dream alternatives

2017
Annual Report

Dream Alternatives Trust

Dream Hard Asset Alternatives Trust ("DAT") is a mutual fund trust focused on hard asset alternative investments comprising real estate development, real estate lending, real estate and renewable power.

Letter to Unitholders

We are proud of our accomplishments achieved in 2017, with the fourth quarter financials reflecting solid results following the successful repatriation of $190.0 million of equity and committed investments of over $220.0 million with higher cash flow and net asset value appreciation potential. The Trust has undergone a significant repositioning and we believe that our disclosed NAV per unit of $8.89, although largely supported by independent third-party appraisals, still remains conservative against what we are seeing in recent industry and private market transactions for real estate located in Toronto. The portfolio has been transformed with over 70% of the Trust's net assets located in Toronto. We believe our unitholders' equity and NAV per unit financial metrics will continue to appreciate in future quarters with continued progress on our current development and future re-development opportunities.

In 2017, we completed the sale of substantially all of the Trust's non-core legacy assets including 14 non-core income properties and the Villarboit investment holdings. This was a key turning point for the Trust as these were difficult legacy assets that were not in line with the Trust's long term strategy. More importantly, following the sale of substantially all of the non-core assets, the Trust strategically focused on allocating capital to core assets that offer future long-term growth and opportunity from both an increase in cash flow perspective and through appreciation in our net asset value per unit.

Over the last 15 months, we invested $111 million of equity, and $226 million inclusive of equity accounted investment project-level debt, in exceptional real estate opportunities in Toronto, Ottawa and the greater Toronto area, including: 10 Lower Spadina Avenue and 49 Ontario Street both located in downtown Toronto with considerable redevelopment potential in future years; a 5.3-acre Lakeshore East site located adjacent to a planned investment by Sidewalk Labs, a sister company of Google; a 72-acre waterfront property in Port Credit to be developed into a large master-planned residential/mixed-use community; 37 acres of lands for the purpose of developing into a mixed-use master-planned community located in Ottawa and Quebec, which includes over 3 million square feet of density that consists of over 2,000 residential units and over one million square feet of commercial space; and the iconic Frank Gehry designed Mirvish-King West development located at the intersection of King Street West and Duncan Street in downtown Toronto slated to be re-developed to include two landmark residential towers, each in excess of 80 storeys, over 80,000 square feet of multi-level luxury retail opportunities with a potential hotel component and an art gallery. We believe this portfolio of investments represents irreplaceable real estate in core markets and these development opportunities are expected to be key drivers of future growth to provide attractive returns on equity.

Over the course of the year many of these development projects have contributed to the appreciation in NAV per unit which supports the Trust's position that its assets, in particular in Toronto,

“We are proud of our accomplishments achieved in 2017, with the fourth quarter financials reflecting solid results following the successful repatriation of $190 million of equity and committed investments of over $220 million with higher cash flow and net asset value appreciation potential. We believe our unitholders' equity and NAV per unit financial metrics will continue to appreciate in future quarters with continued progress on our current development and future re-development opportunities.”

represent exceptional real estate that will generate higher value and cash flows in the long term.

Our Lakeshore East investment located on Toronto's waterfront is becoming an exciting investment both on a local and global front. Between the $1.25 billion of infrastructure spend announced by the government and planned investment by Sidewalk Labs, a sister company of Google, this development offers a remarkable opportunity and we are thrilled to be a part of it.

Our Empire projects are legacy assets in line with our long-term strategy. Each project is progressing in line with expectations and key milestones are being achieved. As expected, the Empire Brampton project was substantially completed in 2017. The Empire Lakeshore project, consisting of 1,285 units that are 99% sold out continues to progress on schedule, with the construction currently above grade. We expect this project to start contributing income in the next couple of years upon its anticipated completion in phases between late 2019 and mid-2020.

We are optimistic about DAT's future and are actively pursuing preferred real estate development opportunities to add to our asset mix ensuring that they are in line with our long-term strategy. We continue to look to our renewable power and lending portfolio to support our cash distributions. In addition, our core income properties also generate cash flow to support the distributions in the short term and also provide for future re-development opportunities in the longer term.

We are excited about the achievements to date in the Trust and its current asset portfolio which we expect to deliver an attractive return on equity to unitholders. We continue to expect the net asset value to increase in future quarters through the progression in the development process with respect to our current projects as well as our access to future development opportunities in the pipeline.

Thank you for your continued support for our business.

Sincerely,

Michael J. Cooper
Portfolio Manager

February 26, 2018

Michael J. Cooper

Portfolio Manager
Dream Alternatives Trust

Dream Alternatives at-a-Glance*

APPROXIMATELY

$853 Million*

IN TOTAL ASSETS

MANAGED BY

dream

AN EXPERIENCED ASSET MANGER WITH A SUCCESSFUL TRACK RECORD

70%

OF ASSETS ARE IN TORONTO AND THE GTA

TAX EFFICIENT

100%

RETURN OF CAPITAL IN 2016

Axis Condos, Toronto, ON
Development project

49 Ontario Street, Toronto, ON
Income property

* As of December 31, 2017

Zibi Community - Gatineau, QC

22.4 MW

OF INSTALLED CAPACITY IN DAT'S RENEWABLE POWER PORTFOLIO

Renewable Power, Wind Portfolio

West Vancouver Lands, Vancouver, BC
Lending portfolio

World-Class Community Development: Zibi

Zibi is a world-class sustainable community and development project by Dream Unlimited Corp. and Windmill Green Properties. Dream Unlimited and Dream Alternatives have a combined 80% economic interest in Zibi, split equally. The 37-acre site is located along the Ottawa River 1 kilometre from Parliament Hill.

Through this multi-phase development, Windmill and Dream will transform the land into a blend of residential housing types of low- and high-rise condominium towers and townhomes, commercial and office space, unique waterfront plazas and outdoor squares, recreational facilities, and more.

The development of Zibi, represents one of the largest urban redevelopments in Canada. Upon completion, Zibi will feature over 3.0 million square feet of density with more than 2,000 residential units and over 1 million square feet of commercial space.

Zibi Community, Gatineau, QC

Port Credit, West Village, Mississauga, ON

Frank Gehry Development

Transforming the Toronto Skyline

Dream Unlimited and Dream Alternatives have a combined 25% economic interest split 6.25% and 18.75%, respectively, in this groundbreaking development in downtown Toronto. Ideally located at the intersection of King Street West and Duncan Street in the heart of the entertainment district, this landmark site is slated to be redeveloped into two residential towers, each in excess of 80 storeys housing over 1,500 units. The development is designed by the world-renowned architect Frank Gehry, best known for the Guggenheim museum in Bilbao and the AGO in Toronto, amongst others. Upon completion, this development will completely transform the look and feel of this area of King Street West.

King Street West, Toronto ON

King Street West, Toronto, ON

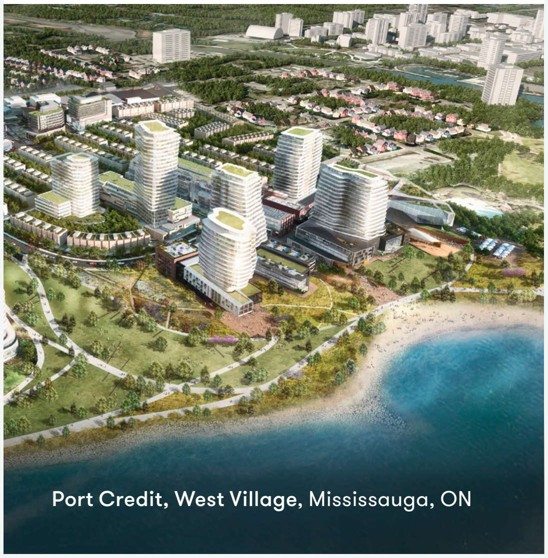
Port Credit: West Village

This highly desirable waterfront community, located on 72 acres in the heart of the Port Credit waterfront, will be developed by a consortium of leading developers.

Dream Unlimited and Dream Alternatives have a combined 31% economic interest in the development, split 25% and 75%, respectively.

The much anticipated master plan for this irreplaceable site includes a vibrant mixed-use community that emphasizes architectural excellence, connectivity, a high-quality public realm, community gathering places and a series of green parks and open spaces.

Upon completion, this unique community will host 2,500 residential units as well as 350,000 square feet of commercial development including office and retail.



Port Credit, West Village, Mississauga, ON

Financial Highlights

Net Asset Value Per Unit[1]

	DEC. 31, 2017	SEPT. 30, 2017[2]
Development and investment holdings[3]	$2.84	$2.45
Lending portfolio	$2.19	$2.37
Income properties	$2.16	$1.21
Renewable power[4]	$1.09	$1.01
Cash and other Trust consolidated working capital[5]	$0.61	$1.60
NAV per unit	**$8.89**	**$8.64**

(1) For the above-noted non-IFRS measures, please refer to the Non-IFRS measure and other disclosure section of the MD&A.
(2) NAV per unit has been restated in the comparative periods to conform to current period presentation. Please refer to the Non-IFRS measure and other disclosure section of the MD&A.
(3) Net asset value for the development and investment holdings as at December 31, 2017 includes a fair value gain of $29.2 million relating to the equity accounted investments. For additional details on the Trust's equity accounted investments, please refer to page 14 of the MD&A.
(4) Net asset value for the renewable power as at December 31, 2017 includes a fair value gain of $11.8 million and excludes $30.1 million of gross proceeds redeployed from debt financing during the year ended December 31, 2017.
(5) Cash and other Trust consolidated working capital includes Trust level cash and net working capital balances not attributable to the other operating segments.

Note: The year-over-year NAV per unit is not comparable to 2016 due to the Trust's repositioning of its portfolio which was substantially completed in the third quarter of 2017.

Exceptional

DEVELOPMENT ASSETS IN TORONTO AND THE GTA

IN 2017 WE COMMITTED TO INVEST OVER

$220 Million

AT AN EXPECTED WEIGHTED AVERAGE RETURN OF ~14.5%

Silos

Lakeshore East Development

Dream Unlimited and Great Gulf Residential will act as co-developers for this unique development located in the burgeoning east end. Dream Unlimited and Dream Alternatives Trust have a combined 50% economic interest, split 25% and 75% respectively.

This 5.3-acre prime waterfront site is situated in close proximity to the Distillery District and adjacent to a planned investment by Sidewalk Labs, a sister company of Google.

The revitalization of the neighbourhood combined with the incredible location and unique history of this property make this one of the most exciting development projects in Toronto, and we are thrilled to be a part of it.

Sustainability

Our Values

Integrity
Teamwork
Dealing with stakeholders
Social responsibility
Opportunities
Fun

These values provide the foundation for our corporate culture – acting as a strong platform on which to build sustainability into Dream's DNA.

Building Better Communities

Sustainability is ingrained in how we run our business both internally and externally. It fits naturally with Dream's purpose to **Build Better Communities** and with our values.

"Building better communities" guides how we think, live and work. In doing this, we strive to make positive impacts on the natural environment and the communities in which we operate, work and live.

London City Centre, London, ON

Renewable Power

Eau Du Soleil, Empire, Toronto, ON

Focus on sustainability

Our sustainability strategy guides us in how we run our business and how we manage our environmental and social obligations, including managing our brand, business risks and operating costs. We strive to integrate sustainability at both the corporate and property levels, focusing on internal and external initiatives to benefit all stakeholders. We believe that a long-term sustainable approach is imperative to create value.

From our ongoing dialogue with stakeholders, we know that they care about our sustainability platform, best practices and results. Our unitholders want to be confident that they are investing in a corporate entity which uses land and resources responsibly, minimizes carbon emissions and is in good standing with its employees and communities.

As property owners, operators and developers, we are well positioned to implement meaningful changes within each of our companies through a progressive approach and collaboration. Tenants and buyers are generally becoming more curious about the energy performance, cost and footprint of properties and companies. Building and maintaining high-quality, resilient buildings allows us to protect our asset value – an environmentally sound building is a desirable building. These are just a few examples of how business and sustainability go hand in hand.

As a company, we are internalizing sustainable business practices. We are focusing on energy efficiency, waste diversion and sustainable procurement. In addition, we are continuing to invest in the development of our employees, which contributes to the strong execution of our business strategies. We are committed to sound and effective corporate governance practices.

Finally, it is increasingly important to employees that they feel good about the company for which they work. Many employees ask about best practices for energy, water and carbon management, waste recycling rates, our community commitments and what they can do to contribute.

Whether building new communities, investing in renewable energy, or operating our existing buildings, we always keep in mind the impact we have not only on our customers and tenants, but on anyone who comes into our buildings or neighbourhoods.

Our continued focus on sustainability is fostering a culture of innovation and collaboration with internal employees, external business partners and the community at large. We continue to implement strategies to manage our sustainability initiatives.

Port Credit, West Village, Mississauga, ON

Investing in sustainable communities and renewable power

At Dream Alternatives, we believe in the idea that everything is connected. This is why the communities we build are so tightly integrated with the natural world, and it's why we're so committed to sustainability.

As the Trust's development manager, Dream Unlimited has a legacy of building better communities that showcase best practices in sustainability. Dream works with its partners to ensure designs incorporate public transportation options, water conservation and where possible, community energy is sourced from renewable resources.

The idea of sustainable communities extends further than just limiting environmental impact – how communities are designed can also lead to more inclusive communities and healthy lifestyles.

Port Credit West Village along the Lakeshore and Zibi in Ottawa/Gatineau are both examples of our commitment to integrating sustainability in urban centres in Dream Alternatives.

We recognize that a large part of building sustainable communities involves alternative energy sources. Renewable energy provides benefits to our communities by providing a highly sustainable, near-zero carbon source of energy that does not contribute to additional environmental hazards.

In addition to investing in sustainable communities, Dream Alternatives has also invested in renewable power projects that power other communities in Canada and the United Kingdom (U.K.).

Our renewable investments are driven by concerns about climate change and dependence on fossil fuels. When evaluating new investment opportunities, we look for proven technologies, strict environmental compliance and projects that deliver positive change to communities.

Through Dream Alternatives, we continue to invest in projects that generate clean electricity which improve the environment while providing value to stakeholders.

Renewable Power in Dream Alternatives Trust

Dream Alternatives owns and operates renewable power facilities in Canada and the U.K. Currently, our installed portfolio includes 45 distributed wind projects in the U.K., three community wind projects in Nova Scotia, and 20 ground-mount and rooftop solar projects in Ontario. The portfolio has a combined installed capacity of 22.4 MW, which is enough to power approximately 4,500 Canadian homes.

Zibi

Zibi is taking a best-in-class approach to sustainability by following a new standard. Dream and its development partner, Windmill Green Properties have a vision to create one of the world's most sustainable and environmentally conscious communities on the planet. To accomplish this, Zibi follows an ambitious One Planet Action Plan, which is a model based on 10 simple principles to make sustainable living easy and affordable for all. This model will help Zibi live and breathe within a fair share of the planet's resources.

Sustainability Highlights

Environmental*

London City Centre received **The Outstanding Building of the Year** (TOBY) Award for our sustainability initiatives. The award is the most prestigious and comprehensive award in the commercial real estate industry

Zibi is **1 of 10** endorsed One Planet communities in the world based on 10 sustainable principles

Sussex Centre is certified LEED Gold

68 operational wind and solar projects in the U.K. and Canada

50,000 homes could be powered for a year based on the energy generated by Dream and its joint venture partners including Dream Alternatives

22.4 MW of renewable capacity are in the Dream Alternatives renewable portfolio

Governance

Embedded elements of sustainability in Board mandates

43% of Dream Alternatives' GP Board members; and the majority of the senior executives of Dream's public companies are women

57% of Dream Alternatives' Board members are independent (based on the GP board)

Social

Awarded **Employer of the Year** in 2017 by Community Living Toronto in recognition of outstanding practices in furthering employment opportunities for people with an intellectual disability

~150 employees participated in health and wellness initiatives or participated on Dream employee sports teams

~$325,000 in tuition and professional development fees reimbursed to employees

~$800,000+ donated to charities and communities

1,500+ shoeboxes were donated to the Shoebox Project for Women's Shelters by Dream; and **600+** gifts were donated to seniors through the Tree of Dreams

Major Sponsor of the Invictus Games; and Dream employees attended the sporting events in support of the athletes

* Environmental highlights are based on 2016
** Social highlights are based on all Dream entities combined

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(All dollar amounts in our tables are presented in thousands of Canadian dollars, except rental rates, unit, per unit and megawatt ("MW") amounts, unless otherwise stated)

1. OVERVIEW AND OVERALL FINANCIAL PERFORMANCE

1.1 OVERVIEW OF THE TRUST

Dream Hard Asset Alternatives Trust ("Dream Alternatives" or the "Trust") is an open-ended trust focused on hard asset alternative investments comprising real estate development, real estate lending, real estate, and renewable power. In the Trust's reportable operating segments, these investments are referred to as development and investment holdings, lending portfolio, income properties, and renewable power, respectively. The Trust is managed by Dream Asset Management Corporation ("DAM" or the "Asset Manager"), a subsidiary of Dream Unlimited Corp. (TSX: DRM) which is one of Canada's leading real estate companies, with approximately $14 billion of assets under management in North America and Europe. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "DRA.UN".

This Management's Discussion and Analysis ("MD&A") reflects all material events up to February 26, 2018, the date on which this MD&A was approved by the Board of Trustees. This MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2017 along with the 2016 comparative figures, respectively, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain comparative results have been reclassified to conform to the presentation adopted in the current period.

The Basis of Presentation section of this MD&A includes important information concerning certain information found in this MD&A that contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities laws. Readers are encouraged to read the Basis of Presentation and Risks and Risk Management sections of this MD&A for a discussion of the risks and uncertainties regarding this forward-looking information as there are a number of factors that could cause actual results to differ materially from those disclosed or implied by such forward-looking information.

Our operating segments consist of the following:

- **Development and investment holdings** — participating mortgages receivable and indirect investments in developments and income-producing properties and direct investments in development projects;
- **Lending portfolio** — interest-paying mortgages, mezzanine and corporate loans;
- **Income properties** — a portfolio of office, industrial and commercial real estate properties in Canada; and
- **Renewable power** — solar and wind power projects in Canada and the United Kingdom ("U.K.").

1.2 OUR OBJECTIVES

Our objectives are to:

- provide an opportunity to invest in hard asset alternative investments, including real estate development, real estate lending, real estate, and renewable power, managed by an experienced team with a successful track record in these areas;
- build and maintain a growth-oriented portfolio;
- provide predictable cash distributions to unitholders on a tax efficient basis; and
- grow and reposition the portfolio to increase cash flow and Net Asset Value per unit[1] ("NAV per unit") over time.

[1] For the Trust's definition of the following non-IFRS measures: NAV per unit, please refer to the Non-IFRS measures and Other Disclosures section of this MD&A

1.3 PORTFOLIO SUMMARY

With the Trust's focus on development investments that will generate higher growth and cash flow over a period of time the growth in NAV per unit is considered to be a more useful metric of value creation and unitholders return. During the year ended December 31, 2017, the Trust obtained independent third party appraisals or acquired during the year assets making up $262.1 million of unitholders' equity, which represents 100% of unitholders' equity within the renewable power portfolio, 100% of unitholders' equity within the income properties portfolio (excluding the investment in Dream Office REIT units) and 53.8% of unitholders' equity within the development and investment holdings portfolio. The Trust has not appraised the lending portfolio, as the Trust intends to hold the investments in the lending portfolio until maturity and its term to maturity is within one year, as such this portfolio is considered fairly liquid and fair value approximates amortized cost. The table below provides a summary of the Trust's portfolio as at December 31, 2017:

	Location	Year acquired	Accounting treatment[1]	Asset value	Debt	Total unitholders' equity[4]	NAV[3]	NAV per unit	Last external appraisal
Development & Investment Holdings									
Bayfield LP	Other Western Canada	2014	Fair value	$ 14,799	N/A	$ 14,799	$ 14,799	$ 0.20	Q4 2017
Hotel Pur	Eastern Canada	2015	Fair value	3,652	N/A	3,652	3,652	0.05	N/A
Empire Lakeshore	Toronto & GTA	2014	Fair value	69,363	N/A	71,678	71,678	0.99	N/A
Empire Brampton	Toronto & GTA	2014	Fair value	6,305	N/A	6,305	6,305	0.09	N/A
Axis Condominiums	Toronto & GTA	2016	Equity accounted	3,834	N/A	3,834	12,391	0.17	Q4 2017
IVY Condominiums	Toronto & GTA	2016	Equity accounted	2,425	N/A	2,425	4,300	0.06	Q4 2017
Lakeshore East	Toronto & GTA	2016	Equity accounted	12,438	N/A	12,438	26,862	0.37	Q4 2017
Port Credit Development	Toronto & GTA	2017	Equity accounted	30,913	N/A	22,427	26,761	0.37	Q4 2017
Plaza Bathurst and Plaza Imperial Development	Toronto & GTA	2017	Equity accounted	8,409	N/A	8,409	8,420	0.11	Acquired 2017
Zibi Development	Other Ontario	2017	Equity accounted	33,445	N/A	16,406	16,406	0.23	Acquired 2017
Frank Gehry Development	Toronto & GTA	2017	Equity accounted	14,453	N/A	14,453	14,453	0.20	Acquired 2017
				$ 200,036		**$ 176,826**	**$ 206,027**	**$ 2.84**	
Lending Portfolio									
Toronto Development	Toronto & GTA	N/A	Amortized cost[2]	$ 93,543	N/A	$ 91,061	$ 91,061	$ 1.26	
Vancouver Development	British Columbia	N/A	Amortized cost	53,296	N/A	53,296	53,296	0.74	
Other	Saskatchewan	N/A	Amortized cost	14,593	N/A	14,401	14,401	0.19	
				$ 161,432		**$ 158,758**	**$ 158,758**	**$ 2.19**	
Income Properties and Investments									
Toronto and GTA	Toronto & GTA	2014 - 2017	Fair value	$ 168,394	$ 90,501	$ 81,576	$ 81,576	$ 1.13	Q4 2017
Industrial Portfolio	Saskatchewan	2015	Fair value	9,075	5,757	3,350	3,350	0.05	Q4 2017
Investment in Dream Office REIT units	N/A	2017	Fair value	55,846	N/A	56,653	56,653	0.78	Mark to market
Other	Other Ontario	2014	Fair value	42,187	26,799	14,883	14,883	0.20	Q3 2017
				$ 275,502	**$ 123,057**	**$ 156,462**	**$ 156,462**	**$ 2.16**	
Renewable Power									
Canadian Solar	Toronto & GTA	2014	Amortized cost	83,381	50,186	38,757	43,675	0.60	Q4 2017
Canadian Wind	Eastern Canada	2014	Amortized cost	32,110	26,534	7,521	10,498	0.14	Q4 2017
United Kingdom Wind	United Kingdom	2015	Amortized cost	20,023	—	20,783	24,661	0.35	Q4 2017
				$ 135,514	**$ 76,720**	**$ 67,061**	**$ 78,834**	**$ 1.09**	
Marketable securities - other						**$ 4,790**	**$ 4,790**	**$ 0.07**	
Cash and other Trust consolidated working capital[4], including tax						**$ 43,381**	**$ 39,128**	**$ 0.54**	
Total unitholders' equity / NAV						**$ 607,278**	**$ 643,999**		
Total unitholders' equity / NAV per unit						**$ 8.39**		**$ 8.89**	

[1] Equity accounted investments are recognized initially at cost and subsequently adjusted for the Trust's share of the profit or loss
[2] Includes an unsecured corporate loan of $10.0 million as at December 31, 2017 classified as FVTPL
[3] For the Trust's definition of the non-IFRS measure NAV, please refer to the Non-IFRS measures and Other Disclosures section of this MD&A
[4] Included in Total Unitholders' equity is working capital that is presented separately from its asset in the statement of financial position
[5] Cash and other Trust consolidated working capital includes Trust level cash and net working capital balances not attributable to the other operating segments

1.4 FINANCIAL OVERVIEW-FOURTH QUARTER AND YEAR ENDED 2017

DREAM ALTERNATIVES REPORTS SOLID Q4 RESULTS AND INCREASED INVESTMENT IN MAJOR DEVELOPMENT PROJECTS

For the year ended December 31, 2017, the Trust reported a net loss of $9.5 million compared to a net loss of $13.4 million in the prior year. While the year over year results are not comparable due to the sale of the non core co-owned office properties the improvement in net loss compared to the prior year is attributed to the Trust's focus on attaining and retaining assets with higher growth potential predominately in downtown Toronto and the Greater Toronto Area ("GTA") as it now makes up approximately 70% of the Trust's current portfolio.

The three months ended December 31, 2017 represented the first full quarter that the Trust reported results with its core asset portfolio following the sale of substantially all of the Trust's non core legacy assets, which was completed in the third quarter, after more than three years. During the fourth quarter the Trust reported net income of $16.4 million, an increase of $31.8 million when compared to the same period last year. This year over year growth in net income was driven primarily by a net increase in fair value gains of $37.6 million relative to the prior year. The net fair value gains recorded in the three months ended December 31, 2017 of $11.0 million were the result of independent third party appraisals and support the Trust's investment strategy that its core properties in downtown Toronto represent key real estate that will generate higher value and cash flows in the long term. Slightly offsetting the above noted increase in net income is lower net operating income ("NOI"[1]) which is largely due to the sale of $281.6 million of non core co-owned office properties in the year.

Over the past 15 months, the Trust has invested $111.2 million of equity, and $225.6 million inclusive of equity accounted investment project-level debt, in exciting real estate opportunities in Toronto, Ottawa and the greater Toronto area ("GTA"), including: 10 Lower Spadina Avenue and 49 Ontario Street both located in downtown Toronto with considerable redevelopment potential in future years; a 5.3 acre Lakeshore East site located adjacent to a planned investment by Sidewalk Labs, a sister company of Google; a 72 acre waterfront property in Port Credit to be developed into a large master planned residential/mixed use community; 37 acres of lands for the purpose of developing into a mixed-use master-planned community located in Ottawa and Québec, which includes over three million square feet of density that consists of over 2,000 residential units and over one million square feet of commercial space; and the iconic Frank Gehry designed Mirvish-King West Development (the "Frank Gehry" development) located at the intersection of King Street West and Duncan Street in downtown Toronto slated to be re-developed to include two landmark residential towers, each in excess of 80 storeys, over 80,000 square feet of multi level luxury retail opportunities with a potential hotel component and an art gallery. Management believes this portfolio of investments represents irreplaceable real estate in core markets with significant cash flow and value appreciation potential as milestones are achieved.

During the three months ended December 31, 2017, the Trust continued to focus its efforts on new investments in exceptional development opportunities, which during the fourth quarter included the Zibi development and the Frank Gehry development. During the three months ended December 31, 2017, the Trust acquired a 40% ownership interest in the Windmill Dream Zibi Master Limited Partnership (the "Zibi" development) for $33.6 million, including transaction costs. The residual partners are DAM for 40% and Windmill Green Properties LP ("Windmill") for 20%. DAM is the lead developer for the project. The partnership intends to develop 37 acres of lands for the purpose of developing into a mixed-use master-planned community located in Ottawa and Gatineau, Québec. The project concept plan is a multi phase development which includes over three million square feet of density that consists of over 2,000 residential units and over one million square feet of commercial space. During the year ended December 31, 2017, construction commenced for the land servicing in both Québec and Ontario, which includes demolition, remediation, and completion of underground servicing connections in order to prepare the site for construction. To date, Zibi has launched two condominium buildings, “O” and “Kanaal”, comprising 141 units, which are approximately 65% pre-sold. Construction for O commenced during the year ended December 31, 2017 and is expected to have first occupancies in early 2019 and construction for Kanaal is expected to commence in 2018 with first occupancies in 2021.

In addition during the three months ended December 31, 2017, the Trust, along with DAM, also acquired a 25% interest in the Frank Gehry development, located at the intersection of King Street West and Duncan Street in downtown Toronto being managed by DAM and Great Gulf Corporation ("Great Gulf"). The Trust invested $14.5 million, including transaction costs, for an 18.75% equity interest in the development with DAM owning 6.25%. This site is slated to be re-developed to include two landmark residential towers, each in excess of 80 storeys, over 80,000 square feet of multi level luxury retail opportunities, including a potential hotel component and an art gallery. Subsequent to the fourth quarter, the project entered into non-revolving term facilities for a total balance of $85.0 million ($15.9 million Trust share), with terms ranging between two and three years and bears interest at the bank’s prime rate plus 1.25% or the BA rate plus 2.75%. In addition subsequent to the fourth quarter, the project entered into letters of credit in the amount of $20.0 million.

For the three months ended December 31, 2017, development and investment holdings net income decreased to $1.0 million from $6.8 million in the same period in the prior year. The decrease was primarily resulting from $6.3 million of fair value gains recognized in the prior year related to the Empire residential development holdings as they completed significant milestones and progressed closer to completion, primarily due to the Empire Brampton project. As at December 31, 2017, the Empire Brampton low-rise project was substantially completed with 99% of the units closed compared to 61% at December 31, 2016. During the three months ended December 31, 2017, the Trust received additional distributions of $2.4 million of cash proceeds from the Empire Brampton project which fully represented profit to the Trust in excess of its investment contribution. The timing of the remaining cash distributions remains unchanged with the majority of the remaining balance to be released over the next two years.

For the three months ended December 31, 2017, net income of $1.3 million from the lending portfolio increased from a net loss of $0.1 million when compared to the same quarter in the prior year. The increase in net income is primarily resulting from an increase in upfront lender fees as well as new loan advances with a higher weighted average effective interest rate. During the three months ended December 31, 2017, the Trust recorded a loan loss provision of $2.5 million compared to a loan loss provision of $3.6 million in the same period in the prior year. During the quarter, approximately $17.5 million of legacy loans were repaid, resulting in 100% of the total original loan portfolio being repatriated, compared to 80% at the beginning of the year.

