

# **Slate Grocery REIT**

## CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

## Independent Auditor's Report

To the Unitholders and the Board of Trustees of  
Slate Grocery REIT

### Opinion

We have audited the consolidated financial statements of Slate Grocery REIT (the "REIT"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the REIT as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the REIT in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

#### **Valuation of Properties – refer to Notes 3 and 5 of the financial statements**

##### *Key Audit Matter Description*

The REIT has elected the fair value model for all properties and, accordingly, measures all properties at fair value subsequent to initial recognition on the consolidated statement of financial position. The fair value of properties is determined primarily using the overall income capitalization method, which uses current leasing and market assumptions. The determination of the fair value of properties requires the use of assumptions such as future cash flows from assets, tenant profiles, future revenue streams and overall repair and condition of the property and capitalization rates.

While there are several assumptions used to determine the fair value of properties, the assumptions with the highest degree of subjectivity and impact on fair value are the capitalization rates. Auditing the capitalization rates required a high degree of auditor judgment as the estimations made by management contain significant measurement uncertainty. This resulted in an increased extent of audit effort, including the need to involve fair value specialists.

##### *How the Key Audit Matter Was Addressed in the Audit*

With the assistance of fair value specialists, the audit procedures related to the capitalization rates, included, amongst others, evaluating their reasonableness by considering recent market transactions and industry surveys.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal

control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the REIT to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Francesco Quatralo.

The logo for Deloitte LLP, featuring the word "Deloitte" in a stylized, cursive script followed by "LLP" in a simpler, sans-serif font.

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Ontario  
February 13, 2024

## Slate Grocery REIT

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	Note	December 31, 2023	December 31, 2022
<b>ASSETS</b>			
Non-current assets			
Properties	4, 5	\$ 2,062,599	\$ 2,087,432
Joint venture investments	6	107,101	109,456
Interest rate swaps	10	7,652	16,416
Other assets	7	718	1,189
		<b>\$ 2,178,070</b>	<b>\$ 2,214,493</b>
Current assets			
Cash		23,587	20,392
Accounts receivable	8	22,172	23,649
Other assets	7	6,985	5,175
Prepays		4,984	4,376
Interest rate swaps	10	—	2,315
		<b>\$ 57,728</b>	<b>\$ 55,907</b>
<b>Total assets</b>		<b>\$ 2,235,798</b>	<b>\$ 2,270,400</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Debt	9	\$ 859,637	\$ 1,039,621
Deferred income taxes	12	146,651	150,108
Exchangeable units of subsidiaries	11	8,269	10,082
Other liabilities		5,082	4,836
		<b>\$ 1,019,639</b>	<b>\$ 1,204,647</b>
Current liabilities			
Debt	9	302,119	91,866
Accounts payable and accrued liabilities	13	42,481	38,373
Distributions payable	18	4,323	4,412
		<b>\$ 348,923</b>	<b>\$ 134,651</b>
<b>Total liabilities</b>		<b>\$ 1,368,562</b>	<b>\$ 1,339,298</b>
<b>EQUITY</b>			
Unitholders' equity		\$ 687,443	\$ 740,510
Non-controlling interest	14	179,793	190,592
<b>Total equity</b>		<b>\$ 867,236</b>	<b>\$ 931,102</b>
<b>Total liabilities and equity</b>		<b>\$ 2,235,798</b>	<b>\$ 2,270,400</b>

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

## Slate Grocery REIT

### CONSOLIDATED STATEMENTS OF INCOME

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

	Note	Year ended December 31,	
		2023	2022
Rental revenue	15	\$ 203,281	\$ 177,485
Property operating expenses		(63,791)	(50,071)
General and administrative expenses	16	(15,583)	(14,951)
Interest and finance costs	17	(52,413)	(47,005)
Share of income in joint venture investments	6	3,708	29,270
Transaction costs	4	—	(1,734)
Change in fair value of financial instruments		(3,284)	—
Change in fair value of properties	5	(50,389)	80,719
<b>Net income before income taxes and unit income (expense)</b>		<b>\$ 21,529</b>	<b>\$ 173,713</b>
Deferred income tax recovery (expense)	12	1,332	(33,679)
Current income tax expense	12	(2,625)	(359)
Unit income (expense)	18	1,428	(802)
<b>Net income</b>		<b>\$ 21,664</b>	<b>\$ 138,873</b>
<b>Net income attributable to</b>			
Unitholders		\$ 15,024	\$ 128,002
Non-controlling interest	14	6,640	10,871

## Slate Grocery REIT

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Note	Year ended December 31,	
		2023	2022
Net income		\$ 21,664	\$ 138,873
Items to be subsequently reclassified to profit or loss			
Gain on effective hedges of interest rate risk, net of tax	10	3,791	25,249
Reclassification of other comprehensive income reserve to profit or loss		(1,061)	—
Reclassification of effective hedges of interest rate risk to profit or loss	10	(8,912)	2,758
Other comprehensive (loss) income		<b>\$ (6,182)</b>	<b>\$ 28,007</b>
<b>Comprehensive income</b>		<b>\$ 15,482</b>	<b>\$ 166,880</b>
<b>Comprehensive income attributed to</b>			
Unitholders		\$ 10,368	\$ 153,154
Non-controlling interest	14	5,114	13,726

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

## Slate Grocery REIT

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Note	REIT units	Retained earnings	Accumulated comprehensive income (loss)	Capital reserve	Non-controlling interest	Total
December 31, 2022		\$ 596,701	\$ 133,314	\$ 11,919	\$ (1,424)	\$ 190,592	\$ 931,102
Net income and other comprehensive income (loss)		—	15,024	(4,656)	—	5,114	15,482
Distributions	18	—	(51,503)	—	—	(15,913)	(67,416)
Repurchases, net of costs	11	(11,932)	—	—	—	—	(11,932)
<b>December 31, 2023</b>		<b>\$ 584,769</b>	<b>\$ 96,835</b>	<b>\$ 7,263</b>	<b>\$ (1,424)</b>	<b>\$ 179,793</b>	<b>\$ 867,236</b>

	Note	REIT units	Retained earnings	Accumulated comprehensive (loss) income	Capital reserve	Non-controlling interest	Total
December 31, 2021		\$ 576,540	\$ 57,137	\$ (13,233)	\$ (1,424)	\$ 4,901	\$ 623,921
Net income and other comprehensive income		—	128,002	25,152	—	13,726	166,880
Distributions	18	—	(51,825)	—	—	(8,035)	(59,860)
Exchanges	11	2,140	—	—	—	—	2,140
Issuances, net of costs	11	18,021	—	—	—	—	18,021
Sale of interest in subsidiary	14	—	—	—	—	180,000	180,000
<b>December 31, 2022</b>		<b>\$ 596,701</b>	<b>\$ 133,314</b>	<b>\$ 11,919</b>	<b>\$ (1,424)</b>	<b>\$ 190,592</b>	<b>\$ 931,102</b>

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

## Slate Grocery REIT

### CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	Year ended December 31,	
		2023	2022
<b>OPERATING ACTIVITIES</b>			
Net income		\$ 21,664	\$ 138,873
Items not affecting cash			
Straight-line rent	5	(760)	(238)
Change in fair value of financial instruments		3,284	—
Change in fair value of properties	5	50,389	(80,719)
IFRIC 21 property tax adjustment	5	—	(2,618)
Deferred income tax (recovery) expense	12	(1,332)	33,679
Unit (income) expense	18	(1,428)	802
Share of income in joint venture investments	6	(3,708)	(29,270)
Interest and finance costs	17	52,413	47,005
Cash interest paid, net	17	(50,446)	(45,047)
Changes in working capital items		6,223	(3,481)
		<b>\$ 76,299</b>	<b>\$ 58,986</b>
<b>INVESTING ACTIVITIES</b>			
Acquisitions	4, 5	(201)	(422,068)
Dispositions	4, 5	—	54,277
Contributions to joint venture investments	6	—	(100)
Distributions from joint venture investments	6	6,063	7,218
Funds held in escrow	7	(1,819)	(124)
Capital expenditures	5	(4,521)	(7,040)
Leasing costs	5	(3,083)	(1,358)
Tenant improvements	5	(3,891)	(2,200)
Development and expansion capital	5	(13,100)	(10,348)
		<b>\$ (20,552)</b>	<b>\$ (381,743)</b>
<b>FINANCING ACTIVITIES</b>			
Revolver advances, net of financing costs	23	69,073	107,355
Term loan advances, net of financing costs	23	—	269,619
Mortgage advances, net of financing costs	23	55,071	—
Revolver, term loan and mortgage repayments	23	(96,475)	(185,318)
Sale of interest in subsidiary	14	—	180,000
Repurchases of REIT units, net	11	(11,932)	—
Equity offering proceeds, net	11	—	18,021
REIT unit distributions	18	(51,592)	(51,722)
Exchangeable units of subsidiaries distributions	18	(784)	(809)
Distributions to non-controlling interest		(15,913)	(8,035)
		<b>\$ (52,552)</b>	<b>\$ 329,111</b>
<b>Increase in cash</b>		<b>3,195</b>	<b>6,354</b>
<b>Cash, beginning of the period</b>		<b>20,392</b>	<b>14,038</b>
<b>Cash, end of the period</b>		<b>\$ 23,587</b>	<b>\$ 20,392</b>

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

## Slate Grocery REIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2023 and 2022  
(in thousands of United States dollars, unless otherwise stated)

#### 1. DESCRIPTION OF THE REIT AND OPERATIONS

Slate Grocery REIT (the "REIT") is an unincorporated, open-ended mutual fund trust under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning, and leasing a portfolio of grocery-anchored real estate properties (the "properties") in the United States of America (the "U.S.").

The class U units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbols SGR.U and SGR.UN. The principal, registered, and head office of the REIT is 121 King Street West, Suite 200, Toronto, Ontario, M5H 3T9.

The objectives of the REIT are to:

- provide unitholders with stable cash distributions from a portfolio of grocery-anchored real estate properties in the U.S.;
- enhance the value of the REIT's assets in order to maximize long-term unitholder value through active management; and
- expand the asset base of the REIT and increase the REIT's earnings on a per unit basis, including through accretive acquisitions.

