, end of period</b>	<b>\$ (42,717)</b>	<b>\$ (12,626)</b>

#### 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. Swaps are derivative financial instruments that require a periodic

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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.

On April 3, 2020 the REIT entered into a \$62.5 million notional amount pay-fixed receive-float interest rate swap. The interest rate swap has a fixed rate of 1.23%, and a start date of April 3, 2020, expiring March 3, 2025.

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.

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

Maturity date	Floating interest rate <sup>1</sup>	Fixed interest rate	Notional amount <sup>2</sup>		Fair value	
			June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
June 10, 2021	1 month CDOR	1.87%	\$ 62,998	\$ 63,488	\$ (855)	\$ 93
June 30, 2021	1 month BA	1.94%	35,000	35,000	(501)	15
April 12, 2023	1 month BA	1.90%	58,281	58,281	(2,025)	294
April 12, 2023	1 month CDOR	2.04%	79,094	79,614	(3,136)	(125)
April 12, 2023	1 month CDOR	2.04%	37,351	37,596	(1,481)	(59)
May 1, 2023	1 month BA	1.98%	—	25,802	—	(69)
August 14, 2023	1 month BA	2.77%	18,473	18,692	(1,238)	(546)
February 1, 2024	1 month U.S. LIBOR	1.80%	67,880	64,940	(4,104)	(650)
March 22, 2024	1 month BA	1.90%	100,000	100,000	(4,604)	439
March 3, 2025	1 month BA	1.23%	62,500	—	(1,417)	—
September 10, 2025	1 month U.S. LIBOR	2.18%	137,219	131,276	(14,126)	(4,205)
October 30, 2026	1 month BA	2.30%	100,000	100,000	(9,224)	(1,560)
<b>Total</b>			<b>\$ 758,796</b>	<b>\$ 714,689</b>	<b>\$ (42,711)</b>	<b>\$ (6,373)</b>

<sup>1</sup>"BA" means the one-month Bankers' Acceptances rate, "LIBOR" means the one month U.S. London Interbank Offering Rate, and "CDOR" means the Canadian Dollar Offered Rate.

<sup>2</sup>The 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 million respectively.

#### Foreign exchange rate protection instruments

The REIT uses forward foreign exchange contracts to hedge against fair value changes in the first U.S. \$75.0 million of net investment in its U.S. operations arising from fluctuations in the U.S. and Canadian dollar exchange rates. The hedge ratio is 1:1 for the first U.S. \$75.0 million contributed to the U.S. operations as the REIT enters into contracts to sell U.S. \$75.0 million and buy Canadian dollars. As the REIT's U.S. operations are reported in Canadian dollars and the assets are converted using the prevailing spot exchange rates on the last business day of each reporting period, any fluctuations in the Canadian dollar equivalent of the REIT's first U.S. \$75.0 million net investment in U.S. operations will be exactly offset by fair value changes in the hedging instrument. Sources of hedge ineffectiveness include instances where the net investments in U.S. operations is less than U.S. \$75.0 million and potential misalignment between the term of the hedging instrument and the holding term of the REIT's net investment in U.S. operations.

The following transactions were designated as hedging items and qualify for hedge accounting:

- On February 6, 2020 the REIT entered into a foreign exchange transaction to sell U.S. \$50.0 million at an exchange rate of 1.3295 and purchase Canadian dollars. On March 6, 2020, the REIT entered into a foreign exchange transaction to sell U.S. \$25.0 million at an exchange rate of 1.3422 and purchase Canadian dollars. On March 31, 2020 the REIT entered into an offsetting trade to purchase U.S. \$75.0 million and settled on a net basis with the original transaction for \$6.3 million which was recorded in other comprehensive income.

There are no outstanding contracts designated as an accounting hedge and recorded as a derivative at June 30, 2020.

