Slate Office REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2024

(unaudited)

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)
(unaudited)

	Note	June 30, 2024	December 31, 2023 Restated	January 1, 2023 Restated
	3			
ASSETS				
Non-current assets				
Investment properties	5	$ 1,090,313	$ 1,362,188	$ 1,754,338
Finance lease receivable	6	37,380	39,401	43,213
Other assets	7	1,142	2,087	538
Derivatives	11	9,214	12,761	28,951
Restricted cash		7,136	5,856	5,300
		$ 1,145,185	**$ 1,422,293**	**$ 1,832,340**
Current assets				
Assets held for sale		377,259	299,163	—
Finance lease receivable	6	3,957	3,812	3,580
Other assets	7	7,319	2,909	5,668
Derivatives	11	2,949	3,330	1,741
Current tax receivable		—	49	—
Accounts receivable	8	9,319	6,095	10,344
Cash		10,908	11,270	19,905
		$ 411,711	**$ 326,628**	**$ 41,238**
Total assets		**$ 1,556,896**	**$ 1,748,921**	**$ 1,873,578**
LIABILITIES AND UNITHOLDERS' EQUITY				
Non-current liabilities				
Debt	9*	$ 325,967	$ 641,542	$ 779,226
Other liabilities	10	5,536	5,284	5,918
Derivatives	11	670	1,061	4,216
Deferred taxes	25	268	254	454
		$ 332,441	**$ 648,141**	**$ 789,814**
Current liabilities				
Debt	9*	535,673	341,470	374,027
Debt held for sale	9	282,355	195,722	—
Other liabilities	10	1,282	1,381	1,222
Class B LP units	12	1,136	4,281	22,832
Accounts payable and accrued liabilities	13	54,939	42,556	39,712
Taxes payable		1,281	—	1,605
		$ 876,666	**$ 585,410**	**$ 439,398**
Total liabilities		**$ 1,209,107**	**$ 1,233,551**	**$ 1,229,212**
Unitholders' equity		**$ 347,789**	**$ 515,370**	**$ 644,366**
Total liabilities and unitholders' equity		**$ 1,556,896**	**$ 1,748,921**	**$ 1,873,578**

*Certain adjustments have been made to current and non-current debt as at December 31, 2023 (see note 9).

See subsequent events in note 27 and commitment and contingency in note 20.

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

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS

(in thousands of Canadian dollars)
(unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	2024	2023	2024	2023
Rental revenue	16	$ 49,567	$ 48,708	$ 99,828	$ 97,800
Property operating expenses		(23,428)	(23,396)	(62,892)	(61,328)
Finance income on finance lease receivable	6	659	717	1,334	1,448
Interest income		92	125	187	213
Interest and finance costs	17	(18,872)	(15,543)	(37,178)	(29,939)
General and administrative expenses	18	(2,355)	(3,381)	(4,539)	(8,461)
Change in fair value of financial instruments	19	(2,982)	6,932	(3,467)	3,444
Change in fair value of investment properties	5	(154,405)	(41,924)	(165,197)	(37,916)
Depreciation of hotel asset	5	(249)	(241)	(498)	(481)
Transaction costs	4	(614)	—	(1,132)	—
Deferred income tax (expense) recovery	25	(42)	551	(14)	443
Current income tax expense	25	(244)	(255)	(2,193)	(596)
Net loss before Class B LP units		**$ (152,873)**	**$ (27,707)**	**$ (175,761)**	**$ (35,373)**
Change in fair value of Class B LP units	12	2,828	8,244	3,145	12,367
Distributions to Class B LP unitholders	15	—	(159)	—	(687)
Net loss		**$ (150,045)**	**$ (19,622)**	**$ (172,616)**	**$ (23,693)**

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	2024	2023	2024	2023
Net loss		$ (150,045)	$ (19,622)	$ (172,616)	$ (23,693)
Other comprehensive income (loss) to be subsequently reclassified to profit or loss:					
Foreign currency translation income (loss)	14	1,801	(5,469)	4,869	(4,462)
Total other comprehensive income (loss)		1,801	(5,469)	4,869	(4,462)
Comprehensive loss		**$ (148,244)**	**$ (25,091)**	**$ (167,747)**	**$ (28,155)**

The accompanying notes are an integral part of the 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	Accumulated other comprehensive income	**Total equity**
December 31, 2023		$ 578,406	$ (65,894)	$ 2,858	**$ 515,370**
Units issued pursuant to Trustee DUP	14	166	—	—	**166**
Net loss and comprehensive loss		—	(172,616)	4,869	**(167,747)**
June 30, 2024		**$ 578,572**	**$ (238,510)**	**$ 7,727**	**$ 347,789**

	Note	Trust units	Retained earnings	Accumulated other comprehensive income	**Total equity**
December 31, 2022		$ 578,380	$ 60,819	$ 5,167	**$ 644,366**
Distributions	15	—	(10,395)	—	**(10,395)**
Net loss and comprehensive loss		—	(23,693)	(4,462)	**(28,155)**
June 30, 2023		**$ 578,380**	**$ 26,731**	**$ 705**	**$ 605,816**

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

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

(unaudited)

	Note	Six months ended June 30, 2024	2023
OPERATING ACTIVITIES			
Net loss		$ (172,616)	$ (23,693)
Items not affecting cash:			
Depreciation of hotel asset	5	498	481
Change in fair value of investment properties	5	165,197	37,916
IFRIC 21 property tax adjustment	5	6,848	6,969
Straight-line rent and other changes	5	4,112	5,513
Change in fair value of Class B LP units	12	(3,145)	(12,367)
Change in fair value of financial instruments	19	3,467	(3,444)
Deferred income tax expense	25	14	(443)
Finance income on finance lease receivable	6	(1,334)	(1,448)
Finance interest payments received on finance lease receivable	6	1,334	1,448
Distributions declared to Class B LP unitholders	15	—	687
Distributions paid to Class B LP unitholders	15	—	(810)
Interest income		(187)	(213)
Interest received		187	213
Interest and finance costs	17	37,178	29,939
Interest paid		(29,040)	(27,559)
Changes in working capital items		5,095	(5,882)
		$ 17,608	**$ 7,307**
INVESTING ACTIVITIES			
Dispositions of investment properties	4	40,312	—
Capital expenditures	5	(4,624)	(4,842)
Leasing costs	5	(11,065)	(9,604)
Principal payments received on finance lease receivable	6	1,876	1,762
		$ 26,499	**$ (12,684)**
FINANCING ACTIVITIES			
Proceeds from issuance of units	14	166	—
Distributions on REIT units	15	—	(12,259)
Mortgage advances	26	—	722
Mortgage and term loan repayments	26	(33,532)	(5,219)
Financing costs on debt	26	(127)	(304)
(Repayments) draws on revolving and term facilities, net	26	(11,013)	22,026
		$ (44,506)	**$ 4,966**
Foreign exchange gain (loss) on cash held in foreign currency		37	(419)
Decrease in cash		**$ (362)**	**$ (830)**
Cash, beginning of period		**11,270**	**19,905**
Cash, end of period		**$ 10,908**	**$ 19,075**

The accompanying notes are an integral part of the 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 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 further amended on March 1, 2019, May 13, 2021 and January 15, 2024, as it may be further amended, supplemented or amended and restated from time to time (the "Declaration of Trust"). The REIT's portfolio consists of 50 commercial properties located in Canada, the United States, and Ireland. The units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbol "SOT.UN".

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

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

2. BASIS OF PREPARATION

i. Statement of compliance

These 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") have been omitted or condensed. As a result, these consolidated financial statements should be read in conjunction with the REIT's audited annual consolidated financial statements as at and for the year ended December 31, 2023.

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on August 8, 2024.

iii. Basis of measurement and going concern

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

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

The REIT's borrowings provided by its revolving facility and other debt require compliance with covenants, which if breached could lead to lenders demanding repayment and reducing availability of drawings available to the REIT. Additionally, certain of the REIT's debt, including the REIT's revolving credit facility, include cross default provisions, generally for defaults on debt in excess of $5.0 million. These covenants are described in more detail in notes 9 and 23.

As at June 30, 2024, the REIT has breached certain covenants on its revolving credit facility as well as certain other mortgages. In certain cases, including that with respect to the revolving credit facility, the lenders have provided a formal Event of Default notice expressing their right to demand repayment of the borrowings at their discretion. The REIT does not have sufficient liquidity or plans to make such payment from receipt of these notices. In addition, the Event of Default on the revolving credit facility has required that all term borrowings on the facility be converted into Canadian Prime and U.S. Base Rate loans. This has resulted in an increase in the facility's weighted average interest rate to 9.36%. The REIT also has other debt arrangements that have become or will become contractually due within the next 12 months. Furthermore, while the REIT has received Event of Default notices on certain debt, the REIT is aware of defaults on other debt where the REIT has not received such notices. As a result of the aforementioned covenant breaches, cross defaults, and other borrowings due and coming due within the next 12 months, the REIT has $765.4 million of debt presented as current on the statement of financial position as at June 30, 2024 (see note 22). As a result of the amendments made in November 2023 to the revolving credit facility, the overall commitment level is expected to continue to reduce in scheduled intervals. Effective from June 30, 2024, the maximum availability of the Canadian revolving facility reduced to $150,000 and from September 30, 2024, it will reduce to $100,000 (see note 9). In addition, pursuant to the trust indentures governing the Convertible Debentures, due to default letters provided by senior lenders, the REIT is currently restricted from making payments of accrued interest in respect of the Convertible Debentures so long as such defaults have not been cured or waived. The REIT has determined that based on the information currently available to it, there can be no assurance if or when a cure or waiver in respect of such defaults will be obtained, and as such, the REIT did not make the cash interest payments due on June 30, 2024 in respect of its 7.50% convertible unsecured subordinated debentures and 5.50% convertible unsecured subordinated debentures, nor does it expect to make the cash interest payment due on August 31, 2024 in respect of its outstanding 9.00% convertible unsecured subordinated debentures (collectively, the "Debentures") (see note 22). Accordingly, the REIT is in the process of amending its revolving credit facility with its lenders to remove the reduction in the overall commitment level in scheduled intervals as well as continues to work with its lenders to amend or renew existing borrowings and obtain waivers against covenant breaches while continuing to manage liquidity. While the REIT continues to work with its lenders on such amendments, renewals and waivers, there is a risk that these efforts may not be successful, which may result in lenders exercising their rights to demand repayment.