For the three months ended December 31, 2017, income properties recorded net income of $14.4 million compared to a net loss of $22.4 million in the same period in the prior year. The increase was primarily resulting from an $11.0 million fair value gain recognized in the current year compared to a $26.7 million fair value loss recorded in the same period in the prior year. As well the acquisition of both 10 Lower Spadina Avenue and 49 Ontario Street resulted in higher net income as the Trust increased its ownership of these two properties to 100% from 60% early in the first quarter of 2017. Slightly offsetting the above noted increase in net income is lower NOI, which is primarily a result of the sale of $281.6 million of non core co-owned office properties in the year. Furthermore, during the three months ended December 31, 2017, a fair value gain of $2.8 million was recorded resulting from the investment in publicly traded units of Dream Office REIT during the year.

Net income of $0.4 million for the three months ended December 31, 2017 from the renewable power portfolio remained relatively stable to the same quarter in the prior year, consistent with expectations of the stabilized portfolio.

Net loss of $3.6 million for the three months ended December 31, 2017, related to Other, increased when compared to a nominal amount in the same period in the prior year. The increase was due to a deferred taxes expense position in the current period compared to a recovery position in the same period in the prior year.

NET ASSET VALUE ("NAV"[1])

NAV per unit of $8.89 as at December 31, 2017 increased from $8.64 per unit as at September 30, 2017 and decreased compared to NAV per unit of $9.02 as at December 31, 2016. The year over year NAV per unit is not comparable due to the Trust's significant asset disposition which was substantially completed in the third quarter of 2017. The increase in the NAV per unit since the third quarter, following the substantial completion of the Trust's non core asset disposition program, includes progress on current development investments as well as favorable market conditions impacting various investments of the Trust. The increase in NAV per unit from the prior quarter was primarily due to the a fair value gain of $11.0 million recognized within the income property portfolio attributable to both growth in NOI and cap rate compression in Toronto; a fair value gain of $3.4 million in development and investment holdings primarily due to favorable market conditions as well as potential increased density; and a $5.8 million fair value gain in the renewable portfolio as a result of compressing yields for long duration assets, as supported by independent third party appraisals. During the year-ended December 31, 2017, the Trust obtained independent third party appraisals or acquired during the year assets making up $262.1 million of unitholders' equity, which represents 100% of unitholders' equity within the renewable power portfolio, 100% of unitholders' equity within the income properties portfolio (excluding the investment in Dream Office REIT units) and 53.8% of unitholders' equity within the development and investment holdings portfolio. For details please refer to the table on page 2 of the MD&A. Going forward, where applicable, the Trust intends to obtain independent third party appraisals on all assets recorded within the portfolio on an annual basis.

The development and investment holdings NAV of $206.0 million (32.0% of total NAV) or $2.84 per unit increased compared to $178.3 million or $2.45 per unit as at September 30, 2017. The increase in NAV was due to both acquisitions and fair value gains during the fourth quarter. A fair value gain of $4.3 million, was recognized on the Trust's investment in its Port Credit development, a 72-acre waterfront property, located in the GTA. The fair value adjustment was the result of the Trust identifying market trend progress and/or the achievement of development milestones, as supported by a third party independent appraisal. The Port Credit development draft master plan proposal includes approximately 2,500 residential units and approximately 350,000 square feet of commercial development. The Trust is working through the various approvals and the site work has recently commenced.

(1) For the Trust's definition of the following non-IFRS measure: NOI, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

Under IFRS and in the Trust's consolidated financial statements the above noted development investment is considered an equity accounted investment reflected at cost. The Trust has included a fair value adjustment in its NAV calculation to better demonstrate the value of these asset since acquisition and/or to incorporate the achievement of development or sales milestones. During the three months ended December 31, 2017, the Trust invested a total of $48.1 million, including transaction costs, for both a 40% investment in the Zibi development and an 18.75% investment in the Frank Gehry development. The Trust has made substantial progress towards investing in assets with higher growth potential, including its development investments in downtown Toronto and the Ottawa/Gatineau area, and expects that these development investments will be a key driver of future growth for the Trust. For additional details on the Trust's equity accounted investments, please refer to page 13 of the MD&A.

The lending portfolio NAV of $158.8 million (24.7% of total NAV) or $2.19 per unit at December 31, 2017 decreased compared to $171.8 million or $2.37 per unit as at September 30, 2017. The decrease was the result of $24.5 million of loans being repaid of which approximately $17.5 million were legacy loans, resulting in 100% of the total original loan portfolio being repatriated, compared to 80% at the beginning of the year. Slightly offsetting this decrease in NAV was $11.5 million of proceeds advanced towards two new loans during the three months ended December 31, 2017. The Trust also recognized a $2.5 million loan loss provision to reflect management's estimate of net realizable value during the quarter.

As at December 31, 2017, NAV of $78.8 million (12.2% of total NAV) or $1.09 per unit for the renewable power portfolio increased from $73.2 million or $1.01 per unit as at September 30, 2017. The NAV increase was attributable to a fair value gain of $5.8 million. The fair value adjustment increase was primarily attributable to yield compression with respect to both the Ontario Rooftop Solar portfolio and the U.K. wind portfolio, as supported by independent third party appraisals. Under IFRS and in the Trust's consolidated financial statements, renewable power wind and solar assets are recorded at cost less accumulated depreciation and impairment charges, if any. In determining NAV, a non IFRS measure, the Trust reflects a fair value adjustment which takes into consideration any reduction in the risk profile of the renewable power projects developed by the Trust once they become operational and long-term financing is arranged; as well it reflects recent market information that would indicate a change in the renewable power portfolio fair value (subject to appraisals). The Trust believes that incorporating a fair value adjustment is a more useful measure to value the renewable power portfolio that would not ordinarily be captured within IFRS and the Trust's consolidated financial statements. For additional details on the Trust's renewable power portfolio, please refer to page 25 of the MD&A.

NAV per unit relating to cash, marketable securities and other Trust consolidated working capital decreased to $0.61 as at December 31, 2017 compared to $1.60 as at September 30, 2017. This decrease is primarily a result of the Trust investing in the development and investment holdings portfolio during the quarter.

The Trust relies on growth in the NAV per unit as a measure of value creation including the aforementioned fair value adjustments on its equity accounted investments and renewable power projects. The closest IFRS measure to NAV per unit is unitholders' equity per unit. Please refer to page 41 of the MD&A for a reconciliation between NAV and unitholders' equity.

UNITHOLDERS' EQUITY

As at December 31, 2017, total unitholders' equity per unit of $8.39 increased from $8.26 per unit as at September 30, 2017 and decreased from total unitholders' equity per unit of $8.92 as at December 31, 2016. As previously mentioned, the year over year variance is not comparable due to the Trust's substantial completion of its disposition strategy. The variance to prior quarter was primarily related to the $11.0 million net fair value gain recognized in income properties during the three months ended December 31, 2017 as previously discussed.

During the year ended December 31, 2017, the Trust repurchased for cancellation 0.8 million units for $5.0 million under its normal course issuer bid ("NCIB") program. Since the inception of the Trust's NCIB program in December 2014 to February 26, 2018, the Trust has purchased for cancellation 2.9 million units for a total cost of $17.7 million.

From 2014 to February 26, 2018, DAM has purchased to date an aggregate of 10.0 million units, which includes 0.5 million units issued under the Distribution Reinvestment and Unit Purchase Plan and the rest in the open market for its own account, representing approximately 13.8% of the total units outstanding.

CASH GENERATED FROM OPERATING ACTIVITIES

Cash generated from operating activities for the three months ended December 31, 2017 was $7.8 million compared to $7.9 million for the same quarter in the prior year. Cash generated from operating activities for the year ended December 31, 2017 was $11.8 million compared to $14.0 million in the prior year. The year over year decrease in cash generated from operating activities is primarily due to lower net cash generated from income properties portfolio as a result of the aforementioned disposals and changes in non cash working capital. Offsetting this decrease was the receipt of additional cash distributions from the Empire Brampton project.

ADJUSTED FUNDS AVAILABLE FOR DISTRIBUTIONS ("AFAD")

During the year ended December 31, 2017, the Trust has substantially completed its disposition strategy through the sale of substantially all of its non core legacy assets. As previously noted the Trust has realigned its long term strategy and has shifted its focus to owning more development investments that will generate higher growth and cash flow over a period of time. As such, growth in NAV per unit is expected to be a more useful metric of value creation and unitholders return. Accordingly, the Trust has discontinued presenting AFAD, a non IFRS measure in its MD&A and public disclosures.

INVESTMENT AND TRANSACTION HIGHLIGHTS

Income Properties

As at December 31, 2017, following the substantial completion of its disposition program, the income properties portfolio was comprised of the Trust's core office income property portfolio consisting of: a 50.1% interest in Sussex Centre in Mississauga, Ontario, co-owned with Dream Office REIT (TSX: D.un); a 100.0% interest in each of 10 Lower Spadina Avenue, 49 Ontario Street and 349 Carlaw Avenue in downtown Toronto; and a 50.0% interest in six industrial properties in Regina, Saskatchewan, co-owned with Dream Industrial REIT (TSX: DIR.un). At December 31, 2017, these properties had an IFRS value of $177.5 million. In addition, the Trust will continue to own a 60.0% interest in London City Centre, in London, Ontario which is excluded from these statistics as it is not considered to be a core income property.

Development and Investment Holdings

Both the Empire Brampton and Empire Lakeshore development projects are legacy assets owned since inception that are in line with the Trust's long term strategy. As at December 31, 2017, the Empire Brampton low-rise project was substantially completed with 99% of the units closed compared to 61% at December 31, 2016. During the three months ended December 31, 2017, the Trust received additional cash distributions of $2.4 million from the Empire Brampton project, which fully represented profit to the Trust in excess of its investment contribution. The expected timing of the remaining cash distributions remains unchanged with the majority of the remaining balance to be released over the next two years.

The Empire Lakeshore high-rise condominium development project continues to progress on schedule, with the construction currently above grade and on the 26th floor. The project is expected to be completed and occupied in phases from the fourth quarter of 2019 to the second quarter of 2020. As at December 31, 2017, the Empire Lakeshore high-rise project had sold 99% of the 1,285 total projected condominium units. The Trust recognized a further fair value increase of $1.6 million on the Empire Lakeshore project during the fourth quarter of 2017 as the project continues to advance steadily to completion and payout.

Since the Trust's inception, $34.0 million of cumulative fair value gains have been recognized on the Empire projects. At December 31, 2017, the aforementioned Empire projects had an IFRS fair value of $75.7 million, net of the aforementioned cash distribution that was received during the period as return of capital.

Lending Portfolio

The overall loan portfolio continues to be very liquid with a weighted average term to maturity of 1.22 years at December 31, 2017. During the three months ended December 31, 2017, the Trust advanced proceeds of $11.5 million towards two new loans with a weighted average effective interest rate of 16.4%. During the quarter, $24.5 million of loans were repaid of which approximately $17.5 million were legacy loans, resulting in 100% of the total original loan portfolio being repatriated, compared to 80% at the beginning of the year. During the three months ended December 31, 2017, a $2.5 million loan loss provision was recognized. The provision relates to a loan the value of which was determined based on the net realizable value of the underlying real estate property, as supported by independent third party appraisals, and related transaction costs.

Renewable Power

During the year ended December 31, 2017, the renewable portfolio was fully operational with the closing on the second and third tranche of financing on the remaining six Ontario Ground Mount Solar projects for gross proceeds of approximately $32.7 million of 19.5 year non-recourse debt in the beginning of the year. Furthermore, during the year ended December 31, 2017, the

Trust acquired the remaining economic interest in the wind power projects located in the U.K. increasing the Trust's ownership to 100% and also acquired 13 additional wind turbines for a total purchase price of approximately $4.1 million.

FINANCIAL HIGHLIGHTS OF THE TRUST

	Three months ended		Year-ended	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Consolidated results of operations				
Net income (loss)	**$ 16,377**	$ (15,379)	**$ (9,472)**	$ (13,364)
Net Income (loss) before depreciation[1]	**17,837**	(14,314)	**(3,891)**	(9,596)
Net operating income ("NOI")[1]	**8,568**	11,809	**44,763**	51,591
Cash generated from (utilized in) operating activities	**5,936**	7,874	**10,001**	13,980
Net income (loss) per unit	**0.23**	(0.21)	**(0.13)**	(0.18)
Net income (loss) per unit before depreciation[1]	**0.25**	(0.20)	**(0.05)**	(0.14)
Trust unit information				
Distributions declared and paid per unit	**0.10**	0.10	**0.40**	0.40
Units outstanding – end of period	**72,417,786**	72,351,722	**72,417,786**	72,351,722
Units outstanding – weighted average	**72,583,347**	72,312,566	**72,434,391**	72,276,832

[1] For the Trust's definition of the following non-IFRS measures: NOI, net income (loss) before depreciation, net income (loss) per unit before depreciation, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

As at	**December 31, 2017**	September 30, 2017	December 31, 2016
Consolidated financial position			
Total unitholders' equity	**$ 607,278**	$ 600,066	$ 645,738
Total unitholders' equity per unit	**8.39**	8.26	8.92
NAV[2]	**643,999**	627,532	652,847
NAV per unit[2]	**8.89**	8.64	9.02
Total contractual debt payable[1]	**203,318**	205,205	308,361
Total assets	**853,265**	833,924	991,598
Cash	**60,927**	96,966	11,757
Debt-to-gross asset value[1]	**23.8%**	24.6%	31.2%

[1] For the Trust's definition of the following non-IFRS measures: debt-to-gross asset value, gross asset value and total contractual debt payable, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

[2] NAV and NAV per unit have been restated in the comparative periods to conform to current period presentation. Please refer to the Non-IFRS Measures and Other Disclosure section of the MD&A

NET ASSET VALUE PER UNIT

As at	**December 31, 2017**	September 30, 2017[4]	December 31, 2016[4]
Development and investment holdings[3]	**$ 2.84**	$ 2.45	$ 2.86
Lending portfolio	**2.19**	2.37	1.96
Income properties	**2.16**	1.21	3.34
Renewable power[1]	**1.09**	1.01	1.21
Cash and other Trust consolidated working capital[2]	**0.61**	1.60	(0.35)
NAV per unit	**$ 8.89**	$ 8.64	$ 9.02

[1] NAV for the renewable power as at December 31, 2017 includes a fair value gain of $11.8 million and excludes $30.1 million of gross proceeds redeployed from debt financing during the year ended December 31, 2017

[2] Cash and other Trust consolidated working capital includes Trust level cash and net working capital balances not attributable to the other operating segments

[3] NAV for the development and investment holdings as at December 31, 2017 includes a fair value gain of $29.2 million relating to the equity accounted investments. For additional details on the Trust's equity accounted investments, please refer to page 13 of the MD&A

[4] NAV per unit has been restated in the comparative periods to conform to current period presentation. Please refer to the Non-IFRS Measures and Other Disclosure section of the MD&A

The table below provides the reconciliation of net asset value to total unitholders' equity:

As at December 31, 2017	Development and investment holdings[2]	Lending portfolio	Income properties	Renewable power[3]	Other[1]	Total
TOTAL UNITHOLDERS' EQUITY	$ 176,826	$ 158,758	$ 156,462	$ 67,061	$ 48,171	**$ 607,278**
Fair value adjustment to renewable power assets	—	—	—	11,773	—	**11,773**
Fair value adjustment to equity accounted investments	29,201	—	—	—	—	**29,201**
Deferred income taxes adjustment	—	—	—	—	(4,253)	**(4,253)**
NAV	**$ 206,027**	**$ 158,758**	**$ 156,462**	**$ 78,834**	**$ 43,918**	**$ 643,999**
NAV PER UNIT	**$ 2.84**	**$ 2.19**	**$ 2.16**	**$ 1.09**	**$ 0.61**	**$ 8.89**

[1] Includes other Trust amounts not specifically related to the segments
[2] For additional details on the Trust's equity accounted investments fair value adjustment, please refer to page 13 of the MD&A
[3] For additional details on the Trust's renewable power assets fair value adjustment, please refer to page 25 of the MD&A

As at December 31, 2016[3]	Development and investment holdings	Lending portfolio	Income properties	Renewable power[2]	Other[1]	Total
TOTAL UNITHOLDERS' EQUITY	$ 207,084	$ 141,784	$ 240,402	$ 83,174	$ (26,706)	**$ 645,738**
Fair value adjustment renewable power assets	—	—	—	4,523	—	**4,523**
Unamortized balance of mortgages payable premiums	—	—	1,183	—	—	**1,183**
Deferred income taxes adjustment	—	—	—	—	1,403	**1,403**
NAV	**$ 207,084**	**$ 141,784**	**$ 241,585**	**$ 87,697**	**$ (25,303)**	**$ 652,847**
NAV PER UNIT	**$ 2.86**	**$ 1.96**	**$ 3.34**	**$ 1.21**	**$ (0.35)**	**$ 9.02**

[1] Includes other Trust amounts not specifically related to the segment
[2] For additional details on the Trust's renewable power assets fair value adjustment, please refer to page 25 of the MD&A
[3] NAV and NAV per unit have been restated in the comparative periods to conform to current period presentation. Please refer to the Non-IFRS Measures and Other Disclosure section of the MD&A

1.5 NORMAL COURSE ISSUER BID AND INSIDER ACTIVITY

Since the inception of the Trust's NCIB program in December 2014 to February 26, 2018, the Trust has purchased for cancellation 2.9 million units for a total cost of $17.7 million.

The Trust received acceptance of its Notice of Intention to renew its prior NCIB from the TSX on January 11, 2018. The bid commenced on January 15, 2018 and will remain in effect until the earlier of January 14, 2019 or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 6,273,601 units (representing 10% of the Trust’s public float of 62,736,012 units at the time of entering the bid through the facilities of the TSX).

Since 2014 to February 26, 2018, the Trust’s asset manager, DAM, has purchased to date an aggregate of 10.0 million units, which includes 0.5 million units issued under the Distribution Reinvestment and Unit Purchase Plan and the rest in the open market for its own account, representing approximately 13.8% of the total units outstanding.

2. REPORTABLE OPERATING SEGMENTS RESULTS OF OPERATIONS

2.1 HIGHLIGHTS BY REPORTABLE OPERATING SEGMENTS

The tables below summarize our consolidated net assets attributable to unitholders of the Trust[1] as at December 31, 2017 by operating segment and geographic allocation, excluding cash, marketable securities, and other Trust consolidated working capital, including tax.

OPERATING SEGMENT ALLOCATION

As at	**December 31, 2017**	December 31, 2016
Development and investment holdings[2]	**34.7%**	30.9%
Lending portfolio	**27.1%**	21.0%
Income properties	**26.8%**	35.8%
Renewable power	**11.4%**	12.3%
Total	**100.0%**	100.0%

(1) For the Trust's definition of net assets attributable to unitholders of the Trust, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

(2) As at December 31, 2017, this segment includes under development and completed investments of 31.5% (December 31, 2016 - 26.7%) and income-producing investments of 3.2% (December 31, 2016 - 4.2%)

GEOGRAPHIC ALLOCATION

As at	**December 31, 2017**	December 31, 2016
Toronto & GTA	**70.5%**	60.1%
British Columbia	**10.6%**	8.6%
Other Ontario	**6.2%**	11.6%
Saskatchewan	**3.5%**	3.0%
United Kingdom	**4.1%**	2.2%
Other Western Canada[1]	**2.9%**	2.3%
Eastern Canada	**2.2%**	12.2%
Total	**100.0%**	100.0%

(1) The Trust's investment in assets located in Alberta as at December 31, 2017 was less than 1% of consolidated assets

2.2 DEVELOPMENT AND INVESTMENT HOLDINGS, INCLUDING EQUITY ACCOUNTED INVESTMENTS

As at December 31, 2017, our development and investment holdings and equity accounted investments consisted of approximately $200.0 million of assets including:

Investment	Sector	Accounting treatment	Status	Economic ownership %	Expected completion[1]	Asset Value December 31, 2017	Asset Value December 31, 2016	At 100% project-level % Sold or Leased / Occupied [2]	At 100% project-level Units (#) or sq. ft. (000s)
Investment holdings									
Villarboit Income Producing	Retail	Fair value	Income producing	N/A	N/A	$ —	$ 12,113	N/A	N/A
Bayfield	Retail	Fair value	Income producing	11.9% - 13.2%	N/A	14,799	13,982	78.3%	1,154 sq.ft.
Hotel Pur	Hospitality	Fair value	Income producing [2]	100.0%	N/A	3,652	2,452	69.7%	242 units
Total investment holdings						**$ 18,451**	$ 28,547		
Development holdings									
Empire Brampton[4]	Residential	Fair value	Construction	78.8%		$ 6,305	$ 34,345	100.0%	685 units
Empire Lakeshore	Residential	Fair value	Construction	80.0%	Q4 2019 - Q2 2020	69,363	61,801	98.5%	1,285 units
Villarboit Under Development	Retail	Fair value	N/A	N/A	N/A	—	62,602	N/A	N/A
Total development holdings						**$ 75,668**	$ 158,748		
Total development and investment holdings						**$ 94,119**	$ 187,295		
Equity accounted investments - Development holdings									
Axis Condominiums	Residential	Equity accounted	Pre-construction	28.0%	2020	$ 3,834	$ 5,072	100.0%	572 units
IVY Condominiums	Residential	Equity accounted	Pre-construction	50.0%	2020	2,425	2,211	100.0%	253 units
Lakeshore East	Residential	Equity accounted	Pre-construction	37.5%	N/A	12,438	11,540	N/A	N/A
Port Credit	Residential	Equity accounted	Pre-construction	23.3%	N/A	30,913	—	N/A	N/A
Plaza Bathurst	Other	Equity accounted	Income producing	40.0%	N/A	3,507	—	N/A	N/A
Plaza Imperial	Other	Equity accounted	Income producing	40.0%	N/A	4,902	—	N/A	N/A
Zibi	Residential	Equity accounted	Pre-construction	40.0%	N/A	33,445	—	N/A	N/A
Frank Gehry	Residential	Equity accounted	Pre-construction	18.8%	N/A	14,453	—	N/A	N/A
Total equity accounted investments - development holdings						**$ 105,917**	$ 18,823		
Total development and investment holdings and equity accounted investments						**$ 200,036**	$ 206,118		
Fair value adjustments to equity accounted investments included in NAV[3]						**$ 29,201**	$ —		
NAV per unit						**$ 2.84**	$ 2.86		

[1] The final completion dates are estimated by the Asset Manager based on information provided by the development project manager regarding the expected completion dates and development status as at December 31, 2017 and are subject to change

[2] % occupied based on quarterly average for the three months ended December 31, 2017

[3] For additional details on the Trust's equity accounted investments, please refer to page 13 of the MD&A

[4] As at December 31, 2017, the Empire Brampton low-rise project was substantially completed. The amount outstanding represents customary cash hold backs expected to be released over the next two years

A summary of the development and investment holdings segment results follows:

For the periods ended	Three months ended **December 31, 2017**	Three months ended December 31, 2016	Year-ended **December 31, 2017**	Year-ended December 31, 2016
Net income-development holdings and equity accounted investments	**$ 1,003**	$ 6,671	**$ (381)**	$ 16,352
Net income-investment holdings	**—**	139	**(1,198)**	556
Total net income	**$ 1,003**	$ 6,810	**$ (1,579)**	$ 16,908

For the year ended December 31, 2017, development and investment holdings incurred a net loss of $1.6 million compared to net income of $16.9 million in the same period in the prior year. The net loss for the year ended December 31, 2017 included a fair value loss of $6.6 million related to the sale of the Villarboit Investment partially offset by fair values gains of $7.6 million recorded on Empire Lakeshore. The decrease compared to the same period in the prior year resulted from $14.8 million of fair value gains recognized in the prior year related to the Empire residential development holdings as they completed significant milestones and progressed closer to completion, particularly the Empire Brampton project.

For the three months ended December 31, 2017, development and investment holdings net income decreased by $5.8 million from $6.8 million in the same period in the prior year. This decrease is due to $6.3 million of fair value gains recorded in the same period in the prior year consistent with the above noted.

DEVELOPMENT HOLDINGS AND EQUITY ACCOUNTED INVESTMENTS

The tables below provide a continuity of the development holdings and equity accounted investments balance for the periods indicated:

	Residential		Retail			
For the three months ended December 31, 2017	Empire Brampton	Empire Lakeshore	Development Holdings - Retail	Subtotal	Equity accounted investments	Total
Balance as at September 30, 2017	$ 8,568	$ 67,755	$ —	**$ 76,323**	$ 56,487	**$ 132,810**
Advances/Investments/Share of Income	—	—	—	**—**	49,430	**49,430**
Fair value adjustments	142	1,608	—	**1,750**	—	**1,750**
Distribution/Capital repayment	(2,405)	—	—	**(2,405)**	—	**(2,405)**
Balance as at December 31, 2017	**$ 6,305**	**$ 69,363**	**$ —**	**$ 75,668**	**$ 105,917**	**$ 181,585**

	Residential		Retail			
For the year ended December 31, 2017	Empire Brampton	Empire Lakeshore	Development Holdings - Retail	Subtotal	Equity accounted investments	Total
Balance as at December 31, 2016	$ 34,345	$ 61,801	$ 62,602	**$ 158,748**	$ 18,823	**$ 177,571**
Advances/Investments/Share of Income	—	—	319	**319**	88,502	**88,821**
Fair value adjustments	(1,992)	7,562	(5,936)	**(366)**	—	**(366)**
Distribution/Capital repayment	(26,048)	—	—	**(26,048)**	(1,408)	**(27,456)**
Dispositions	—	—	(56,985)	**(56,985)**	—	**(56,985)**
Balance as at December 31, 2017	**$ 6,305**	**$ 69,363**	**$ —**	**$ 75,668**	**$ 105,917**	**$ 181,585**

DEVELOPMENT HOLDINGS-RESIDENTIAL

As at December 31, 2017, the Empire Brampton low-rise project was substantially completed with 99% of the units closed compared to 61% at December 31, 2016. During the three months ended December 31, 2017, the Trust received additional distributions with the receipt of $2.4 million of cash proceeds from the Empire Brampton project which fully represented profit to the Trust in excess of its investment contribution. During the year ended December 31, 2017, the Trust received distributions of $26.0 million of cash proceeds from the Empire Brampton project of which $7.2 million represented profit to the Trust in excess of its investment contribution. The expected timing of the remaining cash distributions remains unchanged with the majority of the remaining balance to be released over the next two years.

Sales and construction of the Empire Lakeshore condominium development continue to progress on schedule with construction currently above grade and on the 26th floor. During the three months and year ended December 31, 2017, the Trust recorded a fair value gain of $1.6 million and $7.6 million, respectively, related to Empire Lakeshore as the development continues to progress steadily to completion and payout. As at December 31, 2017, Empire Lakeshore had sold 99% of the 1,285 total projected condominium units, up from 98% at December 31, 2016. The project is expected to be completed and occupied in phases from the fourth quarter of 2019 to the second quarter of 2020. As at December 31, 2017, the Trust's IFRS value of its participating loan investment in Empire Lakeshore was $69.4 million, which is expected to continue appreciating over time as the project progresses towards completion and there is a reduction in risk profile of the asset as further major development milestones are met.

We continue to make progress in achieving our share of profitability from our Empire developments, which are expected to deliver an IRR[1] of approximately 12% to the Trust on a combined basis, based on the Trust's fair value as at December 31, 2017.

[1] For the Trust's definition of the non-IFRS measure of IRR, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

As at December 31, 2017, approximately $92.0 million of the Trust’s total assets were advanced to Empire-related development projects or debt representing approximately 10.8% of the Trust's total assets.

DEVELOPMENT HOLDINGS-RETAIL

During the year ended December 31, 2017, the Trust sold its interest in retail assets under development and retail assets completed and operational comprising of six long term development loans, one co-ownership investment with an interest of less than 20%, which was considered an available-for-sale ("AFS") investment, as well as a mortgage loan receivable, included within the lending portfolio ("Villarboit Investment"), for total gross proceeds of $70.0 million. For the year ended December 31, 2017, the Trust recorded a fair value loss of $6.6 million related to the sale of the Villarboit Investment, and recognized $0.6 million of realized losses, net of tax, from OCI into net income (loss) resulting from the sale of an AFS investment that was part of the Villarboit Investment.

EQUITY ACCOUNTED INVESTMENTS

The Trust participates in various partnerships with other parties for the purpose of investing in residential and investment property developments which are accounted for using the equity investment method. These partnerships are either considered joint ventures or investments in associates. A joint venture is an arrangement entered into in the form of jointly controlled entities whereby the parties have joint control and have rights to the net assets of the arrangement. Investments in associates are those in which the Trust has significant influence over the arrangement. As at December 31, 2017, the carrying value of these arrangements was $105.9 million (December 31, 2016 - $18.8 million).

During the year ended December 31, 2017, the Trust acquired a 23.25% equity ownership interest in the Port Credit Development for $27.2 million. Port Credit West Village Partners LP entered into a $105.0 million non revolving credit facility ($24.4 million Trust share) with a term of three years. DAM also owns a 7.75% ownership interest in Port Credit West Village Partners LP and the residual third party partners/co-developers include: Kilmer Van Nostrand, Diamond Corp., and FRAM + Slokker.

During the year ended December 31, 2017, the Trust invested a total of $3.8 million for a 40% equity ownership interest in two properties located in downtown Toronto. The properties are located at 6035 Bathurst Street and 388-390 Dupont Street ("Plaza Bathurst"). Also during the year ended December 31, 2017, the Trust acquired a 40% ownership interest in a limited partnership for $5.5 million. This investment is in two properties located at 25 Imperial Street and 374 Dupont Street ("Plaza Imperial"). Both of these investments are currently income producing properties with redevelopment potential in future years.