#### 12. 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.

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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 three months ended June 30, 2020 and 2019 is as follows:

	Three months ended June 30, 2020		Three months ended June 30, 2019	
	Units	Amount	Units	Amount
Balance, beginning of period	5,285,160	\$ 19,396	5,285,160	\$ 32,292
Fair value changes	—	(53)	—	(1,268)
<b>Balance, end of period</b>	<b>5,285,160</b>	<b>\$ 19,343</b>	<b>5,285,160</b>	<b>\$ 31,024</b>

The change in Class B LP units for the six months ended June 30, 2020 and 2019 is as follows:

	Six months ended June 30, 2020		Six months ended June 30, 2019	
	Units	Amount	Units	Amount
Balance, beginning of period	5,285,160	\$ 30,918	5,285,160	\$ 31,552
Fair value changes	—	(11,575)	—	(528)
<b>Balance, end of period</b>	<b>5,285,160</b>	<b>\$ 19,343</b>	<b>5,285,160</b>	<b>\$ 31,024</b>

### 13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Note	June 30, 2020	December 31, 2019
Trade payables and accrued liabilities		\$ 24,587	\$ 28,134
Distributions payable	15	2,432	2,436
Prepaid rent		6,563	5,226
Tenant improvements payable	5	3,573	419
<b>Total</b>		<b>\$ 37,155</b>	<b>\$ 36,215</b>

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

	June 30, 2020	December 31, 2019
Current	\$ 34,475	\$ 36,215
Non-current	2,680	—
<b>Total</b>	<b>\$ 37,155</b>	<b>\$ 36,215</b>

In June 2020, the REIT received \$3.3 million as a post-closing adjustment from the vendor of one of its properties in order to satisfy a tenant improvement obligation. This is recorded under tenant improvements payable and is payable to the tenant over a five year period.

### 14. 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 three and six months ended June 30, 2020 is as follows:

Note	Three months ended June 30, 2020		Six months ended June 30, 2020	
	Units	Amount	Units	Amount
Balance, beginning of period	67,765,409	\$ 520,514	67,878,409	\$ 520,890
Unit issuance costs	—	—	—	(18)
Repurchase of units	—	—	(113,000)	(358)
<b>Balance, end of period</b>	<b>67,765,409</b>	<b>\$ 520,514</b>	<b>67,765,409</b>	<b>\$ 520,514</b>

The change in trust units during the three and six months ended June 30, 2019 is as follows:

Note	Three months ended June 30, 2019		Six months ended June 30, 2019	
	Units	Amount	Units	Amount
Balance, beginning of period	69,342,474	\$ 529,747	69,908,485	\$ 533,269
Issued pursuant to DRIP	19,707	119	102,601	650
Unit issuance costs	—	(17)	—	(98)
Repurchase of units	(1,483,772)	(9,002)	(2,132,677)	(12,974)
<b>Balance, end of period</b>	<b>67,878,409</b>	<b>\$ 520,847</b>	<b>67,878,409</b>	<b>\$ 520,847</b>

#### Repurchase of units

During the six months ended June 30, 2020, the REIT repurchased and cancelled 113,000 trust units under the REIT's normal course issuer bid (NCIB) program at an aggregate purchase price of \$0.4 million.

#### Trustee deferred unit plan

Trustees who are not employees of the REIT or the Manager, Slate Asset Management (Canada) 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 June 30, 2020, the liability associated with the deferred units issued under the Trustee DUP was \$0.6 million (December 31, 2019 - \$0.7 million), and the number of outstanding deferred units was 163,690 (December 31, 2019 - 116,902 units).

#### Officer deferred unit plan

The Officer DUP provides officers of the REIT the opportunity to receive deferred units of the REIT through the Officer deferred unit plan ("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 June 30, 2020, the liability associated with deferred units issued under the Officer DUP was \$39 thousand (December 31, 2019 - \$0.1 million), and the number of deferred units was 10,580 (December 31, 2019 - 10,106).