Additionally, changes in interest rates driven by central banks in Canada, the U.S. and Europe seeking to reduce inflationary pressures and the broad market sentiment towards the office sector as a whole have reduced the availability of and increased the cost of financing which gives rise to the risk of the REIT not being able to service its debt costs.

The REIT has undertaken various actions in order to increase liquidity and reduce its financial leverage and borrowings. These actions include, a program to dispose of certain investment properties (the "Portfolio Realignment Plan"), working with lenders to provide additional flexibility and liquidity to the REIT, a suspension of its cash distribution to unitholders, and a program to reduce capital investment and general and administrative expenses.

Although the REIT expects its Portfolio Realignment Plan to raise capital to decrease borrowings and the REIT continues to proactively work with its lenders to achieve positive outcomes, the covenant violations will result in lenders having the right to demand repayment of such borrowings.

The REIT will continue to seek to dispose of certain investment properties, to refinance existing maturing debt and in certain cases to amend the terms of existing borrowings. However, the REIT may not be able to complete such dispositions or financing activities on terms and conditions acceptable to the REIT, or at all, which would have an adverse material effect on the REIT's liquidity. Additionally, by selling certain of its properties under its Portfolio Realignment Plan the REIT may be required to dispose of properties at amounts less than the estimated fair value at June 30, 2024. This difference could be material, especially in instances where there is limited purchaser interest or limited or no financing available for potential purchasers.

As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the REIT's ability to continue as a going concern. The outcome is dependent on the successful completion of the planned dispositions, financing activities and ability to obtain waivers described above. If the going concern assumption is not appropriate as of June 30, 2024, material adjustments to the carrying values of assets and liabilities would be necessary.

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 "United States" or the "U.S.") for which the functional currency is U.S. dollars and the Republic of Ireland ("Ireland") for which the functional currency is Euros.

v. Comparative figures

Certain comparative figures on the statements of financial position have been adjusted to conform to current year presentation. $3,330 of Derivatives have been re-classified from non-current to current assets and $1,061 was re-classified from non current assets to non current liabilities on the statement of financial position as at December 31, 2023 (see note 11).

3. MATERIAL ACCOUNTING POLICIES

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

i. Material 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, 2023 with the addition of the below.

ii. Application of new and revised IFRSs

Amendments to IAS 1

In January 2020 and October 2022, the IASB issued amendments to IAS 1 – Classification of Liabilities as Current or Non-Current to specify the requirements for the classification of liabilities as either current or non-current. The amendments clarified the following:

- Right to defer settlement – that if an entity's right to defer settlement is subject to compliance with future covenants, the entity has a right to defer settlement of the liability regardless of compliance with such covenants at the end of the reporting period.

(in thousands of Canadian dollars)

- Expected deferrals – that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer the settlement of the liability for at least twelve months following the reporting period even if settlement occurs prior to the authorization of the issuance of the financial statements.
- Settlement by way of own instruments – that settlement by way of an entity's own equity instruments is considered settlement for classification purposes with the exception of a conversion option that itself is classified as an equity instrument.

The amendment also provided for additional disclosures surrounding non-current liabilities for which a right to defer settlement is subject to compliance with future covenants within twelve months. The REIT adopted the amendments retrospectively for the six months ended June 30, 2024. The amendment was adopted as of January 1, 2024 and applied retrospectively and thus $4,281 and $22,832 of Class B LP units have been re-classified on the statement of financial position as at December 31, 2023 and January 1, 2023 retrospectively from non current to current.

iii. Future accounting policies

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, IFRS 18 - Presentation and Disclosure in Financial Statements ("IFRS 18") was issued to replace IAS 1 - Presentation of Financial Statements with the aim to provide users with more transparent and comparable information. It requires companies to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category and disclose certain management-defined performance measures within its consolidated financial statements.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and is required to be applied retrospectively. The REIT is currently in the process of assessing the impact of adopting the new standard on its consolidated financial statements.

4. DISPOSITIONS

2024 Dispositions

During the six months ended June 30, 2024, the REIT made the following investment property dispositions:

	The Sheridan Exchange	Airways Units 7 & 8	84-86 Chain Lake	Walmart Flin Flon	Total
Disposition date	February 1, 2024	February 28, 2024	May 1, 2024	May 10, 2024	
Location	Mississauga, ON	Dublin, Dublin	Halifax, NS	Flin Flon, MB	
Number of properties	1	1	1	1	**4**
Interest disposed	75 %	100 %	100 %	100 %	
Sale price	$ 19,200	$ 11,028	$ 10,415	$ 3,950	**$ 44,593**
Capital adjustments	(345)	—	(53)	—	**(398)**
Working capital	(493)	(60)	(445)	(46)	**(1,044)**
Transaction costs	(349)	(175)	(443)	(165)	**(1,132)**
Capital gains tax	—	(1,707)	—	—	**(1,707)**
Discharge of mortgage	(16,703)	(7,212)	—	—	**(23,915)**
Repayment on revolving facility	—	—	(9,474)	(3,739)	**(13,213)**
Net proceeds	**$ 1,310**	**$ 1,874**	**$ —**	**$ —**	**$ 3,184**

2023 Dispositions

During the six months ended June 30, 2023, the REIT did not dispose of any investment properties.

(in thousands of Canadian dollars)

5. INVESTMENT PROPERTIES

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2024	2023	2024	2023
Beginning of period		$ 1,277,574	$ 1,753,789	$ 1,362,188	$ 1,754,338
Capital expenditures		2,631	2,203	4,624	4,842
Leasing costs		6,994	5,124	11,065	9,604
Dispositions[1]	4	(14,312)	—	(44,195)	—
Depreciation of hotel asset		(249)	(241)	(498)	(481)
Foreign exchange		4,041	(10,855)	11,383	(9,091)
Change in fair value		(154,405)	(41,924)	(165,197)	(37,916)
IFRIC 21 property tax adjustment		3,349	3,522	(6,848)	(6,969)
Straight-line rent and other changes		(1,929)	(2,804)	(4,112)	(5,513)
Transfer to assets held for sale		(33,381)	—	(78,097)	—
End of period		**$ 1,090,313**	**$ 1,708,814**	**$ 1,090,313**	**$ 1,708,814**

[1]Represents the purchase price and capital adjustments.

Investment properties at June 30, 2024 are comprised of the REIT's interests in 34 (December 31, 2023 - 39) properties, which includes one mixed-use hotel asset, and excludes 15 assets held for sale (December 31, 2023 - 14) (described below) and a data centre in Winnipeg, Manitoba (the "Data Centre"), which is classified as a finance lease (note 6). The REIT owns an undivided interest in all investment properties with the exception of three office properties in the Greater Toronto Area in which the REIT owns a 75% interest (December 31, 2023: four office properties).

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.

At the balance sheet date there exists a limited number of observable comparable transactions and certain of the observable comparable transactions may have occurred by seller distress, financing pressure or other factors specific to those particular market participants and transactions. Accordingly, estimation uncertainty with determining the fair value of investment properties remains high.

In 2023, the REIT initiated a Portfolio Realignment Plan to dispose of certain of its properties to raise capital in order to increase liquidity and reduce its outstanding borrowings. As at June 30, 2024, the REIT classified 15 investment properties with a total estimated fair value of $377.3 million and outstanding debt principal of $282.4 million as held for sale. To achieve the REIT's goal of increasing its liquidity and reducing its outstanding borrowings by selling certain of its properties the REIT may be required to dispose of such properties on an accelerated basis and at amounts materially less than the estimated fair value at June 30, 2024, especially in instances where there is limited purchaser interest or limited or no financing available for potential purchasers. The REIT classified 14 investment properties with a total estimated fair value of $299.2 million and outstanding debt principal of $195.7 million as held for sale as at December 31, 2023.

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

	June 30, 2024		December 31, 2023	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	7.50%	7.00%	6.75%	6.75%
Maximum	11.25%	10.50%	11.50%	10.50%
Weighted average	8.62%	7.79%	7.99%	7.43%

The following table presents the estimated change to fair value of the REIT's investment properties in thousands when there is an increase or decrease to the discount and terminal capitalization rates ("TCR") at June 30, 2024:

		Discount Rate				
		50 bps-	25 bps-	No change	25 bps+	50 bps+
	50 bps-	$ 101,153	$ 75,905	$ 51,258	$ 27,194	$ 3,699
	25 bps-	73,395	48,784	24,756	1,298	(21,608)
TCR	No change	47,464	23,448	—	(22,894)	(45,249)
	25 bps+	23,185	(274)	(23,179)	(45,544)	(67,384)
	50 bps+	405	(22,532)	(44,928)	(66,797)	(88,153)

The following table presents the estimated change to fair value of the REIT's investment properties when there is an increase or decrease to the REIT's projected net operating income over the term of the discounted cash flows:

	June 30, 2024
1% increase	$ 7,448
1% decrease	(7,448)

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

Three months ended	Number of investment properties	Fair Value
March 31, 2024	—	$ —
June 30, 2024	5	$ 255,095

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.

