Condensed consolidated interim financial statements of

SLATE OFFICE REIT

Three months ended March 31, 2016

(Unaudited)

SLATE OFFICE REIT
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

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SLATE OFFICE REIT
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars)
(unaudited)

	Note	March 31, 2016	December 31, 2015
ASSETS			
Non-current assets			
Properties	*4*	**$ 741,681**	$ 729,089
Finance lease receivable	*6*	**62,621**	63,156
Restricted cash		**1,403**	1,403
		805,705	793,648
Current assets			
Finance lease receivable	*6*	**2,090**	2,058
Prepaid expenses and other assets		**1,904**	2,236
Accounts receivable	*7*	**5,209**	6,136
Cash		**2,325**	8,917
		11,528	19,347
Total assets		**$ 817,233**	$ 812,995
LIABILITIES AND EQUITY			
Non-current liabilities			
Debt	*8*	**$ 344,587**	$ 490,849
Security deposits and provisions	*9*	**2,884**	2,968
Interest rate swaps	*10*	**3,964**	3,153
Class B LP units	*11*	**41,700**	37,260
		393,135	534,230
Current liabilities			
Debt	*8*	**148,909**	4,755
Security deposits	*9*	**1,221**	1,267
Accounts payable and other liabilities	*12*	**23,715**	20,586
		173,845	26,608
Total liabilities		**566,980**	560,838
Equity		**250,253**	252,157
Total liabilities and equity		**$ 817,233**	$ 812,995

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

SLATE OFFICE REIT
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars)
(unaudited)

	Note	Three months ended March 31, 2016	2015
Rental revenue	*15*	**$ 27,569**	$ 14,082
Property operating expenses	*19*	**(15,302)**	(6,454)
Income from equity accounted investment		**—**	1,190
Finance income on finance lease receivable	*6*	**1,022**	—
Interest income		**15**	287
Interest and finance costs	*17*	**(4,203)**	(2,760)
General and administrative	*16*	**(1,040)**	(593)
Change in fair value of investment properties	*4*	**1,938**	(2,127)
Change in fair value of financial instruments	*18*	**(811)**	(1,748)
Depreciation of hotel asset	*4*	**(136)**	—
Net income before Class B LP units		**$ 9,052**	$ 1,877
Change in fair value of Class B LP units	*11*	**(4,440)**	(2,156)
Distributions to Class B LP unitholders	*14*	**(991)**	(951)
Net income (loss) and comprehensive income (loss)		**$ 3,621**	$ (1,230)

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

SLATE OFFICE REIT
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(in thousands of Canadian dollars)
(unaudited)

	Note		Trust units		Retained earnings		Total equity
December 31, 2015		**$**	**227,030**	**$**	**25,127**	**$**	**252,157**
Distributions	*14*		**—**		**(5,632)**		**(5,632)**
Units issued pursuant to DRIP	*13*		**465**		**—**		**465**
Repurchases of units	*13*		**(384)**		**26**		**(358)**
Net income and comprehensive income			**—**		**3,621**		**3,621**
March 31, 2016		**$**	**227,111**	**$**	**23,142**	**$**	**250,253**
December 31, 2014		$	124,532	$	15,562	$	140,094
Distributions	*14*		—		(2,802)		(2,802)
Units issued pursuant to DRIP	*13*		111		—		111
Net loss and comprehensive loss			—		(1,230)		(1,230)
March 31, 2015		$	124,643	$	11,530	$	136,173

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

SLATE OFFICE REIT
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)
(unaudited)