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The change in DUP units during the three and six months ended June 30, 2020 is as follows:

	Note	Three months ended June 30, 2020		Six months ended June 30, 2020	
		Units	Amount	Units	Amount
Balance, beginning of period		150,339	\$ 552	127,007	\$ 742
Issued		19,891	74	40,745	146
Reinvested distributions		4,040	15	6,518	28
Fair value adjustment	19	—	(3)	—	(278)
<b>Balance, end of period</b>	<b>10</b>	<b>174,270</b>	<b>\$ 638</b>	<b>174,270</b>	<b>\$ 638</b>

The change in DUP units during the three and six months ended June 30, 2019 is as follows:

	Note	Three months ended June 30, 2019		Six months ended June 30, 2019	
		Units	Amount	Units	Amount
Balance, beginning of period		118,569	\$ 725	106,440	\$ 636
Issued		9,676	57	18,598	112
Reinvested distributions		1,311	8	4,518	28
Fair value adjustment	19	—	(29)	—	(15)
<b>Balance, end of period</b>		<b>129,556</b>	<b>\$ 761</b>	<b>129,556</b>	<b>\$ 761</b>

#### Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the six months ended June 30, 2020 and 2019. 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:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Basic weighted average units outstanding	67,765,409	68,688,542	67,815,080	69,267,745
Class B LP units	5,285,160	5,285,160	5,285,160	5,285,160
Basic weighted average deferred units outstanding	152,377	119,447	140,247	113,769
<b>Diluted weighted average units outstanding</b>	<b>73,202,946</b>	<b>74,093,149</b>	<b>73,240,487</b>	<b>74,666,674</b>

#### Diluted units outstanding

The following is the diluted number of units outstanding as at June 30, 2020 and 2019. 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:

	June 30, 2020	June 30, 2019
Trust units outstanding	67,765,409	67,878,409
Class B LP units	5,285,160	5,285,160
Deferred units	174,270	129,556
<b>Diluted units outstanding</b>	<b>73,224,839</b>	<b>73,293,125</b>

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Accumulated other comprehensive income consists of the below:

	Six months ended June 30, 2020			Six months ended June 30, 2019		
	Foreign currency	Net investment	Total	Foreign currency	Net investment	Total
Balance, beginning of period	\$ 1,909	\$ 1,576	\$ 3,485	\$ 7,929	\$ (1,688)	\$ 6,241
Currency translation	5,527	—	5,527	(5,042)	—	(5,042)
Fair value change	—	(6,396)	(6,396)	—	2,588	2,588
<b>Balance, end of period</b>	<b>\$ 7,436</b>	<b>\$ (4,820)</b>	<b>\$ 2,616</b>	<b>\$ 2,887</b>	<b>\$ 900</b>	<b>\$ 3,787</b>

## 15. 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.

The following table presents the distributions during the three and six months ended June 30, 2020:

	Three months ended June 30, 2020		Six months ended June 30, 2020	
	Trust units	Class B LP units	Trust units	Class B LP units
Distributions declared during the period	\$ 6,770	\$ 528	\$ 13,547	\$ 1,056
Add: Distributions payable, beginning of period	2,256	176	2,260	176
Less: Distributions payable, end of period	(2,256)	(176)	(2,256)	(176)
<b>Distributions paid or settled during the period</b>	<b>\$ 6,770</b>	<b>\$ 528</b>	<b>\$ 13,551</b>	<b>\$ 1,056</b>

Distributions during the three and six months ended June 30, 2020 were paid or settled as follows:

Note	Three months ended June 30, 2020		Six months ended June 30, 2020	
	Trust units	Class B LP units	Trust units	Class B LP units
Paid in cash	\$ 6,770	\$ 528	\$ 13,551	\$ 1,056

The following table presents the distributions during the three and six months ended June 30, 2019:

	Three months ended June 30, 2019		Six months ended June 30, 2019	
	Trust units	Class B LP units	Trust units	Class B LP units
Distributions declared during the period	\$ 6,833	\$ 528	\$ 17,886	\$ 1,365
Add: Distributions payable, beginning of period	2,309	176	4,370	330
Less: Distributions payable, end of period	(2,260)	(176)	(2,260)	(176)
<b>Distributions paid or settled during the period</b>	<b>\$ 6,882</b>	<b>\$ 528</b>	<b>\$ 19,996</b>	<b>\$ 1,519</b>

Distributions during the three and six months ended June 30, 2019 were paid or settled as follows:

Note	Three months ended June 30, 2019		Six months ended June 30, 2019	
	Trust units	Class B LP units	Trust units	Class B LP units
Paid in cash	\$ 6,763	\$ 528	\$ 19,346	\$ 1,519
Reinvested in units	14 119	—	650	—
	<b>\$ 6,882</b>	<b>\$ 528</b>	<b>\$ 19,996</b>	<b>\$ 1,519</b>

The REIT has a distribution reinvestment program ("DRIP") where unitholders, including holders of Class B LP units, that elect to participate in the DRIP will have their cash distributions used to purchase trust units of the REIT. On May 3, 2019, the REIT, suspended its DRIP, commencing with the May distribution paid on June 17, 2019. During the six months ended June 30, 2020, no units were issued under the DRIP (June 30, 2019 - 102,601 units).

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#### 16. RENTAL REVENUE

Rental revenue is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Property base rent <sup>1</sup>	\$ 22,984	\$ 27,226	\$ 46,768	\$ 55,658
Operating cost recoveries	14,744	17,069	31,803	35,358
Tax recoveries	8,549	8,049	16,554	16,774
Hotel	75	2,720	1,868	4,824
Straight-line rent and other changes	(1,748)	(612)	(2,695)	(962)
<b>Total</b>	<b>\$ 44,604</b>	<b>\$ 54,452</b>	<b>\$ 94,298</b>	<b>\$ 111,652</b>

<sup>1</sup>Includes parking revenue earned at properties.

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

	June 30, 2020	December 31, 2019
Not later than one year	\$ 109,865	\$ 114,605
Later than one year and not later than five years	348,879	366,491
Later than five years	232,348	256,609
<b>Total</b>	<b>\$ 691,092</b>	<b>\$ 737,705</b>

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 6.

#### 17. INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Mortgage interest	\$ 6,536	\$ 7,329	\$ 12,695	\$ 14,937
Interest on other debt	2,473	3,853	5,648	8,570
Amortization of deferred transaction costs	634	1,648	1,304	2,502
Amortization of debt mark-to-market adjustments	(58)	(50)	(116)	(147)
Interest on convertible debentures <sup>1</sup>	376	376	752	748
<b>Total</b>	<b>\$ 9,961</b>	<b>\$ 13,156</b>	<b>\$ 20,283</b>	<b>\$ 26,610</b>

<sup>1</sup>The convertible debentures pay interest at 5.25%. Payments are made semi-annually on or about February 28<sup>th</sup> and August 30<sup>th</sup>. The amount above represents the interest accrued up to and including June 30, 2020.

#### 18. GENERAL AND ADMINISTRATIVE

General and administrative expenses are comprised of the following:

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Asset management fees	20	\$ 1,285	\$ 1,387	\$ 2,575	\$ 2,791
Professional fees		152	154	510	299
Trustee fees		133	100	246	225
Bad debt expense, net		67	7	58	12
Other		221	250	453	509
<b>Total</b>		<b>\$ 1,858</b>	<b>\$ 1,898</b>	<b>\$ 3,842</b>	<b>\$ 3,836</b>

## Slate Office REIT

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#### 19. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Interest rate swaps	11	\$ (6,406)	\$ (5,626)	\$ (38,765)	\$ (9,181)
Net payments made on interest rate swaps	11	2,290	—	2,563	245
Interest rate swap liability assumed by purchaser		—	(234)	—	(234)
Convertible debenture embedded derivatives	11	43	32	(6)	22
Hedges of net investment in foreign operations	11	—	(766)	6,396	(2,588)
Deferred units	14	3	29	278	15
<b>Total change in fair value of financial instruments</b>		<b>(4,070)</b>	<b>(6,565)</b>	<b>(29,534)</b>	<b>(11,721)</b>
Less: Amounts recognized in other comprehensive income (loss)		—	766	(6,396)	2,588
<b>Recognized in net loss</b>		<b>\$ (4,070)</b>	<b>\$ (5,799)</b>	<b>\$ (35,930)</b>	<b>\$ (9,133)</b>

#### 20. RELATED PARTY TRANSACTIONS

The REIT has a management agreement (the "Management Agreement") with Slate Management ULC ("SMULC"), an indirect subsidiary of Slate Asset Management (Canada) L.P. ("SLAM"), (collectively, "Slate"), whereby SMULC 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.