During the year ended December 31, 2017, the Trust acquired a 40% ownership interest in the Windmill Dream Zibi Master Limited Partnership (the "Zibi" development) for $33.6 million, including transaction costs, as acquired through a combination of acquisitions of existing units and new subscriptions from third parties. The residual partners are DAM for 40% and Windmill for 20%. DAM will act as lead developer for the project. During the three months ended December 31, 2017, Zibi successfully secured financing with a syndicate of financial institutions for borrowings available on its construction loan up to $125.9 million ($50.4 million Trust share) with a term of three years and letter of credit facilities of $22.0 million. As at December 31, 2017, the project had drawn $33.8 million ($13.5 million Trust share) million from the construction loan and $5.4 million in letters of credit have been issued. The construction loan is for development work on the Ontario and Québec land servicing and the two condominium buildings.

During the year ended December 31, 2017, the Trust, along with DAM, also acquired a 25% interest in the Frank Ghery development, located on King Street West in downtown Toronto being managed by DAM and Great Gulf Corporation ("Great Gulf") for $14.5 million. The Trust owns an 18.75% interest in the development with DAM owning 6.25%. Subsequent to the fourth quarter, the project entered into non-revolving term facilities for a total balance of $15.9 million, at the Trust share, with terms ranging between two and three years and bear interest at the bank’s prime rate plus 1.25% or the BA rate plus 2.75%. In addition subsequent to the fourth quarter, the project entered into letters of credit in the amount of $20.0 million.

As at December 31, 2017, the Trust's equity interests in the limited partnerships formed for the development of residential condominiums, IVY Condominiums and Axis Condominiums, were both considered 100% sold in relation to their respective total units and both are in similar stages of development whereby the projects are sold and financing has been secured. As at December 31, 2017, a return of capital of $1.4 million from the Axis Condominiums equity investment was distributed back to the Trust.

Development projects are key drivers of future growth for the Trust and are expected to generate attractive returns and future cash flows as milestones are achieved. The Trust expects its development projects will provide attractive profits to the Trust upon their respective completion dates, and will contribute to growth in our NAV per unit. The Trust generally targets a pre-tax IRR of approximately 15-20% on equity investments in residential and mixed-use development projects.

The following tables summarize the projects' assets and liabilities and the Trust's proportionate share of the net assets of the equity accounted investments:

	100% project level				
As at December 31, 2017	**Assets**	**Liabilities**	**Net assets**	**Ownership interest**	**Net assets**
Frank Gehry	$ 332,954	$ 255,871	$ 77,083	18.75%	$ 14,453
Port Credit	272,561	139,602	132,959	23.25%	30,913
Zibi	134,641	51,029	83,612	40.00%	33,445
Lakeshore East	63,193	30,025	33,168	37.50%	12,438
Other	103,506	63,941	39,565	28.00% - 50.00%	14,668
Total	$ 906,855	$ 540,468	$ 366,387		$ 105,917

	100% project level				
As at December 31, 2016	**Assets**	**Liabilities**	**Net assets**	**Ownership interest**	**Net assets**
Lakeshore East	$ 61,239	$ 30,465	$ 30,774	37.50%	$ 11,540
Other	53,593	31,056	22,537	28.00% - 50.00%	7,283
Total	**$ 114,832**	**$ 61,521**	**$ 53,311**		**$ 18,823**

The following tables summarize the projects' revenue and net income (loss) and the Trust's proportionate share of the net income (loss) in equity accounted investments:

	100% project level			
For the year ended December 31, 2017	**Revenue**	**Net income (Loss)**	**Ownership interest**	**Net income (Loss)**
Frank Gehry	$ 5	$ 2	18.75%	$ —
Port Credit	—	(217)	23.25%	(51)
Zibi	222	(672)	40.00%	(268)
Lakeshore East	82	(309)	37.50%	(116)
Other[1]	1,042	(2,762)	28.00%-50.00%	(1,120)
Total	**$ 1,351**	**$ (3,958)**		**$ (1,555)**

[1] Net loss primarily attributable to non-recurring transaction costs

	100% project level			
For the year ended December 31, 2016	**Revenue**	**Net income (Loss)**	**Ownership interest**	**Net income (Loss)**
Lakeshore East	$ 12	$ (21)	37.50%	$ (8)
Other	1,281	137	28.00% - 50.00%	32
Total	**$ 1,293**	**$ 116**		**$ 24**

EQUITY INVESTMENTS FAIR VALUE ADJUSTMENT INCLUDED IN NAV - METHODOLOGY

As part of its NAV calculation, a non-IFRS measure, the Trust recognized a fair value adjustment of $29.2 million in equity accounted investments in the year ended December 31, 2017, an important element that the Trust has included in its NAV calculation to address the reduction in risk profile as each project progresses toward completion and/or reflect information from recent market transactions that indicate a change in the equity investment fair value (subject appraisals). Under IFRS and in the Trust's consolidated financial statements these development investments are equity accounted, which are initially recognized at cost and subsequently include the Trust's share of profit or loss and other comprehensive income (loss). The Trust believes that incorporating a fair value adjustment is a more useful measure to value these development assets that would not ordinarily be captured within IFRS and the Trust's consolidated financial statements. In calculating the fair value adjustment on the equity accounted development investments, on a going forward basis, the Trust intends to obtain independent third party appraisals annually or as significant development milestones are achieved. For those projects in active development or construction, the Trust intends to use the discounted cash flow methodology in determining the fair value adjustment on a quarterly basis.

The fair value adjustment of $29.2 million was primarily attributable to the following equity investments: Lakeshore East Development, Axis Condominiums and the Port Credit development. As at the year ended December 31, 2017, the Trust obtained independent third party appraisals for the aforementioned equity investments and IVY condominiums. The remaining equity investments were recently acquired and no significant development milestones were identified thereby the Trust concluded that fair value approximates cost. The independent third party appraisals utilized both the discounted cash flow and direct comparison approach in deriving a fair value for the equity investments. The discounted cash flow model utilizes various assumptions including, but not limited to, the following: the risk and timing of expected cash flows; and the successful completion of the projects on time and on budget. The projects are expected to continue to generate fair value increases on a quarterly basis, as they continue to advance closer to their completion dates. The fair value increase for Axis Condominiums amounted to $8.6 million (representing a 223.0% increase relative to the aggregate equity accounted investment of $3.8 million at December 31, 2017) and was the result of using a discounted cash flow approach. The discounted cash flow approach used a discount rate of 12%, similar to the methodology utilized to value the Empire residential developments. Axis Condominium sales programs were launched in late 2016/early 2017 and are 100% sold with an expected completion date in 2020. Axis Condominiums is currently being developed by CentreCourt Developments, a well-established Toronto developer with eight high-rise residential projects in various stages of development, representing over 5,000 homes and $1.5 billion of development value.

The Lakeshore East Development, a 5.3 acre waterfront property in downtown Toronto had a fair value increase of $14.4 million, (representing a 116.0% increase relative to the equity accounted investment of $12.4 million at December 31, 2017), based on favourable market trends and comparative market transactions.

The Port Credit development resulted in a fair value increase of $4.3 million (representing a 14.0% increase relative to the equity accounted investment of $30.9 million at December 31, 2017) million. The fair value adjustment was the result of the Trust identifying market trend progress and/or the achievement of development milestones, as supported by a third party independent appraisal. The Port Credit development draft master plan proposal includes approximately 2,500 residential units and approximately 350,000 square feet of commercial development. The Trust is working through the various approvals and the site work has recently commenced.

INVESTMENT HOLDINGS

The tables below provide a continuity of the investment holdings balance for the periods indicated:

For the three months ended December 31, 2017	Bayfield Retail and Mill Wood	Villarboit Investment Holdings[1]	Hotel Pur	Total
Balance as at September 30, 2017	$ 14,052	$ —	$ 3,652	**$ 17,704**
Advances	747	—	—	**747**
Balance as at December 31, 2017	**$ 14,799**	**$ —**	**$ 3,652**	**$ 18,451**

For the year ended December 31, 2017	Bayfield Retail and Mill Wood	Villarboit Investment Holdings[1]	Hotel Pur	Total
Balance as at December 31, 2016	$ 13,982	$ 12,113	$ 2,452	**$ 28,547**
Advances	747	—	1,700	**2,447**
Fair value adjustments	70	(1,062)	—	**(992)**
Distribution/capital repayment	—	(400)	(500)	**(900)**
Dispositions	$ —	$ (10,651)	$ —	**$ (10,651)**
Balance as at December 31, 2017	**$ 14,799**	**$ —**	**$ 3,652**	**$ 18,451**

[1] Includes $nil of available-for-sale investments as at December 31, 2017 (December 31, 2016 - $1,091)

DEVELOPMENT AND INVESTMENT HOLDINGS FAIR VALUES

The fair value methodologies applied have been consistent with the prior year. The fair values of the development holdings residential assets under development as at December 31, 2017 are determined by discounting the expected cash flows from each participating mortgage based on its projected future share of anticipated proceeds from unit sales, at rates between 9.5% - 12.5%.

The fair values of the Bayfield LP investment income-producing retail properties are determined using the direct cap rate method with cap rates between 6.2% - 7.4%.

The fair value of the Hotel Pur investment is calculated using a discounted cash flow approach using a discount rate of 13%.

In determining discount rates, the Asset Manager considers market conditions, time to completion of the development, the percentage of space leased, units sold and other publicly available information. The discount rates used were higher than the underlying interest rates of the participating mortgages of 8.0% to 9.0%, and reflect a risk premium due to the uncertainty regarding the timing of payments and the longer-term horizon of the developments.

Distributions from the participating mortgages, as described under the headings Development and Investment Holdings Partners and Supplemental Information in this MD&A, are paid subject to the development project's or investment's cash available for distribution. Additional distributions may not be received until after the development completion dates or the unit sale closing dates.

2.3 LENDING PORTFOLIO

We invest in mortgages and loans secured by all types of residential and commercial real estate property that represent an acceptable underwriting risk to the Trust. Working within our risk parameters, we also invest in higher-yielding development and construction loans, bridge loans and mezzanine loans, where we are comfortable with the underlying security, guarantees and covenants of the borrower.

We record lending portfolio investments initially at fair value, including upfront lender fees. Subsequent to initial recognition, lending portfolio investments are measured at amortized cost using the effective interest rate method less any impairment losses. A lending portfolio investment is considered to be impaired if there has been a deterioration of credit quality subsequent to its initial recognition such that we no longer have reasonable assurance as to the timely collection of the full amount of principal and interest. In certain instances, the lending portfolio investment is classified as FVTPL, requiring subsequent re-measurement at its fair value.

A summary of the lending portfolio segment results follows:

	Three months ended		Year-ended	
For the periods ended	**December 31, 2017**	December 31, 2016	**December 31, 2017**	December 31, 2016
Net income	**$ 1,318**	$ (81)	**$ 8,578**	$ 7,525

As at	**December 31, 2017**	December 31, 2016
Number of loans outstanding	**11**	15
Lending portfolio balance at amortized cost[(1)]	**$ 161,432**	$ 141,956
NAV	**158,758**	141,784
NAV per unit	**2.19**	1.96
Security allocation (1st mortgages/other)	**70.9% / 29.1%**	52.0% / 48.0%
Weighted average effective interest rate (year-end)	**9.0%**	8.6%
Weighted average face interest rate (year-end)	**8.7%**	8.0%
Weighted average remaining term to maturity (year-end) (years)	**1.22**	0.85

(1) Lending portfolio balances includes a loan of $10 million that is classified as FVTPL. As at December 31, 2017, fair value approximates amortized cost.

Net income of $1.3 million for the three months ended December 31, 2017 for the lending portfolio increased by $1.4 million when compared to the same period in the prior year. Net income of $8.6 million for the year ended December 31, 2017, increased by $1.1 million when compared to the same period in the prior year. The increase resulted primarily from a slightly higher loan balance and a lower loan loss provision compared to the prior year.

During the year ended December 31, 2017, approximately $38.5 million of legacy loans were repaid resulting in 100% of the total original loan portfolio being repatriated, compared to 80% at the beginning of the year. As well, during the year ended December 31, 2017, the Trust advanced $90.7 million at a weighted average effective interest rate of 10.1%. In relation to two new loans, the Trust received interest in advance of $3.6 million which will be amortized into income as earned in accordance with the loan terms. During the year ended December 31, 2017, the Trust recognized a loan loss provision of $4.8 million (2.9% of the lending portfolio balance). The provision relates to a loan the value of which was determined based on the net realizable value of the underlying real estate property, as supported by independent third party appraisals, and related transaction costs. The overall loan portfolio continues to be very liquid with a weighted average term to maturity at December 31, 2017 of 1.22 years.

The Trust has established a methodology for determining the adequacy of its loan loss provisions within the lending portfolio that is consistent with industry practices. The adequacy of the loan loss provision is assessed on a quarterly basis, taking into consideration factors such as:

- Delays in the collection of principal and interest;
- Value of the underlying security;
- The amount expected to be ultimately recovered, taking into account the probability of different outcomes and any legal or third party costs that may be incurred in the recovery process;
- Factors specific to the property, the borrower and economic and real estate market conditions relevant to the loan; and
- Any other specific factors that may apply to the particular loan based on our judgment and/or historical experience.

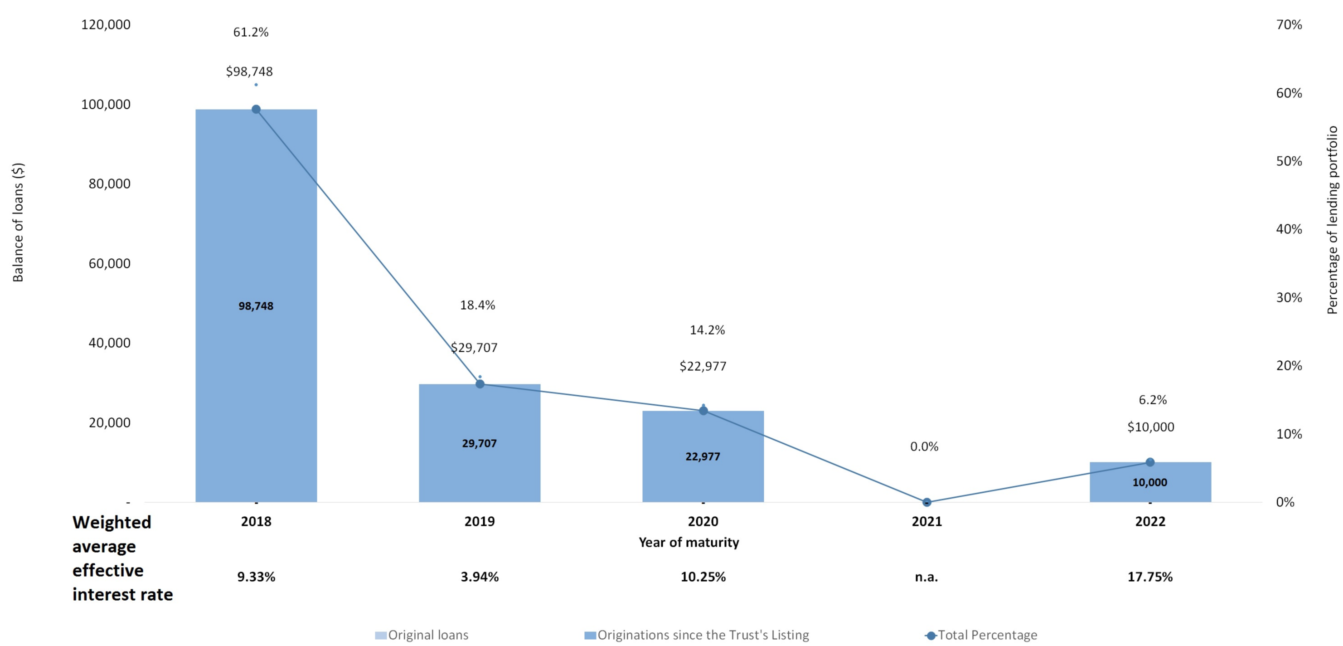
As at December 31, 2017, the lending portfolio consisted of 11 mortgages, real property loans and a corporate loan, aggregating to a total outstanding lending portfolio balance of $161.4 million.

The table below provides a continuity of the lending portfolio balance at amortized cost for the periods indicated:

For the periods ended December 31, 2017	For the three months ended	For the year-ended
Balance, beginning of period	**$ 174,861**	**$ 141,956**
Add (deduct):		
Lending portfolio advances	**12,122**	**90,698**
Changes in accrued interest receivable	**30**	**(152)**
Provision for lending portfolio losses	**(2,522)**	**(4,842)**
Interest capitalized to lending portfolio balance	**1,179**	**4,967**
Lender fees and extension fees received, net of amortization	**227**	**(583)**
Principal repayments at maturity and contractual repayments and prepayments	**(24,465)**	**(70,612)**
Balance, end of period	**$ 161,432**	**$ 161,432**

During the year ended December 31, 2017, the Trust advanced $90.7 million at a weighted average effective interest rate of 10.1%, compared to a weighted average effective interest rate of 8.3% on $70.6 million of principal repayments at maturity and contractual repayments and prepayments.

We continue to leverage our relationships and expertise to identify opportunities with attractive yields to balance the longer term returns within the lending portfolio. The Asset Manager actively manages the lending portfolio and may decide to renew and extend loans, including those with a maturity date of 12 months from the balance sheet date, in the normal course of business. The chart below summarizes the maturity profile dates of the lending portfolio at amortized cost:



The following table illustrates the number and proportion of the lending portfolio investments by property type based on amortized cost:

	December 31, 2017			December 31, 2016		
	No. of individual mortgages outstanding	**% of Total**	**Weighted average effective interest rate**	No. of individual mortgages outstanding	% of Total	Weighted average effective interest rate
Loans secured by development assets:						
Residential development	**5**	**43.1%**	**8.9%**	6	40.4%	9.0%
Corporate loan/other[1]	**1**	**6.2%**	**17.8%**	1	18.0%	10.7%
Land	**3**	**39.4%**	**9.7%**	2	13.9%	8.6%
Loans secured by income-producing assets:						
Hospitality	**—**	**—%**	**—%**	2	6.0%	6.0%
Industrial/Self storage	**1**	**9.1%**	**—%**	1	13.1%	7.7%
Retirement home	**—**	**—%**	**—%**	1	4.5%	—%
Retail	**—**	**—%**	**—%**	1	1.6%	6.8%
Office	**1**	**2.2%**	**9.5%**	1	2.5%	9.5%
Total	**11**	**100.0%**	**9.0%**	15	100.0%	8.6%

[1] Includes an unsecured corporate loan of $10.0 million as at December 31, 2017

Since the Trust's inception, the strategic focus of the Asset Manager has been to diversify and reduce the risk profile of the Trust’s original portfolio. Development loans have historically provided very attractive returns. We believe that we benefit from the Asset Manager's position as an active developer, such that our risk associated with originating development loans is reduced to a certain extent. As a result, the Trust's exposure to residential development and land loans located within the Vancouver area and the GTA has increased since inception. Traditional real estate lending continues to be valuable by providing a base return while we seek opportunities with more desirable risk-adjusted returns.

2.4 INCOME PROPERTIES AND INVESTMENTS

Revenue from income properties includes base rents, operating expenses and property tax recoveries, lease termination fees, parking income and ancillary income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. 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; a straight-line rent receivable is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period that the corresponding costs are incurred and collectability is reasonably assured. Other revenues are recorded as earned. Included in income properties is the Trust's investment in Dream Office REIT units, as the underlying assets are income properties.

As at December 31, 2017, the total income properties is comprised of two office properties co-owned with Dream Office Real Estate Investment Trust ("Dream Office REIT"), three wholly-owned properties and six industrial real estate properties co-owned with Dream Industrial REIT (TSX: DIR.UN). Michael Cooper, the Portfolio Manager of the Trust, who is also an officer and director of Dream Alternatives Master GP Inc., is a director of and is the Chief Responsible Officer of DAM, our Asset Manager, is a Trustee and Chair of Dream Office REIT, and is a Trustee of Dream Industrial REIT. DAM also acts as an asset manager for Dream Industrial REIT and provides management services to Dream Office REIT.

A summary of income properties and investments is included in the table below:

As at	**December 31, 2017**	December 31, 2016
NAV	**$ 156,462**	$ 241,585
NAV per unit	**2.16**	3.34
Income properties at IFRS fair value	**219,656**	479,401
Investment in Dream Office REIT units	**55,846**	—
Amortized balance of mortgages payable	**123,056**	243,939
Debt-to-gross asset value (income properties)	**43.0%**	49.6%

NAV as at December 31, 2017 was $156.5 million, a decrease of $85.1 million from December 31, 2016 due primarily to the sale of non core co-owned income properties during the year as further discussed on page 22, offset by the fair value gain of $3.3 million relating to the investment in Dream Office REIT units.

INCOME PROPERTIES

Summary of income properties as at December 31, 2017 (excluding Investments -refer to discussion below):

Property	Classification[1]	Property type	City	Trust's ownership	Total GLA (in sq.ft.)	Owned share of total GLA (in sq.ft.)	Average tenant size (in sq.ft.)	Asset value
GTA and Southwestern Ontario								
London City Centre	Non core	Office	London	60.0%	540,902	324,541	23,565	
Sussex Centre	Core	Office	Mississauga	50.1%	654,388	327,848	9,758	
10 Lower Spadina Ave.	Core	Office	Toronto	100.0%	60,652	60,652	4,685	
49 Ontario St.	Core	Office	Toronto	100.0%	87,105	87,105	43,553	
349 Carlaw Ave.	Core	Office	Toronto	100.0%	33,894	33,894	4,488	
Total GTA and Southwestern Ontario					**1,376,941**	**834,040**	**12,288**	**$ 210,581**
Western Canada								
1802 Stock Rd.	Core	Industrial	Regina	50.0%	46,157	23,079	46,157	
1105 Pettigrew Ave.	Core	Industrial	Regina	50.0%	12,234	6,117	12,234	
363 Maxwell Cres.	Core	Industrial	Regina	50.0%	23,415	11,708	23,415	
1640 Broder St.	Core	Industrial	Regina	50.0%	11,169	5,585	11,169	
2190 Industrial Dr.	Core	Industrial	Regina	50.0%	11,677	5,839	11,677	
125 McDonald St.	Core	Industrial	Regina	50.0%	14,080	7,040	5,062	
Total Western Canada					**118,732**	**59,368**	**16,396**	**$ 9,075**
Total income properties					**1,495,673**	**893,408**	**12,560**	**$ 219,656**

(1) Core income properties are considered those the Trust plans to hold for the long term. Non core income properties are considered non-strategic to management's long-term business plan

For the periods ended	Three months ended December 31, 2017	December 31, 2016	Year-ended December 31, 2017	December 31, 2016
Total income	$ 6,101	$ 13,819	$ 38,993	$ 56,775
NOI	2,940	6,206	17,851	26,690
Net income (loss)[1]	14,410	(22,416)	(13,227)	(21,329)
Income properties, excluding properties disposed during the period				
Total income[2]	6,075	5,623	24,285	21,801
NOI[3]	2,994	2,718	12,203	10,328
Net income (loss)[4]	12,116	(5,650)	17,012	(6,574)

[1] Excludes fair value adjustment to marketable securities of $2.8 million and $3.3 million for three months and year ended December 31, 2017, respectively
[2] Includes non core income property total income of $1.7 million and $7.0 million for the three months and year ended December 31, 2017, respectively
[3] Includes non core income property NOI of $0.7 million and $3.0 million for the three months and year ended December 31, 2017, respectively
[4] Includes non core income property net loss of $7.3 million and $8.2 million for the three months and year ended December 31, 2017, respectively

For the three months ended December 31, 2017, the Trust recorded net income of $14.4 million compared to a net loss position of $22.4 million in the same period in the prior year. The variance is due primarily to a $26.7 million fair value loss recorded in the same period in the prior year compared to a fair value gain of $11.0 million recorded in the three months ended December 31, 2017 as supported by independent third party appraisals. The fair value gain of $11.0 million recorded in the three months ended December 31, 2017 was attributable to both growth in NOI and cap rate compression in Toronto. For the year ended December 31, 2017 the net loss of $13.2 million was primarily due to the net fair value loss of $31.3 million recorded on the 14 non core co-owned income properties which was offset by the acquisition of both 10 Lower Spadina Avenue and 49 Ontario Street as the Trust increased its ownership of these two properties to 100% from 60% early in the first quarter of 2017.

During the three months and year ended December 31, 2017, net income, excluding income properties disposed during the period, increased by $17.8 million and $23.6 million, respectively. The increase was due to higher fair value gains recorded in the three months ended December 31, 2017 as well as the acquisition of both 10 Lower Spadina Avenue and 49 Ontario Street.

Operating statistics for the income properties portfolio are as follows:

As at	December 31, 2017	September 30, 2017[1]	December 31, 2016[1]
Total portfolio			
Number of properties	11	11	11
Owned GLA (in millions of sq.ft.)	0.9	0.9	0.8
Occupancy rate (period-end) — including committed	92.0%	92.3%	90.5%
Occupancy rate (period-end) — in-place	89.0%	90.8%	89.7%
Average tenant size (in sq.ft.)	12,560	12,930	13,147
Average in-place and committed base rent per sq.ft. (period-end)	13.09	13.40	12.92
Weighted average remaining lease term (years)	5.2	4.8	5.2

[1] Excludes co-owned non core income properties disposed during the year ended December 31, 2017

The committed occupancy rate, which includes committed leases, increased to 92% as at December 31, 2017, compared to 90.5% at December 31, 2016. The weighted average remaining lease term remained consistent at 5.2 years at December 31, 2017 (December 31, 2016 - 5.2 years) and increased comparing at 4.8 years at September 30, 2017. The increase in the weighted average remaining lease term since September 30, 2017 is due to the Trust renegotiating longer lease terms and negotiating new lease arrangements on certain of its remaining core income properties.

LEASING ACTIVITY AND INITIAL DIRECT LEASING COST AND LEASE INCENTIVES

Initial direct leasing costs include leasing fees and related costs and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces and cash allowances paid to tenants. Initial direct leasing costs and lease incentives incurred by the Trust are influenced by asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases, and leasing costs associated with office space are generally higher than costs associated with industrial and retail spaces. Due to the nature of these costs actuals will vary widely from quarter to quarter depending on the above noted factors.

During the year ended December 31, 2017, initial direct leasing costs and lease incentives incurred were $9.5 million compared to $7.9 million in the same period in the prior year. The initial direct leasing costs and lease incentives for the year ended December 31, 2017 included $8.0 million of cost relating to assets that have been sold or assets that are considered non core income properties. For those initial direct leasing costs related to assets disposed during the year, the costs where incorporated in the final purchase price adjustments.

During the three months ended December 31, 2017, approximately $0.2 million (three months ended December 31, 2016 - $0.9 million) of initial direct leasing costs and leasing incentives were attributable to leases that commenced during the period, representing an average cost of $9.63 per sq.ft. (three months ended December 31, 2016 - $19.45 per sq.ft.). During the year ended December 31, 2017, approximately $5.1 million (year ended December 31, 2016 - $2.9 million) of initial direct leasing costs and leasing incentives were attributable to leases that commenced during the period, representing an average cost of $19.98 per sq.ft. (year ended December 31, 2016 - $16.61 per sq.ft.). The overall increase year over year was primarily attributable to the lease incentives relating to the non core co-owned income properties.

The following are expiries net of committed renewals of the Trust's core income properties, in thousands of sq. ft. and as a percentage of total in-place and committed occupancy as at December 31, 2017:

(GLA in sq.ft.)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023+**	**Total**
Expiries[1]	(150,264)	(42,167)	(87,310)	(70,820)	(40,750)	(280,370)	**(671,681)**
Expiries committed for occupancy[1][2]	101,141	—	39,256	—	7,441	—	**147,838**
Expiries, net of committed renewals	**(49,123)**	**(42,167)**	**(48,054)**	**(70,820)**	**(33,309)**	**(280,370)**	**(523,843)**
Vacancies committed for new leases	—	—	—	—	—	20,657	**20,657**
Expiries, net of committed occupancy	**(49,123)**	**(42,167)**	**(48,054)**	**(70,820)**	**(33,309)**	**(259,713)**	**(503,186)**
Percentage of total in-place and committed occupancy	9.0%	8.0%	9.0%	14.0%	6.0%	54.0%	**100.0%**

[1] Expiries include current in-place expiries and future expiries committed for renewals
[2] Expiries committed for occupancy include renewals and relocation of tenants

INCOME PROPERTIES FAIR VALUES AND CONTINUITY

The table below provides a continuity of the income properties balance for the years indicated:

For the year ended	**December 31, 2017**	December 31, 2016
Balance, beginning of year	**$ 479,401**	$ 520,395
Add (deduct):		
Acquisition of properties	**18,147**	—
Disposition of properties	**(1,620)**	—
Building improvements – recoverable	**3,305**	4,121
Building improvements – non-recoverable	**96**	3,588
Lease incentives and initial direct leasing costs	**8,869**	7,871
Amortization of lease incentives	**(1,074)**	(866)
Fair value adjustments to income properties	**(24,841)**	(40,187)
Reclassified to assets held-for-sale	**(262,627)**	(15,521)
Balance, end of year	**$ 219,656**	$ 479,401

During the year ended December 31, 2017, the Trust acquired from Dream Office REIT a 40% interest in two co-owned properties, 10 Lower Spadina Avenue and 49 Ontario Street, in which it already held a 60% interest, for gross consideration of $18.4 million. The purchase price was funded through the assumption of mortgages payable, up financing of a maturing mortgage and cash on hand. Both properties are located in downtown Toronto and are currently operated as income properties, with a combined in-place and committed occupancy of 95.9% and a weighted average remaining lease term to maturity of 5.5 years and are expected to have attractive redevelopment potential in future years, aligning with the Trust's longer term objectives.