#### 2. BASIS OF PREPARATION

##### i. Statement of compliance

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

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

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on February 13, 2024.

##### iii. Basis of measurement

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

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

##### iv. Functional and presentation currency

These consolidated financial statements are presented in U.S. dollars, which is the REIT's functional currency and the functional currency of all its subsidiaries.

##### v. Comparative information

Certain comparative balances have been reclassified in the consolidated financial statements to provide consistency with the current period classification. The aforementioned changes are not material to the financial statements as a whole.

#### 3. MATERIAL ACCOUNTING POLICY INFORMATION

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

##### i. Basis of consolidation

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

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

Changes in the REIT's ownership interests in subsidiaries that do not result in the REIT losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the REIT's interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the unitholders of the REIT. When the REIT loses control of a subsidiary, for example through sale or partial sale, a gain or loss is recognized and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests. When a non-controlling interest is first created through a transaction other than a business combination, the REIT accounts for the non-controlling interest at its fair value which equals the consideration received.



## Slate Grocery REIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2023 and 2022

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

#### ii. Joint arrangements

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

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

A joint venture is a joint arrangement wherein the parties have rights to the net assets. The REIT's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the REIT's share of net assets of the joint venture since the acquisition date. The consolidated statement of income reflects the REIT's share of the results of operations of the joint venture. Any change in other comprehensive income ("OCI") of the joint venture is presented as part of the REIT's consolidated statement of comprehensive income.

#### iii. Properties

Properties include land and buildings held primarily to earn rental income, for capital appreciation or for both. The REIT accounts for the properties in accordance with International Accounting Standard ("IAS") 40, *Investment Property* ("IAS 40"). For acquired properties that meet the definition of a business, the acquisition is accounted for as a business combination. Acquisitions of properties that do not meet the definition of a business are initially measured at cost including directly attributable transaction costs.

Subsequent to acquisition, properties are measured at fair value, which is determined based on available market evidence at the statement of financial position date including, among other things, rental revenue from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases less future cash outflows in respect of capital expenditures. Changes in fair value of properties are recognized in net income in the period in which they arise.

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

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

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

#### iv. Business combinations

The REIT accounts for property acquisitions as a business combination if the particular assets and set of activities acquired can be operated and managed as a business in its current state. In particular, this assessment includes an evaluation of whether there are inputs and substantive processes, in addition to the properties, that together significantly contribute to the ability to generate outputs. The REIT has an option to apply the 'concentration test' that allows for a simplified assessment of whether an acquired set of activities and assets constitutes a business. The concentration test assesses whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the aforementioned test is met, the acquisition can be treated as an asset acquisition.

The consideration transferred for a business combination is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the REIT. The total consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

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

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

Goodwill is initially measured as the excess of the aggregate of the fair value of consideration transferred and the fair value of non-controlling interest over the identifiable net assets acquired. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized in net income as a bargain purchase option.

## Slate Grocery REIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2023 and 2022

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

#### v. Funds held in escrow

Funds held in escrow primarily represents restricted cash held in reserve for holdbacks for property taxes as required by mortgages and tenant leases.

#### vi. Leases

Leases where the REIT, as the lessor, does not transfer substantially all the risks and rewards of ownership of its properties are classified as operating leases. Leases that transfer substantially all the risks and rewards of ownership of an asset are classified as finance leases. The REIT assesses the classification of leases at the inception date of the lease, being the date when the lease is signed. All of the REIT's leases are considered operating leases.

#### vii. Revenue recognition

Revenue from properties includes rents from tenants under lease agreements, percentage rents and property tax and operating cost recoveries. Lease components, including rents from tenants, percentage rents and property tax recoveries are accounted for pursuant to IFRS 16, *Leases* ("IFRS 16") and are therefore outside the scope of IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") while non-lease components which includes operating cost recoveries are within the scope of IFRS 15. The REIT recognizes lease income when the tenant has a right to use the leased asset. This occurs on the lease commencement date or, where the REIT is required to make additions to the property in the form of tenant improvements that enhance the value of the property, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. Straight-line rent receivables, which is included in the carrying amount of the property, is the difference between the cumulative lease income recorded and the contractual amounts due. Common area maintenance and other services are recognized in the period that services are performed and are chargeable to tenants.

#### viii. Expenses

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

#### ix. Property tax liability and expense

IFRIC 21 provides guidance on when to recognize a liability for levies that are accounted for in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), and those where the timing and amount of the levy are certain. Levies are outflows from an entity imposed by a government in accordance with legislation. The REIT has assessed property taxes as being within the scope of IFRIC 21, given that property taxes are non-reciprocal charges imposed by a government, in accordance with legislation, and are based on the assessed value of property. IFRIC 21 confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. The REIT has determined that the liability to pay property taxes on its properties should be recognized at a point in time, being the start of the fiscal year. This resulted in the REIT recognizing the annual property tax liability and expense on its properties annually at January 1, with a corresponding increase to the fair value of properties that is reversed as the liability is settled throughout the year.

#### x. Other comprehensive income

Comprehensive income consists of net income and OCI. OCI represents items of income and expenses, including reclassification adjustments, that are not recognized in profit or loss, including the effective portion of hedging instruments.

#### xi. Income taxes

Subsidiaries of the REIT, Slate Grocery Investment L.P. ("Investment L.P."), and GAR (1B) Limited Partnership ("GAR B"), that hold the REIT's investments each made an election pursuant to the U.S. Internal Revenue Code, as amended, to be classified as corporations for U.S. federal income tax purposes. Consequently, Investment L.P. and GAR B are each considered a 'foreign corporation' for U.S. federal income tax purposes. Slate Grocery Investment Inc. ("Investment Inc.") is a U.S. corporation formed in the state of Delaware. It is subject to federal and state income taxation on its allocable share in Slate Grocery Investment US L.P. ("SGIUSLP"), a subsidiary of the REIT, and any subsidiaries thereof.

The REIT measures deferred tax liabilities of these subsidiaries by applying the appropriate tax rate to temporary differences between the carrying amounts of assets and liabilities and their respective tax basis. The appropriate tax rate is determined by reference to the rates that are expected to apply to the year and the jurisdiction in which the assets are expected to be realized or the liabilities settled. Deferred tax assets are recorded for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. For the determination of deferred tax assets and liabilities where the property is measured using the fair value model, the presumption is that the carrying amount of a property is recovered through sale, as opposed to presuming that the economic benefits of the property will be substantially consumed through use over time. The REIT qualifies as a 'mutual fund trust' under the Canadian Income Tax Act and plans to distribute or designate all taxable earnings to unitholders and, under current legislation, the obligation to pay tax rests with each unitholder. Accordingly, no current or deferred tax provision is recognized on the REIT's income at the REIT level in addition to deferred tax amounts recorded in respect of Investment L.P., GAR B, and Investment Inc. on consolidation.

## Slate Grocery REIT

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#### xii. Slate Grocery exchangeable units and GAR B exchangeable units

Class B units of Slate Grocery One L.P. ("LP1") and Slate Grocery Two L.P. ("LP2") (collectively, "Slate Grocery exchangeable units"), which are each subsidiaries of the REIT, are redeemable by the unitholder, for cash or class U units of the REIT at the option of the REIT and therefore are classified as financial liabilities under IAS 32, *Financial Instruments: Presentation* ("IAS 32"). Exchangeable limited partnership units of GAR B ("GAR B exchangeable units") have also been issued from a subsidiary of the REIT and are redeemable for class U units at the option of the holder and therefore, are classified as financial liabilities under IAS 32.

Slate Grocery exchangeable units and GAR B exchangeable units (collectively, the "exchangeable units of subsidiaries") are designated as fair value through profit or loss ("FVTPL") under IFRS 9. Distributions paid on exchangeable units of subsidiaries are recorded as unit expense in the period in which they become payable.

#### xiii. REIT units

The REIT has class A units, class I units and class U units issued and outstanding (collectively, the "REIT units"). As an open-ended investment trust, unitholders of each class of units of the REIT are able to require the REIT to redeem at any time or from time to time at the demand of the unitholder all or any part of the REIT units held by the unitholder in an amount equal to redemption price, as specified by the REIT's Declaration of Trust. This redemption is to be provided in cash, subject to certain limitations. If a redemption is not satisfied in cash, the redemption price is to be paid by notes of the REIT or property of the REIT.

#### xiv. Financial instruments

Financial instruments are classified as amortized cost, FVTPL, or fair value through OCI ("FVOCI"). The REIT has made the following classifications:

	Classification
<b>Financial assets</b>	
Cash	Amortized cost
Accounts receivable	Amortized cost
Tax Incremental Financing ("TIF") notes receivable	Amortized cost
Financial assets within other assets <sup>1</sup>	Amortized cost
Interest rate swaps <sup>2</sup>	FVTPL
<b>Financial liabilities</b>	
Accounts payable and accrued liabilities	Amortized cost
Distributions payable	Amortized cost
Revolver, term loans and mortgages	Amortized cost
Financial liabilities within other liabilities <sup>3</sup>	Amortized cost
Exchangeable units of subsidiaries	FVTPL

<sup>1</sup>Relates to funds held in escrow and deposits included in other assets.

<sup>2</sup>Fair value movements for interest rate swaps that meet the qualification for hedge accounting are recognized in OCI as opposed to profit or loss.

<sup>3</sup>Relates to rental security deposits included in other liabilities.

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

Exchangeable units of subsidiaries are classified as FVTPL and are measured at fair value with gains and losses recognized in net income as unit income (expense).

Subsequent to initial recognition, debt instruments or other financial liabilities are measured at amortized cost, using the effective interest method or at FVTPL. All recognized financial assets are measured subsequently in their entirety at either amortized cost or FVTPL, depending on the classification of the financial assets.

Fair value changes on derivatives that are designated and qualify for hedge accounting are recognized in OCI. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognized in profit or loss.

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

## Slate Grocery REIT

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#### Impairment of financial assets

The REIT uses an expected credit loss (“ECL”) impairment model for financial assets measured at amortized cost or debt instruments measured at fair value through OCI. The ECL model uses an allowance for expected credit losses being recorded regardless of whether or not there has been an actual loss event. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The REIT recognizes lifetime ECL for trade receivables and 12-month ECL for TIF notes receivables. The amount of the expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. If the credit risk is determined to increase significantly over the period, then the REIT would recognize lifetime ECL for TIF notes receivables and notes receivable.