	Note	Three months ended March 31, 2016	2015
Operating activities			
Net income (loss) and comprehensive income (loss)		**$ 3,621**	$ (1,230)
Straight-line rent and other changes	*4*	**(493)**	(502)
Interest income		**(15)**	287
Interest received		**15**	(287)
Interest and finance costs	*17*	**4,203**	2,743
Interest paid		**(3,947)**	(2,760)
Finance income on finance lease receivable	*6*	**(1,022)**	—
Finance interest payments received	*6*	**1,022**	—
Income from equity accounted investment		**—**	(1,190)
Change in fair value of financial instruments	*18*	**811**	1,748
Change in fair value of investment properties	*4*	**(1,938)**	2,127
Change in fair value of Class B LP units	*11*	**4,440**	2,156
Distributions to Class B LP unitholders	*14*	**991**	951
Distributions paid to Class B LP unitholders	*14*	**(991)**	(951)
Depreciation of hotel asset	*4*	**136**	—
Working capital items		**4,002**	(710)
		10,835	2,382
Investing activities			
Principal payments on finance lease receivable	*6*	**503**	—
Capital expenditures	*4*	**(6,099)**	(181)
Direct leasing expenses	*4*	**(4,198)**	(1,428)
		(9,794)	(1,609)
Financing activities			
Repurchases of units	*13*	**(358)**	—
Mortgage principal payments		**(608)**	(1,034)
Draw down (repayment) of other debt, net		**(1,500)**	1,750
Distributions	*14*	**(5,167)**	(2,690)
		(7,633)	(1,974)
Decrease in cash		**(6,592)**	(1,201)
Cash, beginning of period		**8,917**	3,067
Cash, end of period		**$ 2,325**	$ 1,866

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

1. Description of the REIT and operations

Slate Office REIT (the "REIT") is an unincorporated, open-ended real estate investment trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated December 17, 2014, as amended on May 25, 2015 (the "Declaration of Trust"). As of March 31, 2016, the REIT's portfolio consists of 34 commercial properties located in Canada. 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, Toronto, ON, Canada M5H 3T9.

2. Basis of preparation

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 comparative consolidated financial statements as at and for the year ended December 31, 2015 (the "annual consolidated financial statements").

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on May 5, 2016.

iii. Basis of measurement

The consolidated financial statements have been prepared on a going concern basis and are measured at historical cost except for the following items:

- Investment properties are measured at fair value; and
- Financial instruments classified as fair value through profit or loss are measured at fair value.

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.

v. *Use of estimates and judgments*

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results could differ from the estimated amounts.

The critical judgments made by management in the process of applying the REIT's accounting policies, apart from those involving estimations, that have the most significant effect on the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period are as follows:

Business combinations

The REIT makes certain judgments based on relevant facts and circumstances to determine whether a set of assets acquired and liabilities assumed constitute a business accounted for as a business combination. There REIT has no transactions classified as business combinations in the period.

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 and long-term ground leases where the REIT is the lessee, 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. Assets classified as operating leases are not recognized in the condensed consolidated interim statements of financial position. The REIT has determined that its lease for the Data Centre qualified as 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 is not subject to 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 tax legislation.

Assets and liabilities held for sale

The REIT makes judgments in determining whether certain non-current assets or group of assets and liabilities meet the specified criteria under IFRS for classification as held for sale. As at March 31, 2016, the REIT has determined that there were no assets or group of assets and liabilities that met the specified criteria.

The key estimates and assumptions made by management about the future and other major sources of estimation uncertainty at the date of the consolidated financial statements that have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year are as follows:

Valuation of investment properties

The fair values of investment properties are determined by management using recognized valuation techniques with a portion of fair values supported by externally qualified third party appraisers. The critical estimates and assumptions underlying the valuation of investment properties include, among other things, rental revenue from current leases, rental revenue from future leases in light of current conditions, future cash outflows in respect of leasing costs, capital expenditures, property operations, and capitalization and discount rates based on market data within the applicable market segment and geographical location. In addition, critical estimates for the investment property under development also include the exercise of the purchase option by the tenant and the stage of completion. Valuations are most sensitive to changes in discount rates and capitalization rates. Changes to the estimates and assumptions used by management or to local and general economic conditions can result in a significant change to the valuation of investment properties, which will be recognized as fair value adjustments during the periods the changes occur.

vi. *Seasonality*

The REIT's operations are subject to seasonality. Property operating expenses vary throughout the year due to changes in utility usage and maintenance costs, with increases generally occurring in the colder months. To the extent that property operating expenses are recoverable from tenants under leases rental revenue is similarly impacted. The REIT has one hotel asset located in Atlantic Canada, which generally experiences decreased levels of business in the winter months and heightened activity during spring and summer.