The table below provides a continuity of the assets held-for-sale balance for the years indicated:

For the year ended	**December 31, 2017**	December 31, 2016
Balance, beginning of period	**$ 4,055**	$ —
Add (deduct):		
Lease incentives and initial direct leasing costs	**601**	—
Amortization of lease incentives	**(61)**	—
Fair value adjustments to income properties	**1,974**	—
Disposition of properties	**(269,196)**	(11,466)
Reclassified from income properties	**262,627**	15,521
Balance, end of period	**$ —**	$ 4,055

As at December 31, 2017, the Trust sold its interest in 14 non core co-owned income properties. Gross proceeds from the sale of these properties were $281.6 million, before ordinary course purchase adjustments and transaction costs, which included

$4.8 million in units in the form of publicly traded securities of the purchaser. Net proceeds were $114.1 million, after transaction costs of $2.5 million and the repayment by the Trust or assumption by the purchaser of mortgages.

At the end of each reporting period, the Trust determines the fair value of income properties by either considering current contracted or bid prices, obtaining appraisals from qualified external professionals or using internally prepared valuations applying the income approach. Internally prepared valuations are performed by the Asset Manager who estimates the fair value of each income property using the most appropriate valuation methodology determined for each property on a highest and best use basis which, may include the overall capitalization method or the discounted cash flow method.

The overall capitalization method applies a capitalization rate ("cap rate") to stabilized NOI, which incorporates a market vacancy rate and adjustments to market rental rates. The resulting capitalized value is further adjusted for extraordinary costs, such as lease-up costs, non-recoverable capital expenditures, straight-line rents, the present value of above or below market rental rates over their respective terms, and other non-recurring items, where applicable. The cap rates used represent the Asset Manager's estimate of the market-determined cap rates, which are applied to stabilized NOI to determine a capitalized market value for the income properties. These values are adjusted as described above and cannot be compared to an implied cap rate determined from the Trust's financial statement results. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, and uses discount rates and terminal cap rates specific to each property.

On a quarterly basis, selected properties and key assumptions used in valuations are reviewed by the Asset Manager's internal valuation team. The Asset Manager's objective is to have each property valued by an independent valuator at least once every three years, if not earlier. For properties subject to an independent valuation report, the valuations team verifies all major inputs to the valuation and reviews the results with the independent valuators. Discussion of valuation processes, key inputs and results are held between the Trust and the valuations team at least once every quarter, in line with the Trust's reporting policies. As at the year ended December 31, 2017, income properties with a total fair value of $219.7 million were valued by an external third party independent appraiser.

During the year ended December 31, 2017, net fair value losses of $41.7 million related to non core co-owned income properties including those that were disposed during the year. Offsetting these fair value losses was approximately $18.8 million of net fair value gains related to the core income properties supported by third party independent appraisals.

Income properties, excluding assets held-for-sale, are measured at fair value using the income approach, which is derived from the overall capitalization rate method or discounted cash flow method. The Trust determines the fair value of income properties classified as assets held-for-sale by considering the current contracted sale prices, as management has committed to a plan of sale of the underlying properties and the sale of these properties is considered highly probable. The fair values of income properties, excluding assets held-for-sale, were determined by using capitalization rates ("cap rates") of 4.3% to 8.0% (December 31, 2016 – 5.0% to 8.0%), resulting in a weighted average cap rate of 6.1% (December 31, 2016 – 6.4%) and discount rates of 5.8% to 9.3% (December 31, 2016 – 5.8% to 9.0%).

Income properties with a fair value of $219.7 million as at December 31, 2017 (December 31, 2016 – $478.2 million) are pledged as security for related mortgages.

TENANT BASE PROFILE

Our total portfolio tenant base includes a wide range of high-quality large international corporations and various recognizable businesses operating across Canada. As at December 31, 2017, the Trust has 106 tenants and an average tenant size at the Trust's share of 12,560 sq.ft. (December 31, 2016 – 11,085 sq.ft.).

The following table outlines the top five tenants, within the core income properties, based on the percentage of total core GLA sq. ft. they represent:

Top five tenants	Number of buildings	GLA (in sq.ft.)[1]	% of Total core GLA	% of Total core income properties revenue[2]	Remaining lease term (years)
Technicolor Creative Services	1	83,770	10.2%	12.9%	5.2
Edward D. Jones & Co.	1	39,256	4.8%	5.8%	5.3
Community Door Network Service	2	29,109	3.5%	3.5%	3.8
Rexel Canada Electrical Inc.	1	23,079	2.8%	1.4%	5.4
First Canadian Title Company Limited	1	18,244	2.2%	2.2%	5.2
Total		**193,458**	**23.5%**	**25.8%**	**5.1**

[1] GLA is stated at the Trust's owned share

[2] Annualized based on billing rates as of December 31, 2017

INVESTMENTS

During the year ended December 31, 2017, the Trust invested in publicly traded units in Dream Office REIT through the acquisition of 2,520,147 units, totalling $55.8 million. These investments are classified as FVTPL in the consolidated financial statements. During the three months and year ended December 31, 2017, the Trust recorded a fair value gain of $2.8 million and $3.3 million, respectively, related to this investment. The Trust's investment in Dream Office REIT represents 3.3% of total units outstanding. Together with DAM, the Trust's Asset Manager and the Trust's Portfolio Manager, the total joint ownership of Dream Office REIT was approximately 18.8% as at February 26, 2018.

2.5 RENEWABLE POWER

Our renewable power segment includes a solar rooftop portfolio, a solar ground-mount portfolio and two wind power portfolios. All projects within these portfolios have an initial 20-year term with the government or regulated utility Power Purchase Agreements ("PPA"), allowing the sale of generated electricity at a fixed contract rate above the market rate, resulting in stable and predictable rates for all electricity generated.

The operating results of the renewable power segment are subject to seasonal variations. Wind production typically is best in the winter months while solar production tends to generate higher output in the summer months.

A summary of the renewable power segment results follows:

	Three months ended		Year-ended	
For the periods ended	**December 31, 2017**	December 31, 2016	**December 31, 2017**	December 31, 2016
Total income	**$ 3,849**	$ 2,712	**$ 17,522**	$ 12,906
Net income	**398**	263	**4,538**	4,386

As at	**December 31, 2017**	December 31, 2016
Renewable power assets	**$ 135,514**	$ 132,794
NAV	**78,834**	87,697
NAV per unit	**1.09**	1.21
Installed capacity (operational) (MW)[(1)(2)]	**22.4**	20.9

(1) Installed capacity (MW) is the maximum amount of electrical power in megawatts that the renewable power projects held by the Trust are capable of generating once operational

(2) Prorated based on the Trust's ownership percentage or economic interest

Net income for the three months and year ended December 31, 2017 of $0.4 million and $4.5 million, respectively, was relatively stable compared to the same periods in the prior year. The renewable power portfolio was fully operational and the Trust acquired 13 additional wind turbines during the year ended December 31, 2017 which resulted in increased contribution compared to the prior year. Offsetting the aforementioned was an increase in interest expense stemming from the financing of six Ontario Ground Mount Solar projects for gross proceeds of approximately $32.7 million of a 19.5 year non-recourse debt during the year ended December 31, 2017. The additional project financing, as more fully described in the Capital and Liquidity section of this MD&A, will result in a decrease in net income contribution from the segment due to higher interest costs. The net impact after considering the repatriation of equity from permanent financing proceeds is expected to have an improved return on equity on a total portfolio basis.

The table below provides a continuity of the renewable power asset balance for the period indicated:

For the three months ended December 31, 2017	**Solar power**	**Wind power**	**Total**
Balance as at September 30, 2017	$ 84,566	$ 52,371	**$ 136,937**
Additions	(313)	112	**(201)**
Depreciation	(872)	(633)	**(1,505)**
Foreign currency gain (loss)	—	283	**283**
Balance as at December 31, 2017	**$ 83,381**	**$ 52,133**	**$ 135,514**

For the year ended December 31, 2017	**Solar power**	**Wind power**	**Total**
Balance as at December 31, 2016	$ 83,169	$ 49,625	**$ 132,794**
Acquisitions/Additions	3,669	4,383	**8,052**
Depreciation	(3,457)	(2,304)	**(5,761)**
Foreign currency gain (loss)	—	429	**429**
Balance as at December 31, 2017	**$ 83,381**	**$ 52,133**	**$ 135,514**

NAV was $78.8 million as at December 31, 2017, down from $87.7 million as at December 31, 2016. Approximately $30.1 million of debt refinancing proceeds received during the year ended December 31, 2017, pursuant to the Ontario Ground Mount Solar project is not included within the renewable power net assets, as the proceeds were redeployed to other segments, contributed to the decline in NAV. Offsetting this decline was the fair value gain of $11.8 million primarily attributable to yield compression with respect to both the Ontario Ground Mount Solar portfolio and the U.K. wind portfolio, as supported by independent third party appraisals, as more fully described below. Also increasing the NAV is the acquisition by the Trust during the year ended

December 31, 2017, of the non-controlling interest in the wind power projects located in the U.K. increasing the Trust's ownership to 100% as well as acquiring an additional 13 wind turbines for a total purchase price of approximately $4.1 million.

RENEWABLE POWER FAIR VALUE ADJUSTMENT INCLUDED IN NAV - METHODOLOGY

The Trust records its renewable power wind and solar assets at cost less accumulated depreciation and impairment charges, if any, within its financial statements. In determining NAV, a non IFRS measure, the Trust reflects a fair value adjustment, which takes into consideration any reduction in the risk profile of the renewable power projects developed by the Trust once they become operational and long-term financing is arranged as well reflects recent market information that would indicate a change in the renewable power portfolio market value (subject to appraisals). The Trust believes that incorporating a fair value adjustment is a more useful measure to value the renewable power portfolio that would not ordinarily be captured within IFRS and the Trust's consolidated financial statements.

The Trust intends to obtain independent third party appraisals annually or as significant events impacting the renewable portfolio have occurred or been achieved. Internal revaluations are made on a quarterly basis to reflect up to date inputs and the remaining power purchase agreement term. The market value for each operational renewable power project is determined using a discounted cash flow model. The model incorporates assumptions, which include future cash flows from in-place PPAs, estimates of anticipated long-term average electricity generation, and estimated operating and capital expenditures.

As at December 31, 2017, the renewable power portfolio NAV includes a total fair value adjustment of $11.8 million. During the year ended December 31, 2017, the fair value adjustment was primarily attributable to yield compression with respect to both the Ontario Rooftop Solar portfolio and the U.K. wind portfolio. In addition a decline in the risk profile of both the Ontario Ground Mount Solar portfolio and the Nova Scotia Wind project due to the shift from pre-development/construction to operating phase contributed to the positive fair value adjustment. As at December 31, 2017, the Trust obtained independent third party appraisals in order to determine the fair value adjustment which was calculated using a discounted cash flow model.

This methodology is generally consistent with industry practices. The fair value adjustment on the NAV of $11.8 million, as at December 31, 2017, represented an approximately 9% fair value increase to the carrying value of the projects including debt and will be amortized over the term of the respective PPAs. Based on comparable assets and trading valuation of public wind and solar companies, management believes the implied valuation is within a reasonable range, with consideration to a discount for smaller scale projects.

RENEWABLE POWER PROJECTS

Below is a summary of our renewable power projects:

	Number of projects	Economic interest	Installed capacity (MW)[1]	Weighted average remaining PPA (years)	Commercial operational date[2]	Carrying value[3]	Fair value adjustments included in NAV	Debt, net of unamortized financing fees
Operational projects								
Ontario Rooftop Solar	10	100%	3.2	17.0	Q2 2014 – Q3 2015	$ 13,034	$ 3,766	$ —
United Kingdom Wind	45	100%	3.8	16.8	Q2 2013 – Q3 2016	20,022	3,878	—
Nova Scotia Wind	3	80%	10.6	17.8	Q4 2015	32,111	2,990	26,534
Ontario Ground Mount Solar	10	100%	4.8	18.6	Q4 2015 - Q4 2016	70,347	1,139	50,186
Total as at December 31, 2017			**22.4**	**17.7**		**$ 135,514**	**$ 11,773**	**$ 76,720**
Total as at December 31, 2016			**20.9**	**18.7**		**$ 132,794**	**$ 4,523**	**$ 48,875**

(1) Prorated based on the Trust's ownership percentage or economic interest
(2) Commercial operational date is based on the commencement of the PPA agreement
(3) Carrying value represents the renewable power assets as reflected on the consolidated statement of financial position and therefore is presented, including the non-controlling interest, net of accumulated amortization where applicable

2.6 CONSOLIDATED TRUST REVIEW OF TOTAL COMPREHENSIVE INCOME (LOSS)

The table below presents a summarized consolidated statement of comprehensive income (loss) for the periods indicated:

	Three months ended		Year-ended	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
TOTAL INCOME	**$ 14,471**	$ 26,338	**$ 67,524**	$ 98,955
TOTAL EXPENSES	**(13,842)**	(19,345)	**(62,320)**	(68,408)
Fair value adjustments to income properties	**10,956**	(26,671)	**(22,867)**	(40,187)
OPERATING INCOME (LOSS)	**11,585**	(19,678)	**(17,663)**	(9,640)
Other interest income	**1,300**	523	**2,647**	1,572
Transaction costs	**(45)**	—	**(2,817)**	(3,475)
Fair value adjustments to marketable securities	**2,844**	—	**3,277**	—
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	**15,684**	(19,155)	**(14,556)**	(11,543)
INCOME TAX (EXPENSE) RECOVERY				
Current	**15**	2	**7**	284
Deferred	**678**	3,774	**5,077**	(2,105)
TOTAL INCOME TAX (EXPENSE) RECOVERY	**693**	3,776	**5,084**	(1,821)
NET INCOME (LOSS)	**16,377**	(15,379)	**(9,472)**	(13,364)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**370**	685	**900**	(3,698)
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ 16,747**	$ (14,694)	**$ (8,572)**	$ (17,062)

TOTAL INCOME

Total income for the three months ended December 31, 2017 of $14.5 million decreased by $11.9 million when compared to the same period in the prior year. Total income for the year ended December 31, 2017 of $67.5 million decreased by $31.4 million when compared to the same period in the prior year. The decrease resulted primarily from the sale of the non core co-owned income properties during the year, as well as the net fair value gain recognized in the prior year related to the Empire residential development holdings as they completed significant milestones and progressed closer to completion, particularly the Empire Brampton project. This was offset by an increase in renewable power revenue due to the projects being fully operational and the acquisition of an additional 13 wind turbines within the wind power projects located in the U.K.

TOTAL EXPENSES

Total expenses in the consolidated statement of comprehensive income (loss) include income properties operating expenses, renewable power operating expenses, interest expense, provision for lending portfolio losses and general and administrative expenses.

Total expenses for the three months and year ended December 31, 2017 of $13.8 million and $62.3 million, respectively, decreased by $5.5 million and $6.1 million, respectively, when compared to the same period in the prior year. The decrease was primarily due to lower income property operating expenses resulting from the sale of the non core co-owned income properties. This was partially offset by an increase in renewable power operating expenses due to the projects being fully operational and the acquisition of an additional 13 wind turbines within the wind power projects located in the U.K.

The change in total expenses can be further explained by the change in the various components as follows:

INTEREST EXPENSE

Interest expense for the three months ended December 31, 2017 of $2.2 million remained relatively consistent when compared to the same period in the prior year. Interest expense for the year ended December 31, 2017 of $11.6 million increased by $1.4 million when compared to the same period in the prior year. The increase was mainly due to higher interest expense related to a higher average debt balance associated with the renewable power project financings.

PROVISION FOR LENDING PORTFOLIO LOSSES

During the three months ended December 31, 2017, a provision for lending portfolio loss of $2.5 million was recorded, compared to $3.6 million recorded in the same period in the prior year. During the year ended December 31, 2017, a provision for lending portfolio loss of $4.8 million was recorded compared to $6.3 million recorded in the prior year. The provision recorded during the year ended December 31, 2017 relates to a loan, the value determined based on the net realizable value of the underlying real estate property, which was valued by an external independent appraisal, and related transaction costs.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months and year ended December 31, 2017 of $3.4 million and $15.3 million, respectively, remained relatively consistent when compared to the same period in the prior year.

FAIR VALUE ADJUSTMENTS TO INCOME PROPERTIES

Fair value gains for the three months ended December 31, 2017 were $11.0 million compared to fair value loss of $26.7 million from the same quarter in the prior year. Fair value losses for the year ended December 31, 2017 were $22.9 million compared to $40.2 million in the prior year. For additional details, refer to the Reportable Operating Segments Results of Operations - Income Properties and Investments section of this MD&A.

TRANSACTION COSTS

Transaction costs during the three months ended December 31, 2017 were minimal and consistent with the same period in the prior year which is in line with the activity for both periods. Transaction costs during the year ended December 31, 2017 were $2.8 million, down from $3.5 million in the prior year. During the year ended December 31, 2017 the Trust incurred transaction costs primarily related to disposition costs associated with the sale of the various non core assets. The year over year results are not comparable as the prior year results included management's best estimate of certain non-recurring transaction costs applicable to the transaction underlying the formation of the Trust in 2014, which was treated as a business combination.

INCOME TAX EXPENSE (RECOVERY)

For the three months ended December 31, 2017, income tax recovery was $0.7 million compared to an income tax recovery of $3.8 million for the same period in the prior year.

For the year ended December 31, 2017, income tax recovery was $5.1 million, which related to deferred income taxes and compares to an income tax expense of $1.8 million for the same period in the prior year. The year over year change is primarily due to increased loss position in the current year compared to the prior year resulting from the various dispositions.

Due to the Trust's diversified asset mix and active asset management strategy, we expect some degree of variability in current and deferred income tax expense recognized each quarter through the consolidated statement of comprehensive income (loss) resulting in an income tax expense (recovery) position. The Trust intends to actively manage the portfolio in a tax efficient manner.

We are subject to income taxes both federally and provincially in Canada. Significant judgments and estimates are required in the determination of the Company's tax balances. Our income tax expense and deferred tax liabilities reflect management's best estimate of current and future taxes to be paid. The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the interpretation and application of tax laws taken by the Company in its tax filings.

TAX ATTRIBUTES

INCOME PROPERTIES

We deduct mortgage interest and available tax depreciation on our buildings from our Canadian income properties that generate taxable net operating income. These deductions contribute to the overall tax efficiency of our structure and, in particular, the tax depreciation helps provide the Trust with tax-sheltered cash flow. Any change in the fair value of income properties is not recognized in the determination of current taxes until the sale of the asset.

RENEWABLE POWER

The *Income Tax Act* (Canada) makes available "green" energy tax incentives to the renewable energy sector. Certain pre-development and soft costs that are not normally deductible, known as Canadian renewable and conservation expenses ("CRCE"), are deductible against other sources of income in the year they are incurred. Non-CRCE project costs that are not otherwise currently deductible are included in the cost of the depreciable property and are eligible for maximum tax depreciation rates of between 30% and 50%, which can be used to help offset income for approximately eight to 12 years once the project becomes operational.

TOTAL OTHER COMPREHENSIVE INCOME (LOSS)

During the three months ended December 31, 2017, total other comprehensive income was $0.4 million a decrease of $0.3 million compared to the same period in the prior year. During the year ended December 31, 2017, total other comprehensive income was $0.9 million compared to a total other comprehensive loss of $3.7 million for the same period in the prior year. This was mainly due to unrealized foreign currency gains incurred on the renewable power net investment in the U.K. as a devaluation of the British pound relative to the Canadian dollar, which occurred in the same period of the prior year, did not recur in the three months and year ended December 31, 2017. As well, the Trust settled the derivative financial liability in the first quarter of 2017 and as such the variance is due to a combination of changes in market rates resulting in a favourable fair value adjustment as at the settlement of the derivative in the first quarter of 2017 and no further fair value adjustments to record in the year compared to the prior year.

2.7 RELATED PARTY TRANSACTIONS

The Trust and its subsidiaries enter into transactions with related parties that are disclosed in Note 26 to the consolidated financial statements.

2.8 SELECTED ANNUAL INFORMATION

The Trust's consolidated financial statements have been prepared in accordance with IFRS and are presented in Canadian dollars.

For the year ended December 31,		**2017**		2016		2015
TOTAL INCOME	**$**	**67,524**	$	98,955	$	90,114
NET INCOME (LOSS)		**(9,472)**		(13,364)		18,930
TOTAL NET INCOME ATTRIBUTABLE TO						
Unitholders	**$**	**(10,319)**	$	(13,694)	$	18,976
Non-controlling interest		**847**		330		(46)
TOTAL NET INCOME (LOSS)	**$**	**(9,472)**	$	(13,364)	$	18,930
TOTAL NET INCOME (LOSS) before depreciation	**$**	**(3,891)**	$	(9,596)	$	19,884

As at December 31,		**2017**		2016		2015
Total assets	**$**	**853,265**	$	991,598	$	997,555
Total non-current liabilities		**196,618**		223,034		239,536
Total unitholders' equity		**607,278**		645,738		693,167
NAV(1)		**643,999**		652,848		695,790
Annualized distributions per unit		**0.40**		0.40		0.40
Net income (loss) per unit		**(0.13)**		(0.18)		0.26
Net income (loss) per unit before depreciation		**(0.05)**		(0.14)		0.27
Total unitholders' equity per unit		**8.39**		8.92		9.55
NAV per unit(1)		**8.89**		9.02		9.59

(1) NAV and NAV per unit have been restated in the comparative periods to conform to current period presentation. Please refer to the Non-IFRS Measures and Other Disclosure section of the MD&A

Since the inception of the Trust, approximately 61% of the original portfolio has been repatriated, including the entire original lending portfolio. During the year ended December 31, 2017, upon the successful completion of the dispositions, the Trust has repatriated cumulative equity of $284.2 million in 2017, after transaction costs and closing adjustments, of which $254.5 million relates to legacy investments.

3. DISTRIBUTION MEASURES

In any given period, the Trust anticipates that actual distributions paid and payable may differ from cash generated from operating activities. This difference is driven by a number of factors including the impact of leasing incentives and initial direct leasing costs which can fluctuate with lease maturities, renewal terms and the type of asset being leased; changes in non-cash working capital; cash flow from certain development holdings; and the longer term nature and investment return profile of development holdings. Because of this variability, the Trust evaluates its distribution policy considering these factors, among others.

As we continue to implement our longer term strategy, which includes expanding the development and investment holdings segment of our portfolio, the Trust expects that for the foreseeable future cash generated from operating activities will fluctuate from period to period and may differ from distributions paid and payable. Because of the long term nature of the projects in the development and investment holdings segment, cash generated from operating activities from this segment generally does not occur until later in the operating life cycle of the development holdings. However, these cash flows are relevant in the determination of distributions as cash flows relating to the project will ultimately be fully received at project completion. The Trust considers these factors in evaluating its distribution policy as well as its assessment of cash generated from operating activities over the longer term.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following tables outline the differences between cash generated from operating activities and distributions paid and payable in accordance with the guidelines.

	Three months ended		Year-ended	
For the periods ended	**December 31, 2017**	December 31, 2016	**December 31, 2017**	December 31, 2016
Cash generated from (utilized in) operating activities	**$ 7,775**	$ 7,874	**$ 11,840**	$ 13,980
Distributions paid and payable	**$ 7,918**	$ 7,247	**$ 29,155**	$ 28,972
Excess (Shortfall) of cash generated from (utilized in) operating activities over distributions paid and payable	**$ (143)**	$ 627	**$ (17,315)**	$ (14,992)

For the three months ended December 31, 2017, distributions paid and payable was in a shortfall position compared to cash generated from operating activities by $0.1 million (three months ended December 31, 2016 – $0.6 million excess position). For the year ended December 31, 2017, distributions paid and payable was in a shortfall position compared to cash generated in operating activities by $17.3 million (year ended December 31, 2016 – $15.0 million shortfall).

The following table summarizes net income (loss) and total distributions paid and payable for the periods indicated:

	Three months ended		Year-ended	
For the periods ended	**December 31, 2017**	December 31, 2016	**December 31, 2017**	December 31, 2016
Net Income (Loss)	**$ 16,377**	$ (15,379)	**$ (9,472)**	$ (13,364)
Distributions paid and payable	**$ 7,918**	$ 7,247	**$ 29,155**	$ 28,972
Excess (Shortfall) of net income (loss) over distributions paid and payable	**$ 8,459**	$ (22,626)	**$ (38,627)**	$ (42,336)

For the three months ended December 31, 2017, the Trust's net income was in excess of distributions paid and payable by $8.5 million (three months ended December 31, 2016 – shortfall of $22.6 million). For the year ended December 31, 2017, the Trust's distributions paid and payable was in a shortfall compared to a net loss position by $38.6 million (year ended December 31, 2016 – shortfall of $42.3 million).

Certain assets and liabilities are recognized at fair value in the consolidated financial statements. Unrealized fair value adjustments and other non-cash items are included in net income (loss) and can fluctuate from period to period. As a result, the Trust anticipates that distributions declared will, in the foreseeable future, continue to vary from net income (loss). The total unrealized fair value adjustments and other non-cash items included in net income (loss) in the consolidated financial statements for the periods indicated are summarized in the table below:

	Three months ended		Year-ended	
For the periods ended	**December 31, 2017**	December 31, 2016	**December 31, 2017**	December 31, 2016
Total adjustments to fair values and other non-cash items included in net income (loss)	**$ (9,688)**	$ 20,348	**$ 25,790**	$ 37,615

The total adjustments to fair values and other non-cash items included in net income (loss) are comprised of: deferred income tax expense, fair value adjustments on income properties, provision for lending portfolio losses, fair value adjustments in development and investment holdings, share of income (loss) from equity accounted investments, and other non-cash items.

The Trust funds its working capital needs and investment in lease incentives and initial direct leasing costs with cash on hand and its existing revolving credit facility. As at December 31, 2017, the Trust had cash on hand of $60.9 million and $43.3 million of undrawn credit capacity on its revolving credit facility. To the extent that there are shortfalls in cash flow relative to distributions paid and payable, the Trust may use the existing revolving credit facility as a source of funding. The use of the Trust's revolving credit facility may involve risks as compared with using cash on hand as a source of funding, such as the risk that interest rates may rise in the future which may make it more expensive for the Trust to borrow under its revolving credit facility, and the risk associated with increasing the overall indebtedness of the Trust. The Trust does not anticipate cash distributions will be suspended in the foreseeable future but does expect that there could be timing differences as a result of the development holdings as discussed above which do not contribute to cash flow from operating activities until they are completed. Accordingly, distributions are considered an economic return of capital until cash distributions from completed development projects are received in future years. The Asset Manager reviews the estimated annual distributable cash flow with the Board of Trustees to assist the Board in determining the targeted distribution amount, taking into consideration the duration of the current assets within the Trust's portfolio and the future investment strategy.

Our DRIP entitles unitholders to reinvest all cash distributions into additional units. Of the distributions paid and payable, for the three months and year ended December 31, 2017, $1.4 million and $4.7 million, respectively, was reinvested into the DRIP. Over time, reinvestments pursuant to the DRIP will increase the number of units outstanding, which may result in an increase in the total amount of cash distributions. Our Declaration of Trust provides our Trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust, which allows for any unforeseen expenditures and the variability in cash distributions as a result of additional units issued pursuant to the Trust's DRIP.

4. CAPITAL RESOURCES AND LIQUIDITY

Our financial position is summarized below:

As at		December 31, 2017		December 31, 2016
Consolidated financial position				
Total unitholders' equity	**$**	**607,278**	$	645,738
Total unitholders' equity per unit		**8.39**		8.92
NAV[2]		**643,999**		652,847
NAV per unit[2]		**8.89**		9.02
Total contractual debt payable[1]		**203,318**		308,361
Total assets		**853,265**		991,598
Cash		**60,927**		11,757

(1) Included a revolving credit facility that matures July 31, 2019. As at December 31, 2017, there were no funds drawn on the facility.

(2) NAV and NAV per unit have been restated in the comparative periods to conform to current period presentation. Please refer to the Non-IFRS Measures and Other Disclosure section of the MD&A

The Trust's primary sources of financing are cash generated from operating activities, lending activities, debt financing and refinancing, and project financing. Our primary uses of capital include: investments in development and investment holdings, equity accounted investments and renewable power assets, debt principal repayments, interest payments, property acquisitions, mortgage lending, distributions, costs of attracting and retaining tenants, recurring property maintenance and major property improvements. It is the Trust's objective to meet all of our ongoing obligations with current cash, cash flows generated from operating activities, cash from maturing lending portfolio investments, cash from financing and refinancing activities. The Trust's revolving credit facility provides additional liquidity and flexibility in support of operations.

SUMMARY OF DEBT

As at December 31, 2017 and December 31, 2016, total debt was comprised of the following:

As at		December 31, 2017		December 31, 2016
Mortgages payable	**$**	**123,750**	$	243,261
Term loans		**79,568**		50,100
Revolving loan facility		**—**		15,000
Total contractual debt payable	**$**	**203,318**	$	308,361
Unamortized balance of premium on mortgages payable		**—**		1,183
Unamortized balance of deferred financing costs		**(3,541)**		(1,745)
Total debt	**$**	**199,777**	$	307,799

Total debt decreased by $108.0 million during the year ended December 31, 2017, mainly as a result of mortgage payables of $149.3 million that were repaid or assumed by the purchaser as part of the sale of non core co-owned income properties. This was partially offset by an increase in renewable power term debt and refinancing of three mortgages payable within income properties, net of regular principal repayments.