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

	Six months ended June 30, 2024	Year ended December 31, 2023
Beginning of period	$ 43,213	$ 46,793
Lease payments received	(3,210)	(6,420)
Finance income on finance lease receivable	1,334	2,840
End of period	**$ 41,337**	**$ 43,213**

(in thousands of Canadian dollars)

The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the consolidated statement of financial position at June 30, 2024:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	$ 6,444	$ 2,487	$ 3,957
Greater than one year but less than 5 years	27,027	7,046	19,981
Greater than 5 years	18,275	876	17,399
Total			**$ 41,337**

The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the consolidated statement of financial position at December 31, 2023:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	$ 6,420	$ 2,608	$ 3,812
Greater than one year but less than 5 years	26,882	7,660	19,222
Greater than 5 years	21,654	1,475	20,179
Total			**$ 43,213**

7. OTHER ASSETS

Other assets are comprised of the following:

	June 30, 2024	December 31, 2023
Prepaid expenses	$ 5,686	$ 2,733
Mortgage interest reserves	2,113	1,622
Investment tax credit receivable	559	538
Utilities deposits	103	103
Total	**$ 8,461**	**$ 4,996**

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

	June 30, 2024	December 31, 2023
Current	$ 7,319	$ 2,909
Non-current	1,142	2,087
Total	**$ 8,461**	**$ 4,996**

Included in other assets are mortgage interest reserves totaling $2.1 million held by three of the REIT's lenders. Subsequent to June 30, 2024, one of the interest reserves totaling $0.5 million was repaid by the lender. The REIT expects the remaining reserves to be repaid upon mortgage maturity, between May 2025 and December 2025.

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).

(in thousands of Canadian dollars)

8. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	June 30, 2024	December 31, 2023
Rent receivable	$ 4,643	$ 2,000
Accrued recovery income	1,468	904
Other amounts receivable	3,623	3,248
Allowance	(415)	(57)
Total	**$ 9,319**	**$ 6,095**

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

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

Included in other amounts receivable are capital expenditures recoverable from tenants.

The change in allowance is as follows:

	Six months ended June 30, 2024	Year ended December 31, 2023
Beginning of period	$ (57)	$ (886)
Change in allowance	(358)	(529)
Bad debt write-off	—	1,358
End of period	**$ (415)**	**$ (57)**

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

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

	June 30, 2024	December 31, 2023
Current to 30 days	$ 3,209	$ 951
31 to 90 days	576	443
Greater than 90 days	443	549
Total	**$ 4,228**	**$ 1,943**

(in thousands of Canadian dollars)

9. DEBT

Debt held by the REIT at June 30, 2024 is as follows:

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal
Mortgages [1 2 3 4]	Various	Various	15	$ 793,939	$ 573,557	$ 573,557
Revolving facilities [3 4 5 6 7]	Oct. 14, 2024	Various	13	418,574	298,564	298,564
Term loan [3 4 8]	Apr. 5, 2027	Euribor+265 bps	22	254,379	129,928	129,928
Convertible debentures	Feb. 28, 2026	9.0%	—	—	28,750	28,750
Convertible debentures	Dec. 31, 2026	5.5%	—	—	84,200	84,200
Convertible debentures	Dec. 31, 2027	7.5%	—	—	45,000	45,000
Total			**50**	**$1,466,892**	**$1,159,999**	**$1,159,999**

[1]The weighted average remaining term to maturity of mortgages is 1.1 years with maturities ranging from overheld debt that matured on April 20, 2024 to October 1, 2030 and the weighted average interest rate of mortgages is 6.18% with coupons ranging from 2.53% to 10.00%. Due to covenant violations and in some cases, failure to repay on maturity, certain mortgages are contractually due on demand (discussed further in notes 22 and 23).

[2]Security includes assets held for sale and the Data Centre, which is accounted for as a finance lease receivable all of which are not included in the REIT's investment properties.

[3]Certain amounts have been translated from U.S. dollars and Euros to Canadian dollars using the prevailing exchange rates on June 30, 2024.

[4]The REIT's revolving credit facility, term loan, construction facility and some mortgages are subject to financial and other covenants, including customary maximum leverage ratios, interest service coverage ratios, minimum debt service coverage ratios, minimum unitholders' equity. These covenants are described further in note 23.

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

[6]Principal balance includes $238,787 and U.S. $43,700 of revolving facilities. From June 30, 2024, the maximum availability of the revolving facilities is the lesser of (i) $150,000 and U.S. $38,000, (ii) the sum of the margined fair value of the property securing the facility and (iii) the amount which can be serviced (both monthly principal and interest) by the quotient obtained by dividing the net operating income by 1.40 and assuming (a) a 25 year amortization period, and (b) an interest rate compounded semi-annually, equal to the greater of (i) 4.5%, and (ii) the relevant five year government bond yield plus 2.50%. From September 30, 2024, while maintaining the same calculation, the maximum availability of the revolving facility's Canadian dollar tranche reduces to $100,000. The contractual remaining term to maturity of revolving facilities is 0.3 years and the weighted average interest rate is 9.36%. Due to covenant violations, the revolving credit facility is contractually due on demand (discussed further in notes 22 and 23).

[7]Security includes assets held for sale, which are not included in the REIT's investment properties on the consolidated statement of financial position.

[8]The term loan facility is secured by 22 properties in Ireland.

The carrying value of debt held by the REIT at June 30, 2024 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current [1 2]	Non-current
Mortgages	$ 573,557	$ (2,616)	$ 1,763	$ 572,704	$ 519,965	$ 52,739
Revolving facilities	298,564	(7,290)	6,789	298,063	298,063	—
Term loan	129,928	(5,030)	2,140	127,038	—	127,038
Convertible debentures [3]	28,750	(1,464)	—	27,286	—	27,286
Convertible debentures [3]	84,200	(6,479)	1,787	79,508	—	79,508
Convertible debentures [3]	45,000	(6,250)	646	39,396	—	39,396
Total	**$ 1,159,999**	**$ (29,129)**	**$ 13,125**	**$ 1,143,995**	**$ 818,028**	**$ 325,967**

[1]Included in current liabilities and shown as debt held for sale on the consolidated statement of financial position is $282.4 million of principal associated with assets held for sale as described in note 5. Of the $282.4 million debt associated with assets held for sale, $234.1 million is contractually current debt and $48.3 million was reclassified to current.

[2]Total debt of $706.4 million was in default due to being overheld or in breach of financial covenants as at June 30, 2024, all of which has been presented in current liabilities. Of the defaulted debt, $579.1 million was impacted due to financial covenant breaches, $35.6 million was overheld and $91.7 million was both in breach of a financial covenant and overheld. Of the $706.4 million defaulted debt, $586.7 million is contractually current and $119.7 million was reclassified to current debt. Additionally, of the defaulted debt, $232.8 million is also debt associated with assets held for sale. The REIT remains in the process of seeking an amendment to, or renewal of the above defaulted debt as of the authorization date of the condensed consolidated interim financial statements.

(in thousands of Canadian dollars)

[3]Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion options and the issuer redemption options, originally recorded in the aggregate amount of $8.3 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

On January 27, 2023, the REIT amended the terms of its 5.25% convertible unsecured subordinated debentures, due February 28, 2023. The amendments: (i) increased the interest rate of the Debentures from 5.25% to 9.00%, effective February 28, 2023; (ii) decreased the conversion price of the Debentures from $10.53 per trust unit of the REIT to $5.50 per unit; (iii) extended the maturity date of the Debentures from February 28, 2023 to February 28, 2026; and (iv) provided that the Debentures are not redeemable prior to February 28, 2025 and, at any time after February 28, 2025, the REIT will be permitted to redeem the amended Debentures, in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of the redemption.

On August 23, 2023, in connection with the acquisition of West Metro Corporate Centre, the REIT assumed the remaining $24.0 million of debt associated with this property. Following this acquisition, the REIT refinanced the total outstanding debt of $95.9 million to a one year $82.3 million mortgage. The REIT also obtained a vendor-take-back loan of $2.9 million for the purchase of this property interest.

On November 14, 2023, the REIT amended its revolving credit facility. The amended revolving credit facility provided certain financial covenant relief in addition to increased borrowing base availability through to March 31, 2024. The Canadian revolving credit commitment was initially reduced from $260.0 million to $252.0 million and the U.S. dollar revolving credit commitment was reduced from $76.2 million to $59.3 million, with further reductions required at future dates. Concurrently with the amendment, the REIT repaid $7.3 million on the U.S. dollar revolving credit commitment. The drawn amount on the Canadian revolving credit commitment was unaffected.

Debt held by the REIT at December 31, 2023 was as follows:

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [1]
Mortgages [2 3 4 5]	Various	Various	16	$ 920,513	$ 595,571	$ 595,571	$ —
Revolving facilities [4 5 6 7 8]	Oct. 14, 2024	Various	15	476,918	309,872	307,672	2,200
Term Loan [4 5 9]	Apr. 5, 2027	Euribor+265 bps	23	263,240	136,658	136,658	—
Convertible debentures	Feb. 28, 2026	9.00%	—	—	28,750	28,750	—
Convertible debentures	Dec. 31, 2026	5.50%	—	—	84,200	84,200	—
Convertible debentures	Dec. 31, 2027	7.50%	—	—	45,000	45,000	—
Total			**54**	**$1,660,671**	**$1,200,051**	**$ 1,197,851**	**$ 2,200**

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

[2]The weighted average remaining term to maturity of mortgages is 1.5 years with maturities ranging from one overheld mortgage that matured on December 31, 2023 to October 1, 2030 and the weighted average interest rate of mortgages is 6.30% with coupons ranging from 2.53% to 10.00%.

[3]Security includes assets held for sale and the Data Centre, which is accounted for as a finance lease receivable all of which are not included in the REIT's investment properties.

[4]Certain amounts have been translated from U.S. dollars and Euros to Canadian dollars using the prevailing exchange rates on December 31, 2023.

[5]The REIT's revolving credit facility, term loan, construction facility and some mortgages are subject to financial and other covenants, including customary maximum leverage ratios, interest service coverage ratios, minimum debt service coverage ratios, minimum unitholders' equity. These covenants are described further in note 23.