3. Significant accounting policies

i. Significant accounting policies

These consolidated financial statements have been prepared using the same accounting policies and methods disclosed in the REIT's annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of IAS 1 and IFRS 11 as discussed below.

ii. New accounting policies

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1")

The IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. These amendments do not require any significant change to current practice, but are intended to facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 and were adopted by the REIT in these consolidated financial statements. The adoption of the amendments was not material to these consolidated financial statements.

Amendments to IFRS 11, *Joint Arrangements* ("IFRS 11")

The amendments to IFRS 11 require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The REIT has adopted the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The adoption of the amendments was not material to these consolidated financial statements.

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

iii. Future accounting policies

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. This new standard is effective for annual periods beginning on or after January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. The new standards includes a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 16, *Leases* ("IFRS 16")

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, *Leases*, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019, which is when the REIT intends to adopt IFRS 16 in its financial statements. The extent of the impact of adoption of the standard has not yet been determined.

4. Properties

The change in properties is as follows:

	March 31, 2016	December 31, 2015
Balance, beginning of period	**$ 729,089**	$ 448,012
Acquisitions	**—**	347,267
Capital expenditures	**6,099**	3,524
Direct leasing costs	**4,198**	10,185
Dispositions	**—**	(82,511)
Depreciation of hotel asset	**(136)**	(271)
Provisions	**—**	(531)
Change in fair value	**1,938**	1,786
Straight line rent and other changes	**493**	1,628
Balance, end of period	**$ 741,681**	$ 729,089

Included within properties at March 31, 2016 are the REIT's interests in 34 investment properties, which include one mixed-use hotel and office asset and a 30% interest in the REIT's three co-owned properties (the "Co-owned Properties"). The hotel portion of the REIT's mixed-use asset does not meet the definition of an investment property under IAS 40, *Investment Properties*, and accordingly is measured at cost less depreciation, with depreciation charged to income over the estimated useful life of the components of the hotel asset.

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 methods. All methods are generally accepted appraisal methodologies. 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, year one income is stabilized and capitalized at a rate appropriate for each investment property. Under the discounted cash flow method, fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 net operating income. Capitalization and discount rates are the most significant assumption 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.

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

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, terminal capitalization and stabilized capitalization rates for the fair value of the REIT's properties. In cases where appraisals have been obtained, the REIT's measurement of fair value is consistent with such appraisals:

	March 31, 2016			December 31, 2015		
	Discount rate	**Terminal capitalization rate**	**Capitalization rate(1)**	Discount rate	Terminal capitalization rate	Capitalization rate(1)
Minimum	**7.00%**	**6.25%**	**4.50%**	7.00%	6.25%	4.50%
Maximum	**11.00%**	**9.00%**	**13.17%**	11.00%	9.00%	13.17%
Weighted average	**7.83%**	**6.93%**	**7.66%**	7.83%	6.93%	7.74%

(1) Represents the stabilized capitalization rate on the REIT's properties based on management's estimate of stabilized NOI. The figures presented are inclusive of both those properties where the direct capitalization approach has been used as well as those properties where the primary valuation methodology was the discounted cash flow approach.

At March 31, 2016, a 25 basis-point increase in discount, terminal capitalization and stabilized capitalization rates would decrease the estimated fair value of the REIT's properties by approximately $27.3 million (December 31, 2015 – $27.3 million).

The following table summarizes the number of external appraisals obtained during the three months ended March 31, 2016 and the year ended December 31, 2015 and the fair value represented by those appraisals:

	Number of properties	**Fair value**
March 31, 2015	—	$ —
June 30, 2015	5	40,460
September 30, 2015	2	27,020
December 31, 2015	4	59,240
March 31, 2016	—	—

5. Co-Owned Properties

The REIT has an undivided co-owned interest in three office properties located in St. John's, Newfoundland. The REIT initially acquired a 10% interest in the Co-owned Properties on June 30, 2015 and increased its interest to 30% on December 31, 2015.

