Condensed consolidated financial statements of

Slate Retail REIT

For the three months ended March 31, 2015

Unaudited

Slate Retail REIT
Condensed consolidated financial statements

Table of contents

SLATE RETAIL REIT
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited - in thousands of United States dollars, unless otherwise stated)

	Note		March 31, 2015		December 31, 2014
ASSETS					
Current assets					
Cash		**$**	**13,756**	$	13,174
Deposits on investment properties			**2,789**		500
Prepaids			**1,417**		2,065
Accounts receivable	*9*		**5,807**		4,539
			23,769		20,278
Non-current assets					
Investment properties	*6,10*		**661,322**		622,295
Interest rate caps			**2**		2
TIF notes receivable			**3,984**		4,078
Funds held in escrow			**1,747**		1,513
			667,055		627,888
Total assets		**$**	**690,824**	$	648,166
LIABILITIES AND UNITHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**6,746**	$	5,337
Distributions payable			**1,586**		1,276
Current portion of long term debt	*13*		**873**		1,074
			9,205		7,687
Non-current liabilities					
Long term debt	*13*		**338,707**		364,464
TIF notes payable			**3,872**		4,022
Other non-current liabilities			**1,277**		1,179
Deferred income taxes	*14*		**47,459**		38,219
REIT units	*12*		**228,986**		185,499
Exchangeable units of subsidiaries	*12*		**24,444**		25,764
			644,745		619,147
Unitholders' equity		**$**	**36,874**	$	21,332
Total liabilities and unitholders' equity		**$**	**690,824**	$	648,166

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

SLATE RETAIL REIT
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited - in thousands of United States dollars, unless otherwise stated)

	Note		Three months ended March 31, 2015		Three months ended March 31, 2014 [1]
Net property income					
Rental revenue		$	**16,347**	$	5,664
Property operating expenses			**(10,284)**		(3,757)
Net property income			**6,063**		1,907
Other income (expenses)					
General and administrative	*7*		**(1,025)**		(687)
Interest expense and other financing costs	*11*		**(1,121)**		(5,894)
Property acquisition costs			**(424)**		(131)
Change in fair value of investment properties	*10*		**21,289**		11,440
Net income before taxes		$	**24,782**	$	6,635
Income tax expense					
Deferred income tax expense	*14*		**(9,240)**		(4,278)
Net income and comprehensive income		$	**15,542**	$	2,357
Attributed to unitholders		$	**15,542**	$	—
Attributed to non-controlling interests			**—**		2,357
		$	**15,542**	$	2,357

[1] Comparative amounts relate solely to Slate U.S. Opportunity (No.2) Realty Trust ("SUSO 2").

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

SLATE RETAIL REIT
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY
(unaudited - in thousands of United States dollars, unless otherwise stated)

		Unitholders' equity		Capital reserve		Non-controlling interest		Total
Balance as at December 31, 2014	**$**	**22,756**	**$**	**(1,424)**	$	—	**$**	**21,332**
Net income and comprehensive income		**15,542**		**—**		**—**		**15,542**
Balance as at March 31, 2015	**$**	**38,298**	**$**	**(1,424)**	**$**	**—**	**$**	**36,874**
Balance as at December 31, 2013 (1)	$	—	$	—	$	643	$	643
Net income and comprehensive income		—		—		2,357		2,357
Balance as at March 31, 2014 (1)	$	—	$	—	$	3,000	$	3,000

(1) Comparative amounts relate solely to SUSO 2. See Note 5.

SLATE RETAIL REIT
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited - in thousands of United States dollars, unless otherwise stated)

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014 (1)
OPERATING ACTIVITIES			
Net income and comprehensive income		**$ 15,542**	$ 7,244
Deferred income tax expense	*14*	**9,240**	4,278
Straight-line rent	*10*	**(406)**	(141)
Interest expense and other financing costs	*11*	**1,121**	978
Cash interest paid		**(2,952)**	(781)
Change in fair value of interest rate caps		**—**	42
Change in fair value of investment properties	*10*	**(21,289)**	(11,440)
IFRIC 21 property tax adjustment	*10*	**5,397**	1,939
Changes in non-cash working capital items	*20*	**(1,807)**	366
		4,846	2,485
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	*6*	**(21,548)**	(6,850)
Change in funds held in escrow		**(234)**	—
Deposits on investment properties		**(2,289)**	540
Capital costs	*10*	**(550)**	(190)
Leasing costs	*10*	**(114)**	(293)
TIF note receivable		**—**	(4,175)
TIF note payable		**—**	4,175
		(24,735)	(6,793)
FINANCING ACTIVITIES			
Term loan drawdown	*13*	**—**	4,313
Revolver drawdown	*13*	**22,466**	—
Repayment of debt	*13*	**(48,000)**	—
Mortgage repayments		**(418)**	—
REIT units issuance	*12*	**50,080**	—
REIT unit distributions, net of DRIP units issued	*11*	**(3,194)**	(1,480)
Exchangeable units distribution	*11*	**(463)**	—
		20,471	2,833
Increase (decrease) in cash		**582**	(1,475)
Cash at the beginning of the period		**13,174**	10,962
Cash at the end of the period		**$ 13,756**	$ 9,487