#### xv. Fair values

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

Except as noted, the carrying value of the REIT's financial assets and financial liabilities approximate their fair values because of the short period until receipt or payment of cash. Fair value measurements recognized in the statements of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

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

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

Exchangeable units of subsidiaries are measured at fair value based on the market trading price of REIT units consistent with Level 1. All other fair value measurements for non-derivative financial instruments are measured using Level 2 or Level 3 inputs.

The fair values of derivative instruments are calculated using quoted rates. The fair value of interest rate swaps, which is a Level 2 input, are calculated as the present value of estimated future cash flows discounted at actively quoted interest rates and an applicable yield curve for the duration of the instruments.

#### xvi. Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognized at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The REIT uses certain financial instruments to hedge its exposure to certain market risks arising from operational, financial and investing activities. At the inception of the hedge transaction, the REIT documents the following:

- the type of hedge;
- the relationship between the hedging instrument and hedged item;
- hedge effectiveness; and
- the REIT's risk management objective and strategy for undertaking various hedge transactions.

The REIT documents and assesses hedge effectiveness on an ongoing basis, whether the hedging instrument is highly effective in offsetting changes in cash flows of hedged items.

#### Cash flow hedge – interest rate swaps

The REIT has entered into pay-fixed, receive-float interest rate swap contracts that are a cash flow hedge for interest rate risk exposure on the REIT's floating rate debt. These contracts entitle the REIT to receive interest at floating rates on a notional principal amount and obliges the REIT to pay interest at a fixed rate on the same notional principal amount. This allows the REIT to raise borrowings at floating rates and swap them into fixed rates.

The interest rate swaps are designated as cash flow hedges in OCI if the hedges are highly effective in offsetting the hedged risk. Accordingly, the changes in fair value of the swaps are recorded in the hedging reserve in OCI if the hedges are considered to be effective. If the cash flow hedge is considered to be ineffective, the changes in fair value of the swaps are recognized in profit or loss.

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As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the REIT performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The REIT expects the interest rate swap contracts and their corresponding hedged items to operate on a one-to-one basis. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the REIT's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. Hedge ineffectiveness may also arise subsequent to initial hedge designation upon a renegotiation of the key terms of the swap contracts.

#### xvii. Deferred unit incentive plan

The REIT has a deferred unit incentive plan ("DUP") whereby trustees of the REIT, who are not also members of management may elect to receive all or a portion of their Trustee fees in the form of deferred units that vest immediately upon grant. Officers of the REIT may elect to acquire deferred class U units, which represent a right to receive class U units, in lieu of equivalent amounts of asset management fees for management services rendered by Slate Asset Management (Canada) L.P. (the "Manager").

The deferred units are equivalent in value to REIT units and accumulate additional deferred units at the same rate that distributions are paid on REIT units in relation to the market value of REIT units, as defined by the DUP. Deferred units may be redeemed by a participant for a period of two years after the participant ceases to be a trustee or officer of the REIT in whole or in part for cash or REIT units. The value of deferred units when converted to cash will be equivalent to the market value of REIT units on the date of the redemption request. Deferred units have been classified as a liability recorded within accounts payable and accrued liabilities, and measured at fair value. Initial recognition of the deferred units is recorded as a general and administrative expense. Subsequent changes in the fair value of deferred units are recorded in net income as unit income (expense).

#### xviii. Finance costs

Finance costs comprise interest expense on borrowings, amortization or derecognition of mark-to-market adjustment on assumption of mortgages, amortization of transaction cost and accretion expense.

#### xix. Segments

The REIT has only one reportable segment. The REIT owns and operates properties in the U.S. The REIT identifies each property as an individual operating segment and has aggregated them into a reportable segment based on similarity in the nature of the tenants and operational processes.

#### xx. Use of estimates and judgments

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

#### Judgments

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

- **Business combinations**

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

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

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- **Control assessments**

Assessing the REIT's ability to control, jointly control or influence the relevant financial and operating policies of another entity may, depending on the facts and circumstances, require significant judgment. In determining if the REIT has control over another entity, judgments are made when identifying which activities of the entity are relevant to significantly affecting returns and the REIT's ability to direct those activities. The REIT will also make judgments as to the potential voting rights, the existence of contractual terms that provide the ability to direct the relevant activities, and the extent to which decisions must be made unanimously with or independently of the other parties of the entity. The REIT considers all relevant facts and circumstances in assessing whether or not their voting rights, alongside all other powers implied or expressed in the terms of the contractual agreement into which it enters, are sufficient to infer control, joint control or significant influence. As part of this assessment, the REIT considers the contractual rights and obligations, voting rights, board representation and the legal structure of the joint arrangement along with other facts and circumstances present in the contractual agreement. This assessment of control impacts how the operations of these entities are reported in the REIT's consolidated financial statements.

- **Lease contracts**

The REIT has entered into property leases on its property portfolio. The REIT makes judgments in determining whether certain leases, in particular those leases with long contractual terms, are operating or finance leases.

- **Classification of REIT units and exchangeable units of subsidiaries**

In determining whether REIT units and exchangeable units of subsidiaries should be classified as liabilities or equity, management has assessed whether REIT units contain a contractual agreement to deliver cash or another financial asset to another entity, whether the units are puttable, and whether the criteria in IAS 32 that permit classification of a puttable instrument as equity have been satisfied.

#### Estimates

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

- **Valuation of properties**

On a quarterly basis, the fair value of properties is determined by management using current leasing and market assumptions.

The determination of the fair value of property requires the use of estimates such as future cash flows from assets, tenant profiles, future revenue streams, the overall repair and condition of the property, and capitalization rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, in the determination of the fair value of the properties:

- a. **Income approach**

This approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate to those cash flows. This approach can utilize the overall income capitalization method as described below:

Overall income capitalization method: One year of income is stabilized and capitalized at a rate appropriate for each property. The most significant assumptions in determining fair values under the overall capitalization method include:

- i. Stabilized net operating income – based on the location, type and quality of the properties and supported by existing lease terms, or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.
- ii. Capitalization rate – based on location, size and quality of the properties and considering market data at the valuation date.

The REIT uses leasing history, market reports, tenant profiles and available independent appraisals, among other things, in determining the most appropriate assumptions.

- b. **Direct comparison approach**

This approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

At December 31, 2023 and December 31, 2022, the fair value of the REIT's properties is determined primarily using the overall income capitalization method using level 3 inputs, under the fair value hierarchy. The REIT uses the sales price when a firm contract for the sale of a property exists.

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

#### xxi. Application of new and revised IFRS

##### Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), and IFRS Practice Statement 2, *Making Materiality Judgements* ("IFRS Practice Statement 2"), which aimed to make disclosures more useful by replacing the requirement for disclosure of 'significant accounting policies' with a requirement to disclose 'material accounting policy information', as well as providing additional guidance on the application of the materiality concept in terms of policy disclosures.

The amendments to IAS 1 were effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the definition of materiality as it applies to accounting policy information and thus the IASB did not issue an effective date.

The REIT adopted the amendments for the fiscal year ended December 31, 2023. The amendments did not result in a material impact to the consolidated financial statements and were limited to minor changes to the Material Accounting Policy Information note disclosure.

##### Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, *Definition of Accounting Estimates* ("IAS 8"), in which it introduced a new definition of 'accounting estimates', clarifying the distinction between changes in accounting estimates, policies and errors. The amendment further clarified how entities use measurement techniques and inputs to develop accounting estimates.

The amendments were effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

The REIT adopted the amendments for the fiscal year ended December 31, 2023. The amendments had no material impact to the REIT's consolidated financial statements.

#### xxii. Future accounting policies

##### 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:

- i. 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.
- ii. 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.
- iii. 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 amendments are effective for annual periods beginning on or after January 1, 2024, with early adoption permitted, and will be applied retrospectively. Management is currently assessing the impact of these amendments.

## Slate Grocery REIT

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#### 4. ACQUISITIONS AND DISPOSITIONS

##### Acquisitions

The REIT did not acquire any properties during the year ended December 31, 2023.

The REIT acquired 14 properties during the year ended December 31, 2022. The operational results of these properties have been included in these consolidated financial statements from the date of acquisition.

Property	Purchase date	Location	Purchase price
Centerplace of Greeley	June 30, 2022	Greeley, Colorado	\$ 37,550
River Run	July 15, 2022	Miramar, Florida	18,719
Sheridan Square	July 15, 2022	Dania Beach, Florida	12,979
Flamingo Falls	July 15, 2022	Pembroke Pines, Florida	32,946
Northlake Commons	July 15, 2022	Palm Beach, Florida	21,065
Countryside Shoppes	July 15, 2022	Naples, Florida	12,979
Creekwood Crossing	July 15, 2022	Bradenton, Florida	34,942
Skyview Plaza	July 15, 2022	Orlando, Florida	33,040
Riverstone Plaza	July 15, 2022	Canton, Georgia	54,410
Fayetteville Pavilion	July 15, 2022	Fayetteville, North Carolina	41,831
Clayton Corners	July 15, 2022	Clayton, North Carolina	23,461
Apple Blossom Corners	July 15, 2022	Winchester, Virginia	36,939
Hilliard Rome Commons	July 15, 2022	Columbus, Ohio	16,722
Riverdale Shops	July 15, 2022	West Springfield, Massachusetts	46,923
<b>Total</b>			<b>\$ 424,506</b>

The net cost of properties acquired during the year ended December 31, 2022 is as follows:

Purchase price	\$ 424,506
Transaction costs	5,721
Properties	<b>\$ 430,227</b>
Working capital items	(8,159)
<b>Total</b>	<b>\$ 422,068</b>



## Slate Grocery REIT

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#### Dispositions

The REIT did not dispose of any properties during the year ended December 31, 2023.