The REIT has entered into a co-ownership agreement with the co-owner in connection with the three properties. The co-ownership agreement includes a put-call arrangement that provides the co-owner the right to require the REIT to increase its ownership to; (i) 49% on or after June 1, 2016; and (ii) 100% on or after December 1, 2016. The REIT also has the right to increase its ownership in the three properties by such amounts and during such periods.

The purchase price for any additional ownership interest under the put-call arrangement is the greater of; (i) the fair market value of the co-owner's interest in the three properties; and (ii) the acquisition cost of the properties, plus the difference between a seven percent per annum yield on amounts invested to acquire the three properties and net distributions to the co-owner. The co-owner's and REIT's respective put-call rights expire on December 15, 2016.

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

6. Finance lease receivable

The REIT owns a fully leased data centre in Winnipeg, Manitoba (the "Data Centre") . The tenant occupying the Data Centre has a lease with an initial term to maturity of 15 years commencing 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. The terms of the lease meet the requirements for classification of the lease as a finance lease at inception because the minimum lease payments will amount to at least substantially all of the fair value of the leased asset and the tenant has the right to acquire the Data Centre for a price initially expected to be below the fair value of the property at maturity.

A reconciliation of the change during the three months ended March 31, 2016 in the finance lease receivable is as follows:

	March 31, 2016	December 31, 2015
Balance, beginning of period	**$ 65,214**	$ 66,034
Lease payments received	**(1,525)**	(2,541)
Finance income on finance lease receivable	**1,022**	1,721
Balance, end of period	**$ 64,711**	$ 65,214

The following is a summary of the undiscounted future minimum lease payments receivable to the present value of the minimum lease payments receivable which represents the amount recorded on the consolidated statements of financial position at March 31, 2016:

	Future minimum lease payments	Interest portion	Present value of minimum lease payments
Less than one year	$ 6,099	$ 4,009	$ 2,090
Greater than one year but less than 5 years	31,081	17,797	13,284
Greater than 5 years	66,191	16,854	49,337
Total			**$ 64,711**

7. Accounts receivable

Accounts receivable is comprised of the following:

	March 31, 2016	December 31, 2015
Rent receivable	**$ 1,918**	$ 2,797
Accrued recovery income	**1,556**	1,231
Other	**1,840**	2,267
Allowance	**(105)**	(159)
	$ 5,209	$ 6,136

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 following year to which they relate.

Included in other amounts receivable is $0.8 million (December 31, 2015 – $0.8 million) due from Slate, as defined in note 19, relating to the suburban office acquisition for 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 balance of other receivables relate to specific receivables for post-closing acquisition adjustments.

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

The change in allowance for doubtful accounts is as follows:

	March 31, 2016	December 31, 2015
Balance, beginning of period	$ (159)	$ (130)
Change in allowance	(17)	(159)
Bad debt write-off	23	—
Bad debt recovery	48	130
Balance, end of period	**$ (105)**	$ (159)

An allowance is provided when collection is no longer reasonably assured. This includes bankruptcy, abandonment by tenants and certain tenant disputes.

The aging analysis of rents receivable past due is as follows:

	March 31, 2016	December 31, 2015
Current to 30 days	$ 1,273	$ 1,793
31 to 90 days	257	465
Greater than 90 days	388	539
Total	**$ 1,918**	$ 2,797

8. Debt

Debt held by the REIT as at March 31, 2016 is as follows:

	Maturity (1)	Coupon (2)(3)	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn (4)
Mortgages	Various	Various	15	$ 317,004	$ 240,735	$ 240,735	$ —	$ —
Revolving operating facility	Jun. 30, 2018	BA+200 bps	8	284,375	214,416	195,400	—	19,016
Revolving credit facility	Nov. 30, 2017	BA+200 bps	5	72,626	43,999	25,000	1,000	17,999
Co-owned properties term loan (5)	Jun. 30, 2017	BA+213 bps	3	42,919	31,500	31,500	—	—
Other facility	Oct. 1, 2025	4.27%	1	—	2,900	2,801	—	99
Total			**32**	**$ 716,924**	**$ 533,550**	**$ 495,436**	**$ 1,000**	**$ 37,114**