We use the following cash flow performance and debt level indicators to assess our ability to meet or refinance our debt obligations:

As at		December 31, 2017		December 31, 2016
Weighted average effective interest rate (year-end)[1]		**3.8%**		3.5%
Weighted average face rate of interest (year-end)[1]		**3.6%**		3.8%
Debt due within one year	**$**	**4,683**	$	91,284
Interest coverage ratio[2][3] (times)		**3.72**		3.65
Debt-to-gross asset value		**23.8%**		31.2%
Debt – average term to maturity (years)		**9.50**		5.15

(1) Weighted average effective interest rate is calculated as the weighted average face rate of interest, net of amortization of debt premiums and financing costs of interest bearing debt weighted by the size of the respective interest bearing debt instruments in the portfolio

(2) For the Trust's definition and reconciliation of the non-IFRS measure of interest coverage ratio, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

(3) Calculated for the rolling four fiscal quarter basis as at December 31, 2017 and December 31, 2016

The average term to maturity of debt increased when compared to December 31, 2016, mainly as a result of the new long term project financing of renewable power debt, as discussed on page 24 of the MD&A. The Trust expects to refinance the debt due within one year, if any, in the normal course as the underlying mortgages and the credit facility mature. During the year ended December 31, 2017, the revolving credit facility was renewed and extended to July 31, 2019.

The debt-to-gross asset value as at December 31, 2017 decreased to 23.8% when compared to December 31, 2016, primarily due to the sale of non core co-owned income properties and fair value adjustments recorded to income properties and the repayment of debt. This was expected and management believes this is a conservative position.

Principal repayments and maturity balances on total debt to be repaid each year are as follows:

Debt maturities	Outstanding balance due at maturity	Scheduled principal repayments	Total maturity balance and principal repayments	% of Total debt maturities and principal repayments	Weighted average effective interest rate on balance due at maturity	Weighted average face rate on balance due at maturity
Mortgages payable and term loans						
2018	$ —	$ 4,683	$ 4,683	2.3%	—%	—%
2019	27,000	5,627	32,627	16.1%	3.7%	3.2%
2020	5,043	6,594	11,636	5.7%	3.5%	3.3%
2021	10,329	6,182	16,512	8.1%	3.1%	3.1%
2022	71,993	5,005	76,998	37.9%	3.3%	3.2%
2023 and thereafter	—	60,862	60,862	29.9%	4.4%	4.4%
Subtotal before undernoted	$ 114,365	$ 88,953	$ 203,318	100.0%	3.8%	3.6%
Unamortized balance of deferred financing costs (net)	(3,541)		(3,541)			
Total debt	**$ 110,824**	**$ 88,953**	**$ 199,777**			

During the year ended December 31, 2017:

- $137.5 million of mortgages payable, previously included in liabilities related to assets held-for-sale, were assumed by the purchaser in relation to the sale of non core co-owned income properties,
- The Trust closed a second tranche of long term permanent financing for two additional Ontario Ground Mount Solar projects for proceeds of $10.6 million, net of deferred financing fees of $0.5 million. The financing was secured on a non-recourse basis at a fixed face rate of 4.5% and amortizes over a 19.5 year term. The Trust also closed on the final tranche for the remaining four Ontario solar projects for proceeds of $20.7 million, net of deferred financing fees of $1.0 million. The financing was secured on a non-recourse basis at a fixed rate of 4.3% and amortizes over a 19.5 year term,
- $20.0 million mortgage payable at a 3.20% fixed face rate was secured for a five year term on one of the income properties, which replaced a $9.2 million maturing mortgage at a 5.7% fixed face rate generating an additional gross proceeds of $10.8 million. An additional two mortgages payable were refinanced for a total of $87.1 million, resulting in additional total proceeds of approximately $24.9 million, net of $0.7 million of deferred financing costs,
- lump sum and regular repayments of mortgages payable and term loans totaled $29.8 million and the Trust incurred debt settlement costs of $1.3 million,
- the revolving credit facility was repaid at a net amount of $15.1 million, and
- $6.5 million of mortgages payable were assumed upon the Trust's acquisition of income properties.

REVOLVING CREDIT FACILITY

A demand revolving credit facility (the "facility") is available up to a formula-based maximum not to exceed $50.0 million. The available credit under the facility, as determined by the formula, was $45.0 million as at December 31, 2017 compared to $43.0 million as at December 31, 2016. The facility is in the form of a rolling one-month Bankers' Acceptance ("BA"), and bears interest at the BA rate plus 2.0% or at the bank's prime rate plus 1.0% (3.2% as at December 31, 2017, 2.7% as at December 31, 2016), payable monthly. During the year ended December 31, 2017, the revolving credit facility was renewed and the maturity date was extended to July 31, 2019.

As at December 31, 2017, there were no funds drawn on the revolving credit facility (December 31, 2016 – $15.0 million) and funds available under this facility were $$43.3 million (December 31, 2016 – $22.9 million), as determined by the formula-based maximum calculation, net of $1.7 (December 31, 2016 – $4.2 million) of letters of credit issued against the facility and net of an amount applied against the facility equal to the unrealized fair value loss on the derivative financial liability of $nil (December 31, 2016 – $0.8 million).

TOTAL EQUITY

As at December 31, 2017, the Trust had 72,417,786 units outstanding and a unitholders' equity balance of $607.3 million. The number of units outstanding increased from December 31, 2016 as a result of deferred units exchanged for Trust units and units issued under the Distribution Reinvestment and Unit Purchase Plan ("DRIP") partially offset by the repurchase of units pursuant to the normal course issuer bid as more fully discussed below.

	December 31, 2017		December 31, 2016	
As at	**Number of units**	**Amount**	Number of units	Amount
Unitholders' equity	**72,417,786**	**$ 592,269**	72,351,722	$ 593,911
Retained earnings		**19,259**		56,977
Accumulated other comprehensive income (loss)		**(4,250)**		(5,150)
Total Unitholders' equity	**72,417,786**	**$ 607,278**	72,351,722	$ 645,738
Non-controlling interests		**1,948**		1,588
Total equity		**$ 609,226**		$ 647,326

The following table summarizes the changes in the outstanding units:

	Units
Total units outstanding on December 31, 2016	72,351,722
Units issued pursuant to the DRIP	773,732
Deferred units exchanged for Trust units	92,562
Cancellation of Trust's units	(800,230)
Total units outstanding on December 31, 2017	**72,417,786**

As at February 26, 2018, 72,373,606 Trust units were outstanding.

The deferred unit incentive plan ("DUIP") provides for the grant of deferred trust units ("DTUs") to trustees of the Trust, officers and employees as well as affiliates, including the Asset Manager. DTUs are granted at the discretion of the trustees of the Trust and receive distributions in the form of income deferred trust units as they are declared and paid by the Trust. As at December 31, 2017, up to a maximum of 3.0 million DTUs were issuable under the DUIP. Distributions on the unvested DTUs are paid in the form of units converted at the market price on the date of distribution. As at December 31, 2017, there were 347,308 deferred trust units and income deferred trust units outstanding (December 31, 2016 – 299,683 units outstanding). As at February 26, 2018, 349,807 deferred trust units and income deferred trust units were outstanding.

DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The DRIP entitles unitholders to reinvest all cash distributions into additional units. Participants electing to reinvest cash distributions in units pursuant to the DRIP will receive a further "bonus" distribution equal to 4% of the amount of each cash distribution they reinvest, on which further distributions are also reinvested in units. Participants may also purchase additional units pursuant to the optional cash purchase feature of the DRIP, subject to a minimum investment amount of one thousand dollars and a maximum investment amount of two hundred and fifty thousand dollars per calendar year. Participants in the DRIP will not receive a bonus distribution of units in connection with any optional cash purchases. The Trust may amend, suspend or terminate the DRIP at any time.

DISTRIBUTIONS

The distributable cash flow and amount of monthly distributions to unitholders are determined by the Board of Trustees of the Trust based on distributions received from Dream Alternatives Master LP, net of general and administrative expenses, operating and other expenses and income tax expenses. The Asset Manager forecasts the annual distributable cash flow from the Trust’s operating segments to assist the Board of Trustees in determining the targeted distribution amount.

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust, which allows for any unforeseen expenditures. As at December 31, 2017, our monthly distribution rate was $0.033 per unit. Approximately 16.0% (December 31, 2016 - 5.9%) of total units were enrolled in the DRIP. Total DRIP units issued during the year ended December 31, 2017 was 773,732 units compared to 303,325 units issued during the year ended December 31, 2016. The change is a result of an increase in holders of units electing to have their cash distributions reinvested in additional units whereby the holders will receive an additional distribution of units equal to 4% of each cash distribution that was reinvested.

	2017				**2016**			
As at	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Annualized distribution amount	**$ 0.400**	$ 0.400	$ 0.400	$ 0.400	$ 0.400	$ 0.400	$ 0.400	$ 0.400
Monthly distribution amount	**0.033**	0.033	0.033	0.033	0.033	0.033	0.033	0.033
Annualized distribution rate of return[1]	**6.3%**	6.6%	6.7%	6.3%	6.4%	6.7%	6.7%	7.5%
DRIP units issued during the quarter	**238,554**	223,251	179,219	132,708	79,102	73,846	72,894	77,483

[1] Annualized distribution rate of return is calculated as the annualized distribution amount divided by the closing price per unit on the TSX at the date specified

NORMAL COURSE ISSUER BID

The Trust received acceptance of its Notice of Intention to renew its prior NCIB from the TSX on January 11, 2018. The bid commenced on January 15, 2018 and will remain in effect until the earlier of January 14, 2019 or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 6,273,601 units (representing 10% of the Trust's public float of 62,736,012 units at the time of entering the bid through the facilities of the TSX).

From January 1, 2018 to February 26, 2018, 271,882 units were purchased at a cost of $1.7 million inclusive of transaction costs.

The following table summarizes the Trust's activity under its NCIB program for the periods ended as indicated:

	Three months ended December 31,		Year-ended December 31,	
	2017	2016	**2017**	2016
Units repurchased (number of units)	**433,030**	—	**800,230**	534,392
Total cash consideration	**$ 2,682**	$ —	**$ 4,964**	$ 2,911

As at February 26, 2018, 2,936,158 units have been purchased under the prior and current bids at a total cost of $17.7 million.

LIQUIDITY

	Three months ended December 31,		Year ended December 31,	
Significant sources and uses of cash	**2017**	2016	**2017**	2016
Cash generated from (utilized in) operating activities	**$ 7,775**	$ 7,874	**$ 11,840**	$ 13,980
Cash generated from (utilized in) investing activities	**(33,428)**	(4,151)	**49,762**	(30,908)
Cash generated from (utilized in) financing activities	**(10,416)**	(9,400)	**(12,428)**	7,947

Cash generated from operating activities for the three months ended December 31, 2017 was $7.8 million (three months ended December 31, 2016 - $7.9 million). The year over year decrease in cash generated from operating activities is primarily due to lower net cash generated from income properties portfolio in the current period and changes in non cash working capital. Offsetting the decrease is the receipt of additional cash distributions from the Empire Brampton project. Cash generated from operating activities for the year ended December 31, 2017 was $11.8 million (year ended December 31, 2016 - $14.0 million) resulting from changes in non cash working capital. Offsetting the decrease is the receipt of additional cash distributions from the Empire Brampton project.

Cash utilized in investing activities for the three months ended December 31, 2017 was $33.4 million (three months ended December 31, 2016 - $4.2 million). The year over year increase was primarily due to the acquisition of additional equity accounted investments and marketable securities during the period. In addition the year over year increase was impacted by an increase in loan advances and a decrease in principal repayments from the lending portfolio during the period. These increases were partially offset by a decline in renewable power asset additions and a decline in building improvements during the three months ended December 31, 2017. Cash generated from investing activities for the year ended December 31, 2017 of $49.8 million (year ended December 31, 2016 - utilized in $30.9 million) resulted from the net proceeds received from the disposal of income properties and the Villarboit Investment and cash distributions received from development holdings which represented a return of the Trust's investment contribution. This was offset by the Trust's investments in both equity accounted investments and marketable securities during the year.

Cash utilized in financing activities for the three months ended December 31, 2017 was $10.4 million (three months ended December 31, 2016 - $9.4 million). The year over year increase was as a result of the Trust units repurchased and cancelled during the period in accordance with the Trust's NCIB and lower lump sum repayments of mortgage and term loans. Cash utilized in financing activities for the year ended December 31, 2017 was $12.4 million (year ended December 31, 2016 - generated from $7.9 million) due to the repayment of the revolving credit facility as well as the higher lump sum repayments of mortgage payables during the year.

DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended December 31, 2017, remaining sale agreements for bond forward purchase contracts, which were designated as hedges for the interest rate risk associated with the second and third tranches of project financing for the Ontario Ground Mount Solar projects, were settled and a fair value loss of $1.1 million was realized on the settlement. This realized fair value loss was recognized in other comprehensive income (loss) and will be amortized to interest expense in the consolidated statements of comprehensive income (loss) over the term of the related debt.

As at December 31, 2017, the Trust had no derivative financial liability recorded on the consolidated statements of financial position (December 31, 2016 – $0.8 million).

COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2016, the Trust, through a subsidiary, provided a guarantee for up to $45.0 million pursuant to the requirements of a senior construction loan associated with the Empire Lakeshore residential project. As at December 31, 2017, this guarantee balance is $16.2 million. The guarantee will be in place for the term of the construction loan and will proportionately scale down as the construction loan is repaid and unit closings begin to occur. As at December 31, 2017, the Trust is contingently liable under guarantees that are issued on certain debt assumed by purchasers of income properties up to an amount of $54.0 million.

As at December 31, 2017, guarantees of the other underlying development project loan amounts of third parties are $3.8 million.

As at December 31, 2017, the Trust is contingently liable for letters of credit in the amount of $1.7 million that have been provided to support third party performance.

The Trust may also be contingently liable for certain obligations of joint venture partners. However, the Trust would have available to it the other joint venture partners' share of assets to satisfy any obligations that may arise.

FINANCIAL COVENANTS

The revolving credit facility, the financial guarantees, certain mortgages on income properties and the renewable power term debt contain financial covenants that require the Trust to meet certain financial ratios and financial condition tests. A failure to meet these tests could result in default and, if not cured or waived, could result in an acceleration of the repayment in the underlying financing. For the year ended December 31, 2017, the Trust was in compliance with these financial covenants.

5. QUARTERLY FINANCIAL INFORMATION

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
TOTAL INCOME	**$ 14,471**	$ 16,056	$ 14,424	$ 22,573	$ 26,338	$ 24,858	$ 25,076	$ 22,683
TOTAL EXPENSES	**(13,842)**	(13,169)	(18,349)	(16,960)	(19,345)	(15,938)	(15,714)	(17,411)
Fair value adjustments to income properties	**10,956**	(814)	(4,921)	(28,088)	(26,671)	(1,874)	(6,124)	(5,518)
OPERATING INCOME (LOSS)	**11,585**	2,073	(8,846)	(22,475)	(19,678)	7,046	3,238	(246)
Other interest income	**1,300**	536	424	387	523	546	373	130
Transaction costs	**(45)**	(855)	(1,917)	—	—	—	—	(3,475)
Fair value adjustments to marketable securities	**2,844**	433	—	—	—	—	—	—
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	**15,684**	2,187	(10,339)	(22,088)	(19,155)	7,592	3,611	(3,591)
INCOME TAX (EXPENSE) RECOVERY								
Current	**15**	(4)	(4)	—	2	646	(654)	290
Deferred	**678**	(2,219)	3,102	3,516	3,774	(5,437)	(110)	(332)
TOTAL INCOME TAX (EXPENSE) RECOVERY	**693**	(2,223)	3,098	3,516	3,776	(4,791)	(764)	(42)
NET INCOME (LOSS)	**$ 16,377**	$ (36)	$ (7,241)	$ (18,572)	$ (15,379)	$ 2,801	$ 2,847	$ (3,633)
NET INCOME (LOSS) before depreciation[(1)]	**$ 17,837**	$ 1,398	$ (5,846)	$ (17,280)	$ (14,314)	$ 3,794	$ 3,798	$ (2,874)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**370**	483	9	38	685	(273)	(2,120)	(1,990)
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ 16,747**	$ 447	$ (7,232)	$ (18,534)	$ (14,694)	$ 2,528	$ 727	$ (5,623)
NET INCOME (LOSS) PER UNIT	**$ 0.23**	$ —	$ (0.10)	$ (0.26)	$ (0.21)	$ 0.04	$ 0.04	$ (0.05)
NET INCOME (LOSS) PER UNIT before depreciation[(1)]	**$ 0.25**	$ 0.02	$ (0.08)	$ (0.24)	$ (0.20)	$ 0.05	$ 0.05	$ (0.04)
TOTAL UNITHOLDERS' EQUITY PER UNIT	**$ 8.39**	$ 8.26	$ 8.36	$ 8.57	$ 8.92	$ 9.23	$ 9.30	$ 9.39
NAV PER UNIT[(2)]	**$ 8.89**	$ 8.64	$ 8.80	$ 8.66	$ 9.02	$ 9.32	$ 9.40	$ 9.49

(1) For the Trust's definition of the following non-IFRS measures; Net income (loss) before depreciation, Net income (loss) per unit before depreciation, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A

(2) NAV and NAV per unit have been restated in the comparative periods to conform to current period presentation. Please refer to the Non-IFRS Measures and Other Disclosure section of the MD&A

As a result of the Trust's implementation of its long term strategy to expand the development and investment holdings segment, the Trust expects that the quarterly/yearly results of operation will fluctuate from period to period. This is due to the long term nature of the projects in the development and investment holdings segment. In addition, the underlying seasonal nature of the renewable power portfolio with solar irradiation highest during the summer months and wind production generally best during the winter months would result in fluctuation in the quarterly results of operations. While weather and seasonal related quarter to quarter fluctuations may occur from time to time, these renewable power investments were undertaken with a long term view, as such they are expected to achieve production in line with expected long term averages.

6. NON-IFRS MEASURES AND OTHER DISCLOSURES

We have presented certain Non-IFRS Measures because we believe these non-IFRS measures are important in evaluating the Trust's underlying operating performance, debt management and our ability to earn and pay cash distributions to unitholders. These non-IFRS measures do not have standardized meanings prescribed by IFRS and may not be comparable with similar measures presented by other issuers. Investors are cautioned not to view Non-IFRS Measures as alternatives to financial measures calculated in accordance with IFRS.

"Debt-to-gross asset value" represents the total contractual debt payable for the Trust or operating segment divided by gross asset value, excluding assets held-for-sale, of the Trust or operating segment as at the applicable reporting date. This non-IFRS measure is an important measure in evaluating the amount of debt leverage; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A calculation of debt-to-gross asset value can be found in the Capital Resources and Liquidity section of this MD&A under the heading "Summary of Debt".

"Gross asset value" is total assets per the consolidated financial statements less assets held-for-sale. This non-IFRS measure is an important measure as it includes total assets on a basis consistent with that of total contractual debt payable which also excludes debt related to assets held-for sale when calculating debt-to-gross asset value; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

"Interest coverage ratio" is a non-IFRS measure the Trust believes to be an important measure in determining our ability to cover interest expense based on our operating performance; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. Interest coverage ratio is calculated on a rolling four fiscal quarter basis as net operating income less general and administrative expenses, less gain on disposition of development and investment holdings; all divided by interest expense excluding unamortized balance of mortgages payable premiums. A reconciliation of net income (loss) to NOI can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Income (Loss) to Net Operating Income". The table below calculates the interest coverage ratio for the periods indicated.

	December 31, 2017	December 31, 2016
Net operating income	**$ 44,763**	$ 51,591
General administration expenses	**(15,316)**	(14,990)
Total	**$ 29,447**	$ 36,601
Interest expense incurred, at contractual rate	**9,668**	10,041
Interest coverage ratio (times)[1]	**3.05**	3.65

[1] Calculated for the rolling four fiscal quarter basis as at December 31, 2017 and December 31, 2016

"Internal rate of return ("IRR")" for residential development projects is calculated based on the estimated net pre-tax cash flow expected to be generated from each project considering real estate development revenues, expenditures, construction time-line and sale dates; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. This non-IFRS measure is an important measure used by the Trust in evaluating the performance of its investments.

"Net assets attributable to Unitholders of the Trust" refers to the net difference between total assets and total liabilities less the amount of assets and liabilities attributable to non-controlling interests. This non-IFRS measure is an important measure in evaluating the Trust's and Asset Manager's performance. It is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

"Net asset value ("NAV") per unit" represents the net asset value attributable to unitholders of the Trust divided by the number of units outstanding at the end of the period. This non-IFRS measure is an important measure used by the Trust in evaluating the Trust's performance as it is an indicator of the intrinsic value of the Trust; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A reconciliation of net asset value per unit can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Asset Value to Total Unitholders' Equity".

"Net asset value ("NAV")" a non IFRS measure, represents total unitholders' equity per the consolidated financial statements, adjusted for fair value adjustments for both renewable power projects and equity accounted investments (including applicable deferred income tax adjustment) and the unamortized balance of the mortgages payable premiums. The mortgages payable premiums represent current unamortized balance of fair value adjustments recorded for these instruments at the Trust's listing date. Since the Trust intends to repay the mortgages at maturity, this historical fair value adjustment is removed for the calculation of the NAV. A fair value adjustment for renewable power projects developed by the Trust is reflected once they become operational and long term financing is arranged as well as reflecting recent market information that would indicate a change in the renewable power portfolio fair value (subject to appraisals). A fair value adjustment for equity accounted investments is included to address the reduction in risk profile as each project progresses toward completion and/or reflect information from recent market transactions that indicate a change in the equity investment fair value (subject to appraisals). The Trust believes that incorporating a fair value adjustment is a more useful measure to value the renewable power portfolio and equity accounted investments that would not ordinarily be captured within IFRS and the Trust's consolidated financial statements. The fair value adjustments account for the applicable deferred income taxes considering the timing of their realization and, if appropriate, will be incorporated into the determination of the NAV. Excluded from the NAV calculation are any fair value adjustment with respect to liabilities as well as commitments/contracts that are not otherwise recorded as liabilities on the Trust's balance sheet. The Trust has not appraised the lending portfolio, as the Trust intends to hold the investments in the lending portfolio until maturity and its term to maturity is within one year, as such this portfolio is considered fairly liquid and fair value approximates amortized cost. The NAV calculation has been amended from previous periods to more closely align it with the Trust's strategy and focus. As a result, the NAV calculation will no longer reflect an adjustment for deferred unit incentive plan payable and deferred income taxes payable or receivable. This non-IFRS measure is an important measure used by the Trust in evaluating the Trust's and Asset Manager's performance as it is an indicator of the intrinsic value of the Trust; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A reconciliation of net asset value can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Asset Value to Total Unitholders' Equity".

"Net income (loss) per unit" represents net income (loss) of the Trust divided by the number of units outstanding at the end of the period.

"Net income (loss) before depreciation" represents net income (loss) excluding depreciation on renewable power assets and amortization of intangible assets. This non-IFRS measure is an important measure used by the Trust in evaluating the performance of its investments; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

"Net income (loss) per unit before depreciation" represents net income (loss) excluding depreciation on renewable power assets and amortization of intangible assets divided by the number of units outstanding at the end of the period. This non-IFRS measure is an important measure used by the Trust in evaluating the performance of its investments; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

"Net operating income ("NOI")" is defined by the Trust as net income (loss) per the consolidated financial statements adjusted for: income tax expense (recovery), interest expense net of other interest income, depreciation and amortization, transaction costs, debt settlement costs, provision for lending portfolio losses, general and administrative expenses, fair value adjustments to income properties, development and investment holdings and marketable securities. This non-IFRS measure is an important measure used by the Trust in evaluating operating performance; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. Reconciliations of NOI to net income (loss) can be found in this Non-IFRS Measures and Other Disclosures section of this MD&A under the heading "Reconciliation of Net Income (Loss) to Net Operating Income".

"Stabilized NOI" for an individual property is defined by the Trust as income property revenues less income property operating expenses adjusted for items such as average lease-up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. This non-IFRS measurement is an important measure used by the Trust in determining the fair value of individual income properties.

"Total contractual debt payable" represents total debt per the consolidated statements of financial position less note payable, unamortized balance of mortgages payable premiums and unamortized balance of deferred financing costs. This non-IFRS measure is an important measure used in the management of our debt levels as an indicator of principal amounts outstanding; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. A reconciliation of total contractual debt payable to debt per the consolidated financial statements can be found in the Capital Resources and Liquidity section of this MD&A under the heading "Summary of Debt".

"Total Unitholders' equity per unit" represents the Total Unitholders equity of the Trust divided by the number of units outstanding at the end of the period.

RECONCILIATION OF NET INCOME (LOSS) TO NET OPERATING INCOME

For the three months ended December 31, 2017	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other[1]	Total
NET INCOME (LOSS)	$ 1,003	$ 1,318	$ 17,254	$ 398	$ (3,596)	**$ 16,377**
Add (Deduct):						
Income tax expense (recovery)	—	—	—	—	(693)	**(693)**
Interest expense net of other interest income	(337)	—	(544)	931	849	**899**
Fair value adjustments to income properties	—	—	(10,956)	—	—	**(10,956)**
Depreciation and Amortization	—	—	—	1,529	—	**1,529**
Transaction costs	—	15	30	—	—	**45**
Fair value adjustments to marketable securities	—	—	(2,844)	—	—	**(2,844)**
Provision for lending portfolio losses	—	2,522	—	—	—	**2,522**
General and administrative expenses	—	—	—	—	3,440	**3,440**
Fair value adjustments to & realized fair value loss from development and investment holdings	(1,751)	—	—	—	—	**(1,751)**
NET OPERATING INCOME	**$ (1,085)**	**$ 3,855**	**$ 2,940**	**$ 2,858**	**$ —**	**$ 8,568**

For the three months ended December 31, 2016	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other[1]	Total
NET INCOME (LOSS)	$ 6,810	$ (81)	$ (22,416)	$ 263	$ 45	**$ (15,379)**
Add (Deduct):						
Income tax expense (recovery)	—	—	—	—	(3,776)	**(3,776)**
Interest expense net of other interest income	(337)	(181)	1,951	605	126	**2,164**
Fair value adjustments to income properties	—	—	26,671	—	—	**26,671**
Depreciation and Amortization	—	—	—	1,135	—	**1,135**
Provision for lending portfolio losses	—	3,596	—	—	—	**3,596**
General and administrative expenses	—	—	—	—	3,605	**3,605**
Fair value adjustments to development and investment holdings	(6,207)	—	—	—	—	**(6,207)**
NET OPERATING INCOME	**$ 266**	**$ 3,334**	**$ 6,206**	**$ 2,003**	**$ —**	**$ 11,809**

For the year ended December 31, 2017	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other[1]	Total
NET INCOME (LOSS)	$ (1,579)	$ 8,578	$ (9,950)	$ 4,538	$ (11,059)	**$ (9,472)**
Add (Deduct):						
Income tax expense (recovery)	—	—	—	—	(5,084)	**(5,084)**
Interest expense net of other interest income	(1,350)	—	5,659	3,527	1,080	**8,916**
Fair value adjustment to income properties	—	—	22,867	—	—	**22,867**
Depreciation and Amortization	—	—	—	5,858	—	**5,858**
Transaction costs	492	26	2,552	—	(253)	**2,817**
Fair value adjustments to marketable securities	—	—	(3,277)	—	—	**(3,277)**
Provision for lending portfolio losses	—	4,842	—	—	—	**4,842**
General and administrative expenses	—	—	—	—	15,316	**15,316**
Fair value adjustments to & realized fair value loss from development and investment holdings	1,980	—	—	—	—	**1,980**
NET OPERATING INCOME	**$ (457)**	**$ 13,446**	**$ 17,851**	**$ 13,923**	**$ —**	**$ 44,763**

For the year ended December 31, 2016	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other[1]	Total
NET INCOME (LOSS)	$ 16,908	$ 7,525	$ (21,329)	$ 4,386	$ (20,854)	**$ (13,364)**
Add (Deduct):						
Income tax expense (recovery)	—	—	—	—	1,821	**1,821**
Interest expense net of other interest income	(966)	(505)	7,832	1,675	568	**8,604**
Fair value adjustments to income properties	—	—	40,187	—	—	**40,187**
Depreciation and Amortization	—	—	—	4,043	—	**4,043**
Transaction costs	—	—	—	—	3,475	**3,475**
Provision for lending portfolio losses	—	6,312	—	—	—	**6,312**
General and administrative expenses	—	—	—	—	14,990	**14,990**
Fair value adjustments to development and investment holdings	(14,477)	—	—	—	—	**(14,477)**
NET OPERATING INCOME	**$ 1,465**	**$ 13,332**	**$ 26,690**	**$ 10,104**	**$ —**	**$ 51,591**

[1] Includes other Trust amounts not specifically related to the segments

RECONCILIATION OF NET ASSET VALUE TO TOTAL UNITHOLDERS' EQUITY

As at December 31, 2017	Development and investment holdings[2]	Lending portfolio	Income properties	Renewable power[3]	Other[1]	Total
TOTAL UNITHOLDERS' EQUITY	$ 176,826	$ 158,758	$ 156,462	$ 67,061	$ 48,171	**$ 607,278**
Fair value adjustment to renewable power assets	—	—	—	11,773	—	**11,773**
Fair value adjustment to equity accounted investments	29,201	—	—	—	—	**29,201**
Deferred income taxes adjustment	—	—	—	—	(4,253)	**(4,253)**
NAV	**$ 206,027**	**$ 158,758**	**$ 156,462**	**$ 78,834**	**$ 43,918**	**$ 643,999**
NAV PER UNIT	**$ 2.84**	**$ 2.19**	**$ 2.16**	**$ 1.09**	**$ 0.61**	**$ 8.89**

(1) Includes other Trust amounts not specifically related to the segments
(2) For additional details on the Trust's equity accounted investments fair value adjustment, please refer to page 13 of the MD&A
(3) For additional details on the Trust's renewable power assets fair value adjustment, please refer to page 25 of the MD&A

As at December 31, 2016[3]	Income properties	Renewable power[2]	Lending portfolio	Development and investment holdings	Other[1]	Total
TOTAL UNITHOLDERS' EQUITY	$ 240,402	$ 83,174	$ 141,784	$ 207,084	$ (26,706)	**$ 645,738**
Fair value adjustment renewable power assets	—	4,523	—	—	—	**4,523**
Unamortized balance of mortgages payable premiums	1,183	—	—	—	—	**1,183**
Deferred income taxes adjustment	—	—	—	—	1,403	**1,403**
NAV	**$ 241,585**	**$ 87,697**	**$ 141,784**	**$ 207,084**	**$ (25,303)**	**$ 652,847**
NAV PER UNIT	**$ 3.34**	**$ 1.21**	**$ 1.96**	**$ 2.86**	**$ (0.35)**	**$ 9.02**

(1) Includes other Trust amounts not specifically related to the segments
(2) For additional details on the Trust's renewable power assets fair value adjustment, please refer to page 25 of the MD&A
(3) NAV and NAV per unit have been restated in the comparative periods to conform to current period presentation. Please refer to the Non-IFRS Measures and Other Disclosure section of the MD&A

7. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Trust does not have a Chief Executive Officer or a Chief Financial Officer. The President and Chief Responsible Officer and Chief Financial Officer of DAM (the "Certifying Officers") are responsible for the design of the Trust's disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109") and the Trust's internal control over financial reporting ("ICFR") (as defined by NI 52-109).