The REIT disposed of four properties and one property outparcel during the year ended December 31, 2022 as follows:

Property	Number of outparcels	Disposition date	Location	Sales price
East Little Creek	1	August 29, 2022	Norfolk, Virginia	\$ 2,000
Stadium Center	N/A	October 24, 2022	Port Huron, Michigan	5,734
Bloomington Plaza	N/A	October 27, 2022	Brandon, Florida	12,677
Westminster Plaza	N/A	November 10, 2022	Westminster, Colorado	19,960
Hilliard Rome Commons	N/A	November 21, 2022	Columbus, Ohio	15,600
<b>Total</b>				<b>\$ 55,971</b>

The net proceeds of properties disposed of during the year ended December 31, 2022 are as follows:

Sales price	\$ 55,971
Working capital items	(1,694)
Properties	<b>\$ 54,277</b>
Repayment of mortgage	(1,175)
Disposition costs	(1,734)
<b>Total</b>	<b>\$ 51,368</b>

## 5. PROPERTIES

On December 31, 2023, the REIT owned 117 properties, of which, 102 are in entities consolidated by the REIT (December 31, 2022 - 117 properties). The remaining 15 properties are accounted as joint venture investments (note 6) and not included in the table below. The change in properties is as follows:

	Note	Year ended December 31,	
		2023	2022
Beginning of the period		\$ 2,087,432	\$ 1,608,655
Acquisitions	4	201	430,227
Capital expenditures		4,521	7,040
Leasing costs		3,083	1,358
Tenant improvements		3,891	2,200
Development and expansion capital		13,100	10,348
Straight-line rent		760	238
Dispositions	4	—	(55,971)
IFRIC 21 property tax adjustment		—	2,618
Change in fair value		(50,389)	80,719
<b>End of the period</b>		<b>\$ 2,062,599</b>	<b>\$ 2,087,432</b>

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Valuation assumptions used to estimate the fair value of all the REIT's properties are as follows:

	December 31, 2023 <sup>1</sup>	December 31, 2022 <sup>1</sup>
Capitalization rate range	6.03% – 9.22%	5.43% – 8.50%
Weighted average capitalization rate	7.20%	6.80%
Impact on fair value due to a 25 basis point decrease in capitalization rates	\$ 131,133	\$ 115,605
Impact on fair value due to a 25 basis point increase in capitalization rates	\$ (38,213)	\$ (64,243)
Impact on fair value due to a \$100,000 change in underlying annual stabilized income	\$ 1,390	\$ 1,470

<sup>1</sup>Includes the REIT's share of joint venture investments.

## 6. JOINT VENTURE INVESTMENTS

The REIT accounts for its joint venture investments using the equity method. The table below summarizes the REIT's investment in joint ventures:

Portfolio	Anchors	State	December 31, 2023		December 31, 2022	
			Number of properties	Ownership interest	Number of properties	Ownership interest
Tom Thumb Portfolio	Tom Thumb, Walmart, and Raley's	Texas, Florida, and California	10	90% – 95%	10	90% – 95%
Other Grocery Portfolio	Stop & Shop, Price Chopper, Acme Markets, and Strack & Van Til	New York and Indiana	4	85%	4	85%
Other	Kroger	Michigan	1	50%	1	50%

The change in the REIT's joint venture investments are as follows:

	December 31, 2023			December 31, 2022		
	Tom Thumb Portfolio	Other Grocery Portfolio	Other	Total	Total	
Beginning of the period	\$ 59,902	\$ 46,146	\$ 3,408	\$ 109,456	\$ 87,304	
Distributions, net of contributions	(3,960)	(2,103)	—	(6,063)	(7,118)	
Share of income in joint venture investments	2,446	1,150	112	3,708	29,270	
<b>End of the period</b>	<b>\$ 58,388</b>	<b>\$ 45,193</b>	<b>\$ 3,520</b>	<b>\$ 107,101</b>	<b>\$ 109,456</b>	

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The financial position of the REIT's joint venture investments are as follows:

	Tom Thumb Portfolio	Other Grocery Portfolio	Other	December 31, 2023	December 31, 2022
				Total	Total
<b>Assets</b>					
Properties	\$ 179,994	\$ 151,765	\$ 20,800	\$ 352,559	\$ 359,647
Other non-current assets	—	682	—	682	1,165
Current assets	7,134	4,615	1,848	13,597	11,208
<b>Total assets</b>	<b>\$ 187,128</b>	<b>\$ 157,062</b>	<b>\$ 22,648</b>	<b>\$ 366,838</b>	<b>\$ 372,020</b>
<b>Liabilities</b>					
Debt	\$ 122,511	\$ 100,671	\$ 14,610	\$ 237,792	\$ 240,923
Other non-current liabilities	4	666	38	708	639
Current liabilities	1,907	2,557	961	5,425	5,107
<b>Total liabilities</b>	<b>\$ 124,422</b>	<b>\$ 103,894</b>	<b>\$ 15,609</b>	<b>\$ 243,925</b>	<b>\$ 246,669</b>
<b>Net assets at 100%</b>	<b>\$ 62,706</b>	<b>\$ 53,168</b>	<b>\$ 7,039</b>	<b>\$ 122,913</b>	<b>\$ 125,351</b>
<b>At the REIT's interest</b>	<b>\$ 58,388</b>	<b>\$ 45,193</b>	<b>\$ 3,520</b>	<b>\$ 107,101</b>	<b>\$ 109,456</b>

The following is a summary of income of the REIT's joint venture investments:

	Tom Thumb Portfolio	Other Grocery Portfolio	Other	Year ended December 31,	
				2023	2022
Rental revenue	\$ 18,030	\$ 17,496	\$ 2,208	\$ 37,734	\$ 36,772
Property operating expenses	(5,729)	(6,372)	(841)	(12,942)	(12,764)
General and administrative expenses	(573)	(355)	(26)	(954)	(1,406)
Interest and finance costs	(4,197)	(4,144)	(503)	(8,844)	(8,008)
Change in fair value of financial instruments	—	(483)	—	(483)	2,009
Change in fair value of properties	(4,818)	(4,790)	(614)	(10,222)	17,385
<b>Net income and comprehensive income at 100%</b>	<b>\$ 2,713</b>	<b>\$ 1,352</b>	<b>\$ 224</b>	<b>\$ 4,289</b>	<b>\$ 33,988</b>
<b>At the REIT's interest</b>	<b>\$ 2,446</b>	<b>\$ 1,150</b>	<b>\$ 112</b>	<b>\$ 3,708</b>	<b>\$ 29,270</b>

#### Dispositions

The REIT's joint venture investments did not dispose of any properties during the year ended December 31, 2023.

On April 12, 2022, the REIT disposed of a non-core outparcel in the Tom Thumb Portfolio at Heritage Heights, in Grapevine, Texas, at a sale price of \$0.9 million.

#### Debt refinancing

On August 1, 2023, the REIT amended the interest rate benchmark from one-month London Inter-Bank Offering Rate ("LIBOR") to one-month Secured Overnight Financing Rate ("SOFR") in relation to the Other Grocery Portfolio's existing mortgage and interest rate swap, which both mature on September 1, 2025.

On October 1, 2022, the REIT made a drawdown totaling \$0.9 million in relation to the Other Grocery Portfolio's existing mortgage bearing interest at 3.75% and matures on October 1, 2026.

On June 13, 2022, the REIT refinanced the mortgage loan in relation to the Other Grocery Portfolio for \$46.5 million. The mortgage bears interest at 4.56% and matures on July 1, 2027.

## Slate Grocery REIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 7. OTHER ASSETS

Other assets consists of the following:

	December 31, 2023	December 31, 2022
<b>Current</b>		
TIF notes receivable	\$ 306	\$ 396
Funds held in escrow <sup>1</sup>	4,832	3,013
Other <sup>2</sup>	1,847	1,766
	<b>\$ 6,985</b>	<b>\$ 5,175</b>
<b>Non-current</b>		
TIF notes receivable	\$ 693	\$ 1,015
Funds held in escrow	25	25
Other <sup>2</sup>	—	149
	<b>\$ 718</b>	<b>\$ 1,189</b>
<b>Total</b>	<b>\$ 7,703</b>	<b>\$ 6,364</b>

<sup>1</sup>Primarily includes funds held for property tax reserves.

<sup>2</sup>Other primarily includes deposits and transaction costs.

TIF notes receivable are issued by the City of St. Paul and by the City of Brainerd in Minnesota, related to the REIT's Phalen Retail Center and East Brainerd Mall properties, respectively. The TIF notes obligate each municipality to pay certain tax increments resulting from increases, if any, from a reference amount in the taxable valuation of the respective property to the REIT.

#### 8. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	December 31, 2023	December 31, 2022
Rent receivable	\$ 7,501	\$ 7,193
Allowance	(1,171)	(1,096)
Accrued recovery income	8,949	9,279
Other receivables	6,893	8,273
<b>Total</b>	<b>\$ 22,172</b>	<b>\$ 23,649</b>

Rent receivable consists of base rent and operating expense recoveries billed to tenants. Accrued recovery income represents amounts that have not been billed to the tenants and are generally billed and paid subsequent to the period in which they were incurred. Other receivables is primarily comprised of the gross amount of consideration for property taxes paid directly by tenants.