(1) Comparative amounts relate solely to SUSO 2. See Note 5.

1. Description of the REIT and operations

Slate Retail REIT (the "REIT") (formerly known as, Slate U.S. Opportunity (No. 1) Realty Trust ("SUSO 1")) is an unincorporated, open-ended investment trust under, and governed by, the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate properties in the United States with an emphasis on grocery anchored retail properties. As of March 31, 2015, the properties of the REIT (the "Properties") consisted of a portfolio of 43 grocery anchored retail commercial properties located in the United States. The units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbols SRT.U/SRT.UN. The principal, registered, and head office of the REIT is located at 200 Front Street West, Suite 2400, Toronto, ON, M5V 3K2.

The objectives of the REIT are to:

i. provide unitholders with stable cash distributions from a portfolio of diversified revenue-producing commercial real estate properties in the United States with a focus on anchored retail properties;

ii. enhance the value of the REIT’s assets in order to maximize long-term unitholder value through active management; and

iii. expand the asset base of the REIT and increase the REIT’s earnings on a per unit basis, including accretive acquisitions.

2. Basis of preparation

i. Statement of compliance

These condensed consolidated financial statements (the "consolidated financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and follow the same accounting policies and methods of computation as used in the REIT's most recent annual consolidated financial statements. The consolidated financial statements do not include all the information and disclosures required in the annual financial statements prepared under International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the REIT's annual audited consolidated financial statements as at and for the year ended December 31, 2014.

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on May 13, 2015.

iii. Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair value.

The application of the going concern basis of presentation assumes that the REIT will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The REIT expects to continue as a going concern for the foreseeable future. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

iv. Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the REIT’s functional currency and the functional currency of all of its subsidiaries.

3. Future accounting policies

The IASB has issued the following new standards that will be relevant to the REIT in preparing its consolidated financial statements in future periods:

IAS 1, *Presentation of Financial Statements*

The IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but are intended to facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. The REIT is assessing the impact of this amendment on its consolidated financial statements.

(unaudited - in thousands of United States dollars, unless otherwise stated)

IFRS 9, *Financial Instruments*

The IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for annual periods beginning on or after January 1, 2018. The REIT is assessing the impact of this new standard on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*

The IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The REIT is currently assessing the impact of the new standard on its consolidated financial statements.

4. Combination Transaction

On April 15, 2014, the REIT completed the unitholder approved combination transaction (the "Combination Transaction"). Pursuant to the Combination Transaction (i) the REIT acquired all of the assets of Slate U.S. Opportunity (No. 2) Realty Trust ("SUSO 2") in consideration for class U units of the REIT ("class U units"), (ii) the REIT effectively acquired, directly and indirectly, all of the assets of U.S. Grocery Anchored Retail (1A), (1B) and (1C) Limited Partnerships ("GAR") in consideration for class U units of the REIT or securities that are economically equivalent to class U units of the REIT (subject to certain adjustments) and redeemable for cash or class U units of the REIT and (iii) the class U units of the REIT were listed on the Toronto Stock Exchange on April 22, 2014 (TSX:SRT.U / SRT.UN). For more information, refer to the REIT's annual audited consolidated financial statements as at and for the year ended December 31, 2014.

5. Presentation of consolidated financial statements as a result of the Combination Transaction

The Combination Transaction has been accounted for as a business combination in accordance with the REIT's policy. SUSO 2 has been identified as the acquirer for accounting purposes as the unitholders of SUSO 2 collectively held a controlling interest in the REIT immediately following the completion of the Combination Transaction.

These consolidated financial statements have been issued under the name of the REIT, the legal acquirer, but reflect a continuation of the business of the accounting acquirer, SUSO 2. As a result, the notes and comparative periods related to amounts included in the consolidated statements of comprehensive income reflect SUSO 2. For more information, refer to the REIT's annual audited consolidated financial statements as at and for the year ended December 31, 2014.