As at December 31, 2017, the financial year-end, the Certifying Officers, together with other members of management, have evaluated the design and effectiveness of the Trust's DC&P. Based on that evaluation, the Certifying Officers have concluded that, as at December 31, 2017, the DC&P are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management to allow timely decisions of required disclosures by the Trust and its consolidated subsidiary entities within the required time periods.

The Trust's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Using the framework established in "2013 Committee of Sponsoring Organizations (COSO) Internal Control Framework", published by the Committee of Sponsoring Organizations of the Treadway Commission, the Certifying Officers, together with other members of management, have evaluated the design and operation of the Trust's ICFR. Based on that evaluation, the Certifying Officers have concluded that the Trust's IFCR was effective as at December 31, 2017.

There were no changes in the Trust's ICFR during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Trust's ICFR.

8. RISKS AND RISK MANAGEMENT

Dream Alternatives is exposed to various risks and uncertainties, many of which are beyond our control. The following is a review of material factors that may impact our business operations. Additional risks and uncertainties are described in our most recent Annual Report and our current Annual Information Form, which are posted on our website at www.dreamalternatives.ca and on SEDAR at www.sedar.com. The occurrence of any of such risks could materially and adversely affect our investments, future prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders. Although we believe that the risk factors described below and in our Annual Information Form are the most material risks that we will face, they are not the only risks. Additional risk factors not presently known to us or that we currently believe are immaterial could also materially adversely affect our investments, future prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders and thereby adversely affect the value of our Units.

RISKS INHERENT IN THE REAL ESTATE INDUSTRY MAY ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE

Returns on real estate and real estate related assets and investments are generally subject to a number of factors and risks, including changes in general economic conditions (which could affect the availability, terms and cost of mortgage financings and other types of credit), changes in local economic conditions (such as an oversupply of properties or a reduction in demand for real estate in a particular area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

These factors and risks could cause fluctuations in the value of the real estate and real estate related assets and investments owned by us or in the value of the real estate securing mortgages and other loans we issue. These fluctuations could materially adversely affect us.

The income-producing properties in our investment portfolio generate income through rent payments made by our tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than those of the existing lease. The Trust's income and funds available for distribution to its unitholders would be adversely affected if we were unable to lease a significant amount of the available space in the particular property on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to us, which may adversely affect us.

Further, the Trust's development projects related commitments are subject to those risks usually attributable to construction projects, which may include: (i) construction or other unforeseen delays; (ii) cost overruns and (iii) an increase in interest rates during the life of the development. Where the Trust’s development commitments relate to properties intended for sale, such as certain residential projects, the Trust is also subject to the risk that purchasers of such properties may become unable or unwilling to meet their obligations or that the Trust may not be able to close the sale of a significant number of units in a development project on economically favourable terms.

RISKS INHERENT IN CERTAIN OF OUR INVESTMENTS MAY ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE

Our investments include direct and indirect investments in real estate, mortgages and other loans, renewable power projects, development and investment holdings, each of which can be relatively illiquid. While investments in illiquid assets have the potential to produce above-average growth opportunities, they may be difficult to value or sell at the time and price preferred by the owner. Accordingly, there is a risk that we would be unable to dispose of our illiquid assets in a timely way in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain of our assets, including certain types of real estate. The costs of holding certain of our assets, including real estate, are considerable and during an economic recession we may be faced with ongoing expenditures with a declining prospect of rental income. In such circumstances, it may be necessary for us to dispose of properties, or interests in properties, at discounted prices in order to generate sufficient cash for operations and making distributions. Where we are unable to dispose of illiquid assets, or we are forced to sell such assets at a discounted price, our ability to make cash distributions, our financial results and the value of our Units may be adversely affected.

The illiquidity of certain of our investments may also delay or prevent the repositioning of our portfolio as we currently intend, and such delays or inability to implement these plans could materially adversely affect our financial results and the value of our Units. The Trust may undertake strategic property dispositions from time to time in order to recycle its capital and maintain an optimal portfolio composition. The Trust may be subject to unexpected costs or liabilities related to such dispositions, which could adversely affect the Trust's financial position and results of operations and its ability to meet its obligations.

INVESTMENTS IN CERTAIN ASSETS CARRY CREDIT RISK AND COUNTER PARTY RISK

There is a risk that a borrower or issuer of an investment security will not make a payment on debt or that an originating lender will not make its payment on a loan participation interest purchased by us or that an issuer or an investment security or an originating lender retaining the original loan in which it grants participations may suffer adverse changes in financial condition, lowering the credit quality of its security or participation and increasing the volatility of the security or participation price. Such changes in the credit quality of a security or participation can affect its liquidity and make it more difficult to sell if we wish to do so. In addition, with respect to loans made or held by us, a change in the financial condition of a borrower could have a negative financial impact on us.

While we intend to diversify our investments to ensure that we do not have excessive concentration in any single borrower or counterparty, or related group of borrowers or counterparties, the Trust currently holds various lending instruments and investments with the same counterparty or related counterparties within its lending portfolio and development and investment holdings portfolio – see Note 30 to the consolidated financial statements. A change in the financial condition of a single borrower or counterparty or related group of borrowers or counterparties to which the Trust has concentrated exposure could significantly and adversely affect the overall performance of the Trust.

Our renewable power operations are highly dependent upon parties to certain agreements fulfilling their contractual obligations, including counterparties to PPAs, construction, operating and maintenance agreements and other key suppliers. An inability or failure of any such party to meet its contractual commitments or a failure or refusal to accept delivery of power by counterparties to our PPAs or FIT contracts may have a material adverse effect on our renewable power business as it may not be possible to replace the agreement with an agreement on equivalent terms and conditions. In addition, should one or more of our key suppliers or contractors be unable to meet their contractual obligations, we could experience construction delays, increases in construction costs and losses of revenue. Failure of any key supplier or contractor to meet its contractual obligations may lead to potential defaults under our PPAs.

RISKS RELATED TO LENDING PORTFOLIO

If a borrower under a loan defaults under any terms of the loan, we may have the ability to exercise our enforcement remedies in respect of the loan. Exercising enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact our cash flow. In addition, as a result of potential declines in real estate values, there is no assurance that we will be able to recover all or substantially all of the outstanding principal and interest owed to us in respect of such loans by exercising our enforcement remedies. Our inability to recover all or substantially all of the principal and interest owed to us in respect of such loans could materially adversely affect us.

There can be no assurance that any of the loans comprising our borrowers' portfolio can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. The lenders, the borrowers or both may elect to not renew any loan. If loans are renewed, the principal balance, the interest rates and the other terms and conditions will be subject to negotiation between the lenders and the borrowers at the time of renewal.

In addition, the composition of our lending portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in it being less diversified at some times than at other times. A lack of diversification may result in exposure to economic downturns or other events that have an adverse and disproportionate effect on particular types of securities, industries or geographies.

THE NATURE OF OUR INVESTMENTS MAY EXPOSE US TO SECTOR, CONCENTRATION AND OTHER SIMILAR RISKS

While our intention is to diversify our investments, our current investments are relatively concentrated in a limited number of market sectors or asset types or in a limited number of issuers. An investment in the Trust may therefore involve greater risk and volatility than an investment in an issuer with a broader portfolio of assets since the performance of one particular industry, market or issuer could significantly and adversely affect the overall performance of the Trust.

COMPETITION FOR INVESTMENT OPPORTUNITIES MAY ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE

Our performance depends on our ability to source or acquire assets including mortgage and corporate loans, real estate, renewable power projects and other investment opportunities at favourable yields or potential rates of return. We will compete with other investors, managers, corporations, institutions, developers, and owners of real estate for investment opportunities in the financing and/or acquisition of assets, including real estate and real estate and other lending. Certain competitors may have a higher risk tolerance, greater financial and other resources, and greater operating flexibility than us, allowing these competitors to more aggressively pursue investment opportunities. Accordingly, we may be unable to acquire sufficient real property, real property lending assets, renewable power projects, or other assets or investment opportunities at favourable yields or terms or at all.

WE MAY NOT BE ABLE TO SOURCE SUITABLE INVESTMENTS

Our strategy involves investing and reinvesting in suitable investment opportunities, pursuing such opportunities, consummating investments and, in the case of real estate assets and renewable power projects, effectively leasing and operating such properties. There can be no assurance as to the pace of growth through investments and/or acquisitions or that we will be able to acquire assets on an accretive basis, and as such, there can be no assurance that distributions to unitholders will increase in the future.

ENVIRONMENTAL RISKS

As an owner of real estate, we are subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties and potential liability for the costs of removal or remediation of certain hazardous substances or ground contamination. The presence of such substances, if any, could materially adversely affect our ability, or our property or asset manager’s ability, to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against us. In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental site assessment to be conducted. Although such an assessment provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we, acting on the recommendations of DAM, may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We have formal policies and procedures which cause DAM to review and monitor environmental exposure. These policies include the requirement to conduct a Phase I environmental site assessment, or review a current Phase I, before we acquire real properties or originate any real estate lending.

FOREIGN EXCHANGE RISKS

The Trust's foreign exchange exposure mainly relates to fluctuations in the British pound against the Canadian dollar of the net investment in the United Kingdom Wind portfolio. In addition, the Trust's results are reported in Canadian dollars therefore, fluctuations in the value of the British pound will impact the Trust's consolidated total comprehensive income and financial condition. The Trust does not hedge this exposure.

WE MAY INCUR SIGNIFICANT CAPITAL EXPENDITURES AND OTHER FIXED COSTS

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long term, the condition of the properties in which we have an interest must be maintained or, in some cases, improved to meet market demand. Maintaining or upgrading a rental property in accordance with market standards can entail significant costs, which we may not be able to pass on to our tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization.

If the actual costs of maintaining or upgrading a property in which we have an interest exceed our estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if we are not permitted to raise rents due to legal constraints, we will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of our properties is located or similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced.

Any failure to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that we earn from such properties; for example, such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing leases. Any such event could have a material adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on units.

SOLAR OR WIND RESOURCE AND ASSOCIATED SOLAR OR WIND ENERGY

The strength and consistency of the solar or wind resource at any project site may vary from the anticipated solar or wind resource. Weather patterns could change or the historical data could prove to be an inaccurate reflection of the strength and consistency of the solar or wind resource in the future. The conclusions of solar or wind resource studies and energy production estimates in relation to any solar or wind energy facility are based on a particular methodology and a set of assumptions about the existence of certain conditions and the assumption that these conditions will continue in the future. The assumptions and factors are inherently uncertain and may result in actual energy production being different from estimates. A decline in solar or wind conditions at any of our solar or wind energy facility could materially adversely affect revenues and cash flows from such facility.

FINANCING RISKS, LEVERAGE AND RESTRICTIVE COVENANTS MAY LIMIT OUR ABILITY FOR GROWTH

Ownership of certain of our assets and the industries in which we operate are capital intensive. We will require access to capital to maintain the real estate and other assets in which we have an interest, as well as to fund our growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms. Our access to third party financing will be subject to a number of factors, including general market conditions; the market's perception of our growth potential; our current and expected future earnings; our cash flow and cash distributions, and cash interest payments; and the market price of our units. Our failure to access required capital could materially adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the units and our ability to implement our growth strategy.

A significant portion of our financing is debt. Accordingly, we are subject to the risks associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest, and that, on maturities of such debt, we may not be able to refinance the outstanding principal under such debt or that the terms of such refinancing will be more onerous than those of the existing debt. If we are unable to refinance debt at maturity on terms acceptable to us or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses and could alter our debt-to-equity ratio or be dilutive to unitholders. Such losses could have a material adverse effect on our financial position or cash flows.

The degree to which we are leveraged could have important consequences to our operations. A high level of debt will reduce the amount of funds available for the payment of distributions to unitholders; limit our flexibility in planning for and reacting to changes in the economy and in the industry, and increase our vulnerability to general adverse economic and industry conditions; limit our ability to borrow additional funds, dispose of assets, encumber our assets and make potential investments; place us at a competitive disadvantage compared to other owners of similar assets that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of then outstanding borrowings; and impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

SENSITIVITY TO INTEREST RATES

When concluding financing agreements or extending such agreements, we will depend on our ability to agree on terms, including in respect of interest payments and amortization that do not restrict our ability to pay distributions. In addition, we may enter into future financing agreements with variable interest rates if the current historical low level of interest rates continues. Given the historically low interest rates, there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by us to service debt, resulting in a decrease in distributions to unitholders, and could materially adversely affect the trading price of the units. In addition, increasing interest rates may put competitive pressure on the levels of funds available for distributions paid by us to unitholders, increasing the level of competition for capital faced by us, which could have a material adverse effect on the trading price of the units.

We may implement hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to unitholders should current variable interest rates increase. However, to the extent that we fail to adequately manage these risks, our financial results, and our ability to pay distributions to Unitholders and make interest payments under future financings may be adversely affected. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by financial institutions, could have a material adverse effect on our ability to sell any of our investments.

In addition, the market price for our units and the value of our mortgage portfolio at any given time may be affected by the level of interest rates prevailing at such time. Our income includes interest payments on the mortgages comprising our lending portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of our mortgages are based), we may find it difficult to make additional mortgages bearing rates sufficient to achieve our investment objectives and to support our rate of distributions. A decline in interest rates could depress the housing market, which may affect our investment holding mortgage investments in condominium and home development. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect our ability to maintain our distributions at a consistent level. As well, if interest rates increase, the value of our lending portfolio may be negatively impacted.

GOVERNMENT AND REGULATORY RISKS

We are subject to laws and regulations governing the development, ownership, operation and leasing of certain of our assets, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting us (including with retroactive effect). Any changes in the laws to which we are subject could materially adversely affect the distributions received by the Trust from Dream Alternatives Master LP or by unitholders from the Trust. It is not possible to predict whether there will be any further changes in any regulatory regime to which we are subject or the effect of any such change on our investments.

The real estate development process is subject to a variety of laws and regulations. In particular, governmental authorities regulate such matters as zoning and permitted land uses, levels of density and building standards. We will have to continue to obtain approvals from various governmental authorities and comply with local, provincial and federal laws, including laws and regulations concerning the protection of the environment in connection with such development projects. Obtaining such approvals and complying with such laws and regulations may result in delays which may cause us to incur additional costs which impact the profitability of a development project, or may restrict development activity altogether with respect to a particular project.

The construction and operation of renewable power projects is subject to extensive regulation by various government agencies at the municipal, provincial and federal levels. As legal requirements frequently change and are subject to interpretation and discretion, we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Any new law or regulation could require additional expenditures to achieve or maintain compliance or could adversely affect our ability to generate and deliver power. If we fail to meet regulatory requirements, we may become subject to enforcement action and the operation of our facilities could be adversely affected or be subject to fines, penalties or additional costs, or revocation of our permits or licenses.

The profitability of any wind or solar power project will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations, future growth and development of the independent power industry. Government regulations and incentives currently have a favourable impact on the building of wind and solar power facilities. Should the current governmental regulations or incentive programs be modified, our renewable power business may be materially adversely affected.

AN INVESTMENT IN THE TRUST IS SUBJECT TO CERTAIN TAX RISKS

There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of "mutual fund trusts" will not be changed in a manner that adversely affects unitholders. If we cease to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations applicable to us would be materially and adversely different in certain respects, including that Units may cease to be qualified investments for Plans.

Although we are of the view that all expenses to be claimed by us will be reasonable and deductible and that the cost amount and capital cost allowance claims of entities indirectly owned by us will have been correctly determined, there can be no assurance that the Tax Act, or the interpretation of the Tax Act, will not change, or that the CRA will agree with our determinations. If the CRA successfully challenges the deductibility of such expenses, our taxable income will increase or change.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to which entities indirectly owned by us are able to deduct depreciation, interest and loan expenses relating to our investments for purposes of the Tax Act.

We will endeavor to ensure that units continue to be qualified investments for Plans; however, there can be no assurance that this will occur. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

We are subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the interpretation and application of tax laws taken by the Company, which could lead to reassessments. These reassessments could have a material impact on the Company in future periods.

JOINT VENTURE RISKS

Many of our investments, including certain renewable power projects, mortgage loans, property developments and income properties, are made as joint ventures or partnerships with third parties. These structures involve certain additional risks, including the possibility that the co-venturers/partners may, at any time, have economic or business interests inconsistent with ours, the risk that such co-venturers/partners could experience financial difficulties which could result in additional financial demands on us to maintain and operate such properties or repay debt in respect of such properties, and the need to obtain the co-venturers'/partners' consents with respect to certain major decisions in respect of such properties. We attempt to mitigate these risks by performing due diligence procedures on potential partners and contractual arrangements, and by closely monitoring and supervising the joint ventures or partnerships.

RISKS RELATED TO DEVELOPMENT PROJECTS

Before a development project generates any revenues, material expenditures are incurred to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model suites and sales facilities. It generally takes several fiscal periods for a development to achieve cumulative positive cash flow. If the development projects in which we participate are not developed and marketed successfully and do not generate positive cash flows in a timely manner, this may have a material adverse effect on our business and results of operations.

The Trust expects to be increasingly involved in investments which develop residential condominiums. These developments are often carried out with an experienced residential developer as the Trust's partner. Purchaser demand for residential condominiums is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for home buyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand.

INSURANCE RISKS

We carry, or cause to be carried, general liability, umbrella liability and excess liability insurance with limits which are typically obtained for similar operations in Canada and otherwise acceptable to the Trust Board on the recommendation of DAM. For the property risks we cause "All Risks" property insurance, including, but not limited to, flood, earthquake and loss of rental income insurance (with at least a 24 month indemnity period), to be carried. We also cause boiler and machinery insurance, covering all boilers, pressure vessels, HVAC systems and equipment breakdown, to be carried. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We may carry, or may cause to be carried, title insurance on certain of our real estate assets but will not necessarily insure all titles. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

RELIANCE ON DAM FOR MANAGEMENT SERVICES

We rely on DAM with respect to the asset management of our investments. Consequently, our ability to achieve our investment objectives depends in large part on DAM and its ability to properly advise us. Although the management agreement we have entered into with DAM (the "management agreement") does not have a fixed term, DAM has the right to terminate the management agreement with 180 days' prior written notice if Dream Alternatives Master LP and/or the Trust defaults in the performance or observance of any material term, condition or agreement of the management agreement in a manner that results in material harm and such default continues unremedied for a period of 60 days. The management agreement may also be terminated in other circumstances, such as upon the occurrence of an event of default or insolvency of DAM within the meaning of such agreement. Accordingly, there can be no assurance that DAM will continue to be our Asset Manager. If DAM should cease for any reason to be our Asset Manager, our ability to meet our objectives and execute our strategy may be adversely affected. We may be unable to duplicate the quality and depth of management available to DAM by becoming a self-managed Trust or by hiring another asset manager. In addition, the cost of obtaining substitute services may be greater than the fees we will pay DAM under the management agreement.

We depend on the management and administration services provided by DAM under the management agreement. DAM personnel and support staff that provide services to us under the management agreement are not required to have as their primary responsibility the management and administration of the Trust or Dream Alternatives Master LP or to act exclusively for either of us, and the management agreement does not require that the services we receive be provided to us by any specific individuals employed by DAM. Any failure to effectively manage our operations or to implement our strategy could materially adversely affect us.

RELIANCE ON DREAM ALTERNATIVES MASTER LP TO PROVIDE US WITH THE FUNDS NECESSARY TO PAY DISTRIBUTIONS AND MEET OUR FINANCIAL OBLIGATIONS

The Trust's sole material asset is its limited partnership interest in Dream Alternatives Master LP. The cash distributions to unitholders are dependent on the ability of Dream Alternatives Master LP to pay distributions in respect of its LP A Units. The ability of Dream Alternatives Master LP to pay distributions or make other payments or advances to us may be subject to contractual restrictions contained in any instruments governing the indebtedness of Dream Alternatives Master LP or investments held by it. The ability of Dream Alternatives Master LP to pay distributions or make other payments or advances is also dependent on the ability of Dream Alternatives Master LP's subsidiaries to pay distributions or make other payments or advances to Dream Alternatives Master LP. The Trust depends on distributions and other payments from Dream Alternatives Master LP and, indirectly, its subsidiaries and investments, to provide the Trust with the funds necessary to pay distributions to its unitholders and to meet its financial obligations.

9. SIGNIFICANT ACCOUNTING POLICIES

9.1 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Dream Alternatives' critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 4 to the consolidated financial statements.

9.2 FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

Dream Alternatives' future accounting policy changes are described in Note 5 to the consolidated financial statements.

Standards issued but not yet effective up to the date of issuance of the Trust's financial statements that are likely to have an impact on the Trust are listed below. This listing is of standards and interpretations issued that the Trust reasonably expects to be applicable at a future date. The Trust intends to adopt those standards when they become effective.

FUTURE ACCOUNTING POLICY CHANGES

Standards issued but not yet effective up to the date of issuance of the Trust's consolidated financial statements that are likely to have an impact on the Trust are listed below. This listing is of standards and interpretations issued that the Trust reasonably expects to be applicable at a future date. The Trust intends to adopt those standards when they become effective.

REVENUE RECOGNITION

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. During the year ended December 31, 2017, the Trust undertook an in-depth assessment of IFRS 15 and its impact to the Trust's consolidated financial statements. As part of its assessment the Trust reviewed its revenue streams on a line by line basis and reviewed specific contracts with tenants in order to assess the overall impact of the transition to IFRS 15. In particular, the Trust focused on service revenue (common area maintenance recoveries and renewable power revenue). The Trust has certain obligations with respect to its rented space which are in scope of IFRS 15. These obligations are satisfied evenly over time, and revenue earned is based on actual costs incurred to provide the services. The Trust will recognize revenues to the extent it is entitled to recover costs from tenants under the term of the leases. In performing its in-depth assessment of IFRS 15 the Trust has determined that the adoption of IFRS 15 will not have a material impact on the Trust's consolidated financial statements. Lastly, the IFRS 15 transition will result in new and additional disclosures to be in compliance with the new standard.

FINANCIAL INSTRUMENTS

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new approach also results in a single impairment model being applied to all financial instruments carried at amortized cost, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The entity's own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets, "fair value through other comprehensive income (loss)", will exist.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. As a result of the Trust's assessment of this standard it has noted that the classification of AFS is no longer available under IFRS 9 and those financial instruments classified as AFS under IAS 39 will be classified as FVTPL. The impact to the Trust's consolidated financial statements will be $0.3, net of tax, of unrealized fair value adjustments currently reflected in Other Comprehensive Income ("OCI") to be recorded as an opening retained earnings adjustment. In determining the classification of financial instruments that have been classified as amortized cost the Trust has considered the business model in which the asset is held and the cash flow characteristics. Furthermore, IFRS 9 requires financial assets classified as amortized cost to use an expected credit loss ("ECL") impairment model. The Trust has assessed its financial instruments classified as amortized cost under the ECL model. The Trust is still in the process of quantifying the provision required under IFRS 9, but does not expect a material impact as at January 1, 2018. The Trust does not expect there to be a material impact to the carrying value of its trade receivables given past default rates and receivable balances. Lastly, the IFRS 9 transition will result in updated and additional disclosures to be in compliance with this new standard.

FINANCIAL INSTRUMENTS – DISCLOSURES

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018.

LEASES

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

INCOME TAXES

IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"), clarifies the application of the recognition and measurement requirements in IAS 12, "Income Taxes" ("IAS 12") for situations where there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers income tax treatments separately; assumptions that an entity makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Trust is currently evaluating the impact of adopting this interpretation on the consolidated financial statements.

10. BASIS OF PRESENTATION

This "MD&A" is a discussion of the operating results, cash flows and financial position of Dream Alternatives and should be read in conjunction with the consolidated financial statements of Dream Alternatives for the three months and year ended December 31, 2017, prepared in accordance with IFRS.

When we refer to terms such as "we", "us", and "our", we are referring to the Trust, Dream Alternatives Master LP and its subsidiaries. When we refer to the term "units" we are referring to the units of the Trust. When we refer to "unitholders" we are referring to holders of the units of the Trust.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation, including, but not limited to, statements relating to the Trust's objectives and strategies to achieve those objectives; the Trust's strategies with respect of our legacy assets and income properties; the Trusts' beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth and drivers thereof, results of operations, performance, business prospects and opportunities, market conditions, acquisitions or divestitures, leasing transactions, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, litigation and the real estate, lending and renewable power industries in general, in each case, that are not historical facts as well as statements regarding our plans and proposals for future retail, residential and development and investment holdings projects, including projected sizes, density and uses; anticipated costs of our retail, residential, and development and investment holdings and renewable power projects; timing of achieving milestones in our retail, residential, renewable power and development and investment holdings projects; development time lines on current and future retail, residential, renewable power and development and investment holdings projects, including expected commencement and completion dates; our estimated normalized initial direct leasing costs and lease incentives with respect to our income properties and the estimated normalized capital expenditures on operational renewable power assets; our pipeline of potential development opportunities; expected sources, amounts, and timing of financings for our projects; our anticipated ownership levels of proposed investments; expected cash flows, economic returns and funded equity of projects in future periods; expected renewals, occupancies and leasing activity in our income properties portfolio and in the retail component of our development and investment holdings portfolio; anticipated demand for our retail, residential and development and investment holdings projects; the redevelopment potential of our development and investment properties; anticipated expected fair value gains on the carrying value of investment and development holdings and renewable power projects; expected market value gains on the NAV of our equity accounted development projects; proposed methodologies for valuing investments and timing of appraisals; timing of distributions or future cash return from our development and investment holdings portfolio; targeted return on equity (levered and unlevered), income growth, NAV growth and IRR; expected loss; expected debt financing; anticipated cumulative equity; expected yield; expected level of repatriation of equity from our income properties; stabilized equity; anticipated returns from our renewable power and development and investment holdings projects as well as the future contributions to NAV; the sustainability of cash distributions; and the variability in the Trust's income tax expense. Forward-looking statements generally can be identified by words such as "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "could", "likely", "plan", "project", "continue" or similar expressions suggesting future outcomes or events. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Trust's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. The assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein as well as assumptions relating to general and local economic and business conditions; the regulatory environment; the real estate market in general; the financial condition of tenants and borrowers; interest and mortgage rates; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions and renewable power projects; and the development, construction and operation of our real estate and renewable power projects on anticipated terms.

All the forward-looking statements contained in this MD&A are based on what we believe are reasonable assumptions; there can be no assurance that actual results will be consistent with these forward-looking statements. Factors or risks that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; changes to the regulatory environment; environmental risks; local real estate conditions, including the development of properties in close proximity to the Trust's properties and changes in real estate values; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' and borrowers' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; dependence on our partners in the development, construction and operation of our real estate and renewable power projects; uncertainty surrounding the development and construction of new projects and delays and cost overruns in the design, development, construction and operation of projects; adverse weather conditions and variability in wind conditions and solar irradiation; our ability to execute strategic plans and meet financial obligations; interest and mortgage rates and regulations; inflation; availability of equity and debt financing; foreign exchange fluctuations; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of February 26, 2018. Dream Alternatives does not undertake to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators. Certain filings are also available on our web site at www.dreamalternatives.ca.

Certain market information has been obtained from Standard & Poor's, publications prepared by independent, third party commercial firms that provide information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

Average market rent disclosed in the MD&A is the Asset Manager's best estimate of the net rental rate that would be achieved in the event of a unit becoming vacant in a non-arm's length lease after a reasonable marketing period with an inducement and lease term appropriate for the particular space. Market rent by property is determined on a quarterly basis by our Asset Manager's leasing and portfolio management teams. The basis of calculating market rents depends on leasing deals that are completed for similar space of comparable properties in the area. Market rents may differ by property or by suite within the property, and are dependent upon a number of factors. Some of the factors considered include the condition of the space, the location within the building, the amount of office build-out required for the suites, appropriate lease term, and normal tenant inducements. On a quarterly basis, market rental rates are compared against the external appraisal information that is gathered for our properties and/or other comparable properties managed by the Asset Manager, as well as other external market data sources. The current estimated market rents are at a point in time and are subject to change based on future market conditions.

In addition, certain disclosures incorporated by reference into this report including, but not limited to, information regarding our largest tenants and development and investment holdings' development partners were obtained from publicly available information. We have not independently verified any such information.