(1) The weighted average remaining term to maturity of mortgages is 2.5 years with maturities ranging from 0.5 to 14.5 years.
(2) The weighted average interest rate of mortgages is 3.39% with coupons ranging from 3.06% to 4.60%.
(3) "BA" means the one-month Bankers' Acceptances rate; "Prime" means the reference rate of interest as set by the lending institution and "bps" means basis point or 1/100th of one percent.
(4) Debt is only available to be drawn subject to certain covenants.
(5) The term loan on co-owned properties relates to the co-owned properties in St. John's, Newfoundland, and includes a limited recourse guarantee by the REIT of its interest. Amounts are presented at the REIT's 30% proportionate obligation.

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

The carrying value of debt held by the REIT as at March 31, 2016 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Amortization of MTM adjustments and costs	Carrying amount	Current	Non-current
Mortgages payable	$ 240,735	$ (450)	$ 340	$ 240,625	$ 148,767	$ 91,858
Revolving operating facility	195,400	(1,872)	452	193,980	—	193,980
Revolving credit facility	25,000	(641)	325	24,684	—	24,684
Co-owned properties term loan	31,500	(131)	37	31,406	—	31,406
Other facility	2,801	—	—	2,801	142	2,659
	$ 495,436	**$ (3,094)**	**$ 1,154**	**$ 493,496**	**$ 148,909**	**$ 344,587**

Debt held by the REIT as at December 31, 2015 is as follows:

	Maturity [1]	Coupon [2]	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn [3]
Mortgages	Various	Various	15	316,270	$ 241,415	$ 241,415	$ —	$ —
Revolving operating facility	Jun. 30, 2018	BA+200 bps	8	280,700	214,416	196,900	—	17,516
Revolving credit facility	Nov. 30, 2017	BA+200 bps	4	51,840	31,239	25,000	1,172	5,067
Co-owned properties term loan	Jun. 30, 2017	BA+213 bps	3	42,900	31,500	31,500	—	—
Other facility	Oct. 1, 2025	4.27%	1	—	2,900	2,825	—	75
Total			31	691,710	$ 521,470	$ 497,640	$ 1,172	$ 22,658

[1] The weighted average remaining term to maturity of mortgages is 3.4 years with maturities ranging from 0.8 to 14.8 years.
[2] The weighted average interest rate of mortgages is 3.6% with coupons ranging from 3.15% to 4.60%.
[3] Debt is only available to be drawn subject to certain covenants.

The carrying value of debt held by the REIT as at December 31, 2015 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Amortization of MTM adjustments and costs	Carrying amount	Current	Non-current
Mortgages payable	$ 241,415	$ (448)	$ 302	$ 241,269	$ 4,626	$ 236,643
Revolving operating facility	196,900	(1,871)	300	195,329	—	195,329
Revolving credit facility	25,000	(556)	288	24,732	—	24,732
Co-owned properties term loan	31,500	(59)	8	31,449	—	31,449
Other facility	2,825	—	—	2,825	129	2,696
	$ 497,640	$ (2,934)	$ 898	$ 495,604	$ 4,755	$ 490,849

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

Future principal payments and maturity schedule, excluding amortization of mark-to-market adjustments and transaction costs, on debt as at March 31, 2016 are as follows:

Remainder of 2016	$	4,051
2017		203,962
2018		201,022
2019		14,041
2020		3,429
Thereafter		68,931
	$	**495,436**

9. Security deposits and provisions

Security deposits and provisions are comprised the following:

		March 31, 2016		December 31, 2015
Security deposits	**$**	**4,086**	$	4,216
Provisions		**19**		19
	$	**4,105**	$	4,235

10. Interest rate swaps

The REIT enters into interest rate swaps to reduce the impact of certain mortgages payable with fluctuating interest rates. The swaps are derivative financial instruments that require a periodic exchange of payments with counterparties 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. These swaps are not designated as hedging instruments that qualify for hedge accounting under IFRS.

The interest rate swaps are measured at fair value with fair values calculated as the present value of contractual cash flows based on forward curves and an applicable yield curve.