6. Acquisitions

The REIT acquired two additional investment properties during the three months ended March 31, 2015:

Investment property	Purchase date	Location	Purchase price
Glidden Crossing	January 12, 2015	DeKalb, IL	$ 16,565
Ocean Plaza	January 23, 2015	North Myrtle Beach, SC	5,500
			$ 22,065

(unaudited - in thousands of United States dollars, unless otherwise stated)

Net assets acquired in respect of the acquisitions are as follows:

		Net assets acquired
Investment properties	$	22,065
Accounts receivable		2
Prepaids		24
Accounts payable		(497)
Tenant deposits		(46)
Total	**$**	**21,548**

Consideration for the acquisitions was $21,548 of cash funded by borrowings from the REIT's Revolver. Property acquisition costs for the three months ended March 31, 2015 were $424 and were expensed as incurred.

7. General and administrative

		Three months ended March 31,			
	Note		**2015**		2014 [(1)]
Asset management and service fees	*8*	**$**	**648**	$	271
Professional fees			**377**		416
General and administrative expense		**$**	**1,025**	$	687

[(1)] Comparative amounts relate solely to SUSO 2. See Note 5.

8. Related parties

Pursuant to the terms of a management agreement dated April 15, 2014 (the “Management Agreement”), Slate Asset Management L.P., a Toronto-based real estate asset management company (the “Manager”), provides all management services to the REIT.

As described in Note 19, the Manager is paid a monthly asset management fee for its services, and is paid an acquisition fee for properties purchased. Asset management and acquisition fees incurred and payable to the Manager are included in asset management and service fees and acquisition fees, respectively on the consolidated statement of comprehensive income.

Fees paid to the Manager are as follows:

	Three months ended March 31,			
		2015		2014 [(1)]
Asset management and service	**$**	**648**	$	271
Acquisition		**169**		57
	$	**817**	$	328

[(1)] Comparative amounts relate solely to SUSO 2. See Note 5.

The asset management fee is calculated as described in Note 19. These transactions are in the normal course of operations and are measured at the exchange amount which is the consideration established and agreed to by the parties.

The REIT's key personnel are comprised of the Trustees and certain members of the executive team of the REIT.

(unaudited - in thousands of United States dollars, unless otherwise stated)

9. Accounts receivable

The accounts receivable balance is comprised of the following:

		March 31, 2015		December 31, 2014
Rent receivable	$	3,621	$	891
Allowance for doubtful accounts		(141)		(168)
Rent receivable, net		3,480		723
Accrued recovery income		2,137		3,317
Other receivables		190		499
Accounts receivable	$	5,807	$	4,539

Rent receivable consists of base rent and operating expense recoveries. Accrued recovery income represents amounts that have not been billed to the tenants and are generally billed and paid in the following year to which they relate.

The change in allowance for doubtful accounts is as follows:

		Three months ended March 31, 2015		Year ended December 31, 2014
Beginning of the period	$	168	$	16
Provision for allowance		50		224
Bad debt write-off		(3)		(72)
Bad debt recovery		(74)		—
End of the period	$	141	$	168

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

The aging analysis of rents receivable past due, net of allowance for doubtful accounts, is as follows:

		March 31, 2015		December 31, 2014
Current to 30 days	$	2,861	$	409
31 to 60 days		259		77
Greater than 60 days		360		237
	$	3,480	$	723

10. Investment properties

As at March 31, 2015, the REIT has wholly-owned interests in 43 income-producing properties. The operational results of these properties have been included in these consolidated financial statements from the respective dates of acquisition.

The REIT determines the fair value of investment properties based upon either the overall income capitalization rate method or the discounted cash flow method, or in certain circumstances a combination of both methods. Both methods are generally accepted appraisal methodologies. Under the overall income capitalization rate method, year one income is stabilized and capitalized at a rate appropriate for each investment property. Capitalization rates and estimates of stabilized income are the most significant assumptions in determining fair values under this method. Under the discounted cash flow method, fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 net operating income. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions. At March 31, 2015, all valuations were completed by management of the REIT using the overall income capitalization method.

The market capitalization rates at March 31, 2015 ranged from 6.00% to 8.75% (December 31, 2014 – 6.50% to 8.38%). The estimated fair market value of the REIT's investment properties implies a weighted average capitalization rate of 7.01% (December 31, 2014 – 7.20%).