The change in the allowance is as follows:

	Year ended December 31,	
	2023	2022
Beginning of the period	\$ (1,096)	\$ (1,181)
Allowance	(854)	(779)
Bad debt write-off	415	355
Bad debt recovery	364	509
<b>End of the period</b>	<b>\$ (1,171)</b>	<b>\$ (1,096)</b>

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

## Slate Grocery REIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The aging analysis of rent receivable balances, net of allowance, is as follows:

	December 31, 2023	December 31, 2022
Current to 30 days	\$ 3,332	\$ 2,226
31 to 60 days	446	1,188
61 to 90 days	125	261
Greater than 90 days	2,427	2,422
<b>Total</b>	<b>\$ 6,330</b>	<b>\$ 6,097</b>

## 9. DEBT

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

	Maturity	Remaining extension options	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn <sup>1</sup>
Revolver <sup>12</sup>	March 21, 2024	Two six-month	S+170 bps <sup>3,4</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	\$ 300,000	\$ 188,360	\$ 111,640
Term loan <sup>1</sup>	March 21, 2025	None	S+160 bps <sup>3,4</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	225,000	225,000	—
Term loan 3 <sup>1</sup>	July 15, 2027	None	S+160 bps <sup>3,4</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	275,000	275,000	—
Mortgage	December 6, 2024	None	4.03%	11	156,333	103,950	103,950	—
Mortgage	January 1, 2025	None	3.80%	3	92,000	38,927	38,927	—
Mortgage	July 1, 2025	None	4.14%	5	80,500	33,139	33,139	—
Mortgage	August 1, 2025	None	4.43%	1	13,667	7,700	7,700	—
Mortgage	March 18, 2030	None	3.48%	8	154,000	77,089	77,089	—
Mortgage	January 1, 2031	None	5.50%	1	23,400	5,317	5,317	—
Mortgage	May 1, 2031	None	3.75%	19	314,200	159,852	159,852	—
Mortgage	February 1, 2033	None	5.50%	5	100,900	56,000	56,000	—
<b>Total</b>						<b>\$ 1,281,974</b>	<b>\$ 1,170,334</b>	<b>\$ 111,640</b>

## Slate Grocery REIT

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

	Maturity	Remaining extension options	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn <sup>1</sup>
Revolver <sup>12</sup>	March 21, 2024	Two six-month	S+195 bps <sup>34</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	\$ 300,000	\$ 123,604	\$ 176,396
Term loan <sup>1</sup>	March 21, 2025	None	S+185 bps <sup>34</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	225,000	225,000	—
Term loan 2 <sup>1</sup>	February 9, 2023	None	S+185 bps <sup>34</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	83,000	83,000	—
Term loan 3 <sup>1</sup>	July 15, 2027	None	S+185 bps <sup>34</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	275,000	275,000	—
Mortgage	December 6, 2024	None	4.03%	11	152,111	103,950	103,950	—
Mortgage	January 1, 2025	None	3.80%	3	91,400	40,110	40,110	—
Mortgage	July 1, 2025	None	4.14%	5	83,800	35,188	35,188	—
Mortgage	August 1, 2025	None	4.43%	1	13,222	7,700	7,700	—
Mortgage	March 18, 2030	None	3.48%	8	157,900	78,848	78,848	—
Mortgage	January 1, 2031	None	5.50%	1	23,700	5,915	5,915	—
Mortgage	May 1, 2031	None	3.75%	19	318,300	163,179	163,179	—
<b>Total</b>						<b>\$ 1,317,890</b>	<b>\$ 1,141,494</b>	<b>\$ 176,396</b>

<sup>1</sup> Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% consolidated total indebtedness to gross asset value (the "consolidated leverage ratio"). The calculation of the consolidated leverage ratio is provided in note 20. The revolver, term loan, term loan 2, and term loan 3 provide for different spreads over one-month SOFR depending on the consolidated leverage ratio.

<sup>2</sup> The revolver requires a stand-by fee to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.

<sup>3</sup> "S" means SOFR, and "bps" means basis points.

<sup>4</sup> The applicable spread for the revolver where the consolidated leverage ratio is: (i) less than or equal to 45% is 145 bps; (ii) greater than 45% but less than or equal to 50% is 155 bps; (iii) greater than 50% but less than or equal to 55% is 170 bps (iv) greater than 55% but less than or equal to 60% is 195 bps; and (v) greater than 60% is 215 bps, and includes a 10 bps SOFR index adjustment. The applicable spread for the term loan, term loan 2 and term loan 3 where the consolidated leverage ratio is: (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 150 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (v) greater than 60% is 205 bps, and includes a 10 bps SOFR index adjustment.

<sup>5</sup> Debt is secured by a general pledge of equity of certain subsidiaries of the REIT. Collectively, those subsidiaries hold an interest in 50 of the REIT's properties at December 31, 2023 (December 31, 2022 – 55 of the REIT's properties).

## Slate Grocery REIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Effective rate <sup>1</sup>	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments and costs <sup>2</sup>	Carrying amount	Current	Non-current
Revolver	7.04%	\$ 188,360	\$ (2,072)	\$ 1,820	\$ 188,108	\$ 188,108	\$ —
Term loan	6.94%	225,000	(1,377)	1,024	224,647	—	224,647
Term loan 3	6.94%	275,000	(5,381)	1,446	271,065	—	271,065
Mortgage	4.03%	103,950	570	(405)	104,115	104,115	—
Mortgage	3.80%	38,927	(1,549)	1,382	38,760	1,228	37,532
Mortgage	4.14%	33,139	(1,079)	953	33,013	2,135	30,878
Mortgage	4.43%	7,700	78	(44)	7,734	—	7,734
Mortgage	3.48%	77,089	(1,562)	564	76,091	1,821	74,270
Mortgage	5.50%	5,317	127	(36)	5,408	631	4,777
Mortgage	3.75%	159,852	(3,133)	943	157,662	3,455	154,207
Mortgage	5.50%	56,000	(929)	82	55,153	626	54,527
<b>Total</b>		<b>\$ 1,170,334</b>	<b>\$ (16,307)</b>	<b>\$ 7,729</b>	<b>\$ 1,161,756</b>	<b>\$ 302,119</b>	<b>\$ 859,637</b>

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

	Effective rate <sup>1</sup>	Principal	MTM adjustments and costs	Accumulated amortization of MTM adjustments and costs <sup>2</sup>	Carrying amount	Current	Non-current
Revolver	5.61%	\$ 123,604	\$ (1,829)	\$ 1,252	\$ 123,027	\$ —	\$ 123,027
Term loan	5.50%	225,000	(1,377)	745	224,368	—	224,368
Term loan 2	5.50%	83,000	(2,285)	2,236	82,951	82,951	—
Term loan 3	5.50%	275,000	(5,381)	360	269,979	—	269,979
Mortgage	4.03%	103,950	570	(227)	104,293	—	104,293
Mortgage	3.80%	40,110	(1,549)	1,215	39,776	1,183	38,593
Mortgage	4.14%	35,188	(1,079)	865	34,974	2,048	32,926
Mortgage	4.43%	7,700	78	(23)	7,755	—	7,755
Mortgage	3.48%	78,848	(1,562)	381	77,667	1,759	75,908
Mortgage	5.50%	5,915	127	(28)	6,014	597	5,417
Mortgage	3.75%	163,179	(3,133)	637	160,683	3,328	157,355
<b>Total</b>		<b>\$ 1,141,494</b>	<b>\$ (17,420)</b>	<b>\$ 7,413</b>	<b>\$ 1,131,487</b>	<b>\$ 91,866</b>	<b>\$ 1,039,621</b>

<sup>1</sup> The effective interest rate for the revolver, term loan, term loan 2 and term loan 3 includes the impact of unamortized financing costs not yet recorded in interest expense under the effective interest method. The revolver, term loan and term loan 3 effective rates are based on the applicable one-month SOFR rate under borrowings as at December 31, 2023.

<sup>2</sup> Excludes the impact of any available extension options not yet exercised.

On February 1, 2023, the REIT entered into a \$56.0 million mortgage, with a 10-year term bearing interest at 5.50%. The net proceeds from the mortgage were used to paydown the REIT's term loan 2.

On July 15, 2022, the REIT entered into term loan 3 for \$275.0 million, with a 5-year term bearing interest at 175 basis points over adjusted one-month SOFR, subject to certain covenants. The proceeds from the term loan were used to fund acquisitions during the third quarter of 2022 and reduce borrowings on the revolving credit facility.

On July 15, 2022, the REIT amended the interest rate benchmark from one-month LIBOR to one-month SOFR for its revolving credit facility, term loan and term loan 2 totaling \$608.0 million.

## Slate Grocery REIT

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#### 10. INTEREST RATE SWAPS

The REIT has entered into certain pay-fixed receive-float interest rate swap contracts to hedge the cash flow risk associated with monthly SOFR based interest payments on the REIT's floating rate debt.

The terms of the interest rate swaps are as follows:

					<b>Total/ Weighted average</b>
Pay-fixed rate	2.822 %	2.400 %	3.615 %	3.465 %	<b>3.084%</b>
Notional amount	\$ 175,000	\$ 137,500	\$ 137,500	\$ 175,000	<b>\$ 625,000</b>
Receive-floating rate	One-month SOFR	One-month SOFR	One-month SOFR	One-month SOFR	
Maturity date	August 25, 2025	July 22, 2027 <sup>1</sup>	July 22, 2027	August 22, 2028	
Remaining term (years)	1.6	3.6	3.6	4.6	<b>3.3</b>

<sup>1</sup> The \$137.5 million interest rate swap with a pay-fixed rate of 2.400% contains a one-time cancellation option by the REIT's counterparty on July 24, 2025.

On November 15, 2023, the REIT amended the \$137.5 million interest rate swap with a pay-fixed rate of 3.615% and maturity date of July 22, 2027. The one-time cancellation option that was in place prior to the amendment was removed and this swap is carried at fair value through profit or loss.

On May 18, 2023, the REIT amended the \$137.5 million interest rate swap with a pay-fixed rate of 1.691% and maturity date of July 22, 2027 by adding a one-time cancellation option by the REIT's counterparty on July 24, 2024. As a result of this amendment, the cash flow hedge was deemed no longer to be an effective hedge and hedge accounting was discontinued. On the day of the amendment, \$0.9 million was reclassified from the cash flow hedge reserve to profit or loss as the underlying cash flow was no longer expected to occur. The remaining \$3.3 million cash flow hedge reserve is amortized on a straight-line basis over the remaining expected terms of the hedged cash flows. Subsequent to the amendment, the swap is carried at fair value through profit or loss.

On May 18, 2023, the REIT entered into a forward pay-fixed, receive-float swap contract to hedge the cash flow risk associated with monthly SOFR based interest payments, effective August 22, 2023, for \$175.0 million. The swap is for a 5-year term maturing on August 22, 2028 with a pay-fixed rate of 3.465%.

On August 4, 2022, the REIT amended the interest rate benchmark from one-month LIBOR to one-month SOFR for its existing interest rate swaps. There is no economic impact on the consolidated financial statements of the REIT as a result of the amendment.

On July 15, 2022, the REIT entered into two pay-fixed, receive-float interest swap contracts to hedge the cash flow risk associated with monthly SOFR based interest payments, totaling \$275.0 million.