[6]Stand-by fees incurred on the unused portion of the revolving credit facility are 50.63 bps, charged and paid quarterly.

[7]Principal balance includes $249,800 and U.S. $43,700 of revolving facilities. During the year ended December 31, 2023, the REIT amended the terms for calculating its borrowing base as follows: The maximum availability of the revolving facilities is the lesser of (i) $252,000 and U.S. $43,700, (ii) the sum of the margined fair value of the property securing the facility and (iii) the amount which can be serviced (both monthly principal and interest) by the quotient obtained by dividing the net operating income by 1.25 and assuming (a) a 25 year amortization period, and (b) an interest rate compounded semi-annually, equal to the greater of (i) 4.5%, and (ii) the relevant five year government bond yield plus 2.50%. From March 31, 2024, the maximum availability of the revolving facilities is calculated on an individual property basis and the net operating income divisor increases from 1.25 to 1.30. From June 30, 2024, the maximum availability of the revolving facilities reduces to $150,000 and U.S. $38,000 and the net operating income divisor increases from 1.30 to 1.40. From September 30, 2024, while maintaining the same calculation, the maximum availability of the revolving facility's Canadian dollar tranche reduces to $100,000. The calculation of the maximum capacity on a property by property basis, a greater net operating income divisor from March 31, 2024 and changes in prevailing interest rates are collectively expected to reduce the maximum drawings available by $34.8 million. The change in the maximum available drawings is highly sensitive to changes in property valuations and changes in applicable prevailing interest rates. The contractual remaining term to maturity of revolving facilities is 0.8 years and the weighted average interest rate is 8.18%.

[8]Security includes assets held for sale, which are not included in the REIT's investment properties on the consolidated statement of financial position.

[9]The term loan facility is secured by 23 properties in Ireland.

(in thousands of Canadian dollars)

The carrying value of debt held by the REIT at December 31, 2023 is as follows:

	Principal	MTM adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	$ 595,571	$ (5,114)	$ 3,005	$ 593,462	$ 230,831	$ 362,631
Revolving facilities	307,672	(7,224)	5,913	306,361	306,361	—
Term loan	136,658	(5,013)	1,634	133,279	—	133,279
Convertible debentures [1]	28,750	(1,464)	—	27,286	—	27,286
Convertible debentures [1]	84,200	(6,479)	1,429	79,150	—	79,150
Convertible debentures [1]	45,000	(6,252)	448	39,196	—	39,196
	$ 1,197,851	**$ (31,546)**	**$ 12,429**	**$ 1,178,734**	**$ 537,192**	**$ 641,542**

[1]Included in current liabilities and shown as debt held for sale on the consolidated statement of financial position is $195.7 million of principal associated with assets held for sale as described in note 6. Of the $195.7 million debt associated with assets held for sale, $125.0 million is current debt and $70.7 million was reclassified to current.

[2]Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion options and the issuer redemption options, originally recorded in the aggregate amount of $8.3 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

Future contractual repayments of mortgages payable by year of maturity at June 30, 2024 are as follows:

	Weighted average interest rate of principal maturities [1]	Amortizing principal payments	Principal repayments on maturity	Total repayments
Remainder of 2024	7.92%	$ 2,546	$ 127,265	$ 129,811
2025	5.82%	4,873	390,369	395,242
2026	4.09%	3,037	—	3,037
2027	4.59%	3,057	28,996	32,053
2028	4.38%	2,548	—	2,548
Thereafter	4.38%	4,971	5,895	10,866
	6.18%	**$ 21,032**	**$ 552,525**	**$ 573,557**
Unamortized financing costs				(853)
Total				**$ 572,704**

[1]The weighted average interest rate of principal maturities is calculated using the rates in effect at June 30, 2024.

Future contractual principal payments and maturities for all debt at June 30, 2024 are as follows:

Remainder of 2024	$ 428,375
2025	395,242
2026	140,613
2027	182,356
2028	2,548
Thereafter	10,865
	$ 1,159,999
Unamortized financing costs	(16,004)
Total	**$ 1,143,995**

Convertible Debentures

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

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

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

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

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

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

On January 27, 2023, the REIT amended the terms of its 2018 Convertible Debentures. The amendments: (i) increased the interest rate of the Debentures from 5.25% to 9.00%, effective February 28, 2023; (ii) decreased the conversion price of the Debentures from $10.53 per trust unit of the REIT to $5.50 per unit; (iii) extended the maturity date of the Debentures from February 28, 2023 to February 28, 2026; and (iv) provided that the Debentures are not redeemable at the option of the REIT prior to February 28, 2025 and, at any time after February 28, 2025, the REIT will be permitted to redeem the amended Debentures, in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of the redemption. 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. On and from February 28, 2025, and prior to February 28, 2026, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

(in thousands of Canadian dollars)

Adjustment to the comparative statement of financial position as at December 31, 2023

On March 29, 2024, the REIT was notified of a breach of a covenant with a determination date of December 31, 2023 in respect of a mortgage with a borrowed amount of $13.8 million. This breach resulted in $5.6 million being repayable by the borrower within 30 days of the REIT receiving notice of a demand for repayment. At June 30, 2024, the REIT is working with the lender to amend or obtain waivers to cure the breach. Accordingly, the REIT has reclassified this $5.6 million of debt from non-current to current liabilities at December 31, 2023.

10. OTHER LIABILITIES

Other liabilities are comprised of the following:

	Note	June 30, 2024	December 31, 2023
Security deposits		$ 6,440	$ 5,907
Deferred units	14	98	489
Investment tax credit payable		280	269
Total		**$ 6,818**	**$ 6,665**

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

	June 30, 2024	December 31, 2023
Current	$ 1,282	$ 1,381
Non-current	5,536	5,284
Total	**$ 6,818**	**$ 6,665**

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

Derivatives are comprised of the following:

	June 30, 2024	December 31, 2023
Fair value of conversion option on convertible debentures	$ (165)	$ (435)
Fair value of interest rate swaps	11,124	13,613
Fair value of cross currency swap	(505)	(626)
Fair value of interest rate caps	1,039	2,478
Derivatives, net	**$ 11,493**	**$ 15,030**

(in thousands of Canadian dollars)

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

	Six months ended June 30, 2024	Six months ended June 30, 2023
Fair value, beginning of period	$ 15,030	$ 26,476
Initial recognition of embedded derivatives on issuance of convertible debentures	—	(1,463)
Fair value change of convertible debenture embedded derivatives	270	4,800
Fair value change of interest rate swaps	4,143	7,698
Net receipts on interest rate swaps	(6,792)	(8,788)
Foreign exchange gain (loss) on U.S. interest rate swap	160	(171)
Fair value change of cross currency interest rate swap	121	(765)
Fair value change of interest rate caps	(1,456)	183
Foreign exchange gain (loss) on U.S. and Euro interest rate caps	17	(25)
Fair value, end of period	**$ 11,493**	**$ 27,945**

Interest rate protection instruments

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

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

The following are the terms and fair values of the REIT's interest rate swaps where the REIT pays fixed and receives floating interest rates:

			Notional amount [2]		Fair value	
Maturity date	Floating interest rate [1]	Fixed interest rate	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
February 1, 2024	1 month U.S. SOFR	1.80%	$ —	$ 66,215	$ —	$ 318
March 22, 2024	1 month CDOR	1.90%	—	100,000	—	858
April 20, 2024	1 month CDOR	5.61%	—	81,300	—	(97)
March 3, 2025	1 month BA [3]	1.23%	62,500	62,500	1,656	2,670
March 3, 2025	1 month BA [3]	1.23%	10,000	10,000	265	427
March 3, 2025	1 month BA [3]	4.31%	8,000	8,000	31	44
May 1, 2025	1 month BA [3]	4.36%	59,003	59,003	205	227
September 10, 2025	1 month U.S. SOFR	2.18%	138,260	133,854	4,667	4,839
October 30, 2026	1 month CDOR [3]	2.30%	100,000	100,000	4,300	4,327
Total			**$ 377,763**	**$ 620,872**	**$ 11,124**	**$ 13,613**

[1] "BA" means the Bankers' Acceptances rate, "SOFR" means the Secured Overnight Financing Rate, and "CDOR" means the Canadian Dollar Offered Rate.
[2] The notional amount of the U.S. dollar pay-fixed receive-float interest rate swaps, maturing September 10, 2025 is U.S. $101.1 million.
[3] On July 2, 2024, the floating interest rate benchmark was converted to 1 month term Canadian Overnight Repo Rate Average "CORRA".

In connection with an acquisition, the REIT entered into a cross currency interest rate swap transaction on November 16, 2021 to pay a fixed rate of 3.72% and receive a fixed rate of 5.50%, effective on January 31, 2022 and maturing on December 31, 2026. Interest payments are payable semi-annually on or around June 30 and December 30, commencing June 30, 2022. During the six months ended June 30, 2024, the REIT recorded a fair value gain of $0.1 million (June 30, 2023: loss of $0.8 million), which is recorded in the interim condensed consolidated statement of loss.

(in thousands of Canadian dollars)

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

			Notional amount [1]		Fair value	
Maturity date	Pay Euro interest rate	Receive $ interest rate	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
December 31, 2026	3.72%	5.50%	$ 75,000	$ 75,000	$ (505)	$ (626)
Total			**$ 75,000**	**$ 75,000**	**$ (505)**	**$ (626)**

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

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

			Notional amount[1]		Fair value	
Maturity date	Reference	Cap rate	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
July 8, 2024	3 month Euribor	1.60%	$ 137,117	$ 136,658	$ 792	$ 2,251
November 1, 2025	1 month U.S. SOFR	3.75%	16,278	15,737	247	227
Total			**$ 153,395**	**$ 152,395**	**$ 1,039**	**$ 2,478**

[1]The notional amount of the pay Euro and U.S. dollar interest rate caps are €93.6 million and US. $11.9 million, respectively.