SMULC held the following interests in the REIT:

	June 30, 2020	December 31,
REIT units	1,687,251	1,687,251
Class B LP units	5,285,160	5,285,160
<b>Total</b>	<b>6,972,411</b>	<b>6,972,411</b>
Economic interest	9.5%	9.5%

The Management Agreement provides for the following fees:

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

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

<sup>2</sup>Gross 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.

<sup>3</sup>Leasing 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.

<sup>4</sup>Acquisition fees are 10% 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 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.

## Slate Office REIT

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Property management	\$ 1,341	\$ 1,561	\$ 2,790	\$ 3,214
Asset management	1,285	1,387	2,575	2,791
Leasing, financing and construction management	553	898	1,602	2,304
Acquisition	—	—	—	—
<b>Total</b>	<b>\$ 3,179</b>	<b>\$ 3,846</b>	<b>\$ 6,967</b>	<b>\$ 8,309</b>

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 properties. Property administration fees were \$4.8 million for the six months ended June 30, 2020 (June 30, 2019 – \$5.4 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 for a term of 10 years at market rents, commencing November 1, 2019. No payments were received under this lease for the six months ended June 30, 2020 as the lease was in a free rent period which expired June 30, 2020.

As part of the REIT's acquisition of the 7 Asset Portfolio from SCREO I L.P., the REIT was provided an income supplement in the aggregate amount of \$2.4 million to be received in equal quarterly installments in each of the eight calendar quarters following the acquisition. The final payment in respect of this income supplement as received in the first quarter of 2020. During the six months ended June 30, 2020, the REIT recorded \$4 thousand as interest income in the condensed consolidated interim statements of income (loss).

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

	June 30, 2020	December 31, 2019
Income supplement receivable	\$ —	\$ 296
Accounts receivable	240	545
Accounts payable and accrued liabilities	(285)	(843)
Class B LP units	(19,343)	(30,918)

## 21. 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, 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.

## Slate Office REIT

### NOTES TO THE FINANCIAL STATEMENTS

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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:

June 30, 2020	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
<b>Recorded at fair value</b>					
Properties	5	\$ 1,602,165	\$ —	\$ —	1,602,165
Derivatives, net	11	(42,717)	—	(42,717)	—
Class B LP units	12	(19,343)	(19,343)	—	—
<b>Fair values disclosed</b>					
Cash		\$ 11,354	\$ 11,354	\$ —	—
Restricted cash		3,113	3,113	—	—
Debt	9	(987,461)	—	(996,920)	—

December 31, 2019	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
<b>Recorded at fair value</b>					
Properties	5	\$ 1,622,085	\$ —	\$ —	1,622,085
Derivatives, net	11	(6,373)	—	(6,373)	—
Class B LP units	12	(30,918)	(30,918)	—	—
<b>Fair values disclosed</b>					
Cash		\$ 6,117	\$ 6,117	\$ —	—
Restricted cash		4,253	4,253	—	—
Debt	9	(1,001,947)	—	(1,012,811)	—

## 22. 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 rate and foreign exchange derivatives related to its floating rate mortgages payable, 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.

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 mortgage portfolio over a number of years.

## Slate Office REIT

### NOTES TO THE FINANCIAL STATEMENTS

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The following table summarizes the estimated contractual maturities of the REIT's financial liabilities at June 30, 2020:

	Note	Total contractual cash flow	Remainder of 2020	2021-2022	2023-2024	Thereafter
Accounts payable and accrued liabilities	13	\$ 37,155	\$ 34,190	\$ 1,174	\$ 1,281	\$ 510
Amortizing principal repayments on debt	9	54,937	5,722	18,994	10,593	19,628
Principal repayments on maturity of debt	9	936,390	177,219	422,153	211,349	125,669
Interest on debt <sup>1</sup>		65,115	13,680	31,129	12,575	7,731
Interest rate swaps <sup>2</sup>		31,532	4,234	13,800	9,818	3,680
Other liabilities	10	5,887	1,423	926	846	2,692
<b>Total</b>		<b>\$ 1,131,016</b>	<b>\$ 236,468</b>	<b>\$ 488,176</b>	<b>\$ 246,462</b>	<b>\$ 159,910</b>

<sup>1</sup>Interest amounts on floating rate debt have been determined using rates at June 30, 2020.