A reconciliation of the change in the fair value of the interest rate swaps and related deferred tax impact is as follows:

	Note	Fair value of interest rate swaps	Deferred income tax	Net impact after tax
Balance, December 31, 2022		\$ 18,731	\$ (4,793)	\$ 13,938
Change in fair value of effective hedges of interest rate risk		5,095	(1,304)	3,791
Change in fair value of financial instrument through profit or loss		(1,380)	353	(1,027)
Net payments received on effective hedges of interest rate risk	17	(11,976)	3,064	(8,912)
Net payments received on financial instrument through profit or loss	17	(2,818)	721	(2,097)
<b>Balance, December 31, 2023</b>		<b>\$ 7,652</b>	<b>\$ (1,959)</b>	<b>\$ 5,693</b>

	Note	Fair value of interest rate swaps	Deferred income tax	Net impact after tax
Balance, December 31, 2021		\$ (18,936)	\$ 4,867	\$ (14,069)
Change in fair value of effective hedges of interest rate risk		33,957	(8,708)	25,249
Net payments received on effective hedges of interest rate risk	17	3,710	(952)	2,758
<b>Balance, December 31, 2022</b>		<b>\$ 18,731</b>	<b>\$ (4,793)</b>	<b>\$ 13,938</b>



## Slate Grocery REIT

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#### 11. REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

At December 31, 2023, the REIT has the following REIT units issued and outstanding, in thousands of units:

	Class A	Class I	Class U
Authorized for issue	Unlimited	Unlimited	Unlimited
Issued and outstanding	126	18	58,986

Each class of the exchangeable units issued by the REIT's subsidiaries are presented as financial liabilities in accordance with IAS 32.

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. 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 any other REIT unitholder and no REIT unitholder is entitled to any privilege, priority or preference in relation to any other holder of REIT units 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. REIT units will be fully paid and non-assessable when issued and are transferable.

The REIT's 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.

#### Exchangeable units of subsidiaries

Exchangeable units of subsidiaries are redeemable at the option of the holder, for cash or class U units of the REIT as determined by the REIT. Distributions paid on exchangeable units of subsidiaries are recorded as unit expense in the period in which they become payable.

Exchangeable units of subsidiaries are re-measured based on the quoted closing price of REIT units into which they are exchangeable with changes in fair value recognized in net income as unit income (expense). For the year ended December 31, 2023, no units were redeemed for class U units of the REIT (Year ended December 31, 2022 - 0.2 million units, for a total cost of \$2.1 million).

#### At the Market Program

On March 30, 2022, the REIT established an at the market equity program ("ATM program") that allows the REIT to issue, at its discretion, up to \$150.0 million of class U units of the REIT to the public from time to time through an agent. Distributions pursuant to the ATM program will be made in accordance with the terms of an equity distribution agreement dated March 30, 2022 entered into among the REIT and the agent. The ATM program will be effective until April 28, 2024, unless terminated in accordance with the terms of the equity distribution agreement. For the year ended December 31, 2023, no units were issued under the ATM program (Year ended December 31, 2022 - 1.4 million units, for net proceeds of \$18.0 million).

#### Normal course issuer bid

On February 1, 2023, the REIT established a normal course issuer bid ("NCIB") ending January 31, 2024. For the year ended December 31, 2023, 1.2 million class U units have been purchased and subsequently canceled under the NCIB for a total cost, including transaction costs, of \$11.9 million at an average price of \$9.61 (C\$13.00) (Year ended December 31, 2022 - nil).

## Slate Grocery REIT

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Total REIT units outstanding during the period and their respective class U equivalent amounts if converted is as follows, in thousands of units:

	December 31, 2023		December 31, 2022	
	REIT units	Value	REIT units	Value
Beginning of the period	60,370	\$ 596,701	58,772	\$ 576,540
Issued	—	—	1,425	18,021
Repurchased	(1,240)	(11,932)	—	—
Exchanged	—	—	173	2,140
<b>End of the period</b>	<b>59,130</b>	<b>\$ 584,769</b>	<b>60,370</b>	<b>\$ 596,701</b>

Total exchangeable units of subsidiaries during the period and the change in the carrying amount is as follows:

	December 31, 2023		December 31, 2022	
	Exchangeable Units	Value	Exchangeable Units	Value
Beginning of the period	907	\$ 10,082	1,080	\$ 12,302
Exchanged	—	—	(173)	(2,140)
Change in fair value	—	(1,813)	—	(80)
<b>End of the period</b>	<b>907</b>	<b>\$ 8,269</b>	<b>907</b>	<b>\$ 10,082</b>

#### Deferred unit plans ("DUP")

The change in deferred units is as follows, in thousands of units:

	Year ended December 31,	
	2023	2022
Beginning of the period	196	208
Reinvested distributions	22	16
Issued	46	27
Redeemed	—	(55)
<b>End of the period</b>	<b>264</b>	<b>196</b>
<b>Fair value of units</b>	<b>\$ 2,405</b>	<b>\$ 2,178</b>

#### Weighted average class U units outstanding

The following is the weighted average number of class U units outstanding on a fully diluted basis, in thousands of units:

	Year ended December 31,	
	2023	2022
Class U units	59,496	59,633
Class A units	131	147
Class I units	18	184
Exchangeable units of subsidiaries	907	943
Deferred units	223	194
<b>Total</b>	<b>60,775</b>	<b>61,101</b>

## Slate Grocery REIT

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#### Class U units outstanding

The following is the total number of class U units outstanding, if all other units of the REIT, its subsidiaries, and its DUP, were converted or exchanged, as applicable, for class U units of the REIT, in thousands of units:

	December 31, 2023	December 31, 2022
Class U units	58,986	60,205
Class A units	126	147
Class I units	18	18
Exchangeable units of subsidiaries	907	907
Deferred units	264	196
<b>Total</b>	<b>60,301</b>	<b>61,473</b>

## 12. INCOME TAXES

Investment L.P. and GAR B made an election to be classified as corporations for U.S. federal tax purposes. Investment L.P. and GAR B are subject to U.S. federal and state income taxation on their allocable shares in LP1, a subsidiary of the REIT, and any subsidiary limited partnership thereof.

Investment Inc. is a U.S. corporation formed in the state of Delaware. It is subject to federal and state income taxation on its allocable share in SGIUSLP, a subsidiary of the REIT, and any subsidiaries 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 and corporations, on a net basis taking into account allowable deductions. Investment L.P. and GAR B are each subject to a combined federal and state income tax rate of 25.59% (December 31, 2022 – 25.58%). Investment Inc. is subject to a combined federal and state income tax rate of 25.12% (December 31, 2022 – 25.12%). To the extent U.S. taxes are paid by Investment L.P., GAR B and Investments Inc. such amounts will be creditable against an investor's Canadian federal income tax liability to the extent permitted by Canadian tax law.

Total taxes paid during the year ended December 31, 2023 were \$1.4 million (December 31, 2022 – \$1.7 million). Branch profit tax is tax imposed on U.S. earned income that is repatriated to Canada.

## Slate Grocery REIT

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The loss carry-forwards and the tax effects of temporary differences that give rise to the recognition of deferred tax assets and liabilities is as follows:

	December 31, 2023	December 31, 2022
<b>Deferred tax assets</b>		
Deferred financing costs	\$ 14	\$ 16
Loss carry-forwards	5,896	8,454
	<b>\$ 5,910</b>	<b>\$ 8,470</b>
<b>Deferred tax liabilities</b>		
Financial instruments	\$ 2,727	\$ 4,999
Properties	133,030	138,146
Joint venture investments	16,804	15,433
	<b>\$ 152,561</b>	<b>\$ 158,578</b>
<b>Deferred tax liabilities, net</b>	<b>\$ 146,651</b>	<b>\$ 150,108</b>

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

	December 31, 2023	December 31, 2022
Beginning of the period	\$ 150,108	\$ 106,769
Deferred tax (recovery) expense recorded in accumulated other comprehensive income	(2,125)	9,660
Deferred tax (recovery) expense	(1,332)	33,679
<b>End of the period</b>	<b>\$ 146,651</b>	<b>\$ 150,108</b>

A reconciliation between the expected income taxes based upon the statutory rates and the income tax expense recognized during the period is as follows:

	Year ended December 31,	
	2023	2022
Net income before income taxes and unit income (expense)	\$ 21,529	\$ 173,713
Expected income tax expense at Canadian statutory tax rates of 26.5%	\$ 5,705	\$ 46,034
Income not subject to tax	(5,385)	(6,871)
Branch profit tax	2,146	1,470
Net effect of change in tax rates and differentials	(209)	(1,596)
Other items	(964)	(4,999)
<b>Current and deferred income tax expense</b>	<b>\$ 1,293</b>	<b>\$ 34,038</b>

## Slate Grocery REIT

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#### 13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	December 31, 2023	December 31, 2022
Accounts payable and accrued liabilities	\$ 16,714	\$ 16,315
Prepaid rent	7,019	6,438
Tenant improvements payable	7,793	5,844
Taxes payable	213	597
Other payables	10,742	9,179
<b>Total</b>	<b>\$ 42,481</b>	<b>\$ 38,373</b>

Included in accounts payable and accrued liabilities are operating expenses, property taxes, and capital and leasing expenses. Other payables include trustee fees, accrued interest payable and other non-operating items.

#### 14. NON-CONTROLLING INTEREST

##### North American Essential Fund

On July 15, 2022, the REIT established a partnership with the North America Essential Fund ("NA Essential Fund"), a vehicle with management services provided by the Manager. The NA Essential Fund has made an initial cash investment of \$180 million indirectly into the REIT's assets through the purchase of a 18.37% partnership interest in two of the REIT's subsidiaries, LP1 and SGIUSLP. The non-controlling interest in SGIUSLP includes the proportionate interest in the Tops Portfolio, a grocery anchored portfolio comprising 11 properties and 1.3 million square feet in major metro markets in New York, Ohio, and Georgia.