(unaudited - in thousands of United States dollars, unless otherwise stated)

Under the fair value hierarchy, the fair value of the REIT's investment properties is determined using the methodology described above and using level 3 inputs. An increase in net positive cash flows will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in fair value of investment properties. The fair value of investment property would change by $22.8 million (December 31, 2014 – $21.8 million) for a 25 basis point change in capitalization rates, and by $12.3 million (December 31, 2014 – $12.4 million) for a $0.1 million change in underlying annual net operating income.

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

The change in investment properties for the period is as follows:

	Note		Three months ended March 31, 2015		Year ended December 31, 2014
Beginning of the period		$	622,295	$	177,050
Acquisitions	6		22,065		400,794
Capital costs			415		1,306
Capital costs funded by seller			135		—
Leasing costs			114		382
Straight-line rent receivable			406		705
IFRIC 21 property tax adjustment			(5,397)		2,376
Change in fair value			21,289		39,682
End of the period		$	661,322	$	622,295

11. Interest expense and other financing costs

Interest expense and other financing costs is comprised of:

			Three months ended March 31,		
	Note		2015		2014 (1)
Interest on short-term investments		$	3	$	3
Interest on debt	*13*		(2,952)		(781)
Amortization of finance charges	*13*		(189)		(196)
Amortization of mark to market premium	*13*		195		—
Interest on TIF notes receivable			58		22
Interest on TIF notes payable			(57)		(20)
Deferred gain on TIF notes receivable			22		7
SUSO 3 transaction costs			(130)		—
REIT unit offering costs	*12*		(2,018)		—
REIT units distributions	*12*		(3,677)		—
Exchangeable units of subsidiaries distributions	*12*		(461)		—
Changes in fair values of interest rate caps			—		(42)
Changes in fair values of REIT units	*12*		7,218		(4,887)
Changes in fair values of exchangeable units of subsidiaries	*12*		867		—
Total		$	(1,121)	$	(5,894)

(1) Comparative amounts relate solely to SUSO 2. See Note 5.

12. REIT units and exchangeable units of subsidiaries

The REIT has class A units, class I units and class U units issued and outstanding (collectively, the "REIT units"). As at March 31, 2015 the REIT has the following units, represented in thousands of units:

	Class U	Class A	Class I
Authorized for issue	Unlimited	Unlimited	Unlimited
Issued and outstanding	21,853	505	358

Each REIT unit confers the right to one vote at any meetings of REIT unitholders. The REIT is also authorized to issue an unlimited number of special voting units. Special voting units are only issued in tandem with the issuance of securities redeemable for or exchangeable into REIT units. The special voting units do not have any economic entitlement in the REIT with respect to distributions but provide the holder with the same voting rights in the REIT as a holder of REIT units. Special voting units may only be issued in connection with or in relation to redeemable or exchangeable securities for the purpose of providing voting rights with respect to the REIT to the holders of such securities. The GAR B exchangeable units are accompanied by an equivalent number of special voting units.

Each REIT unit entitles the holder to the same rights and obligations as a REIT unitholder and no REIT unitholder is entitled to any privilege, priority or preference in relation to any other holder of REIT units, subject to the proportionate entitlement of the holders of class A units, class I units and class U units of the REIT to participate in distributions made by the REIT including distributions of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities, based on their respective conversion ratios for class U units. REIT units will be fully paid and non-assessable when issued and are transferable.

The REIT Declaration of Trust grants holders of class A units and class I units of the REIT the right to convert all or any portion of their class A units and class I units of the REIT, at any time (the “Conversion Date”), into class U units by giving written notice to the REIT. On the applicable Conversion Date the REIT will deliver to the class A unitholder or class I unitholder the applicable number of class U units for each class A unit or class I unit converted by such unitholder.

With certain restrictions, the unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

On March 19, 2015, the REIT completed a public offering of 4,125 class U units at a price of C$13.00 per unit for gross proceeds to the REIT of approximately C$53.6 million ($42.2 million). A private placement of 769 class U units for C$10.0 million ($7.9 million) was also completed, resulting in a total of 4,894 class U units for gross proceeds of C$63.6 million ($50.1 million). The costs related to the offering totaled $2.0 million and were expensed as incurred.

REIT units and exchangeable units of subsidiaries are designated as financial liabilities measured at fair value through profit or loss ("FVTPL") and re-measured at the end of each reporting year by reference to the closing market price of the class U units into which they are exchangeable. Transaction costs are expensed rather than charged directly to equity.