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

		Notional amount			**Fair value**		
Maturity date	**Fixed interest rate**	**March 31, 2016**	December 31, 2015		**March 31, 2016**		December 31, 2015
Aug. 14, 2023	4.60%	21,653	21,790		**2,559**		2,163
May 1, 2023	3.68%	23,178	23,347		**1,405**		990
				$	**3,964**	$	3,153

The following is a reconciliation of the change in the balance of the interest rate swap liability:

		March 31, 2016		December 31, 2015
Balance, beginning of period	**$**	**3,153**	$	2,239
Extinguishment		**—**		(651)
Fair value changes		**811**		1,565
Balance, end of period	**$**	**3,964**	$	3,153

11. 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.

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

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 canceled.

The Class B LP units are re-measured 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 during the periods are as follows:

	March 31, 2016		December 31, 2015	
	Units	**Amount**	Units	Amount
Balance, beginning of period	**5,285,160**	**$ 37,260**	5,073,818	$ 38,460
Issuances	**—**	**—**	211,342	1,491
Fair value changes	**—**	**4,440**	—	(2,691)
Balance, end of period	**5,285,160**	**$ 41,700**	5,285,160	$ 37,260

12. Accounts payable and other liabilities

Accounts payable and other liabilities is comprised of the following:

	March 31, 2016	December 31, 2015
Trade payables and accrued liabilities	**$ 20,683**	$ 17,260
Prepaid rent	**2,026**	2,460
Tenant improvement payable	**1,006**	866
	$ 23,715	$ 20,586

13. 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.

The change in trust units during the three months ended March 31, 2016 and the year ended December 31, 2015 is as follows:

		March 31, 2016		December 31, 2015	
	Note	**Units**	**Amount**	Units	Amount
Balance, beginning of period		**30,041,430**	**$ 227,030**	14,935,795	$ 124,532
Issued on public offering		**—**	**—**	10,820,000	75,199
Issued on private placement		**—**	**—**	4,729,729	35,000
Issued pursuant to DRIP	*14*	**67,619**	**465**	135,879	965
Cost of issuances		**—**	**—**	—	(4,279)
Repurchase of units		**(50,813)**	**(384)**	(579,973)	(4,387)
Balance, end of period		**30,058,236**	**$ 227,111**	30,041,430	$ 227,030

Normal course issuer bid

On January 15, 2016, the REIT renewed its normal course issuer bid ("NCIB"), whereby the REIT may purchase up to 2,334,509 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of January 25, 2017 and repurchase of the maximum number of trust units.

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

For the three months ended March 31, 2016, 50,813 trust units were purchased and subsequently canceled under the NCIB for a total cost, including transaction costs, of $0.4 million at an average price of $7.04 per unit. No new purchases have been made since renewing the NCIB.

Deferred unit plan

Effective May 26, 2015, the REIT adopted a Deferred Unit Plan ("DUP"). 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 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.

As at March 31, 2016, the liability associated with the deferred units was $0.2 million, and the number of outstanding deferred units was 25,802 (December 31, 2015 - 17,440 units).

Weighted average units outstanding

The following is the weighted average number of units outstanding during the three months ended March 31, 2016 on a basic and diluted basis. The diluted weighted average trust units outstanding is determined as if all of the Class B LP units and DUP units to have been converted to units of the REIT:

	March 31, 2016	March 31, 2015
Basic weighted average trust units outstanding	**30,031,846**	14,942,484
Impact of Class B LP units	**5,285,160**	5,073,818
DUP units	**17,436**	—
Diluted weighted average trust units outstanding	**35,334,442**	20,016,302

14. 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. During the three months ended March 31, 2016, the REIT declared distributions each month of $0.0625 per unit.