<sup>2</sup>Interest 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 June 30, 2020.

#### 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 mortgages.

At June 30, 2020, after the impact of interest rate swaps, the REIT had floating rate debt of \$33.2 million (December 31, 2019 – \$88.2 million). The following table presents the annualized impact of a change in floating interest rates of 25 bps on finance costs:

	June 30, 2020	December 31, 2019
Change of 25 bps	\$ 83	\$ 221

#### 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 and finance lease receivable. 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 or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The REIT is exposed to foreign currency risk as it relates to 20 South Clark and 120 South LaSalle, located in Chicago, IL, as well as monetary assets and liabilities denominated in U.S. currency. In order to mitigate a portion of this risk, the REIT has financed its U.S. operations with U.S. dollar denominated debt, acting as a natural hedge. Foreign currency forwards may be used from time-to-time to hedge the REIT's net investment in foreign operations. Refer to notes 11 and 19 for details of the REIT's forward currency transactions.

#### Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus, referred to as "COVID-19", a pandemic. This pandemic could have a material impact on the financial position, results and cash flows of the REIT, including tenants' ability to pay rent, occupancy, leasing demand, market rents, labor shortages and disruptions, and access to capital markets on acceptable terms or at all, of which the measurement is not determinable. This may include, but is not limited to, the valuation of its properties and the ability of the REIT to meet financial obligations. Market volatility has resulted and may continue to result in a negative impact on the market price of the REIT's equity securities. Governments and central banks have intervened through monetary and new fiscal policies, however, it is unknown at this time how these interventions will impact capital markets or the financial stability of the REIT's tenants.



## Slate Office REIT

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#### 23. 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 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.

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

	June 30, 2020	December 31, 2019
Debt, net	\$ 987,461	\$ 1,001,947
Class B LP units	19,343	30,918
Equity	603,296	627,305
<b>Total</b>	<b>\$ 1,610,100</b>	<b>\$ 1,660,170</b>

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:

	June 30, 2020	December 31, 2019
Total assets	\$ 1,695,859	\$ 1,709,964
Less: Restricted cash	(3,113)	(4,253)
<b>Gross book value</b>	<b>1,692,746</b>	<b>1,705,711</b>
Debt, net	\$ 987,461	\$ 1,001,947
<b>Leverage ratio</b>	<b>58.3%</b>	<b>58.7%</b>

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 operating facilities, 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. The REIT is in compliance with these covenants.

#### 24. SEGMENTED DISCLOSURES

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

	June 30, 2020	December 31, 2019
Canada	\$ 1,257,577	\$ 1,295,204
United States	344,588	326,881
<b>Total</b>	<b>\$ 1,602,165</b>	<b>\$ 1,622,085</b>

## Slate Office REIT

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The following is a summary of rental revenue and property operating expenses by geographic location during the three and six months ended June 30, 2020 and 2019:

	Six months ended June 30, 2020		
	Canada	United States	Total
Property revenue	\$ 75,393	\$ 21,600	\$ 96,993
Property operating expenses	(39,010)	(11,577)	(50,587)
<b>Net operating income</b>	<b>\$ 36,383</b>	<b>\$ 10,023</b>	<b>\$ 46,406</b>
Straight line rent and other changes			(2,695)
IFRIC 21 property tax adjustment			(4,593)
Finance income on finance lease receivable			1,748
Interest income			294
Interest and finance costs			(20,283)
General and administrative			(3,842)
Change in fair value of financial instruments			(35,930)
Change in fair value of properties			1,152
Depreciation of hotel asset			(524)
Transaction costs			(1,565)
Deferred income tax recovery			96
Net loss before Class B LP units			\$ (19,736)
Change in fair value of Class B LP units			11,575
Distributions to Class B LP unitholders			(1,056)
<b>Net loss</b>			<b>\$ (9,217)</b>

  