The REIT made available a Distribution Reinvestment Plan ("DRIP") that allows holders of class A units, class I units and class U units to elect to receive their distributions in the form of class U units with an additional distribution of class U units equal to 3% of the distribution. The REIT may issue up to 620 class U units under the DRIP. The REIT may increase the number of class U units available to be issued under the DRIP at any time at its discretion subject to: (i) the approval of the Board of Trustees, (ii) the approval of any stock exchange upon which the trust units trade, and (iii) public disclosure of such an increase.

(unaudited - in thousands of United States dollars, unless otherwise stated)

REIT units and exchangeable units of subsidiaries outstanding during the period and their respective class U equivalent amounts if converted is as follows:

	REIT units			Exchangeable units of subsidiaries		Total class U units equivalent
Class / Type	U	A	I	SR [(1)]	GAR B	
Balance as at December 31, 2014	16,875	528	358	1,880	590	**20,255**
Units issued under the DRIP	22	—	—	—	—	**22**
Units issued	4,894	—	—	—	—	**4,894**
Units redeemed	—	—	—	(4)	—	**(4)**
Exchanges	62	(23)	—	(39)	—	**—**
Balance as at March 31, 2015	21,853	505	358	1,837	590	**25,167**
Conversion ratio to class U units	1.0000	1.0078	1.0554	1.0000	1.0000	**—**
Class U units equivalent	**21,853**	**509**	**378**	**1,837**	**590**	**25,167**

(1) "SR" means Slate Retail exchangeable units.

The change in the carrying amount of REIT units and exchangeable units of subsidiaries is as follows:

	REIT units	Exchangeable units of subsidiaries	Total
Balance as at December 31, 2014	$ 185,499	$ 25,764	**$ 211,263**
Units issued under the DRIP	217	—	**217**
Units issued	50,080	—	**50,080**
Units redeemed	—	(45)	**(45)**
Exchanges	408	(408)	**—**
Change in fair value	(7,218)	(867)	**(8,085)**
Balance as at March 31, 2015	**$ 228,986**	**$ 24,444**	**$ 253,430**

For the three months ended March 31, 2015, the REIT declared distributions of $3,677 on REIT units and $461 on exchangeable units of subsidiaries which were recorded as other financing charges.

Trustees of the REIT, who are not also members of management may elect to receive their compensation fees in the form of deferred units. The Deferred Unit Plan reinvests the distributions accruing to the deferred units over the holding period. Deferred units vest on grant.

(unaudited - in thousands of United States dollars, unless otherwise stated)

13. Debt

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

	Maturity	Remaining extension options	Coupon (1)	Properties provided as security	Fair value security	Maximum available	Principal	Available to be drawn (2)
Term loan	Dec. 19, 2018	One 1-year	L+225 bps	N/A	N/A	$ 225,000	$ 225,000	$ —
Revolver	Dec. 19, 2017	Two 1-year	L+225 bps	N/A	N/A	225,000	18,505	206,495
Mortgage	Jan. 1, 2025	None	3.80%	3	88,947	50,000	50,000	—
GAR mortgage	Apr. 30, 2021	None	5.80%	5	56,194	27,435	27,435	—
Cudahy Centre first mortgage	Apr. 1, 2031	None	5.25%	1	6,507	3,552	3,552	—
Derry Meadows mortgage	Mar. 1, 2021	None	5.75%	1	28,896	14,047	14,047	—
						$ 545,034	**$ 338,539**	**$ 206,495**

(1) "L" means the one-month U.S. London Interbank Offering Rate ("LIBOR") and "bps" means basis points.

(2) Debt available to be drawn is subject to certain covenants in addition to the debt to gross book value limit of 60% as per the Declaration of Trust dated January 18, 2012.

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

	Effective rate (3)	Principal	Mark-to-market ("MTM") adjustments and costs	Amortization of MTM adjustments and costs (4)	Carrying amount	Current	Non-current
Term loan	2.67%	$ 225,000	$ (2,554)	$ 181	$ 222,627	$ —	$ 222,627
Revolver	2.67%	18,505	(34)	2	18,473	—	18,473
Mortgage	3.80%	50,000	(984)	27	49,043	—	49,043
GAR mortgage	5.80%	27,435	2,780	(379)	29,836	426	29,410
Cudahy Centre first mortgage	5.25%	3,552	101	(5)	3,648	144	3,504
Derry Meadows mortgage	5.75%	14,047	2,014	(108)	15,953	303	15,650
		$ 338,539	**$ 1,323**	**$ (282)**	**$ 339,580**	**$ 873**	**$ 338,707**

(3) The effective interest rate for Term loan and Revolver includes the impact of unamortized financing costs not yet recorded in interest expense under the effective interest method. Both of the Term loan and Revolver have used 1-month LIBOR of 0.25.