11. ADDITIONAL INFORMATION

11.1 DEVELOPMENT AND INVESTMENT HOLDINGS PARTNERS AND SUPPLEMENTAL INFORMATION

Empire Communities ("Empire"[1])

Empire has established a tradition of creating prestigious, award-winning new homes, condominiums, and communities in the GTA, Hamilton, and Niagara regions, while earning a reputation for outstanding attention to detail and customer service. The company received recognition as Ontario's 2013 Green Builder of the Year. Past awards include The President's Award from the Ontario New Home Warranty Program for Outstanding Service and Achievement, the Ontario Community of the Year Award for its Wyndfield and Wyndance communities, and previous Green Builder of the Year Awards from the Hamilton-Halton Home Builders' Association and Building Industry and Land Development Association.

The participating mortgage investments are in a high-rise condominium development and a detached/semi-detached/townhouse development being constructed by Empire, each in the form of a mortgage instrument and a participating agreement, which allows us to participate in a percentage of the profits of the development in excess of the proceeds of the mortgages. We expect to receive repayment of amounts owing under the mortgage instruments and our share of proceeds under the participating agreements from both Empire developments upon the respective completion dates. Upon receipt of all proceeds, we will retain no further ownership interest or security on these developments.

Bayfield LP Investments

The Bayfield LP investments consist of limited partnership interests of less than 20% in two separate limited partnerships that own co-ownership interests in three shopping centres and one office tower. RioCan REIT has an ownership interest in these properties, and a subsidiary of RioCan REIT is the property manager of each of the retail properties. Cash distributions received from the Bayfield LP investments during the quarter were consistent with the annual target distribution rate as communicated by the limited partnerships' asset manager, Bayfield Realty Advisors.

Hotel PUR

Hotel PUR is an award-winning, full service hotel situated in the heart of the Saint-Roch District of Québec City, Québec. The investment was made in partnership with Global Edge Investments Hospitality Inc. ("GEI"[2]), a North American hospitality investment company with development and asset management expertise in hotels, restaurants and on-line hospitality companies. The hotel is managed by Crescent Hotels & Resorts, one of the top five leading third party hotel management companies in North America and is a Starwood Tribute Portfolio hotel.

(1) As disclosed on Empire's website at www.empirecommunities.com
(2) As disclosed on GEI's website at www.globaledgeinvestments.com

11.2 RENEWABLE POWER SUPPLEMENTAL INFORMATION

Ontario Rooftop Solar
Ontario Rooftop Solar comprises three rooftop solar portfolios, which consist of ten rooftop solar power projects located in Ontario, and has an installed capacity of 3.2 MW.

Ontario Ground Mount Solar
Ontario Ground Mount Solar is a portfolio of ten ground-mount solar power projects located in Ontario with an installed capacity of 4.8 MW. All solar power projects are declared operational. Each project has a 20-year PPA with the Independent Electricity System Operator through the Feed-in Tariff ("FIT") program.

Nova Scotia Wind
Nova Scotia Wind is a wind power portfolio consisting of eight turbines located in Nova Scotia with a total capacity of 13.2 MW. The Trust owns an approximate 80.0% economic interest in this portfolio, representing an installed capacity at a share of 10.6 MW. The portfolio is divided into three projects each of which have a 20-year PPA with Nova Scotia Power Inc. through the Community Feed-in-Tariff program.

United Kingdom Wind
United Kingdom Wind is a wind power portfolio located in the U.K. that consists of 45 fully operational distributed-scale wind turbines. The Trust has a 100% economic interest in the portfolio based on the form and structure of the investment. Each of the turbines has a FIT accreditation which provides for payments from local utilities within the U.K. that are indexed to inflation for a remaining term of approximately 20 years as guaranteed by the Office of Gas and Electricity Markets ("OFGEM"), the U.K. government regulator for the electricity and downstream natural gas markets. The assets are unlevered as at December 31, 2017.

11.3 ADDITIONAL INFORMATION

Additional information relating to Dream Hard Asset Alternatives Trust, including the Trust's Annual Information Form and audited consolidated financial statements and accompanying notes, are available on SEDAR at www.sedar.com. The Trust’s voting units trade on the TSX under the symbol "DRA.UN".

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Asset Manager of Dream Hard Asset Alternatives Trust prepares the Annual Report, which includes the consolidated financial statements, the notes thereto and management's discussion and analysis. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using the Asset Manager's best estimates and judgments when appropriate.

The Board of Trustees is responsible for ensuring that the Asset Manager fulfills its responsibility for financial reporting and internal control. The audit committee, which comprises Trustees, meets with the Asset Manager as well as the external auditor to satisfy itself that the Asset Manager is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditor. The audit committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditor, has audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditor has full and unrestricted access to the audit committee, with or without the Asset Manager present.

"Michael J. Cooper"

Michael J. Cooper
Portfolio Manager

"Pauline Alimchandani"

Pauline Alimchandani
Chief Financial Officer

Toronto, Ontario, February 26, 2018

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Dream Hard Asset Alternatives Trust

We have audited the accompanying consolidated financial statements of Dream Hard Asset Alternatives Trust and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dream Hard Asset Alternatives Trust and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 26, 2018

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	Note	**December 31, 2017**	December 31, 2016
ASSETS			
NON-CURRENT ASSETS			
Development and investment holdings	6	**$ 94,119**	$ 187,295
Lending portfolio	7	**62,041**	35,259
Income properties	8	**219,656**	479,401
Renewable power assets	9	**135,514**	132,794
Deferred income taxes	24	**111**	—
Other non-current assets	10	**61,039**	7,122
Equity accounted investments	11	**105,917**	18,823
TOTAL NON-CURRENT ASSETS		**678,397**	860,694
CURRENT ASSETS			
Lending portfolio - current portion	7	**99,391**	106,697
Amounts receivable	12	**3,487**	3,177
Income tax receivable		**2,158**	2,151
Prepaid expenses and other current assets		**8,905**	2,891
Cash		**60,927**	11,757
TOTAL CURRENT ASSETS		**174,868**	126,673
Assets held-for-sale	19	**—**	4,231
TOTAL ASSETS		**$ 853,265**	$ 991,598
LIABILITIES			
NON-CURRENT LIABILITIES			
Amounts payable and accrued liabilities	16	**$ —**	$ 509
Debt	13	**195,094**	216,515
Deferred income taxes	24	**—**	4,903
Deferred units incentive plan	14	**1,524**	1,107
TOTAL NON-CURRENT LIABILITIES		**196,618**	223,034
CURRENT LIABILITIES			
Debt - current portion	13	**4,683**	91,284
Derivative financial liabilities	15	**—**	845
Amounts payable and accrued liabilities	16	**42,738**	26,824
TOTAL CURRENT LIABILITIES		**47,421**	118,953
Liabilities related to assets held-for-sale	19	**—**	2,285
TOTAL LIABILITIES		**244,039**	344,272
UNITHOLDERS' EQUITY			
Unitholders' equity		**592,269**	593,911
Retained earnings		**19,259**	56,977
Accumulated other comprehensive loss	18	**(4,250)**	(5,150)
TOTAL UNITHOLDERS' EQUITY		**607,278**	645,738
Non-controlling interests	9	**1,948**	1,588
TOTAL EQUITY		**609,226**	647,326
TOTAL LIABILITIES AND EQUITY		**$ 853,265**	$ 991,598

See the accompanying notes to the consolidated financial statements
Commitments and contingencies (Note 28)

On behalf of the Board of Trustees of Dream Hard Asset Alternatives Trust:

"James Eaton"

James Eaton
Chair

"David Kaufman"

David Kaufman
Trustee

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars)	Note	**2017**	2016
INCOME			
Fair value adjustments and operating cash distributions in development and investment holdings		**$ (252)**	$ 15,918
Lending portfolio interest income and lender fees		**13,446**	13,332
Income properties revenue		**38,993**	56,775
Renewable power revenue		**17,522**	12,906
Share of income (loss) from equity accounted investments	11	**(1,555)**	24
Realized fair value loss from available-for-sale investments	6	**(630)**	—
TOTAL INCOME		**67,524**	98,955
EXPENSES			
Income properties, operating	20	**(21,142)**	(30,085)
Renewable power, operating	21	**(9,457)**	(6,845)
Interest expense	22	**(11,563)**	(10,176)
Provision for lending portfolio losses	7	**(4,842)**	(6,312)
General and administrative	23	**(15,316)**	(14,990)
TOTAL EXPENSES		**(62,320)**	(68,408)
Fair value adjustments to income properties	8, 19	**(22,867)**	(40,187)
OPERATING INCOME (LOSS)		**(17,663)**	(9,640)
Interest and other income		**2,647**	1,572
Transaction costs		**(2,817)**	(3,475)
Fair value adjustments to marketable securities	10	**3,277**	—
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE		**(14,556)**	(11,543)
INCOME TAX RECOVERY (EXPENSE)			
Current income tax recovery (expense)	24	**7**	284
Deferred income tax recovery (expense)	24	**5,077**	(2,105)
TOTAL INCOME RECOVERY (EXPENSE)		**5,084**	(1,821)
NET INCOME (LOSS)		**(9,472)**	(13,364)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified subsequently to net income (loss):			
Fair value adjustments to derivative financial liabilities hedges, net of tax	15	**(196)**	(602)
Realized fair value loss from derivative financial liabilities hedges, net of tax	15	**90**	20
Fair value adjustments to available-for-sale investments, net of tax		**80**	(31)
Realized fair value loss from available-for-sale investments, net of tax		**557**	—
Unrealized foreign currency translation gain (loss)		**369**	(3,085)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**900**	(3,698)
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ (8,572)**	$ (17,062)
NET INCOME (LOSS) ATTRIBUTABLE TO			
Unitholders		**(10,319)**	(13,694)
Non-controlling interests		**847**	330
NET INCOME (LOSS)		**$ (9,472)**	$ (13,364)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO			
Unitholders		**(9,419)**	(17,392)
Non-controlling interests		**847**	330
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ (8,572)**	$ (17,062)

See the accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2017

(in thousands of Canadian dollars, except for number of units)	Note	**Number of units**		**Unitholders' equity**		**Retained earnings**		**Accumulated other comprehensive income (loss)**		**Non-controlling interests**		**Total**
Balance as at January 1, 2017		**72,351,722**	**$**	**593,911**	**$**	**56,977**	**$**	**(5,150)**	**$**	**1,588**	**$**	**647,326**
Net income (loss) for the year		**—**		**—**		**(10,319)**		**—**		**847**		**(9,472)**
Other comprehensive income (loss)		**—**		**—**		**—**		**900**		**—**		**900**
Distributions paid and payable	17	**—**		**—**		**(29,155)**		**—**		**—**		**(29,155)**
Distribution Reinvestment Plan	17	**773,732**		**4,679**		**—**		**—**		**—**		**4,679**
Deferred units exchanged for Trust units	14	**92,562**		**556**		**—**		**—**		**—**		**556**
Cancellation of Trust units	17	**(800,230)**		**(6,720)**		**1,756**		**—**		**—**		**(4,964)**
Acquisition of non-controlling interest		**—**		**(157)**		**—**		**—**		**157**		**—**
Distributions to non-controlling interests		**—**		**—**		**—**		**—**		**(644)**		**(644)**
Balance as at December 31, 2017		**72,417,786**	**$**	**592,269**	**$**	**19,259**	**$**	**(4,250)**	**$**	**1,948**	**$**	**609,226**

For the year ended December 31, 2016

(in thousands of Canadian dollars, except for number of units)	Note	Number of units		Unitholders' equity		Retained earnings		Accumulated other comprehensive income (loss)		Non-controlling interests		Total
Balance as at January 1, 2016		72,562,487	$	596,541	$	98,078	$	(1,452)	$	1,893	$	695,060
Net income (loss) for the year		—		—		(13,694)		—		330		(13,364)
Other comprehensive income (loss)		—		—		—		(3,698)		—		(3,698)
Distributions paid and payable	17	—		—		(28,972)		—		—		(28,972)
Distribution Reinvestment Plan	17	303,325		1,730		—		—		—		1,730
Deferred units exchanged for Trust units	14	20,302		116		—		—		—		116
Cancellation of Trust units	17	(534,392)		(4,476)		1,565		—		—		(2,911)
Distributions to non-controlling interests		—		—		—		—		(635)		(635)
Balance as at December 31, 2016		**72,351,722**	**$**	**593,911**	**$**	**56,977**	**$**	**(5,150)**	**$**	**1,588**	**$**	**647,326**

See the accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	Note		2017		2016
Generated from (utilized in) operating activities					
Net income (loss)		**$**	**(9,472)**	$	(13,364)
Non-cash and other items:					
Amortization and depreciation	27		**6,920**		3,700
Other adjustments	27		**25,447**		31,310
Change in non-cash working capital	27		**(8,836)**		336
Investment in lease incentives and initial direct leasing costs			**(9,387)**		(8,002)
Cash distributions from development and investment holdings	6		**7,168**		—
Generated from (utilized in) operating activities		**$**	**11,840**	$	13,980
Generated from (utilized in) investing activities					
Investments in building improvements		**$**	**(3,024)**	$	(8,862)
Acquisition of income properties, including transaction costs			**(11,657)**		—
Cash distributions from development and investment holdings	6		**19,781**		—
Cash advances to development and investment holdings	6		**(2,766)**		(8,835)
Net proceeds from disposal of development and investment holdings, net of transaction costs			**67,132**		—
Net proceeds from disposal of income properties, net of transaction costs			**126,165**		11,466
Additions to renewable power assets			**(12,373)**		(20,378)
Lending portfolio additions, net of lender fees	7		**(90,360)**		(39,843)
Principal repayments received from lending portfolio	7		**70,612**		56,286
Deposit in investment holdings			**—**		(1,943)
Acquisition of marketable securities			**(52,569)**		—
Investments in equity accounted investments, net	11		**(61,179)**		(18,799)
Generated from (utilized in) investing activities		**$**	**49,762**	$	(30,908)
Generated from (utilized in) financing activities					
(Repayment) borrowings on construction loan facility, net		**$**	**—**	$	(14,534)
Changes in restricted cash balance			**(1,751)**		299
Long-term debt borrowings, net			**66,655**		56,283
Debt settlement costs	13		**(1,286)**		—
Lump sum repayments of mortgage payable and note payable	13		**(22,968)**		(7,922)
Mortgages and term loan repayments	13		**(6,813)**		(8,870)
Settlement of derivative financial liabilities	15		**(1,109)**		(1,512)
Distributions and contributions to non-controlling interests			**(644)**		(635)
Advance (repayment) on revolving credit facility, net			**(15,075)**		15,000
Distributions paid on units	17		**(24,473)**		(27,251)
Trust units repurchased and cancelled	17		**(4,964)**		(2,911)
Generated from (utilized in) financing activities		**$**	**(12,428)**	$	7,947
Foreign exchange on cash held in foreign currency		**$**	**(4)**	$	(26)
Increase (decrease) in cash		**$**	**49,170**	$	(9,007)
Cash, beginning of the year			**11,757**		20,764
Cash, end of the year		**$**	**60,927**	$	11,757

See the accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All dollar amounts are presented in thousands of Canadian dollars, except for unit, per unit, and MW amounts, unless otherwise stated)

1. ORGANIZATION

Dream Hard Asset Alternatives Trust ("Dream Alternatives" or the "Trust") is an open-ended trust established under the laws of the Province of Ontario by a Declaration of Trust dated April 28, 2014, amended and restated on July 8, 2014. The consolidated financial statements of Dream Alternatives include the accounts of Dream Alternatives and its consolidated subsidiaries. The Trust was formed by and is managed by Dream Asset Management Corporation ("DAM" or the "Asset Manager"). The Trust is focused on hard asset alternative investments comprising real estate development, real estate lending, income properties, and renewable power.

The Trust's registered office is 30 Adelaide Street East, Suite 301, Toronto, Ontario, Canada, M5C 3H1. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "DRA.UN". Dream Alternatives' consolidated financial statements for the year ended December 31, 2017 were authorized for issuance by the Board of Trustees on February 26, 2018.

For simplicity, throughout the notes, reference is made to the units of the Trust as follows:

- "units" meaning Trust voting units, and
- "unitholders" meaning holders of Trust voting units.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Trust's consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The consolidated financial statements are prepared on a historical cost basis, except for income properties, development and investment holdings and certain financial instruments that are measured at fair value. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements unless otherwise indicated.

Certain prior year comparative results have been reclassified to conform to the current year's consolidated financial statement presentation.

BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Trust and its subsidiaries. All intercompany transactions have been eliminated in these consolidated financial statements.

Subsidiaries are those entities that the Trust controls by having the power to govern the financial and operating policies of the entity and has exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the investee to affect the amount of the investor's return. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Trust controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Trust and are subsequently deconsolidated from the consolidated financial statements on the date that control ceases.

NON-CONTROLLING INTERESTS

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Net income and comprehensive income of subsidiaries is recognized directly in equity attributable to non-controlling interests and owners of the Trust within equity. Changes in the Trust's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

JOINT ARRANGEMENTS

The Trust may enter into joint arrangements through joint operations and joint ventures. Joint arrangements are contractual arrangements that give two or more parties joint control of the arrangement. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement, whereas a joint venture is a joint arrangement whereby the parties that have joint control only have rights to the net assets of the arrangement.

The Trust, through its subsidiaries, is a co-owner in several properties that are subject to joint control and has direct rights to the income property, and obligations for the liabilities relating to the co-ownership. Therefore these joint arrangements are considered to be joint operations. For these properties, the Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the consolidated financial statements.

Interests in joint ventures are accounted for using the equity method of accounting. The Trust's equity accounted investments are initially recognized at cost. The cost of a joint venture at initial recognition comprises its purchase price and any directly attributable expenditures necessary to obtain it. Any goodwill arising on the acquisition of a joint venture is not separately recognised but is included in the carrying value of the joint venture. The consolidated financial statements include the Trust's share of the profit or loss and other comprehensive income (loss), after adjustments to align the accounting policies with those of the Trust, from the date that joint control commences until the date that joint control ceases. When the Trust's share of losses, if any, exceeds the carrying amount of the joint venture, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Trust has a legal or constructive obligation or has made a payment on behalf of the joint venture.

INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for using the equity method. Investments in associates are those entities in which the Trust has significant influence, but no control or joint control, over the financial and operating policies.

Investments in associates are recognized initially at cost. The cost of an investment in an associate at initial recognition comprises its purchase price and any directly attributable expenditures necessary to obtain it. Any goodwill arising on the acquisition of an associate is not separately recognised but is included in the carrying value of the associate. The consolidated financial statements include the Trust's share of the profit or loss and other comprehensive income (loss), after adjustments to align the accounting policies with those of the Trust, from the date that significant influence commences until the date that significant influence ceases. When the Trust's share of losses, if any, exceeds the carrying amount of the associate, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Trust has a legal or constructive obligation or has made a payment on behalf of the associate.

SEGMENT REPORTING

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) that is subject to risks and rewards that are different from those of other reportable segments. The Trust's primary format for segment reporting is based on business segments. The business segments: development and investment holdings, lending portfolio, income properties and renewable power are based on the Trust's management and internal reporting structure. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Portfolio Manager of Dream Alternatives. The operating segments derive their revenue primarily from rental income, lessees, power sales, interest income and loan fees.

3. ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

The principal accounting policies applied in the preparation of these consolidated financial statements are described below.

DEVELOPMENT AND INVESTMENT HOLDINGS

Development and investment holdings include mortgages receivable secured against residential development properties and include participation rights in the profits of the underlying developments. The participation rights represent an embedded derivative. The Trust has elected to designate each of the entire combined contracts as financial assets at FVTPL, and, accordingly, development and investment holdings are initially recorded at the cost of acquisition and are subsequently carried at fair value. Transaction costs are expensed as incurred. These participating mortgages are classified as development and investment holdings on the consolidated statements of financial position. Income earned and the changes in fair value are recorded in the consolidated statements of comprehensive income (loss) as fair value adjustments and operating cash distributions in development and investment holdings. Cash flows related to capital components of development and investment holdings are classified as investing activities on the consolidated statement of cash flows when it represents a return of capital and operating activities when it represents profit to the Trust.

DEVELOPMENT AND INVESTMENT HOLDINGS AVAILABLE-FOR-SALE

Development and investment holdings available-for-sale ("AFS investments") consist of two limited partnership interests. The Trust's ownership interest in the two limited partnerships is less than 20%. The limited partnerships own interests in three shopping centres and one office tower. These AFS investments are not subject to control, joint control or significant influence and are non-derivative financial instruments that have been classified as AFS investments because they do not qualify for classification in any other financial instrument category. The Trust does not intend to sell these investments at the present time. AFS investments are financial assets that do not earn contractual cash flows nor qualify as FVTPL. AFS investments are initially recognized at the cost of acquisition, including directly attributable transaction costs, and are subsequently carried at their fair value. They are classified as development and investment holdings on the consolidated statements of financial position and fair value adjustments are reflected in other comprehensive income ("OCI") on the consolidated statements of comprehensive income (loss). Realized gains (losses) on sale are recognized in net income in the consolidated statements of comprehensive income (loss).

LENDING PORTFOLIO

The lending portfolio is primarily comprised of fixed-interest-rate amortizing and interest-only mortgage and loan investments that the Trust intends on holding until maturity, which are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, the lending portfolio investments are measured at amortized cost using the effective interest rate method, less any impairment losses. The lending portfolio investments are assessed on each reporting date to determine whether there is objective evidence of impairment. A lending portfolio investment is considered to be impaired if there has been a deterioration of credit quality subsequent to its initial recognition such that the Trust no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

Each lending portfolio investment is reviewed to assess if any features of the agreement are considered embedded derivatives. Embedded derivatives are required to be separated from the host contract and accounted for as a derivative financial instrument in accordance with the criterion in IAS 39. If the embedded derivative is required to be separated from the host contract and the fair value of the embedded derivative cannot be measured reliably the entire lending portfolio investment is required to be designated as fair value through profit and loss ("FVTPL").

An impairment loss in respect of a specific lending portfolio investment, other than those classified as FVTPL, is calculated as the difference between its carrying amount including accrued interest and the present value of the estimated future cash flows discounted at the investment's original effective interest rate. If practical, impairment may be measured based on an instrument's fair value using an observable market price. Losses are recognized in the statements of comprehensive income (loss) and reflected in an allowance account against the lending portfolio investment. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive income (loss). A provision for lending portfolio losses represents the Asset Manager's best estimate of impaired lending portfolio investments at each reporting date. Judgment is required as to the timing of designating a lending portfolio as impaired and the amount of any provision required.

The Trust recognizes interest, lender fees and other income from the lending portfolio in the consolidated statements of comprehensive income (loss) using the effective interest rate method. Interest and other income includes the Trust's share of any fees received, as well as the effect of any premium or discount received on the mortgage. The effective interest rate method discounts the future cash payments and receipts through the expected life of the lending portfolio mortgage or loan to its carrying amount.

INCOME PROPERTIES

Income properties are initially recorded at cost, including related transaction costs in connection with asset acquisitions, and include office and industrial properties held to earn rental income and/or for capital appreciation. After initial recognition, income properties are carried at fair value. At the end of each reporting period, the Trust determines the fair value of income properties by either considering current contracted prices for certain income properties including those available for sale, obtaining appraisals from qualified external professionals or using internally prepared valuations applying the income approach. Internally prepared valuations are performed by the Asset Manager who estimates the fair value of each income property using the most appropriate valuation methodology determined for each property on a highest and best use basis, which may include the overall capitalization method, the discounted cash flow method or, in certain limited circumstances, land values. Related fair value gains and losses are recorded in net income (loss) in the statements of comprehensive income (loss) in the period in which they arise. The fair value of each income property is based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the consolidated balance sheet dates, less future estimated cash outflows in respect of such properties. To determine fair value, the Trust first considers whether it can use current prices in an active market for a similar property in the same location and condition that is subject to similar leases and other contracts. The Trust has concluded that there is insufficient market evidence on which to base income property valuation using this approach; therefore, it uses the income approach for its income properties. The income approach is one in which the fair value is estimated by capitalizing the net rental income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method, whereby the net operating income is capitalized at the requisite overall capitalization rate, and/or the discounted cash flow method, in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. Each property is subject to an appraisal by an independent valuator at least once every three years, if not earlier.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of income properties. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of income properties and are amortized on a straight-line basis over the term of the lease as a reduction of income properties' revenue.

RENEWABLE POWER ASSETS

Renewable power assets are measured at cost less accumulated depreciation and impairment charges, if any. Cost includes expenditures that are directly attributable to the acquisition and construction of the asset including interest costs paid or accrued during construction. Annual depreciation rates estimated by the Trust are listed in the table below. The depreciation methods, residual values, and estimates of the useful lives of its renewable power assets are reviewed by management at least annually.

Asset class	Depreciation method and period
Solar power equipment	
Solar modules, inverters and racking	4%, straight-line
Wind power equipment	
Wind generation equipment, electrical system, foundations and roads	4% to 5%, straight-line

On sale or retirement, renewable power assets and their related accumulated depreciation are removed from the consolidated statements of financial position, and any related gain or loss is reflected in net income in the consolidated statements of comprehensive income (loss).

The cost of replacing a component of an item of renewable power assets is recognized in the carrying amount of the item if it is probable that the Trust will receive future economic benefits from the replacement components, and if the cost of the components can be measured reliably. The carrying amount of the replaced component is derecognized.

INTANGIBLE ASSETS

Intangible assets are related to provincial government contracts to supply wind power at rates above fixed price contracts and are recorded at cost less accumulated amortization and impairment charges, if any. Amortization takes place over the contractual term of the agreements related to the assets, which are 20 years on a straight-line basis. These intangible assets are classified as other non-current assets on the consolidated statements of financial position.

IMPAIRMENT OF RENEWABLE POWER ASSETS AND INTANGIBLE ASSETS

Renewable power assets and intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds the greater of the value-in-use or fair value less costs to sell.

For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows. The amount of the loss is recognized in the consolidated statements of comprehensive income (loss) within operating expenses. The carrying amount is reduced by the impairment loss directly. If, in a subsequent year, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in net income in the consolidated statements of comprehensive income (loss).

IMPAIRMENT OF EQUITY ACCOUNTED INVESTMENTS AND INVESTMENTS IN ASSOCIATES

The Trust assesses, at each reporting date, whether there is objective evidence that its interest in equity accounted investments and investments in associates are impaired. If impaired, the carrying value of the Trust's equity accounted investment balance is written down to its estimated recoverable amount, which is the greater of its value-in-use or fair value less costs to sell, with any differences charged to net income in the consolidated statements of comprehensive income (loss).

REVENUE RECOGNITION

Revenue from lending portfolio, income properties and renewable power assets is recognized as it is earned to the extent that it is probable that the economic benefits will flow to the Trust and that the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable.

LENDING PORTFOLIO

Mortgage interest and fees revenues are recognized in the consolidated statements of comprehensive income (loss) using the effective interest method. Mortgage interest and fees revenues include the discount or premium incurred by the Trust at the time the mortgages were acquired, if any. The effective interest method derives the interest rate that discounts the estimated future cash payments and receipts over the expected life of the mortgages to its carrying amount. When calculating the effective interest rate, future cash flows are estimated considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and transaction costs paid or received, including the incremental revenues and costs that are directly attributable to the acquisition or issuance of the mortgage.

INCOME PROPERTIES

The Trust accounts for tenant leases as operating leases given that it has retained substantially all of the risks and benefits of ownership of its income properties. Revenues from income properties include base rents, recoveries of operating expenses including property taxes, percentage participation rents, lease termination fees, parking income, and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. 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; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred and collectability is reasonably assured. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. Other revenues are recorded as earned.

RENEWABLE POWER ASSETS

Revenue from renewable power assets is determined based on the amount of energy generated at the contracted rates and is recognized on an accrual basis when the energy produced is received by the client. Several power-generating sites are eligible for additional payments under government programs designed to provide additional fees based on the supply of renewable energy. These amounts are related to energy generated and are based on the megawatt hours ("MWh") of electricity supplied. These amounts are recorded as revenue in the period in which the energy is generated. Amounts are determined based on a spot amount or fixed amount per MWh generated, depending on the location of where the energy is produced.

BUSINESS COMBINATIONS

The purchase method of accounting is used for acquisitions meeting the definition of a business. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquiror, the liabilities incurred by the acquiror to former owners of the acquiree, and the equity interests issued by the acquiror.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Trust’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Trust’s share of the net assets acquired, the difference is recognized directly in profit or loss for the year as a gain on acquisition. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

CASH

Cash excludes restricted cash subject to restrictions that prevent its use for current purposes. Restricted cash is included in prepaid expenses and other current assets. Excluded from cash are amounts held for repayment of tenant security deposits, as required by various lending agreements. These security deposits are included in accounts payable and accrued liabilities.

As at December 31, 2017 cash included an amount of $6,286 (December 31, 2016 – $6,194) held in bank accounts that require both the Trust's and third parties' approval prior to distribution.

INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities are investments in listed equity. These investments are financial instruments classified as either AFS or FVTPL. In order to determine the classification of the marketable securities the characteristic of the investment, intention of the investment and other criterion are considered in order to determine the appropriate category classification. FVTPL is generally used for investments that are actively bought and sold or are managed and its performance evaluated on a fair value basis. If the investment does not meet any of the classification categories it is recorded as AFS. Both a FVTPL or AFS investments in marketable securities are measured at the value determined on the quoted active market where they are traded at each reporting period.

LEASES

Leases that substantially transfer all the benefits and risks of ownership of property and equipment to the Trust, or otherwise meet the criteria for capitalizing a lease under IFRS, are accounted for as finance leases. An asset is recognized at the time a finance lease is entered into together with its related long-term obligation. Property and equipment recognized under finance leases are amortized on the same basis under income properties or renewable power assets. Payments on operating leases are expensed on a straight-line basis.

DISTRIBUTIONS

Distributions to unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction to retained earnings.

INCOME TAXES

The Trust follows the balance sheet liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused tax losses and unused tax credits, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting years (carry-forward period assumptions), it is reasonably possible that actual results could differ from the estimates used in the Trust's historical analysis. If the Trust's results of operations are less than projected and there is insufficient objectively verifiable evidence to support the likely realization of its deferred tax assets, adjustments would be required to reduce or eliminate its deferred tax assets.