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

	Six months ended June 30,	
	2024	2023
Beginning of the period	$ 2,478	$ 3,833
Fair value changes	(1,456)	183
Foreign exchange gain (loss)	17	(25)
End of period	**$ 1,039**	**$ 3,991**

Foreign exchange rate protection instruments

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

The REIT did not enter into any derivative or foreign exchange contracts during the six months ended June 30, 2024 and 2023.

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

	June 30, 2024	December 31, 2023
Current assets	$ 2,949	$ 3,330
Non-current assets	9,214	12,761
Non-current liabilities	(670)	(1,061)
Total	**$ 11,493**	**$ 15,030**

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.

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 unit for a unit of the REIT, the special voting unit attached to a Class B LP unit will automatically be redeemed and cancelled.

(in thousands of Canadian dollars)

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 loss.

The change in Class B LP units for the three months ended June 30, 2024 and 2023 is as follows:

	Three months ended June 30, 2024			Three months ended June 30, 2023		
	Units		Amount	Units		Amount
Beginning of period	5,285,160	$	3,964	5,285,160	$	18,709
Fair value changes	—		(2,828)	—		(8,244)
End of period	**5,285,160**	**$**	**1,136**	**5,285,160**	**$**	**10,465**

The change in Class B LP units for the six months ended June 30, 2024 and 2023 is as follows:

	Six months ended June 30, 2024			Six months ended June 30, 2023		
	Units		Amount	Units		Amount
Beginning of period	5,285,160	$	4,281	5,285,160	$	22,832
Fair value changes	—		(3,145)	—		(12,367)
End of period	**5,285,160**	**$**	**1,136**	**5,285,160**	**$**	**10,465**

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

		June 30, 2024		December 31, 2023
Accounts payable and accrued liabilities	$	48,017	$	32,263
Prepaid rent		6,405		7,970
Tenant improvements payable		517		2,323
Total	**$**	**54,939**	**$**	**42,556**

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, with certain limitations on the quantity of trust units that may be redeemed for cash.

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 and six months ended June 30, 2024 is as follows:

	Three months ended June 30, 2024			Six months ended June 30, 2024		
	Units		Amount	Units		Amount
Beginning of period	80,049,062		578,406	80,049,062		578,406
Issued pursuant to the Trustee DUP	242,626		166	242,626		166
End of period	**80,291,688**	**$**	**578,572**	**80,291,688**	**$**	**578,572**

(in thousands of Canadian dollars)

The change in trust units during the three and six months ended June 30, 2023 is as follows:

	Three months ended June 30, 2023		Six months ended June 30, 2023	
	Units	Amount	Units	Amount
Beginning of period	80,023,409	578,380	80,023,409	578,380
End of period	**80,023,409**	**$ 578,380**	**80,023,409**	**$ 578,380**

Trustee deferred unit plan

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

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

At June 30, 2024, the liability associated with the deferred units issued under the Trustee DUP was $0.1 million (December 31, 2023: $0.5 million), and the number of outstanding deferred units was 438,364 (December 31, 2023: 588,311 units). During the three and six months ended June 30, 2024, 400,740 units were redeemed for trust units under the Trustee deferred unit plan by three former Trustees of the REIT (June 30, 2023 - nil).

Officer deferred unit plan

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

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

At June 30, 2024, the liability associated with deferred units issued under the Officer DUP was $4 thousand (December 31, 2023: $12 thousand), and the number of deferred units was 14,294 units (December 31, 2023: 14,294 units).

The change in Trustee and Officer DUP units during the three and six months ended June 30, 2024 is as follows:

		Three months ended June 30, 2024		Six months ended June 30, 2024	
	Note	Units	Amount	Units	Amount
Beginning of period		712,330	$ 535	602,606	$ 489
Issued		141,068	51	250,792	131
Redemption of units		(400,740)	(275)	(400,740)	(275)
Fair value adjustment	19	—	(213)	—	(247)
End of period		**452,658**	**$ 98**	**452,658**	**$ 98**

(in thousands of Canadian dollars)

The change in DUP units during the three and six months ended June 30, 2023 is as follows:

		Three months ended June 30, 2023		Six months ended June 30, 2023	
	Note	Units	Amount	Units	Amount
Beginning of period		327,100	$ 1,158	273,502	$ 1,182
Issued		56,288	108	103,581	270
Reinvested distributions		7,864	18	14,169	45
Fair value adjustment	19	—	(509)	—	(722)
End of period		**391,252**	**$ 775**	**391,252**	**$ 775**

Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the three and six months ended June 30, 2024. 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,	
	2024	2023	2024	2023
Basic weighted average units outstanding	80,171,708	80,023,409	80,110,385	80,023,409
Class B LP units	5,285,160	5,285,160	5,285,160	5,285,160
Basic weighted average deferred units outstanding	452,510	331,928	527,558	304,405
Diluted weighted average units outstanding	**85,909,378**	**85,640,497**	**85,923,103**	**85,612,974**

Diluted units outstanding

The following is the diluted number of units outstanding as at June 30, 2024 and 2023. The diluted number of units outstanding is determined as if all of the Class B LP units and deferred units had been converted to units of the REIT:

	June 30, 2024	June 30, 2023
Trust units outstanding	80,291,688	80,023,409
Class B LP units	5,285,160	5,285,160
Deferred units	452,658	391,252
Diluted units outstanding	**86,029,506**	**85,699,821**

Accumulated other comprehensive income consists of the below:

	Six months ended June 30, 2024			Six months ended June 30, 2023		
	Foreign currency translation	Net investment hedges	Total	Foreign currency translation	Net investment hedges	Total
Beginning of period	$ 7,678	$ (4,820)	$ 2,858	$ 9,987	$ (4,820)	$ 5,167
Currency translation	4,869	—	4,869	(4,462)	—	(4,462)
End of period	**$ 12,547**	**$ (4,820)**	**$ 7,727**	**$ 5,525**	**$ (4,820)**	**$ 705**

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

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. Distributions to Class B LP unitholders are recorded in net loss. Beginning April 2023, the REIT decreased monthly distributions from $0.0333 to $0.0100 per unit and in November 2023, the REIT suspended its monthly cash distribution to unitholders and holders of Class B LP units. All distributions settled during the three and six months ended June 30, 2023 were paid in cash.

(in thousands of Canadian dollars)

The REIT did not declare or pay distributions during the three and six months ended June 30, 2024.

The following table presents the distributions during the three and six months ended June 30, 2023:

	Three months ended June 30, 2023		Six months ended June 30, 2023	
	Trust units	LP units	Trust units	LP units
Distributions declared during the period	$ 2,401	$ 159	$ 10,395	$ 687
Add: Distributions payable, beginning of period	2,665	176	2,665	176
Less: Distributions payable, end of period	(801)	(53)	(801)	(53)
Distributions paid during the period	**$ 4,265**	**$ 282**	**$ 12,259**	**$ 810**

16. RENTAL REVENUE

Rental revenue is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Property base rent [1]	$ 26,062	$ 27,419	$ 52,965	$ 55,339
Operating cost recoveries	15,068	14,047	31,158	28,770
Tax recoveries	6,610	7,135	14,000	14,418
Hotel	3,756	2,911	5,817	4,786
Straight-line rent and other changes	(1,929)	(2,804)	(4,112)	(5,513)
Total	**$ 49,567**	**$ 48,708**	**$ 99,828**	**$ 97,800**

[1]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, 2024	December 31, 2023
Not later than one year	$ 109,493	$ 113,231
Later than one year and not later than five years	340,236	335,349
Later than five years	187,332	178,570
Total	**$ 637,061**	**$ 627,150**

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.

(in thousands of Canadian dollars)

17. INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Mortgage interest	$ 9,177	$ 8,042	$ 18,197	$ 14,771
Interest on other debt	5,509	3,659	10,418	7,701
Amortization of financing costs	1,553	1,210	3,299	2,400
Amortization of debt mark-to-market adjustments	(8)	(10)	(18)	(20)
Interest on convertible debentures [1 2 3]	2,641	2,642	5,282	5,087
Total	**$ 18,872**	**$ 15,543**	**$ 37,178**	**$ 29,939**

[1]The convertible debentures issued on January 26, 2018 and amended on January 27, 2023 pay interest at 9.00%. Payments are made semi-annually on or about February 28th and August 30th. The amount above represents the interest accrued and paid.

[2]The convertible debentures issued on November 19, 2021 pay interest at 5.50%. Payments are made semi-annually on or about June 30th and December 31st. The amount above represents the interest accrued but not yet paid.

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

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

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

		Three months ended June 30,		Six months ended June 30,	
	Note	2024	2023	2024	2023
Asset management fees	20	$ 1,271	$ 1,391	$ 2,586	$ 2,817
Professional fees	20	355	505	773	2,975
Trustee fees		73	129	185	320
Bad debt expense, net		332	1,003	358	1,338
Other		324	353	637	1,011
Total		**$ 2,355**	**$ 3,381**	**$ 4,539**	**$ 8,461**

19. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2024	2023	2024	2023
Interest rate swaps	11	$ 819	$ 8,978	$ 4,143	$ 7,698
Net receipts on interest rate swaps	11	(3,068)	(4,156)	(6,792)	(8,788)
Interest rate caps	11	(811)	373	(1,456)	183
Convertible debenture embedded derivatives	11	(5)	1,944	270	4,800
Deferred units	14	213	509	247	722
Cross currency swap	11	(130)	(698)	121	(765)
Loss on extinguishment of debt		—	(18)	—	(406)
Total change in fair value of financial instruments recognized in net loss		**$ (2,982)**	**$ 6,932**	**$ (3,467)**	**$ 3,444**

(in thousands of Canadian dollars)

20. RELATED PARTY TRANSACTIONS

The REIT has a management agreement (the “Management Agreement”) with Slate (as defined in note 1), 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. Key management personnel of the REIT are employed by SLAM.