(4) Does not reflect the impact of any available extension options not yet exercised.

14. Income taxes

The REIT qualifies as a mutual fund trust for Canadian income tax purposes. The REIT intends to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for Canadian income tax purposes. Accordingly, no provision for current income taxes payable is required, except for amounts incurred in Investment LP.

Investment LP and GAR B made an election to be classified as a corporation for U.S. federal tax purposes. Investment LP is subject to U.S. federal and state income taxation on its allocable shares in Slate Retail One Limited Partnership, a subsidiary of the REIT, and Slate Retail and GAR US Portfolio LP, as the case may be, and any subsidiary limited partnership thereof.

The REIT is therefore subject to U.S. federal income taxation on its allocable share of rental income derived directly or indirectly through such subsidiary limited partnerships, on a net basis taking into account allowable deductions. Investment LP is subject to a combined federal and state income tax rate of 38.49% (December 31, 2014 – 38.45%). Current taxes in Investment LP have been reduced to nil. To the extent U.S. taxes are paid by Investment LP such amounts will be creditable against an investor's Canadian federal income tax liability to the extent permitted by Canadian tax law.

A deferred income tax asset or liability arises from temporary differences between the tax and accounting basis of assets and liabilities in Investment LP. As at March 31, 2015, the REIT had deferred tax liability of $47,459 (December 31, 2014 – $38,219) primarily related to the increased fair value of the investment properties located in the United States.

15. Capital management

The primary objectives of the REIT's capital management activities is to facilitate the investment in a diversified portfolio of well-located, quality income-producing properties with positive cash flows and to provide quarterly distributions to its unitholders. The REIT is restricted in its use of capital to making investments in real property in the United States. The REIT manages its capital structure and makes adjustments with consideration of changes to prevailing economic conditions, its results of operations, financing and investing activities. The REIT intends to continue to make distributions if results of operations permit in the future.

(unaudited - in thousands of United States dollars, unless otherwise stated)

16. Financial instruments

Except as noted, the carrying value of financial assets and financial liabilities approximate their fair values because of the short period until receipt or payment of cash. The fair values in other financial liabilities are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

The carrying amounts and fair values of the REIT's financial instruments are as follows:

	March 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash	$ 13,756	$ 13,756	$ 13,174	$ 13,174
Deposits on investment properties	2,789	2,789	500	500
Accounts receivable	5,807	5,807	4,539	4,539
TIF notes receivable	3,984	5,202	4,078	5,346
Funds held in escrow	1,747	1,747	1,513	1,513
Total financial assets	**$ 28,083**	**$ 29,301**	**$ 23,804**	**$ 25,072**
Financial liabilities				
Accounts payable and accrued liabilities	$ 6,746	$ 6,746	$ 5,337	$ 5,337
Distributions payable	1,586	1,586	1,276	1,276
Other non-current liabilities	1,277	1,277	1,179	1,179
Term loan	222,627	225,000	222,470	225,000
Revolver	18,473	18,505	44,005	44,005
Mortgage	49,043	50,000	49,020	50,000
GAR mortgage	29,836	29,836	30,044	30,044
Cudahy Centre first mortgage	3,648	3,648	3,684	3,684
Cudahy Centre second mortgage	—	—	209	209
Derry Meadows mortgage	15,953	16,104	16,106	16,262
REIT units	228,986	228,986	185,499	185,499
Exchangeable units of subsidiaries	24,444	24,444	25,764	25,764
TIF notes payable	3,872	3,993	4,022	4,151
Total financial liabilities	**$ 606,491**	**$ 610,125**	**$ 588,615**	**$ 592,410**

Fair value measurements recognized in the statements of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices in active markets for identical assets or liabilities that the REIT can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs that are not based on observable market data.

REIT units and exchangeable units are fair valued based on the market trading price of REIT units consistent with Level 1. Interest rate caps are valued using an interest rate swap valuation methodology and inputs consistent with Level 2. All other fair value measurements for non-derivative financial instruments are measured using Level 3 inputs. The fair values of derivative instruments are calculated using quoted rates. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments.