Primary Investment	Number of properties	December 31, 2023	December 31, 2022
		Non-controlling interest	Non-controlling interest
LP1, SGIUSLP	117	18.37 %	18.37 %
Tops Portfolio	11	10.00 %	10.00 %

The REIT measures non-controlling interests in its subsidiaries at cost. The net assets attributable to the non-controlling interest and the REIT are as follows:

	December 31, 2023	December 31, 2022
<b>Assets</b>		
Property	\$ 2,061,791	\$ 2,086,638
Other non-current assets	115,443	127,038
Current assets	52,981	50,909
<b>Total assets</b>	<b>\$ 2,230,215</b>	<b>\$ 2,264,585</b>
<b>Liabilities</b>		
Debt	\$ 1,161,755	\$ 1,131,486
Other non-current liabilities	20,797	29,161
Current liabilities	37,004	33,078
<b>Total liabilities</b>	<b>\$ 1,219,556</b>	<b>\$ 1,193,725</b>
<b>Net assets</b>	<b>\$ 1,010,659</b>	<b>\$ 1,070,860</b>
<b>Net assets attributable to</b>		
Unitholders of the REIT	\$ 830,866	\$ 880,268
Non-controlling interest	\$ 179,793	\$ 190,592

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The income attributable to the non-controlling interest and the REIT is as follows:

	Year ended December 31,	
	2023	2022
Rental revenue	\$ 203,281	\$ 103,033
Property operating expenses	(63,791)	(20,362)
General and administrative expenses	(11,780)	(5,819)
Interest and finance costs	(52,439)	(26,694)
Transaction costs	—	(1,629)
Change in fair value of properties	(50,392)	14,802
Share of income in joint venture investments	3,706	3,391
Change in fair value of financial instruments	(3,284)	—
Current income tax (expense) recovery	(82)	42
<b>Net income</b>	<b>\$ 25,219</b>	<b>\$ 66,764</b>
Items to be subsequently reclassified to profit or loss		
Gain on effective hedges of interest rate risk, net of tax	5,095	17,950
Reclassification of other comprehensive income reserve to profit or loss	(1,426)	—
Reclassification of effective hedges of interest rate risk to profit or loss	(11,976)	(971)
Other comprehensive (loss) income	(8,307)	16,979
<b>Comprehensive income</b>	<b>\$ 16,912</b>	<b>\$ 83,743</b>
<b>Comprehensive income attributable to</b>		
Unitholders of the REIT	\$ 11,798	\$ 70,017
Non-controlling interest	\$ 5,114	\$ 13,726

## 15. REVENUE

Revenue consists of the following:

	Year ended December 31,	
	2023	2022
Rental revenue	\$ 149,365	\$ 132,416
Common area maintenance recoveries	19,926	16,010
Property tax and insurance recoveries	28,257	24,789
Percentage rent	866	697
Other revenue <sup>1</sup>	4,867	3,573
<b>Total</b>	<b>\$ 203,281</b>	<b>\$ 177,485</b>

<sup>1</sup> Other revenue includes straight-line rent, ground rent, termination fees, storage rent, and non-rental income.

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 property 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.

The REIT's existing leases have a weighted average outstanding term of 4.7 years (December 31, 2022 – 4.5 years) certain of which include clauses to enable periodic increases in rental rates.

## Slate Grocery REIT

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

	December 31, 2023	December 31, 2022
In one year or less	\$ 162,806	\$ 163,454
In more than one year but not more than five years	426,916	409,959
In more than five years	188,842	167,781
<b>Total<sup>1</sup></b>	<b>\$ 778,564</b>	<b>\$ 741,194</b>

<sup>1</sup>Includes the REIT's share of joint venture investments.

#### 16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consists of the following:

	Note	Year ended December 31,	
		2023	2022
Asset management fees	22	\$ 9,022	\$ 8,471
Professional fees and other		5,057	4,839
Bad debt expense		968	884
Franchise and business taxes		536	757
<b>Total</b>		<b>\$ 15,583</b>	<b>\$ 14,951</b>

#### 17. INTEREST AND FINANCE COSTS

Interest and finance costs consists of the following:

	Note	Year ended December 31,	
		2023	2022
Interest on debt and finance charges		\$ 65,240	\$ 41,337
Interest rate swaps, net settlement	10	(14,794)	3,710
Interest income		(34)	(42)
Amortization of finance charges and MTM premium	23	2,600	2,087
Amortization of gain on financial instrument	10	(512)	—
Amortization of deferred gain on TIF notes		(87)	(87)
<b>Total</b>		<b>\$ 52,413</b>	<b>\$ 47,005</b>

## Slate Grocery REIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 18. UNIT INCOME (EXPENSE)

Unit income (expense) consists of the following:

	Note	Year ended December 31,	
		2023	2022
Exchangeable units of subsidiaries distributions		\$ (784)	\$ (809)
Change in fair value of DUP		399	(73)
Change in fair value of exchangeable units of subsidiaries	11	1,813	80
<b>Total</b>		<b>\$ 1,428</b>	<b>\$ (802)</b>

#### Unit distributions

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the board of trustees.

The following table summarizes the REIT's distributions and reconciliation to distributions paid or settled:

	Note	Year ended December 31,	
		2023	2022
<b>Declared</b>			
REIT unit distributions		\$ 51,503	\$ 51,825
Exchangeable units of subsidiaries distributions		784	809
		<b>\$ 52,287</b>	<b>\$ 52,634</b>
Add: Distributions payable, beginning of period		4,412	4,309
Less: Distributions payable, end of period		(4,323)	(4,412)
<b>Distributions paid</b>		<b>\$ 52,376</b>	<b>\$ 52,531</b>



## Slate Grocery REIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 19. FAIR VALUES

Except as noted, the carrying value of financial assets and financial liabilities including cash, accounts receivable, funds held in escrow, accounts payable and accrued liabilities, distributions payable, and rental security deposits recorded within other liabilities, approximate their fair values because of the short period until receipt or payment of cash.

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

December 31, 2023	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Interest rate swaps	\$ 7,652	\$ —	\$ 7,652	\$ —	\$ 7,652
TIF notes receivable	999	—	—	1,115	1,115
<b>Total financial assets</b>	<b>\$ 8,651</b>	<b>\$ —</b>	<b>\$ 7,652</b>	<b>\$ 1,115</b>	<b>\$ 8,767</b>
<b>Financial liabilities</b>					
Revolver	\$ 188,108	\$ —	\$ 188,360	\$ —	\$ 188,360
Term loan	224,647	—	225,000	—	225,000
Term loan 3	271,065	—	275,000	—	275,000
Mortgages	477,936	—	449,284	—	449,284
Exchangeable units of subsidiaries	8,269	8,269	—	—	8,269
<b>Total financial liabilities</b>	<b>\$ 1,170,025</b>	<b>\$ 8,269</b>	<b>\$ 1,137,644</b>	<b>\$ —</b>	<b>\$ 1,145,913</b>

December 31, 2022	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Interest rate swaps	\$ 18,731	\$ —	\$ 18,731	\$ —	\$ 18,731
TIF notes receivable	1,411	—	—	1,517	1,517
<b>Total financial assets</b>	<b>\$ 20,142</b>	<b>\$ —</b>	<b>\$ 18,731</b>	<b>\$ 1,517</b>	<b>\$ 20,248</b>
<b>Financial liabilities</b>					
Revolver	\$ 123,027	\$ —	\$ 123,604	\$ —	\$ 123,604
Term loan	224,368	—	225,000	—	225,000
Term loan 2	82,951	—	83,000	—	83,000
Term loan 3	269,979	—	275,000	—	275,000
Mortgages	431,162	—	399,337	—	399,337
Exchangeable units of subsidiaries	10,082	10,082	—	—	10,082
<b>Total financial liabilities</b>	<b>\$ 1,141,569</b>	<b>\$ 10,082</b>	<b>\$ 1,105,941</b>	<b>\$ —</b>	<b>\$ 1,116,023</b>

## Slate Grocery REIT

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#### 20. CAPITAL MANAGEMENT

The REIT's capital management objectives are to:

- i. ensure compliance with the REIT's Declaration of Trust;
- ii. ensure compliance with restrictions in debt agreements; and
- iii. provide sufficient liquidity to operate the REIT's properties, fund obligations as they become due and build unitholder value.

Procedures to monitor compliance with the Declaration of Trust and debt agreements are performed as a part of the overall management of operations and periodically by review of the REIT's board of trustees and reporting to the REIT's lender. In order to maintain or adjust the capital structure, the REIT may issue trust units, debentures, or mortgage debt, adjust the amount of distributions paid to unitholders, return capital to unitholders, or reduce or increase debt.

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

	Note	December 31, 2023	December 31, 2022
Debt	9	\$ 1,161,756	\$ 1,131,487
Exchangeable units of subsidiaries	11	8,269	10,082
Equity		867,236	931,102
<b>Total</b>		<b>\$ 2,037,261</b>	<b>\$ 2,072,671</b>

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

	Note	December 31, 2023	December 31, 2022
Gross book value		\$ 2,235,798	\$ 2,270,400
Debt	9	1,161,756	1,131,487
<b>Leverage ratio</b>		<b>52.0%</b>	<b>49.8%</b>

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

The REIT's revolver and term loans are subject to financial and other covenants. The following are the primary financial covenants, with all terms defined by the respective lending agreement:

	Threshold	December 31, 2023	December 31, 2022
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	54.4%	54.2%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x <sup>1</sup>	> 1.50x	2.22x	2.34x

<sup>1</sup> Adjusted EBITDA is defined as earnings before interest, tax, depreciation, and amortization, as defined by the Second Amended and Restated Credit Agreement for the revolver and term loan, the Amended Credit Agreement for term loan 2 and the Credit Agreement for term loan 3.

#### 21. 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, loan arrangements and TIF notes receivables. This risk is mitigated by diversifying the REIT's tenant base through the limitation of concentration in individual tenants and geographical areas. In addition, the risk is mitigated by carrying out appropriate credit checks and related due diligence on any significant tenants.

As of December 31, 2023, one individual tenant accounted for 6.4% (December 31, 2022 – 6.5%) of the REIT's base rent.