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

Slate held the following interests in the REIT:

	June 30, 2024	December 31, 2023
REIT units	3,329,040	3,302,040
Class B LP units	5,285,160	5,285,160
Total	**8,614,200**	**8,587,200**
Economic interest	10.0%	10.0%

During the six months ended June 30, 2024, Slate purchased 27,000 REIT units (June 30, 2023: nil).

The Management Agreement provides for the following fees:

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

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

[2]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.

[3]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.

[4]Acquisition fees are 1.00% on the first $100.0 million of acquisitions; 0.75% on the next $100.0 million of acquisitions and 0.50% for acquisitions in excess of $200.0 million.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Property management	$ 1,129	$ 1,468	$ 2,572	$ 2,837
Asset management	1,271	1,391	2,586	2,817
Leasing, financing and construction management	458	373	2,119	781
Total	**$ 2,858**	**$ 3,232**	**$ 7,277**	**$ 6,435**

Property administration fees are generally recoverable under the tenants’ leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT’s investment properties. Property administration fees were $5.5 million for the six months ended June 30, 2024 (June 30, 2023: $4.9 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.

(in thousands of Canadian dollars)

The REIT entered into an agreement to lease approximately 6,000 square feet of office space to Slate at one of its properties at market rents which expires October 31, 2029. In 2022, the REIT agreed to lease approximately 4,000 additional square feet to Slate at the same property and at the same rent rate and expiration. Total rent received under this lease for the three and six months ended June 30, 2024 was $0.1 million and $0.3 million, respectively (three and six months ended June 30, 2023: $0.1 million and $0.3 million). There were no amounts receivable related to this lease at June 30, 2024 and December 31, 2023.

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

	June 30, 2024	December 31, 2023
Accounts receivable	$ 78	$ 13
Accounts payable and accrued liabilities	(465)	(178)
Class B LP units	(1,136)	(4,281)

A trustee of the REIT and a corporation controlled by the trustee, G2S2 Capital Inc., through its wholly-owned subsidiary, Armco Alberta Inc. (collectively, “G2S2”), held the following interests in the REIT:

	June 30, 2024	December 31, 2023
REIT units	15,110,200	15,110,200
Deferred units	96,949	35,839
Total	**15,207,149**	**15,146,039**
Economic interest	17.7%	17.6%

G2S2 also held an aggregate principal amount of $12.1 million (December 31, 2023: $12.1 million) of the REIT's convertible debentures as at December 31, 2023. If G2S2 was the sole convertible debenture holder to convert to trust units, it would indirectly own a total of 17,343,275 trust units (December 31, 2023: 17,282,165), representing an economic interest of approximately 19.7% (December 31, 2023: 19.6%) on a diluted basis.

The REIT entered into an agreement to lease approximately 17,000 square feet of office space to G2S2 at one of its properties at market rents which expired June 30, 2023. G2S2 vacated the property subsequent to June 30, 2023. Total rent received under this lease for the three and six months ended June 30, 2023 was $59 thousand and $118 thousand, respectively. There were no amounts receivable related to this lease at June 30, 2024 and December 31, 2023. In connection with a settlement agreement signed on February 16, 2023, between the REIT and G2S2, the REIT agreed to reimburse G2S2 for out-of-pocket fees and expenses including legal fees relating to the agreement. During the six months ended June 30, 2023, the REIT reimbursed G2S2's legal fees of $161 thousand and recorded the cost to professional fees.

On January 12, 2024, the REIT announced that the REIT and G2S2 agreed to amend the settlement agreement to, among other things, (i) reduce the size of the Board from eight to six trustees at the REIT’s next annual general meeting, and (ii) to terminate certain restrictions applicable to G2S2 including restrictions on G2S2 acquiring additional securities of the REIT. G2S2 also agreed to provide credit support and a letter of credit in favour of a tenant of the REIT for certain obligations that the REIT has undertaken in connection with its pursuit of leasing opportunities, such as leasing costs and tenant inducements. As of the authorization date of the condensed consolidated interim financial statements G2S2 has established the letter of credit and has indicated that that it intends to provide credit support amounts which have been requested by the REIT. Under the terms of this lease agreement, should such credit support not be provided, the REIT has the risk that the tenant could exercise its rights to vacate the property and/or proceed with legal action against the REIT. In addition, the fair value of the property is currently based on this tenant being in occupancy and thus a change in tenancy would result in a material change in the fair value of the property and negatively impact the availability of mortgage financing at the property.

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.

(in thousands of Canadian dollars)

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 and term loan approximates their carrying value since the facilities bear interest at floating market interest rates. Mortgages are measured at amortized cost, and their fair values are based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

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

			Fair value		
June 30, 2024	Note	Carrying amount	Level 1	Level 2	Level 3
Assets					
Investment properties	5	$ 1,090,313	$ —	$ —	$ 1,090,313
Assets held for sale	5	377,259	—	—	377,259
Derivatives, net	11	11,493	—	11,493	—
Restricted cash		7,136	7,136	—	—
Total assets		**$ 1,486,201**	**$ 7,136**	**$ 11,493**	**$ 1,467,572**
Liabilities					
Class B LP units	12	(1,136)	(1,136)	—	—
Debt	9	(861,640)	—	(871,195)	—
Debt held for sale	9	(282,355)	—	(279,826)	—
Total liabilities		**$ (1,145,131)**	**$ (1,136)**	**$ (1,151,021)**	**$ —**

			Fair value		
December 31, 2023	Note	Carrying amount	Level 1	Level 2	Level 3
Assets					
Investment properties	5	$ 1,362,188	$ —	$ —	$ 1,362,188
Assets held for sale	5	299,163	—	—	299,163
Derivatives, net	11	15,030	—	15,030	—
Restricted cash		5,856	5,856	—	—
Total assets		**$ 1,682,237**	**$ 5,856**	**$ 15,030**	**$ 1,661,351**
Liabilities					
Class B LP units	12	(4,281)	(4,281)	—	—
Debt	9	(983,012)	—	(993,720)	—
Debt held for sale	9	(195,722)	—	(192,780)	—
Total liabilities		**$ (1,183,015)**	**$ (4,281)**	**$ (1,186,500)**	**$ —**

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

Liquidity risk

As discussed above in note 2, there are conditions that indicate the existence of a material uncertainty that may cast significant doubt upon the REIT's ability to continue as a going concern, and therefore, realize its assets and discharge its liabilities and commitments in the normal course of business. The REIT's unaudited condensed consolidated interim financial statements have been prepared on a going concern basis and measured at historical cost except for investment properties, assets held for sale and certain financial instruments including derivatives and Class B LP units, which are measured at fair value. If the going concern assumption is not appropriate as of June 30, 2024, material adjustments to the carrying values of assets and liabilities would be necessary.

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; obligations to redeem outstanding puttable trust units at the option of the unitholders; and planned funding of maintenance capital expenditures and leasing costs.

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, disposition of investment properties and future issuances of REIT units and debentures. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of this strategy.

The REIT's liquidity is impacted by various covenants, certain of which are described in note 23. Compliance with the requirements of the revolving facility, which became more restrictive as of March 31, 2024 and are described in note 9, and the covenants applicable to the REIT's term loans and mortgages are dependent on the REIT achieving its financial forecasts including disposition of certain assets through the execution of its Portfolio Realignment Plan. As at June 30, 2024, the REIT has breached financial leverage, debt service coverage and minimum unitholders' equity covenants pertaining to the revolving credit facility and certain mortgage agreements, and failed to repay principal due on maturity, totaling $706.4 million of breached debt. In certain cases, including that with respect to the revolving credit facility and mortgages, the lenders have provided the REIT with a formal Event of Default notice expressing their right to demand repayment of the borrowings at their discretion. In another case, on March 29, 2024, the REIT received a default letter relating to debt outstanding as of December 31, 2023 requiring a principal payment of $5.6 million to cure such default (see note 9). Notwithstanding, the REIT remains in the process of seeking an amendment to its revolving credit facility to remove the existing borrowing base calculations and mandatory maximum borrowing amount step-downs. The REIT is also in the process of seeking an amendment to its debt agreements to modify or obtain waivers to provide relief on aforementioned covenant breaches. Although the REIT is seeking and expects to be provided with relief on these breached covenants, the lenders of these defaulted loans have reserved their right to demand repayment. There is also a risk that the REIT will not receive such relief or otherwise be able to refinance maturing debt on terms and conditions acceptable to the REIT or on any terms at all. These events or conditions indicate a material uncertainty that may cast significant doubt on the REIT's ability to continue as a going concern. The REIT will continue to work to remediate the breach of these covenants and will carefully monitor its compliance with its covenants and seek waivers as the need arises.

In addition, pursuant to the trust indentures governing the Debentures, due to default letters provided by senior lenders, the REIT is currently restricted from making payments of accrued interest in respect of the Debentures so long as such defaults have not been cured or waived. The REIT has determined that based on the information currently available to it, there can be no assurance regarding if or when a cure or waiver in respect of such defaults will be achieved, and as such, the REIT did not make the cash interest payments due on June 30, 2024 in respect of its 7.50% convertible unsecured subordinated debentures and 5.50% convertible unsecured subordinated debentures, nor does it expect to make the cash interest payment due on August 31, 2024 in respect of its outstanding 9% convertible unsecured subordinated debentures. Failure to pay interest on the Debentures for 15 days following such interest being due gave rise to an Event of Default under the terms of the trust indentures. On July 15, 2024, the REIT triggered an Event of Default on its outstanding debentures. However, the trust indentures also provide that the Debenture holders will not be entitled to demand or institute proceedings for the collection of indebtedness represented by the Debentures at any time when a default has occurred under senior indebtedness and is continuing and which permits the holder of the senior indebtedness to demand payment or to accelerate the maturity thereof, and the notice of such event of default has been given by or on behalf of the holders of senior indebtedness to the REIT, unless the senior indebtedness has been cured, waived or repaid in full. However, the REIT will present the Debentures as current on the statement of financial position upon event of default.