(unaudited - in thousands of United States dollars, unless otherwise stated)

The fair value hierarchy of financial assets and financial liabilities is as follows:

As at March 31, 2015	Level 1	Level 2	Level 3	Fair value
Financial assets				
Cash	$ 13,756	$ —	$ —	$ 13,756
Deposits on investment properties	2,789	—	—	2,789
Accounts receivable	—	5,807	—	5,807
TIF notes receivable	—	—	5,202	5,202
Funds held in escrow	1,747	—	—	1,747
Total financial assets	**$ 18,292**	**$ 5,807**	**$ 5,202**	**$ 29,301**
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ 6,746	$ —	$ 6,746
Distributions payable	—	1,586	—	1,586
Other non-current liabilities	—	1,277	—	1,277
Term loan	—	225,000	—	225,000
Revolver	—	18,505	—	18,505
Mortgage	—	50,000	—	50,000
GAR mortgage	—	29,836	—	29,836
Cudahy Centre first mortgage	—	3,648	—	3,648
Derry Meadows mortgage	—	16,104	—	16,104
REIT units	228,986	—	—	228,986
Exchangeable units of subsidiaries	24,444	—	—	24,444
TIF notes payable	—	3,993	—	3,993
Total financial liabilities	**$ 253,430**	**$ 356,695**	**$ —**	**$ 610,125**

17. Risk management

The REIT's risk management policies are established to identify, analyze and manage the risks faced by the REIT and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the REIT's activities and to ensure applicability.

In the normal course of business, the main risks arising from the REIT's use of financial instruments include credit risk, liquidity risk and market risk. These risks, and the actions taken to manage them, include:

i. Credit risk

Credit risk is the risk of financial loss to the REIT associated with the failure of a tenant or other party to meet its contractual obligations related to lease agreements, including future lease payments. The risk is mitigated by carrying out appropriate credit checks and related due diligence on the significant tenants.

For the period ended March 31, 2015, one individual tenant by location accounted for 2.51% of the REIT's rental revenue.

ii. Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they fall due. The REIT's approach to managing liquidity is to ensure sufficient financial resources are available to meet its liabilities as they become due. This includes monitoring of cash, current receivables, current payables, and non-current liabilities as they become current.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to the demand for and the perceived desirability of such investments. Such illiquidity can limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were required to liquidate a real property investment, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

(unaudited - in thousands of United States dollars, unless otherwise stated)

The REIT's contractual commitments are as follows:

	Total contractual cash flow	Less than one year	Greater than one year
Accounts payable and accrued liabilities	$ 6,746	$ 6,746	$ —
Term loan [(1)]	225,000	—	225,000
Revolver [(1)]	18,505	—	18,505
Mortgage	50,000	—	50,000
GAR mortgage	27,435	426	27,009
Cudahy Centre first mortgage	3,552	144	3,408
Derry Meadows mortgage	14,047	303	13,744
Term loan interest payable [(1)]	32,602	6,184	26,418
Revolver interest payable [(1)]	1,760	509	1,251
Mortgage interest payable	33,357	4,492	28,865
TIF notes payable	3,993	199	3,794
TIF notes interest payable	730	213	517
REIT units	228,986	400	228,586
Exchangeable units of subsidiaries	24,444	400	24,044
Total contractual commitments	**$ 671,157**	**$ 20,016**	**$ 651,141**

[(1)] Term loan and Revolver interest payable is calculated on $225,000 and $18,505 (balance outstanding) using an estimated "all in" interest rate of 2.75% under the "less than one year" column. The long term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the Term loan and Revolver results in an anticipated increase to the "all-in" interest rate to 4.32% and 3.93%, respectively. The total Term loan and Revolver interest payable is calculated until maturity of the initial term.

iii. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will vary as a result of changes in market interest rates. The REIT manages its financial instruments with the objective of mitigating any potential interest rate risks. For the Term Loan, interest rate on the loans will vary depending on changes in base rate and/or LIBOR rate. The REIT is subject to interest rate risks for debt that has variable interest rates.

iv. Unit price risk

The REIT is exposed to unit price risk as a result of the issuance of REIT units and exchangeable units. REIT units and exchangeable units have been classified as liabilities and measured at fair value based on market trading prices. REIT units and exchangeable units negatively impact net income when the unit price rises and positively impact net income when unit prices decline. An increase of $1.00 in the underlying price of REIT units results in an increase to liabilities and a decrease in net income of $22,740. An increase of $1.00 in the underlying price of exchangeable units results in an increase to liabilities and a decrease in net income of $2,427.

v. Currency risk

Currency risk is associated with a fluctuation in the value of the U.S. dollar relative to other foreign currencies. The REIT is exposed to currency risk as certain transactions related to payment of the REIT's expenses are denominated in Canadian dollars.

18. Leases

The REIT enters into long-term lease contracts with tenants for space in the REIT's properties. Leases generally provide for the tenant to pay base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating costs and realty tax recoveries. Certain leases have limitations or escalation restrictions on the amount of recoveries or cost reimbursements which the tenant is obligated to pay regardless of the actual costs incurred by the REIT to operate and maintain the properties.