	Six months ended June 30, 2019		
	Canada	United States	Total
Property revenue	\$ 91,629	\$ 20,985	\$ 112,614
Property operating expenses	(47,843)	(11,344)	(59,187)
<b>Net operating income</b>	<b>\$ 43,786</b>	<b>\$ 9,641</b>	<b>\$ 53,427</b>
Straight line rent and other changes			(962)
IFRIC 21 property tax adjustment			(4,885)
Finance income on finance lease receivable			1,827
Interest income			257
Interest and finance costs			(26,610)
General and administrative			(3,836)
Change in fair value of financial instruments			(9,133)
Change in fair value of properties			14,627
Depreciation of hotel asset			(486)
Transaction costs			(8,210)
Deferred income tax recovery			254
Net income before Class B LP units			\$ 16,270
Change in fair value of Class B LP units			528
Distributions to Class B LP unitholders			(1,365)
<b>Net income</b>			<b>\$ 15,433</b>

## Slate Office REIT

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	Three months ended June 30, 2020		
	Canada	United States	Total
Property revenue	\$ 35,418	\$ 10,934	\$ 46,352
Property operating expenses	(17,331)	(5,610)	(22,941)
<b>Net operating income</b>	<b>\$ 18,087</b>	<b>\$ 5,324</b>	<b>\$ 23,411</b>
Straight line rent and other changes			(1,748)
IFRIC 21 property tax adjustment			2,576
Finance income on finance lease receivable			869
Interest income			130
Interest and finance costs			(9,961)
General and administrative			(1,858)
Change in fair value of financial instruments			(4,070)
Change in fair value of properties			(1,777)
Depreciation of hotel asset			(262)
Transaction costs			(1,146)
Deferred income tax recovery			—
Net income before Class B LP units			\$ 6,164
Change in fair value of Class B LP units			53
Distributions to Class B LP unitholders			(528)
<b>Net income</b>			<b>\$ 5,689</b>

	Three months ended June 30, 2019		
	Canada	United States	Total
Property revenue	\$ 44,499	\$ 10,565	\$ 55,064
Property operating expenses	(22,925)	(5,755)	(28,680)
<b>Net operating income</b>	<b>\$ 21,574</b>	<b>\$ 4,810</b>	<b>\$ 26,384</b>
Straight line rent and other changes			(612)
IFRIC 21 property tax adjustment			2,212
Finance income on finance lease receivable			909
Interest income			145
Interest and finance costs			(13,156)
General and administrative			(1,898)
Change in fair value of financial instruments			(5,799)
Change in fair value of properties			8,384
Depreciation of hotel asset			(247)
Transaction costs			(7,861)
Deferred income tax recovery			313
Net income before Class B LP units			\$ 8,774
Change in fair value of Class B LP units			1,268
Distributions to Class B LP unitholders			(528)
<b>Net income</b>			<b>\$ 9,514</b>

## Slate Office REIT

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#### 25. INCOME TAXES

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.

The REIT has reviewed 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 periods ended June 30, 2020 and 2019, 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. subsidiary.

The REIT’s U.S. subsidiary is subject to federal and state income tax on taxable income from U.S. operations. 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%.

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

	Six months ended June 30,	
	2020	2019
Beginning of the period	\$ (92)	\$ 757
Deferred income tax recovery	96	254
Foreign exchange	(4)	(36)
<b>End of the period</b>	<b>\$ —</b>	<b>\$ 975</b>

A reconciliation of the expected income taxes based upon the 2020 statutory rates and the income tax recovery recognized during the six months ended June 30, 2020 and 2019 are as follows:

	Six months ended June 30,	
	2020	2019
Net (loss) income before Class B LP units and taxes	\$ (19,832)	\$ 16,016
Canadian statutory tax rate	26.5%	26.5%
	\$ (5,255)	\$ 4,244
Income not subject to tax	(3,231)	4,480
Valuation allowance <sup>1</sup>	(2,081)	—
Tax rate differential	153	18
<b>Deferred income tax recovery</b>	<b>\$ 96</b>	<b>\$ 254</b>

<sup>1</sup> Deferred tax assets are recognized to the extent that realization of the related tax benefit through future taxable profits is probable. Management has determined that it is probable that not all the deferred tax assets will be realized through one or a combination of future reversals of temporary differences and taxable income. A valuation allowance has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized.