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#### 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 promptly, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

The REIT's contractual commitments as at December 31, 2023 are as follows:

	Total contractual cash flow				
	2024	2025-2026	2027-2028	Thereafter	
Accounts payable and accrued liabilities	\$ 42,481	\$ 42,481	\$ —	\$ —	\$ —
Distributions payable	4,323	4,323	—	—	—
Revolver <sup>12</sup>	188,360	188,360	—	—	—
Revolver interest payable <sup>123</sup>	3,033	3,033	—	—	—
Term loan <sup>12</sup>	225,000	—	225,000	—	—
Term loan interest payable <sup>12</sup>	17,463	14,199	3,264	—	—
Term loan 3 <sup>24</sup>	275,000	—	—	275,000	—
Term loan 3 interest payable <sup>24</sup>	51,057	17,354	26,763	6,940	—
Mortgages	481,974	113,846	90,546	15,335	262,247
Mortgage interest payable	92,230	19,328	24,120	21,842	26,940
Interest rate swap, net of cash outflows	1,622	—	355	1,267	—
Exchangeable units of subsidiaries	8,269	—	—	—	8,269
<b>Total</b>	<b>\$ 1,390,812</b>	<b>\$ 402,924</b>	<b>\$ 370,048</b>	<b>\$ 320,384</b>	<b>\$ 297,456</b>

<sup>1</sup> Revolver and term loan interest payable is calculated on its balance outstanding using an estimated "all in" interest rate of 7.01% and 6.29%, respectively, under the "2024" column. The term loan long-term average interest rate is based on the one-month SOFR forward curve plus the specified margin for the SOFR rate option under the term loan resulting in "all-in" interest rate of 6.70%, respectively. The total revolver and term loan interest payable is calculated until maturity of the initial term.

<sup>2</sup> Excludes the impact of the REIT's \$625.0 million pay-fixed, receive-float interest rate swaps that hedge a portion of the cash flow risk associated with one-month SOFR based interest payments.

<sup>3</sup> Includes stand-by fee on the revolver to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.

<sup>4</sup> Term loan 3 interest payable is calculated on its balance outstanding at period end, using an estimated "all in" interest rate of 6.29%, under the "2024" column. The long-term average interest rate is based on the one-month SOFR curve plus the specified margin for the SOFR rate option under the term loan 3 resulting in an anticipated increase to the "all-in" interest rate to 4.84%. The total term loan 3 interest payable is calculated until maturity.

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The REIT's contractual commitments as at December 31, 2022 are as follows:

	Total contractual cash flow	2023	2024-2025	2026-2027	Thereafter
Accounts payable and accrued liabilities	\$ 38,373	\$ 38,373	\$ —	\$ —	\$ —
Distributions payable	4,412	4,412	—	—	—
Revolver <sup>12</sup>	123,604	—	123,604	—	—
Revolver interest payable <sup>123</sup>	10,083	8,350	1,733	—	—
Term loan <sup>12</sup>	225,000	—	225,000	—	—
Term loan interest payable <sup>12</sup>	30,753	15,088	15,665	—	—
Term loan 2 <sup>24</sup>	83,000	83,000	—	—	—
Term loan 2 interest payable <sup>24</sup>	562	562	—	—	—
Term loan 3 <sup>24</sup>	275,000	—	—	275,000	—
Term loan 3 interest payable <sup>24</sup>	68,741	18,166	29,601	20,974	—
Mortgages	434,890	8,916	195,762	13,011	217,201
Mortgage interest payable	82,520	16,603	25,979	16,536	23,402
Exchangeable units of subsidiaries	10,082	—	—	—	10,082
<b>Total</b>	<b>\$ 1,387,020</b>	<b>\$ 193,470</b>	<b>\$ 617,344</b>	<b>\$ 325,521</b>	<b>\$ 250,685</b>

<sup>1</sup> Revolver and term loan interest payable is calculated on its balance outstanding using an estimated "all in" interest rate of 6.61% and 6.71%, respectively, under the "2023" column. The revolver and term loan long-term average interest rates are based on the one-month SOFR forward curve plus the specified margin for the SOFR rate option under the term loan resulting in "all-in" interest rate of 6.25% and 5.71%, respectively. The total revolver and term loan interest payable is calculated until maturity of the initial term.

<sup>2</sup> Excludes the impact of the REIT's \$625.0 million pay-fixed, receive-float interest rate swaps that hedge a portion of the cash flow risk associated with one-month SOFR based interest payments.

<sup>3</sup> Includes stand-by fee on the revolver to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.

<sup>4</sup> Term loan 2 and term loan 3 interest payable is calculated on its balance outstanding at period end, using an estimated "all in" interest rate of 6.18% and 6.61%, respectively, under the "2023" column. The long-term average interest rate is based on the one-month SOFR curve plus the specified margin for the SOFR rate option under the term loan 3 resulting in an anticipated increase to the "all-in" interest rate to 5.20%. The total term loan 2, and term loan 3 interest payable is calculated until maturity.

The REIT maintains \$8.0 million in cash to satisfy a mortgage covenant that is recorded in the cash balance on the statement of financial position.

#### 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 revolver, term loan, and term loan 3, interest rate on the loans will vary depending on changes in base rate and/or SOFR rate. The REIT is subject to interest rate risks mainly from non-current debt that has variable interest rate. The REIT manages these cash flow interest rate risks using pay-fixed received-float interest rate swap contracts to swap the floating-rate payments on the credit facility for fixed rate payments.

#### Cash flow sensitivity analysis

The interest rate profile of variable rate interest bearing debt and associated interest rate sensitivity to changes in interest rates is as follows:

	December 31, 2023	December 31, 2022
<b>Variable-rate instruments</b>		
Revolver	\$ 188,360	123,604
Term loan	225,000	225,000
Term loan 2	—	83,000
Term loan 3	275,000	275,000
Effect of interest rate swaps	(625,000)	(625,000)
<b>Total effective variable-rate debt</b>	<b>\$ 63,360</b>	<b>\$ 81,604</b>
<b>Effective fixed rate debt as a total of all debt</b>	<b>94.6%</b>	<b>92.9%</b>
<b>Annual impact of a 25 bps change on interest rates</b>	<b>\$ 158</b>	<b>\$ 204</b>

## Slate Grocery REIT

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#### iv. Unit price risk

The REIT is exposed to unit price risk in net income as a result of its exchangeable units of subsidiaries. Exchangeable units of subsidiaries have been classified as liabilities and measured at fair value based on market trading prices. Exchangeable units of subsidiaries 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 exchangeable units of subsidiaries results in an increase to liabilities and a decrease in net income of \$0.9 million.

#### v. Currency risk

Currency risk is associated with a fluctuation in the value of the U.S. dollar relative to other foreign currencies. Although not material, the REIT is exposed to currency risk as certain of the REIT's expenses are denominated in Canadian dollars.

## 22. RELATED PARTIES

Pursuant to the terms of a management agreement as amended on October 1, 2021, the Manager provides all management services to the REIT. The Manager agreed to provide certain services in connection with the business of the REIT, including: the structuring of the REIT, 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 with respect to the disposition of the properties. In return for its service, the Manager receives the following fees:

- i. an asset management fee calculated as a percentage of gross book value ("GBV") of the REIT (the "rate"). A rate of 0.40% is applicable to a GBV of up to \$2.0 billion and reduced based on certain GBV increases. The asset management fee is recognized in net income as a general and administrative expense; and
- ii. 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. The acquisition fee is capitalized to the properties at the time of acquisition.

These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established under contract and as approved by the REIT's board of trustees. The Manager is a significant unitholder in the REIT, with an approximate 5.6% interest.

Fees to the Manager are as follows:

	Year ended December 31,	
	2023	2022
Asset management	\$ 9,022	\$ 8,471
Acquisition	—	3,205
<b>Total</b>	<b>\$ 9,022</b>	<b>\$ 11,676</b>

#### Trustee fees

The REIT's key personnel include trustees and officers of the REIT. For the year ended December 31, 2023, trustee fees amounted to \$0.7 million (Year ended December 31, 2022 – \$0.7 million).

## Slate Grocery REIT

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#### 23. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities are as follows:

	Revolver <sup>1</sup>	Term Loan <sup>1</sup>	Term Loan 2 <sup>1</sup>	Term loan 3 <sup>1</sup>	Mortgages	Exchangeable units of subsidiaries	Total
Balance, December 31, 2022	\$ 123,027	\$ 224,368	\$ 82,951	\$ 269,979	\$ 431,162	\$ 10,082	
<b>Cash flows</b>							
Advances, net	69,073	—	—	—	55,071	—	<b>124,144</b>
Debt repayments	(4,560)	—	(83,000)	—	(8,915)	—	<b>(96,475)</b>
<b>Non-cash changes</b>							
Amortization of MTM adjustments and costs	568	279	49	1,086	618	—	<b>2,600</b>
Change in fair value	—	—	—	—	—	(1,813)	<b>(1,813)</b>
<b>Balance, December 31, 2023</b>	<b>\$ 188,108</b>	<b>\$ 224,647</b>	<b>\$ —</b>	<b>\$ 271,065</b>	<b>\$ 477,936</b>	<b>\$ 8,269</b>	

	Revolver <sup>1</sup>	Term Loan <sup>1</sup>	Term Loan 2	Term loan 3 <sup>1</sup>	Mortgages	Exchangeable units of subsidiaries	Total
Balance, December 31, 2021	\$ 190,822	\$ 224,098	\$ 82,504	\$ —	\$ 440,320	\$ 12,302	
<b>Cash flows</b>							
Advances, net	107,355	—	—	269,619	—	—	<b>376,974</b>
Debt repayments	(175,604)	—	—	—	(9,714)	—	<b>(185,318)</b>
<b>Non-cash changes</b>							
Amortization of MTM adjustments and costs	454	270	447	360	556	—	<b>2,087</b>
Exchanges	—	—	—	—	—	(2,140)	<b>(2,140)</b>
Change in fair value	—	—	—	—	—	(80)	<b>(80)</b>
<b>Balance, December 31, 2022</b>	<b>\$ 123,027</b>	<b>\$ 224,368</b>	<b>\$ 82,951</b>	<b>\$ 269,979</b>	<b>\$ 431,162</b>	<b>\$ 10,082</b>	

<sup>1</sup> Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 10 for more detail.

#### 24. SUBSEQUENT EVENTS

Subsequent events for the REIT are as follows:

- i. On January 15, 2024, the REIT declared monthly distributions of \$0.072 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive an equivalent distribution.
- ii. On January 19, 2024, the REIT exercised the first six-month extension option on its \$300.0 million revolver, extending maturity to September 21, 2024.
- iii. On January 26, 2024, the REIT renewed its NCIB program effective as at the open of markets on February 1, 2024, to repurchase for cancellation up to 5.5 million class U units of the REIT.