The following table summarizes the distributions during the three months ended March 31, 2016 and 2015:

	March 31, 2016		March 31, 2015	
	Trust units	**Class B LP units**	Trust units	Class B LP units
Cash distributions	**$ 5,297**	**$ 991**	$ 2,685	$ 951
DRIP distributions	**335**	**—**	117	—
Distributions declared during the period	**5,632**	**991**	2,802	951
Add: Distributions payable, beginning of period	**1,878**	**330**	933	317
Less: Distributions payable, end of period	**(1,851)**	**(330)**	(934)	(317)
Distributions paid or settled during the period	**$ 5,659**	**$ 991**	$ 2,801	$ 951

The REIT has a distribution reinvestment program ("DRIP") where unitholders, including holders of Class B LP units, elect to participate in the DRIP will have their cash distributions used to purchase trust units of the REIT. During the three months ended March 31, 2016 the REIT issued 71,274 trust units (2015 - 154,721) under the DRIP.

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

15. Rental revenue

Rental revenue is comprised of the following:

	Three months ended March 31, 2016	2015
Property base rent	**$ 15,084**	$ 7,778
Operating cost and tax recoveries	**10,535**	5,802
Hotel	**1,457**	—
Straight-line rent adjustments and other changes	**493**	502
	$ 27,569	$ 14,082

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

	March 31, 2016	December 31, 2015
Not later than one year	**$ 47,410**	$ 58,460
Later than one year and not later than five years	**183,864**	175,043
Later than five years	**174,352**	168,485
	$ 405,626	$ 401,988

16. General and administrative

General and administrative expenses is comprised of the following:

	Three months ended March 31, 2016	2015
Professional fees	**$ 186**	$ 96
Asset management fees	**614**	356
Trustee fees	**107**	59
Other	**133**	82
	$ 1,040	$ 593

17. Interest and finance costs

Interest and finance costs are comprised of the following:

	Note	Three months ended March 31, 2016	2015
Mortgage interest	*8*	**$ 2,125**	$ 2,621
Interest on other debt	*8*	**1,822**	53
Interest on vendor take-back loan	*8*	**—**	69
Amortization of deferred transaction costs	*8*	**231**	72
Amortization of debt mark-to-market adjustment	*8*	**25**	(55)
		$ 4,203	$ 2,760

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

18. Change in fair value of financial instruments

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

		Three months ended March 31,	
	Note	**2016**	2015
Interest rate swaps	*10*	**$ (811)**	$ (1,565)
Warrants		**—**	(32)
		$ (811)	$ (1,597)

19. Related party transactions

The REIT has a management agreement (the "Management Agreement") with Slate Management Corporation ("SMC"), a subsidiary of Slate Asset Management L.P. ("SLAM"), whereby SMC as the REIT's manager provides the REIT with the strategic, administrative, property management, leasing, acquisition and disposition, financing and construction management services necessary to manage the strategy and day-to-day operations of the REIT and its assets. SLAM is also the manager of the REIT's three co-owned properties in St. John's, Newfoundland.

SMC and SLAM held the following interests in the REIT:

	Three months ended March 31,	
	2016	2015
REIT units	**1,687,251**	1,687,251
Class B LP units	**5,285,160**	5,073,818
Total	**6,972,411**	6,761,069
Economic interest	**19.7%**	33.8%

The Management Agreement provides for the following fees:

Type	**Basis**
Property management	3% of revenues
Asset management	0.3% of gross book value
Leasing	5% on new leases, 2% on renewals (1)
Financing	0.25% of debt placed
Construction	5.0% of costs
Acquisition	Variable (2)

(1) 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 SLAM.

(2) Acquisition fees are 1.0% on the first $100 million of acquisitions; 0.75% on the next $100MM 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 SMC. 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 to SMC and SLAM for services provided were as follows:

	Three months ended March 31,	
	2016	2015
Property management	**$ 803**	$ 388
Asset management	**614**	356
Leasing, financing, and construction management	**557**	727
Acquisition	**—**	93
	$ 1,974	$ 1,564

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

Property administration fees are allowable 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 $1.3 million for the three months ended March 31, 2016 (March 31, 2015 – $0.7 million). These fees are recovered from tenants by the REIT and payable by the REIT to the Manager under the terms of the Management Agreement.

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

	March 31, 2016	December 31, 2015
Accounts receivable	**$ 805**	$ 1,424
Accounts payable and accrued liabilities	**355**	2,748
Class B LP units	**41,700**	37,260

SMC has provided a guarantee on a mortgage with an aggregate principal balance of $1.6 million at March 31, 2016 (December 31, 2015 – $1.6 million).