(unaudited - in thousands of United States dollars, unless otherwise stated)

The REIT's existing leases have a weighted average outstanding term of 5.0 years (December 31, 2014 – 5.4 years) and may include clauses to enable periodic upward revisions in rental rates.

The future minimum lease payments from the REIT's non-cancellable operating leases as a lessor are as follows:

	March 31, 2015	December 31, 2014
Not later than one year	**$ 45,885**	$ 45,548
Later than one year but not later than five years	**133,017**	129,924
Later than five years	**71,453**	66,498
	$ 250,355	$ 241,970

19. Acquisition fee and asset management fee

Pursuant to the terms of the Management Agreement, the Manager agreed to provide certain services in connection with the business of the REIT, including: the structuring of the initial public offering, the REIT, the Investment LP and the Holding LP; liaising with legal and tax counsel; identifying properties for acquisition; maintaining ongoing relationships with the lenders in respect of the mortgage loans for the Properties; conducting continuous analysis of market conditions; and advising the Holding LP with respect to the disposition of the Properties. In return for its service, the Manager receives the following fees:

i An acquisition fee in an amount equal to 0.75% of the gross purchase price of each Property (or interest in a Property), including the price, due diligence costs, closing costs, legal fees, and additional capital costs for all Properties indirectly acquired by the REIT;

ii An asset management fee equal to 0.4% of the gross book value of the REIT (payable on a quarterly basis); and

iii An annual incentive fee, calculated in arrears, in an aggregate amount equal to 15% of the REIT's funds from operation per class U unit as derived from the annual financial statements of the REIT in excess of $1.28, subject to ordinary course adjustments for certain transactions affecting the class U units and increasing annually by 50% of the increase in the United States consumer price index.

Prior to entering into the Management Agreement on April 15, 2014, the REIT was subject to an agreement with the Manager that required an acquisition fee, on terms similar to as described above, and an asset management fee and service fee equal to 1.0% and 0.5%, respectively, of the gross subscription proceeds from the initial public offering of SUSO 2.

20. Supplemental cash flow information

The net change in non-cash operating assets and liabilities is as follows:

	Three months ended March 31,	
	2015	2014 (1)
Prepaids	**$ 672**	$ 197
Accounts receivable	**(1,266)**	(425)
Accounts payable and accrued liabilities	**(1,265)**	559
Other non-current liabilities	**52**	35
	$ (1,807)	$ 366

(1) Comparative amounts relate solely to SUSO 2. See Note 5.

21. Subsequent events

i. On April 6, 2015, the REIT completed the acquisition of City Center Plaza, a grocery-anchored shopping centre located in Westland, Michigan. City Center Plaza was acquired for $12.45 million and is anchored by Kroger.

ii. On April 15, 2015 the REIT declared monthly distributions of $0.063 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive a distribution at the respective conversion rate attributable to the units.

iii. On May 4, 2015, the REIT entered into a binding agreement to acquire Plaza St.Clair, a grocery-anchored shopping centre in Fairview Heights, Illinois for a purchase price of $7.2 million. The property is anchored by Schnucks. The acquisition is expected to be completed in the second quarter 2015 subject to customary closing conditions.

iv. On May 5, 2015, the REIT announced that it has amended its deferred unit plan (the “Plan”) to limit non-employee trustee participation in the Plan. Under the amended Plan (i) the number of units of the REIT issuable to non-employee trustees under the Plan at any time may not exceed 1% of the total class U units that are issued and outstanding (on a fully-diluted basis and as adjusted to give effect to the acquisition of Slate U.S. Opportunity (No. 3) Realty Trust ("SUSO 3")); and (ii) the aggregate value of all deferred trust units issued to any non-employee trustee within any one financial year under the Plan may not exceed $150,000.

v. On May 13, 2015, unitholders of the REIT approved the transaction previously announced on February 25, 2015, pursuant to which the REIT will acquire the assets of SUSO 3. The REIT will acquire SUSO 3's assets in a $195 million transaction (the "Acquisition"). As consideration for the Acquisition, the REIT will issue class U units of the REIT, and units of a subsidiary of the REIT that will be economically equivalent to class U units, at a deemed price of $10.47 per unit to unitholders of SUSO 3. The Acquisition is expected to close in the second quarter 2015. The transaction will add 13 grocery-anchored properties located in the U.S. to the REIT's existing portfolio of grocery-anchored shopping centers.