At June 30, 2020 and December 2019, the REIT had tax losses carried forward available to reduce future years’ taxable income, which expire as follows:

Year of expiry	June 30, 2020	December 31, 2019
2037	\$ 3,695	\$ 4,549
2038	2,751	964
<b>Total non-capital losses</b>	<b>\$ 6,446</b>	<b>\$ 5,513</b>
Total capital losses	—	—

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At June 30, 2020, Slate Office US Inc., a subsidiary of Slate Office REIT, had \$3.35M 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 Slate Office US Inc.'s taxable income in a given year. The recently passed "Cares Act" provides that the 80% limitation is suspended for tax year's beginning before January 1, 2021. Therefore, Slate Office US Inc. can use its losses to reduce taxable income in tax year 2019 and 2020 without limitation.

#### 26. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities for the six months ended June 30, 2020 are as follows:

	Cash flows				Non-cash changes					June 30, 2020
	December 31, 2019	Proceeds	Payments	Transaction costs and other	Assump-tions <sup>1</sup>	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs		
Derivatives, net	\$ 6,373	\$ (6,396)	\$ —	\$ —	\$ —	\$ —	\$ 42,740	\$ —	\$ —	\$ 42,717
Facilities	281,378	32,848	(92,678)	(25)	—	3,096	—	316	—	224,935
Mortgages	587,145	67,170	(5,709)	(529)	(25,747)	5,929	—	587	—	628,846
Other debt	105,586	—	—	(29)	—	—	—	173	—	105,730
Convertible debentures	27,838	—	—	—	—	—	—	112	—	27,950
Class B LP units	30,918	—	—	—	—	—	(11,575)	—	—	19,343
<b>Total</b>	<b>\$ 1,039,238</b>	<b>\$ 93,622</b>	<b>\$ (98,387)</b>	<b>\$ (583)</b>	<b>\$ (25,747)</b>	<b>\$ 9,025</b>	<b>\$ 31,165</b>	<b>\$ 1,188</b>	<b>\$ —</b>	<b>\$ 1,049,521</b>

<sup>1</sup>Mortgage assumed by purchaser on disposition of 4211 Yonge Street.

Changes in liabilities arising from financing activities for the six months ended June 30, 2019 are as follows:

	Cash flows				Non-cash changes					June 30, 2019
	December 31, 2018	Proceeds	Payments	Transaction costs and other	Assump-tions <sup>1</sup>	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs		
Derivatives, net	\$ 4,062	\$ (2,318)	\$ —	\$ —	\$ —	\$ —	\$ 10,882	\$ —	\$ —	\$ 12,626
Facilities	322,064	58,501	(72,300)	(10)	—	(2,853)	—	405	—	305,807
Mortgages	665,993	134,101	(137,373)	(1,201)	(43,801)	(5,579)	—	739	—	612,879
Other debt	160,146	—	(42,881)	—	—	—	—	673	—	117,938
Convertible debentures	27,623	—	—	—	—	—	—	106	—	27,729
Class B LP units	31,552	—	—	—	—	—	(528)	—	—	31,024
<b>Total</b>	<b>\$ 1,211,440</b>	<b>\$ 190,284</b>	<b>\$ (252,554)</b>	<b>\$ (1,211)</b>	<b>\$ (43,801)</b>	<b>\$ (8,432)</b>	<b>\$ 10,354</b>	<b>\$ 1,923</b>	<b>\$ —</b>	<b>\$ 1,108,003</b>

<sup>1</sup>Mortgage assumed by purchaser on disposition of a six asset portfolio located in the Greater Toronto Area.

#### 27. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2020:

- i. On July 15, 2020, the REIT paid monthly distributions 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 July 15, 2020, the REIT declared a distribution of \$0.0333 per trust unit, payable on August 17, 2020 to unitholders of record as of the close of business on July 31, 2020. Holders of Class B LP units of the REIT will also be paid a distribution of \$0.0333 per trust unit.