20. 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 and accounts payable 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 co-owned properties 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 statement of financial position or disclosed in the REIT's consolidated financial statements, categorized by fair value hierarchy:

			Fair Value		
March 31, 2016	**Note**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Recorded at fair value					
Investment properties	*4*	$ 741,681	$ —	$ —	$ 741,681
Interest rate swaps	*10*	(3,964)	—	(3,964)	—
Class B LP units	*11*	(41,700)	(41,700)	—	—
Fair values disclosed					
Cash		2,325	2,325	—	—
Restricted cash		1,403	1,403	—	—
Debt	*8*	$ (493,496)	$ —	$ (497,224)	$ —

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

			Fair Value		
December 31, 2015	Note	Carrying amount	Level 1	Level 2	Level 3
Recorded at fair value					
Investment properties	*4*	$ 729,089	$ —	$ —	$ 729,089
Interest rate swaps	*10*	(3,153)	—	(3,153)	—
Class B LP units	*11*	(37,260)	(37,260)	—	—
Fair values disclosed					
Cash		8,917	8,917	—	—
Restricted cash		1,403	1,403	—	—
Debt	*8*	$ (495,604)	$ —	$ (499,086)	$ —

21. 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 swaps 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 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.

The following table summarizes the estimated contractual maturities of the REIT's financial liabilities as at March 31, 2016:

	Total contractual cash flow	Remainder of 2016	2017-2018	2019-2020	Thereafter
Accounts payable and other liabilities	$ 23,715	$ 23,715	$ —	$ —	$ —
Amortizing principal repayments on debt	44,680	2,541	7,000	7,094	28,045
Principal repayments on maturity of debt	451,577	1,510	397,984	10,376	41,707
Interest on debt(1)	47,552	11,661	16,713	6,575	12,603
Interest rate swaps(2)	4,488	493	1,294	1,202	1,499
Security deposits	4,105	1,221	698	669	1,517
Total	**$ 576,117**	**$ 41,141**	**$ 423,689**	**$ 25,916**	**$ 85,371**

(1) Interest amounts on floating debt have been determined using floating rates at March 31, 2016.
(2) Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the March 31, 2016 floating rate.

(all tabular amounts are express in thousands of Canadian dollars, unless otherwise noted)

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.

As at March 31, 2016, excluding the mortgages associated with interest rate swaps, the REIT had a floating rate mortgage and debt of $395.9 million (December 31, 2015 – $397.4 million). The following table presents the impact of a change in floating interest rates of 100 bps, on finance costs.

Change of 100 bps	$	3,959	$	3,974

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 cash, restricted cash and accounts 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.

22. 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 lender. 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:

		March 31, 2016		December 31, 2015
Debt	**$**	**493,496**	$	495,604
Class B LP units		**41,700**		37,260
Equity		**250,253**		252,157
	$	**785,449**	$	785,021

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:

		March 31, 2016		December 31, 2015
Total assets	**$**	**817,233**	$	812,995
Less: restricted cash		**(1,403)**		(1,403)
Gross book value	**$**	**815,830**	$	811,592
Debt		**493,496**		495,604
Leverage ratio		**60.5%**		61.1%

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 facility, revolving credit facility and co-owned properties loan 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.

23. 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 three months ended March 31, 2016 and 2015, and accordingly is not subject to current income taxes. The REIT intends to continue to meet the REIT Conditions and to distribute all its taxable income to its unitholders. Accordingly, the REIT has not recognized any deferred income tax assets or liabilities at March 31, 2016 or March 31, 2015.

24. Subsequent events

Subsequent to March 31, 2016, the REIT agreed with its lender to renew $144.0 million of mortgages secured by 12 properties originally expiring in January 2017 for an additional 5 year term. In conjunction with this refinancing the lender has also agreed to provide up to $24.0 million of additional debt related to the Speakman Drive assets.

On April 15, 2016 the REIT declared monthly distributions of $0.0625 per trust unit. Holders of Class B LP units of the REIT were also entitled to receive a distribution of $0.0625 per trust unit.