(in thousands of Canadian dollars)

The REIT seeks to maintain collaborative relationships with its financing counterparties to minimize the impact economic and property markets may have on the REIT's current and future debt. However, changes in interest rates driven by central banks in Canada, the U.S. and Europe seeking to reduce inflationary pressures and broad market sentiment towards the office sector as a whole have reduced the availability of and increased the cost of financing. The risk associated with the refinancing of maturing debt is mitigated, in part, 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. If the REIT is unable to refinance or obtain new sources of financing, the REIT may, at its discretion, dispose of assets through its Portfolio Realignment Plan and/or; reduce discretionary capital expenditures and leasing costs. However, such activities and actions may be insufficient to address changes in liquidity as a result of not being able to dispose of assets or obtain financing on terms and conditions acceptable to the REIT or at all, and, as such, there can be no assurance that the REIT will be able to continue as a going concern.

The following table summarizes the estimated future contractual maturities of the REIT's financial liabilities at June 30, 2024:

	Note	Total contractual cash flow	Remainder of 2024	2025-2026	2027-2028	Thereafter
Accounts payable and accrued liabilities	13	$ 54,939	$ 54,939	$ —	$ —	$ —
Amortizing principal repayments on debt	9	51,815	2,546	32,536	11,762	4,971
Principal repayments on maturity of debt	9	1,108,184	425,829	503,319	173,142	5,894
Interest on debt [1]		81,687	28,338	45,782	6,889	678
Interest rate swaps [2]		(8,095)	(3,390)	(4,705)	—	—
Other liabilities	10	6,818	1,291	1,002	1,015	3,510
Total		**$ 1,295,348**	**$ 509,553**	**$ 577,934**	**$ 192,808**	**$ 15,053**

[1]Interest amounts on floating rate debt have been determined using rates at June 30, 2024.
[2]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, 2024.

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 uses interest rate swaps to fix interest rates on a portion of its floating rate debt.

At June 30, 2024, after the impact of interest rate swaps and caps, the REIT had floating rate debt of $364.3 million (December 31, 2023: $132.3 million). The following table presents the annualized impact of a change in floating interest rates of 25 bps on finance costs:

	June 30, 2024	December 31, 2023
Change of 25 bps	$ 911	$ 331

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.

(in thousands of Canadian dollars)

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. Foreign currency forwards may be used from time-to-time to hedge the REIT's net investment in foreign operations. Refer to notes 11 and 19 for details of the REIT's forward currency transactions. The REIT is exposed to foreign currency risk on its foreign exchange forward transaction and its cross currency swap which were set to mitigate the foreign exchange risk of its Irish assets and U.S. assets as well as monetary assets and liabilities denominated in U.S. dollars and Euros. In order to mitigate a portion of this risk, the REIT has financed its U.S. operations with U.S. dollar denominated debt and its Irish operations with Euro denominated debt, acting as a natural hedge.

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 investment properties, fund obligations as they become due and build unitholder value. Procedures to monitor compliance with the Declaration of Trust and debt agreements are performed as a part of the overall management of operations and periodically by review of the REIT's Board of Trustees and reporting to the REIT's lenders. In order to maintain or adjust the capital structure, the REIT may issue trust units, increase the amount of distributions paid to unitholders, return capital to unitholders, or reduce debt. However, as a result of certain event of default notices received as at and subsequent to June 30 2024, the REIT is now subject to various additional restrictions beyond those disclosed in note 22. These include limitations on acquiring new debt and distributing profits related to certain properties.

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

	June 30, 2024	December 31, 2023
Debt	$ 1,143,995	$ 1,178,734
Class B LP units	1,136	4,281
Equity	347,789	515,370
Total	**$ 1,492,920**	**$ 1,698,385**

In order to provide for greater flexibility, and while management pursues the Portfolio Realignment Plan to decrease leverage, on January 15, 2024, the REIT amended the REIT’s Declaration of Trust for the purposes of removing the restriction imposed on the REIT not to incur or assume additional indebtedness (being certain defined obligations set out in the REIT’s Declaration of Trust) that would cause the REIT to achieve financial leverage in excess of 65% of its gross book value, which is defined in the Declaration of Trust as the REIT’s total assets less restricted cash (the “Restriction”). The trustees of the REIT have decided to exercise their discretion to implement the proposed amendment to the declaration of trust in the form of a waiver of the Restriction until December 31, 2025, rather than implement the proposed amendment as a blanket removal of the Restriction. In addition to the foregoing, and as previously disclosed, the board of trustees adopted the Restriction within the board’s operating guidelines, with the board having discretion to waive the Restriction to the extent that the board determines that doing so is in the best interests of the REIT. Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines. After December 31, 2025, the Declaration of Trust provides that the REIT is not permitted to incur or assume additional indebtedness that would cause (as at the time of incurrence or assumption, as applicable) the REIT to achieve financial leverage in excess of 65% of its gross book value. For certainty, under the REIT’s Declaration of Trust, the measurement of any indebtedness against the REIT’s gross book value is completed only at the time of the incurrence or assumption of the indebtedness in question (which would exclude the refinancing of existing debt that is outstanding) and is not a determination that is continually assessed over time against the REIT’s gross book value. The REIT’s indebtedness ratio at June 30, 2024 was 73.8% (December 31, 2023: 67.6%) and calculated as follows:

	June 30, 2024	December 31, 2023
Total assets	$ 1,556,896	$ 1,748,921
Less: Restricted cash	(7,136)	(5,856)
Gross book value	**$ 1,549,760**	**$ 1,743,065**
Debt	1,143,995	1,178,734
Leverage ratio	**73.8%**	**67.6%**

Management's short-term target is to reduce the REIT’s total indebtedness below 65% of its gross book value by executing on the Portfolio Realignment Plan to decrease leverage and generate equity to pay down the REIT's revolving credit and operating facilities. However, if such plan is unsuccessful and other financing is not available, and the REIT’s gross book value declines further, total indebtedness may further exceed 65% of the REIT’s gross book value.

(in thousands of Canadian dollars)

Financial covenants

The REIT's revolving credit facility, term loan, construction facility and some mortgages are subject to financial and other covenants, including customary maximum leverage ratios, interest service coverage ratios, minimum debt service coverage ratios, minimum unitholders' equity and mutual performance conditions among others which may impact the available capacity based on the financial results of the REIT. For the REIT's revolving credit facility, financial covenants include a maximum leverage ratio, minimum debt service coverage ratio, and minimum unitholders' equity, with calculations conducted quarterly. Similarly, the REIT's term loan is subject to financial covenants, including a maximum leverage ratio and minimum historical and forecasted interest coverage ratios, also calculated quarterly. Additionally, the construction facility and some mortgages are subject to financial covenants, including a maximum leverage ratio, minimum debt service coverage ratio, and minimum unitholders' equity, calculated quarterly or annually.

The REIT's debt is subject to the following financial leverage, debt service coverage and minimum unitholders equity covenants:

- Total debt to gross book value 65% or less. At June 30, 2024 the REIT's total debt to gross book value was 73.8%.
- Senior debt, which is total debt excluding the REIT's convertible debentures to gross book value, of 55% or less. At June 30, 2024 the REIT's senior debt to gross book value was 64.4%.
- Debt service coverage ratio not less than 1.25:1. At June 30, 2024 the REIT's debt service coverage ratio was 1.20:1.
- Minimum unitholders' equity, which includes the REIT's Class B LP Units, of $425.0 million. For purposes of the REIT's revolving credit facility, the threshold is $350.0 million. At June 30, 2024 the REIT's unitholders' equity was $349.0 million.

The REIT is also subject to additional covenants associated with various mortgages. Additionally, certain of the REIT's debt, including the REIT's revolving credit facility, includes cross default provisions, generally for defaults on debt in excess of $5.0 million.

At June 30, 2024, as discussed above, the REIT exceeded the financial leverage and debt service coverage covenants on its revolving credit facility and certain other mortgages resulting in other mortgages being in breach due to cross-default clauses. The REIT is in active discussions with its lenders to amend, renew or consider alternate arrangements to reach amendable terms on conditions that are acceptable to the REIT.

Although the REIT expects its Portfolio Realignment Plan to raise capital to decrease borrowings and plans to continue to proactively work with its lenders to achieve positive outcomes for the REIT, there is a risk that current and future covenant violations will result in its lenders demanding repayment of such borrowings.

The REIT will continue to seek to dispose of certain investment properties, to refinance existing maturing debt and in certain cases to amend the terms of existing borrowings. The REIT may not be able to complete such dispositions or financing activities on terms and conditions acceptable to the REIT, or at all, which would have an adverse material effect on the REIT's liquidity (see note 2).

24. SEGMENTED DISCLOSURES

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

	June 30, 2024	December 31, 2023
Canada	$ 887,755	$ 1,079,490
United States	325,438	318,621
Ireland	254,379	263,240
Total	**$ 1,467,572**	**$ 1,661,351**

(in thousands of Canadian dollars)

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

	Six months ended June 30, 2024			
	Canada	United States	Ireland	**Total**
Property revenue	$ 67,898	$ 24,739	$ 11,303	**$ 103,940**
Property operating expenses	(38,328)	(15,103)	(2,613)	**(56,044)**
Net operating income	**$ 29,570**	**$ 9,636**	**$ 8,690**	**$ 47,896**
Straight-line rent and other changes				**(4,112)**
IFRIC 21 property tax adjustment				**(6,848)**
Finance income on finance lease receivable				**1,334**
Interest income				**187**
Interest and finance costs				**(37,178)**
General and administrative				**(4,539)**
Change in fair value of financial instruments				**(3,467)**
Change in fair value of investment properties				**(165,197)**
Depreciation of hotel asset				**(498)**
Transaction costs				**(1,132)**
Deferred income tax expense				**(14)**
Current income tax expense				**(2,193)**
Net loss before Class B LP units				**$ (175,761)**
Change in fair value of Class B LP units				**3,145**
Net loss				**$ (172,616)**

	Six months ended June 30, 2023			
	Canada	United States	Ireland	**Total**
Property revenue	$ 64,614	$ 27,440	$ 11,259	**$ 103,313**
Property operating expenses	(36,158)	(15,447)	(2,754)	**(54,359)**
Net operating income	**$ 28,456**	**$ 11,993**	**$ 8,505**	**$ 48,954**
Straight-line rent and other changes				**(5,513)**
IFRIC 21 property tax adjustment				**(6,969)**
Finance income on finance lease receivable				**1,448**
Interest income				**213**
Interest and finance costs				**(29,939)**
General and administrative				**(8,461)**
Change in fair value of financial instruments				**3,444**
Change in fair value of investment properties				**(37,916)**
Depreciation of hotel asset				**(481)**
Deferred income tax recovery				**443**
Current income tax expense				**(596)**
Net loss before Class B LP units				**$ (35,373)**
Change in fair value of Class B LP units				**12,367**
Distributions to Class B LP unitholders				**(687)**
Net loss				**$ (23,693)**

(in thousands of Canadian dollars)

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

	Three months ended June 30, 2024			
	Canada	United States	Ireland	**Total**
Property revenue	$ 33,490	$ 12,259	$ 5,747	**$ 51,496**
Property operating expenses	(18,207)	(7,320)	(1,250)	**(26,777)**
Net operating income	**$ 15,283**	**$ 4,939**	**$ 4,497**	**$ 24,719**
Straight-line rent and other changes				**(1,929)**
IFRIC 21 property tax adjustment				**3,349**
Finance income on finance lease receivable				**659**
Interest income				**92**
Interest and finance costs				**(18,872)**
General and administrative				**(2,355)**
Change in fair value of financial instruments				**(2,982)**
Change in fair value of investment properties				**(154,405)**
Depreciation of hotel asset				**(249)**
Transaction costs				**(614)**
Deferred income tax expense				**(42)**
Current income tax expense				**(244)**
Net loss before Class B LP units				**$ (152,873)**
Change in fair value of Class B LP units				**2,828**
Net loss				**$ (150,045)**

	Three months ended June 30, 2023			
	Canada	United States	Ireland	**Total**
Property revenue	$ 32,331	$ 13,521	$ 5,660	**$ 51,512**
Property operating expenses	(17,661)	(7,680)	(1,577)	**(26,918)**
Net operating income	**$ 14,670**	**$ 5,841**	**$ 4,083**	**$ 24,594**
Straight-line rent and other changes				**(2,804)**
IFRIC 21 property tax adjustment				**3,522**
Finance income on finance lease receivable				**717**
Interest income				**125**
Interest and finance costs				**(15,543)**
General and administrative				**(3,381)**
Change in fair value of financial instruments				**6,932**
Change in fair value of investment properties				**(41,924)**
Depreciation of hotel asset				**(241)**
Deferred income tax recovery				**551**
Current income tax expense				**(255)**
Net loss before Class B LP units				**$ (27,707)**
Change in fair value of Class B LP units				**8,244**
Distributions to Class B LP unitholders				**(159)**
Net loss				**$ (19,622)**

(in thousands of Canadian dollars)

25. INCOME TAXES

The REIT has reviewed the specified investment flow-through trust ("SIFT") which include publicly-listed income trusts (the "SIFT Rules") and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the six months ended June 30, 2024, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes payable is required, except for amounts incurred by the U.S. and Irish subsidiaries.

As at June 30, 2024 and 2023, there were no taxes payable for the Canadian entity.

The REIT's U.S. and Irish subsidiaries are subject to income tax on taxable income from U.S. and Irish operations respectively. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle. Based on tax laws enacted at the applicable dates the REIT is subject to the following tax rates:

	June 30, 2024	December 31, 2023
U.S. (combined Federal & strike)	28.51 %	28.51 %
Ireland - rental income	25.0 %	25.0 %
Ireland - capital gains	33.0 %	33.0 %

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

	Six months ended June 30,	
	2024	2023
Beginning of period	$ (254)	$ (454)
Deferred income tax expense	(14)	443
Foreign exchange	—	(2)
End of period	**$ (268)**	**$ (13)**

A reconciliation of the expected income taxes based upon the 2024 statutory rates and the income tax recovery recognized during the six months ended June 30, 2024 and 2023 are as follows:

	Six months ended June 30,	
	2024	2023
Net loss before Class B LP units and taxes	$ (173,554)	$ (35,220)
Canadian statutory tax rate	26.5%	26.5%
	$ (45,992)	$ (9,333)
Income not subject to tax	46,996	4,527
Valuation allowance	2,735	5,648
Tax rate differential	(1,532)	(689)
Current and deferred income tax expense	**$ 2,207**	**$ 153**

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 for the quarter ended June 30, 2024.

(in thousands of Canadian dollars)

26. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities for the six months ended June 30, 2024 are as follows:

		Cash flows			Non-cash changes			
	December 31, 2023	Proceeds	Payments	Financing costs and other	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs	June 30, 2024
Derivatives, net	$ (15,030)	$ —	$ 6,792	$ —	$ (298)	$ (2,957)	$ —	$ (11,493)
Facilities[1]	306,361	2,200	(13,213)	(24)	1,898	—	841	298,063
Mortgages[1]	593,462	—	(26,328)	(103)	4,293	—	1,380	572,704
Term loan	133,279	—	(7,204)	—	461	—	502	127,038
Convertible debentures	145,632	—	—	—	—	—	558	146,190
Class B LP units	4,281	—	—	—	—	(3,145)	—	1,136
Total	**$ 1,167,985**	**$ 2,200**	**$ (39,953)**	**$ (127)**	**$ 6,354**	**$ (6,102)**	**$ 3,281**	**$ 1,133,638**

[1]Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 11 for more detail.

Changes in liabilities arising from financing activities for the six months ended June 30, 2023 are as follows:

		Cash flows			Non-cash changes			
	December 31, 2022	Proceeds	Payments	Financing costs and other	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs	June 30, 2023
Derivatives, net	$ (26,476)	$ —	$ 8,788	$ —	$ 961	$ (11,218)	$ —	$ (27,945)
Facilities[1]	286,189	22,026	—	(33)	(1,512)	—	744	307,414
Mortgages[1]	589,850	722	(5,219)	(294)	(3,126)	—	611	582,544
Bridge loan	131,600	—	—	(195)	(521)	—	475	131,359
Convertible debentures[2]	145,614	—	—	218	—	(1,293)	550	145,089
Class B LP units	22,832	—	—	—	—	(12,367)	—	10,465
Total	**$ 1,149,609**	**$ 22,748**	**$ 3,569**	**$ (304)**	**$ (4,198)**	**$ (24,878)**	**$ 2,380**	**$ 1,148,926**

[1]Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 11 for more detail.
[2]Changes in fair value consist of $1.3 million as the equity option on the amendment to the 2018 Convertible Debentures.

27. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2024:

i. On July 4, 2024, the TSX initiated a remedial delisting review for the REIT, for a period of 120 days. The review is a response to the REIT's current non-compliance with certain debt covenants and liquidity concerns. During this period, the REIT aims to address these issues to meet the TSX's requirements. The trading of the REIT's securities will not be impacted during the review process.

ii. On July 15, 2024, the REIT triggered an Event of Default on its Debentures as a result of failure to pay interest within 15 days following interest being due on June 30, 2024. Due to notices of default provided by its senior lenders, the REIT is currently restricted from making further payments of accrued interest in respect of the Debentures, for so long as such defaults have not been cured or waived. The REIT has determined that based on the information currently available to it, there can be no assurance if or when a cure or waiver in respect of such defaults will be achieved, and as such, the REIT did not make the cash interest payments due on June 30, 2024 in respect of its 7.50% convertible unsecured subordinated debentures and 5.50% convertible unsecured subordinated debentures, nor does it expect to make the cash interest payment due on August 31, 2024 in respect of its outstanding 9% convertible unsecured subordinated debentures. Pursuant to the trust indentures governing such Debentures, failure to pay interest on the Debentures for 15 days following such interest being due gave rise to an Event of Default under the terms of the Debentures. As a result of the Event of Default, the REIT cannot issue additional debentures, repurchase debentures by private contract, declare distributions on trust units, purchase or cancel any trust units or exercise its right to satisfy interest payments in trust units. The REIT is also prohibited to exercise the Trust Redemption Right to satisfy redemptions of debentures by issuing trust units or exercise the Unit Repayment Option to satisfy its obligation to repay the principal amount of the debentures on maturity by issuing trust units, unless the Debenture holders waive this condition by Extraordinary Resolution. The Indentures also provides that the Debenture holders will not be entitled to demand or institute proceedings for the collection of indebtedness represented by the Debentures at any time when a default has occurred under senior indebtedness and is continuing and which permits the holder of the senior indebtedness to demand payment or to accelerate the maturity thereof, and the notice of such event of default has been given by or on behalf of the holders of senior indebtedness to the REIT, unless the senior indebtedness has been cured, waived or repaid in full.

iii. On July 22, 2024, one of the REIT's lenders provided formal Event of Default notices expressing their right to demand repayment of the borrowings at their discretion. The Event of Defaults occurred due to certain cross default provisions and in one case, failure to repay principal due on maturity. The REIT is working with the lender to cure such defaults. The notices received relate to defaulted mortgages secured by four of the REIT's properties with a total principal balance of $194.6 million at June 30, 2024.

iv. On July 31, 2024, the REIT disposed of one of it's Atlantic properties for a gross purchase price of $5.2 million.