UNIT-BASED COMPENSATION PLAN

As described in Note 14, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the granting of deferred Trust Units and income deferred Trust Units to Trustees, officers, employees and affiliates and their service providers (including the Asset Manager). Unvested deferred Trust Units are recorded as a liability, and compensation expense is recognized over the vesting period at amortized cost based on the fair value of the Units. Once vested, the liability is re-measured at each reporting date at amortized cost, based on the fair value of the corresponding Units, with changes in fair value recognized in net income in the statements of comprehensive income.

FINANCIAL INSTRUMENTS

DESIGNATION OF FINANCIAL INSTRUMENTS

The following summarizes the Trust's classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
Financial assets		
Development and investment holdings	Fair value through profit or loss	Fair value
Development and investment holdings available-for-sale	Available for sale	Fair value
Lending portfolio	Loans and receivables/Fair value through profit or loss	Amortized cost/Fair value
Amounts receivable	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Marketable Securities	Fair value through profit or loss/Fair value through Other Comprehensive Income	Fair value
Financial liabilities		
Debt	Other liabilities	Amortized cost
Derivative financial liabilities	Designated as cash flow hedge	Fair value
Amounts payable and accrued liabilities	Other liabilities	Amortized cost

The accounting policies for the lending portfolio, development and investment holdings, development and investment holdings available-for-sale and marketable securities have been discussed previously.

FINANCIAL ASSETS

The Trust classifies its non-derivative financial assets with fixed or determinable payments that are not quoted in an active market as loans and receivables. Loans and receivables are initially measured at fair value, less any related transaction costs, and are subsequently measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment, if applicable. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include payment delinquency and significant financial difficulty of the counterparty. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of comprehensive income within operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence collection is not possible. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Trust transfers substantially all risks and rewards of ownership.

FINANCIAL LIABILITIES

The Trust classifies its financial liabilities, other than derivative financial liabilities, on initial recognition as other liabilities measured at amortized cost. Financial liabilities are initially recognized at fair value less related transaction costs. Financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in net income in the consolidated statements of comprehensive income (loss) over the expected life of the debt.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their 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 Trust documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Trust also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction is recognized in other comprehensive income (loss) in the consolidated statements of comprehensive income (loss). The gain or loss relating to the ineffective portion, if any, is recognized immediately in the statements of comprehensive income (loss) in net income (loss).

The realized gain or loss recognized on settlement of a hedging instrument designated as a cash flow hedge will be reclassified to net income over the term of the related debt. When a hedging instrument no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in accumulated other comprehensive income at that time are recognized in net income.

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Trust's foreign operations are measured using the currency of the primary economic environment in which the foreign operations are conducted ("the functional currency"). The functional currency of the Trust's foreign operations located in the United Kingdom is the British pound. The functional currency of the Trust and Canadian operations is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars, which is the Trust's presentation currency.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the Trust's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the exchange rates effective at the financial statement reporting date for monetary assets and liabilities denominated in foreign currencies, if any, are recognized in the consolidated statements of comprehensive income.

FOREIGN OPERATIONS

The results and financial position of the foreign operations are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income in the consolidated statements of comprehensive income.

ASSET RETIREMENT OBLIGATIONS

The Trust is subject to certain legal and constructive obligations associated with the retirement of renewable power assets, which are recorded as liabilities when those obligations have occurred and are measured as the present value of the expected costs to settle the liability, discounted at the current pre-tax rate specific to the liability. The liability is accreted up to the date the liability will be incurred, with a corresponding charge to interest expense. The carrying amount of long-term provisions is reviewed quarterly, with changes in the estimates of timing or amount of cash flows added to or deducted from the cost of the related asset.

INTEREST EXPENSE

Interest expense includes interest on mortgages payable secured by income properties, amortization of ancillary costs incurred in connection with the arrangement of borrowing, interest on the revolving loan facility, interest on the construction loan facility and amortization of fair value adjustments on assumed mortgages payable.

CAPITALIZATION OF BORROWING COSTS

The Trust capitalizes borrowing costs that are directly attributable to qualifying assets by determining whether the borrowings are general or specific to a project. Interest is capitalized during periods of active development and construction, starting from the commencement of development until the date all activities necessary to prepare the asset for its intended use are complete. Interest on general borrowings that are directly attributable to an asset is capitalized based upon a weighted average cost of borrowing. Borrowing costs are capitalized to qualifying assets that necessarily take a substantial period of time to prepare for their intended use or sale. The Trust considers a substantial period of time to be a period longer than six months to complete.

EQUITY

The Trust presents units as equity, notwithstanding the fact that the Trust's units meet the definition of a financial liability. Under IAS 32, the units are considered a puttable financial instrument because of the holder's option to redeem units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date or 100% of the closing market price on the redemption date. The total amount payable by Dream Alternatives in any calendar month will not exceed $50 unless waived by Dream Alternatives' Board of Trustees at their sole discretion. The Trust has determined that the units can be presented as equity and not financial liabilities because the units have all of the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- Units entitle the holder to a pro-rata share of the Trust's net assets in the event of its liquidation. Net assets are those assets that remain after deducting all other claims on the assets.
- Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments.
- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the Trust to redeem the units for cash or another financial asset, the units do not include any contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments.
- The total expected cash flows attributable to the units over their lives are based substantially on the net income and the changes in the recognized net assets and unrecognized net assets of the Trust over the life of the units.

Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issuance of units are recognized directly in unitholders' equity as a reduction of the proceeds received.

PROVISIONS

Provisions for legal claims are recognized when the Trust has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

ASSETS HELD-FOR-SALE

Assets and associated liabilities (or disposal groups) are classified as held-for-sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Income properties designated as held-for-sale are recorded at fair value until disposal and the remainder of the disposal group is stated at the lower of the carrying amount and fair value less costs to sell.

ACCOUNTING FOR LEVIES IMPOSED BY GOVERNMENT

IFRIC 21, "Levies" ("IFRIC 21"), provides guidance on accounting for levies in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

CRITICAL ACCOUNTING JUDGMENTS

The following are the critical accounting judgments used in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

JOINT ARRANGEMENTS, ASSOCIATES AND SUBSIDIARIES

The Trust holds investments in various assets, and its ownership interest in these investments is established through diverse structures. Significant judgment is applied in assessing whether the investment structure results in control, joint control or significant influence over the operations of the investment, or whether the Trust's investment is passive in nature. For joint arrangements, judgment is applied in determining whether the Trust has an interest in the net assets of the arrangement or a direct interest in the underlying assets and a direct obligation for the underlying liabilities of the arrangement. The Trust considers the contractual rights and obligations of the arrangement, and other relevant factors, in determining the appropriate accounting treatment for its investments.

In determining if an entity is a subsidiary of the Trust, the Trust makes significant judgments about whether it has control over such an entity. In addition to voting rights, the Trust considers the contractual rights and obligations arising from other arrangements and other relevant factors relating to an entity in determining if the Trust has power and variable returns. The contractual rights and obligations considered by the Trust include, among others, the approvals and decision-making process over significant operating, financing and investing activities, the responsibilities and scope of decision-making power of the Trust, the termination provisions of agreements, the types and determination of fees paid to the Trust and the significance of any investment by the Trust (if any). The Trust reviews its prior conclusions when facts and circumstances change.

INCOME PROPERTIES AND AFS INVESTMENTS

Critical judgments are made in respect of the fair values of income properties and AFS Investments. The fair values of these investments are reviewed regularly by the Asset Manager with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of office and industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. Each property is subject to an appraisal by an independent valuator at least once every three years, if not earlier. For income properties not subject to independent appraisals, internal valuations are prepared by the Asset Manager and reviewed during each reporting period.

For income properties, the Asset Manager makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to income properties. Lease incentives, such as cash, rent-free periods and lessee or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of income properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the income property.

DEVELOPMENT AND INVESTMENT HOLDINGS

Critical judgments are made in determining the fair value of development and investment holdings. The fair value of these investments is reviewed by the Asset Manager regularly with reference to the applicable local market conditions and in discussion with the development's construction management company. The Trust makes judgments with respect to the completion dates of the developments, the leasing and management cost assumptions for the buildings and/or unit sales in order to determine the Trust's interest and participating income. Generally, the development and investment holdings are valued using a number of approaches that typically include a discounted cash flow analysis, direct capitalization approach and direct comparison approach. The discounted cash flow model is calculated based on future interest and participating profit payments as determined by the Asset Manager and project managers' estimates of unit sales proceeds and/or net operating income of the development properties. With the direct capitalization rate method, the fair value is determined by applying a capitalization rate to stabilized net operating income ("NOI"). Each investment is subject to an appraisal by an independent valuator at least once every three years, if not earlier.

DEPRECIATION OF RENEWABLE POWER ASSETS

The Trust makes estimates and assumptions when determining the annual depreciation rates, residual values, and the useful lives of its depreciable assets. The assets' depreciation rates are detailed in Note 3.

BUSINESS COMBINATIONS
Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits to investors. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgment is used by the Asset Manager in determining whether an acquisition qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether an acquisition is a business combination or an asset acquisition, the Trust applies judgment when considering whether the acquisition is capable of producing outputs and whether the market participant could produce outputs if missing elements exist. In particular, the Trust considers whether employees were assumed in the acquisition and whether an operating platform has been acquired.

IMPAIRMENT
The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, equity accounted investments, lending portfolio, intangible assets and renewable power assets. Such estimates and assumptions primarily relate to the timing and amount of future cash flows.

IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), requires management to use judgment in determining if the Trust's financial assets are impaired. In making this judgment, the Trust evaluates, among other factors, the duration and extent to which the fair value of the investment is less than its carrying amount, and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

IAS 36, "Impairment of Assets" ("IAS 36"), requires management to use judgment in determining the recoverable amount of assets tested for impairment. Judgment is involved in estimating the fair value less the cost to sell or value-in-use of the cash-generating units ("CGUs"), including estimates of growth rates, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

ESTIMATES AND ASSUMPTIONS
The preparation of consolidated financial statements in accordance with IFRS requires the Trust to make estimates and assumptions that affect the carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of total comprehensive income (loss) for the period. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements relate to the following:

VALUATION OF INCOME PROPERTIES, DEVELOPMENT AND INVESTMENT HOLDINGS AND AFS INVESTMENTS
The fair values of income properties, development and investment holdings and AFS Investments are dependent on estimates regarding stabilized or forecasted net operating income ("NOI") and capitalization and discount rates applicable to those assets. The determination of stabilized or forecasted NOI incorporates various assumptions including those regarding contractual rents, expected future market rents, renewal rates and maintenance costs. Capitalization and discount rates reflect market uncertainties and are based on the location, size and quality of the asset and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of income properties, development and investment holdings and AFS Investments may change materially.

VALUATION OF FINANCIAL INSTRUMENTS
The Trust makes estimates and assumptions relating to the fair value measurement and disclosure of the development and investment holdings, AFS Investments, lending portfolio and mortgages payable. The fair values of development and investment holdings are determined based on discounted cash flows and the direct capitalization rate method using discount rates and cap rates that reflect current market conditions for instruments with similar terms and risks. The fair values of AFS Investments are determined by applying cap rates, which reflect current market conditions for properties with similar terms and risks, to the Asset Manager's assessment of stabilized NOI. There are no quoted prices in an active market for the lending portfolio investments. The Trust determines fair value based on its assessment of the current lending market for lending portfolio investments having the same or similar terms, in consultation with the manager and servicer of the lending portfolio, and other available information. The critical assumptions underlying the fair value measurements and disclosures include the market interest rates for mortgages, discount rates for development and investment holdings and stabilized NOI for AFS Investments.

For certain financial instruments, including cash, restricted cash, amounts receivable, amounts payable and accrued liabilities, deposits, and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity.

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Assumptions are made to estimate the fair value of derivative financial liabilities and to assess the effectiveness of the hedging arrangement. The basis of valuation and assessment of effectiveness for the Trust's derivatives is set out in Note 15; however, the fair values reported may differ from how they are ultimately recognized if there is volatility in interest rates between the valuation date and settlement date.

5. ADOPTION OF ACCOUNTING STANDARDS

CURRENT ACCOUNTING POLICY CHANGES

There were a number of new standards and interpretations effective from January 1, 2017, that the Trust applied for the first time. The nature and impact of each new relevant standard and/or amendment is described below. Other than the changes described below, the accounting policies adopted are consistent with those of previous financial years.

STATEMENT OF CASH FLOWS

IAS 7, "Statement of Cash Flows ("IAS 7"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning on or after January 1, 2017. The adoption of this standard did not have a material impact on the Trust's consolidated financial statements.

FUTURE ACCOUNTING POLICY CHANGES

Standards issued but not yet effective up to the date of issuance of the Trust's consolidated financial statements that are likely to have an impact on the Trust are listed below. This listing is of standards and interpretations issued that the Trust reasonably expects to be applicable at a future date. The Trust intends to adopt those standards when they become effective.

REVENUE RECOGNITION

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. During the year ended December 31, 2017, the Trust undertook an in-depth assessment of IFRS 15 and its impact to the Trust's consolidated financial statements. As part of its assessment the Trust reviewed its revenue streams on a line by line basis and reviewed specific contracts with tenants in order to assess the overall impact of the transition to IFRS 15. In particular, the Trust focused on service revenue (common area maintenance recoveries and renewable power revenue). The Trust has certain obligations with respect to its rented space which are in scope of IFRS 15. These obligations are satisfied evenly over time, and revenue earned is based on actual costs incurred to provide the services. The Trust will recognize revenues to the extent it is entitled to recover costs from tenants under the term of the leases. In performing its in-depth assessment of IFRS 15 the Trust has determined that the adoption of IFRS 15 will not have a material impact on the Trust's consolidated financial statements. Lastly, the IFRS 15 transition will result in new and additional disclosures to be in compliance with the new standard.

FINANCIAL INSTRUMENTS

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new approach also results in a single impairment model being applied to all financial instruments carried at amortized cost, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The entity's own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets, "fair value through other comprehensive income (loss)", will exist.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. As a result of the Trust's assessment of this standard it has noted that the classification of AFS is no longer available under IFRS 9 and those financial instruments classified as AFS under IAS 39 will be classified as FVTPL. The impact to the Trust's consolidated financial statements will be $295, net of tax, of unrealized fair value adjustments currently reflected in Other Comprehensive Income ("OCI") to be recorded as an opening retained earnings adjustment. In determining the classification of financial instruments that have been classified as amortized cost the Trust has considered the business model in which the asset is held and the cash flow characteristics. Furthermore, IFRS 9 requires financial assets classified as amortized cost to use an expected credit loss ("ECL") impairment model. The Trust has assessed its financial instruments classified as amortized cost under the ECL model. The Trust is still in the process of quantifying the provision required under IFRS 9, but does not expect a material impact as at January 1, 2018. The Trust does not expect there to be a material impact to the carrying value of its trade receivables given past default rates and receivable balances. Lastly, the IFRS 9 transition will result in updated and additional disclosures to be in compliance with this new standard.

FINANCIAL INSTRUMENTS – DISCLOSURES

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018.

LEASES

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

INCOME TAXES

IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"), clarifies the application of the recognition and measurement requirements in IAS 12, "Income Taxes" ("IAS 12") for situations where there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers income tax treatments separately; assumptions that an entity makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Trust is currently evaluating the impact of adopting this interpretation on the consolidated financial statements.

6. DEVELOPMENT AND INVESTMENT HOLDINGS

The Trust has entered into debt agreements that allow the Trust to participate in the remaining profits of the developments after the payment of interest and an equal preferred return to the equity partners is paid. The table below provides a continuity of development and investment holdings:

	Investment holdings				
	FVTPL[1]	AFS[2]	Total investment holdings	Development holdings	Total development and investment holdings
Balance as at January 1, 2016	$ 13,474	$ 15,109	**$ 28,583**	$ 135,436	**$ 164,019**
Advances	—	—	**—**	8,835	**8,835**
Fair value adjustments	—	(36)	**(36)**	14,477	**14,441**
Balance as at December 31, 2016	**$ 13,474**	**$ 15,073**	**$ 28,547**	**$ 158,748**	**$ 187,295**
Advances	1,700	747	**2,447**	319	**2,766**
Distributions received	(900)	—	**(900)**	(26,048)	**(26,948)**
Dispositions	(9,638)	(1,013)	**(10,651)**	(56,985)	**(67,636)**
Fair value adjustments	(984)	(8)	**(992)**	(366)	**(1,358)**
Balance as at December 31, 2017	**$ 3,652**	**$ 14,799**	**$ 18,451**	**$ 75,668**	**$ 94,119**

(1) Fair value through profit and loss ("FVTPL")
(2) Available-for-sale ("AFS")

As at December 31, 2017, investment holdings include a hospitality asset recorded through FVTPL and two limited partnerships that are recorded as AFS investments. Development holdings, recorded through FVTPL, includes two long-term development loans secured by real property comprised of two residential assets under development.

During the year ended December 31, 2017, the Trust disposed of its interest in retail assets under development and retail assets completed and operational comprising six long-term development loans, one co-ownership investment with an interest of less than 20%, as well as a mortgage loan receivable of $2,384 ("Villarboit Investment"), previously included within the lending portfolio (refer to note 7 Lending Portfolio), for total gross proceeds of $70,000, before transaction costs of $518. For the year ended December 31, 2017, the Trust recorded a fair value loss of $6,583 related to the sale of the Villarboit Investment. During the year, the Trust transferred $630 of realized losses from other comprehensive income (loss) into net income (loss) resulting from the sale of an AFS investment that was part of the Villarboit Investment.

For the remaining investments, the fair value methodologies applied have been consistent with the prior year. The fair value methodologies and material assumptions for each respective category are summarized in the table below:

As at			**December 31, 2017**	December 31, 2016
	Method	**Unobservable inputs**	**Range**	**Range**
Development Holdings				
Residential assets under development	Discount future anticipated proceeds from unit closings	Discount rates	**9.5% - 12%**	9.5% - 12.5%
Retail assets under development	Blended approach which includes calculating current value by applying direct capitalization method to in-place NOI and the direct comparison approach	Capitalization rates	**N/A**	6.0% - 6.9%
Investment Holdings				
Retail assets completed and operational	Calculate current value by applying direct capitalization method to stabilized NOI	Capitalization rates	**N/A**	6.3%
Hospitality asset	Discount future cash flows to reporting date	Discount rates	**13.0%**	13.0%
Available-for-sale	Calculate value by applying direct capitalization method to stabilized NOI and where applicable discount back to the reporting date	Capitalization rates	**6.2% - 7.4%**	6.3% - 7.75%

Generally, an increase in anticipated proceeds from unit closings or an increase in stabilized NOI will result in an increase in fair values. An increase in the capitalization rates or in the discount rates will result in a decrease in fair values. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower rate resulting in a greater impact to the fair value than a higher rate.

7. LENDING PORTFOLIO

For the year ended	December 31, 2017	December 31, 2016
Balance, beginning of year	**$ 141,956**	$ 161,283
Add (Deduct):		
Lending portfolio advances[1]	**90,698**	39,843
Changes in accrued interest balance	**(152)**	(72)
Provision for lending portfolio losses	**(4,842)**	(6,312)
Interest capitalized to lending portfolio balance	**4,967**	3,572
Lender fees and extension fees received, net of amortization	**(583)**	(72)
Principal repayments at maturity and contractual repayments and prepayments	**(70,612)**	(56,286)
Balance, end of year	**$ 161,432**	$ 141,956
Less: Current portion	**99,391**	106,697
Non-current portion of lending portfolio	**$ 62,041**	$ 35,259

[1] Included is a new loan advance of $10,000 that is classified as FVTPL. As at the year-ended December 31, 2017, amortized cost approximates fair value.

The table below provides a summary of the Trust's lending portfolio:

As at	December 31, 2017	December 31, 2016
Weighted average effective interest rate (period-end)	**9.7%**	8.6%
Security allocation (1st mortgages/other)	**70.9% / 29.1%**	52.0% / 48.0%
Maturity dates	**2018 - 2022**	2017 - 2020
Balance of accrued interest	**$ 1,015**	$ 1,162
Loans with prepayment options	**32,876**	51,990

Principal repayments, based on contractual maturity dates, are as follows:

2018	$ 98,330
2019	34,607
2020	22,977
2021	—
2022	10,000
Total principal repayments	$ 165,914
Provision for lending portfolio losses	(4,842)
Accrued interest balance	1,015
Unamortized balance of lender fees received	(655)
Balance as at December 31, 2017	**$ 161,432**

During the year ended December 31, 2017, the Trust advanced total gross proceeds of $84,648 on six new loans with a weighted average effective interest rate of 10.2%. During the year ended December 31, 2017, the Trust received interest in advance of $3,600 which will be amortized into income as earned in accordance with the loan terms. During the year ended December 31, 2017, the Trust advanced a $10,000 loan with an effective interest rate of 17.8% and a conversion feature that will allow the Trust, upon the triggering of certain events, to convert into an equity interest. This loan is recorded as FVTPL.

During the year ended December 31, 2017, a provision for lending portfolio loss of $4,842 (year ended December 31, 2016 - $6,312) was recognized. The provision relates to a loan the value of which was determined based on the net realizable value of the underlying real estate property, as supported by independent third party appraisals, and related transaction costs.

8. INCOME PROPERTIES

For the year ended	Note	**December 31, 2017**	December 31, 2016
Balance, beginning of year		**$ 479,401**	$ 520,395
Add (Deduct):			
Acquisition of properties		**18,147**	—
Disposition of properties		**(1,620)**	—
Building improvements		**3,401**	7,709
Lease incentives and initial direct leasing costs		**8,869**	7,871
Amortization of lease incentives		**(1,074)**	(866)
Fair value adjustments to income properties		**(24,841)**	(40,187)
Reclass to AHFS	19	**(262,627)**	(15,521)
Balance, end of year		**$ 219,656**	$ 479,401
Change in unrealized losses included in net income for the year			
Change in fair value for income properties		**$ 8,417**	$ (39,772)

As at December 31, 2017, the Trust's income properties consist of interests in office and industrial properties co-owned with Dream Office Real Estate Investment Trust ("Dream Office REIT") and Dream Industrial Real Estate Investment Trust ("Dream Industrial REIT"), respectively, which are accounted for as joint operations, and three wholly owned office properties.

Income properties have been reduced by $584 (December 31, 2016 – $565) related to straight-line rent receivables, which have been reclassified to other non-current assets.

During the year ended December 31, 2017, the Trust acquired from Dream Office REIT a 40% interest in two co-owned properties, 10 Lower Spadina Avenue and 49 Ontario Street, in which it already held a 60% interest, for gross consideration of $18,400 before ordinary course purchase adjustments and transaction costs. This acquisition increased the Trust's ownership interest in these two properties to 100%.

Income properties, excluding assets held-for-sale and certain properties where bids were received, are measured at fair value using the income approach, which is derived from the overall capitalization rate method or discounted cash flow method, or in certain limited circumstances, based on land values. The Trust determines the fair value of income properties classified as assets held-for-sale by considering the current contracted sale prices, as management has committed to a plan of sale of the underlying properties and the sale of these properties is considered highly probable. The fair values of income properties, excluding assets held-for-sale, were determined by using capitalization rates ("cap rates") of 4.3% to 8.0% (December 31, 2016 – 5.0% to 8.0%), resulting in a weighted average cap rate of 6.1% (December 31, 2016 – 6.4%) and discount rates of 5.8% to 9.3% (December 31, 2016 – 5.8% to 9.0%).

Generally, under the overall capitalization rate method, an increase in stabilized NOI will result in an increase to the fair value. An increase in the cap rate will result in a decrease to the fair value. The cap rate magnifies the effect of a change in stabilized NOI. If the weighted average cap rate were to increase by 25 basis points ("bps"), the fair value of income properties would decrease by $9,000. If the weighted average cap rate were to decrease by 25 bps, the fair value would increase by $10,000.

As at December 31, 2017, all of the income properties with a fair value of $219,656 (December 31, 2016 – $478,201) are pledged as security for mortgages.

During the year ended December 31, 2017, the Trust recorded a net fair value loss of $22,867 on the consolidated statements of comprehensive income (loss). For the year ended December 31, 2017, income properties with a total fair value of $219,656 were valued by an independent third party appraiser.

9. RENEWABLE POWER ASSETS

The table below provides a continuity of renewable power assets:

	Solar power	Wind power	Total
Balance as at January 1, 2016	$ 69,043	$ 51,478	**$ 120,521**
Additions and acquired renewable power assets during the year	15,943	3,408	**19,351**
Depreciation of renewable power assets	(1,817)	(2,129)	**(3,946)**
Foreign currency loss	—	(3,132)	**(3,132)**
Balance as at December 31, 2016	**$ 83,169**	**$ 49,625**	**$ 132,794**
Additions to renewable power assets during the year	3,669	4,383	**8,052**
Depreciation of renewable power assets	(3,457)	(2,304)	**(5,761)**
Foreign currency gain	—	429	**429**
Balance as at December 31, 2017	**$ 83,381**	**$ 52,133**	**$ 135,514**

As at	December 31, 2017	December 31, 2016
Gross book value	**$ 146,200**	$ 137,719
Accumulated depreciation	**(10,686)**	(4,925)
Total renewable power assets	**$ 135,514**	$ 132,794

SOLAR POWER PROJECTS AND NON-CONTROLLING INTERESTS

The non-controlling partners in the Trust's rooftop solar power projects are unrelated parties. The aggregate non-controlling interests of all rooftop solar power projects of $52 (December 31, 2016 – $87) are recorded in the consolidated statements of financial position.

WIND POWER PROJECTS AND NON-CONTROLLING INTERESTS

During the year ended December 31, 2016, the Trust invested in an additional seven wind turbines, located in the United Kingdom ("U.K.") for cash consideration of $3,210 including transaction costs.

During the year ended December 31, 2017, the Trust acquired the non-controlling interest in the wind power projects located in the U.K. increasing the Trust's ownership to 100% and also acquired an additional 13 wind turbines for a total purchase price of approximately $4,100. As at December 31, 2017, the Trust has invested in a total of 45 fully operational distributed-scale wind turbines located in the U.K. All power generation will be sold under long-term power purchase agreements

The Trust, indirectly through a subsidiary, has an 80% economic interest in the wind power portfolio in the province of Nova Scotia with an installed capacity of 13.2 MW (10.6 MW at the Trust's share) and also has control over the project's general partner. The Trust's non-controlling partner's 20% economic interest in the Nova Scotia wind power project is owned by an unrelated party and its non-controlling interest is reflected on the consolidated statements of financial position in the amount of $1,896 (December 31, 2016 – $1,601). The assets and liabilities and results of operations of the limited partnership have been consolidated in the Trust's consolidated financial statements.

The operating results of the renewable power segment are subject to seasonal variations with solar irradiation highest during the summer months and wind production generally best during the winter months.

10. OTHER NON-CURRENT ASSETS

As at	December 31, 2017	December 31, 2016
Investment in marketable securities	**$ 55,846**	$ —
Deposits and other	**2,876**	4,726
Intangible assets, net of amortization – wind power contract	**1,733**	1,831
Straight-line rent receivable	**584**	565
Total	**$ 61,039**	$ 7,122

Intangible assets are net of $211 of accumulated amortization as at December 31, 2017 (December 31, 2016 – $113).

As at December 31, 2017, the investment in marketable securities relates to an investment in Dream Office REIT through the acquisition of 2,520,147 units, recorded at FVTPL. During the year ended December 31, 2017, the Trust recorded a fair value adjustment of $3,277 relating to this investment.

11. EQUITY ACCOUNTED INVESTMENTS

The Trust participates in various partnerships with other parties for the purpose of investing in residential and investment property developments and are accounted for using the equity investment method. These partnerships are either considered joint ventures or investments in associates. A joint venture is an arrangement entered into in the form of jointly controlled entities whereby the parties have joint control and have rights to the net assets of the arrangement. Investments in associates are those which the Trust has significant influence over the arrangement. As at December 31, 2017, the carrying value of these arrangements was $105,917 (December 31, 2016 - $18,823).

During the year ended December 31, 2016, the Trust invested $11,540, including transaction costs, for a 37.5% equity interest in a Lakeshore East Development. The Trust's Asset Manager will act as lead co-developer, owning a 12.5% equity interest, with the residual interest held by a third party co-developer. The equity method of accounting was adopted for this investment.

During the year ended December 31, 2016, the Trust invested $2,211, including transaction costs, for a 50% equity interest in a partnership formed for the development of a residential condominium located in downtown Toronto, Ontario. The project is currently in the development phase and will be co-managed by DAM and an external party. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2016, the Trust purchased for $5,072, including transaction costs, a 28% interest in a limited partnership from an entity related to DAM. This investment relates to a development project for a mixed use property in downtown Toronto, Ontario and is managed by a third party to the Trust. Given the ownership percentage and decision making abilities of the Trust pursuant to the partnership agreements, the Trust is considered to have significant influence over this investment, and accordingly, the equity method of accounting was applied.

During the year ended December 31, 2017, the Trust acquired a 23.25% equity ownership interest in Port Credit West Village Partners LP ("Port Credit") for $27,242. Port Credit entered into a $105,000 non revolving credit facility ($24,413 Trust share) with a term of three years. DAM also owns a 7.75% ownership interest in Port Credit. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2017, the Trust acquired a 40% equity ownership interest in a limited partnership for $3,827. The investment is in two properties, which are located at 6035 Bathurst Street and 388 - 390 Dupont Street ("Plaza Dupont Development"). The Bathurst property is a 19,000 square foot commercial property and the Dupont Street property is a 7,000 square foot fully leased distribution centre. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2017, the Trust acquired a 40% equity ownership interest in a limited partnership for $5,500. The investment is in two properties, which are located at 25 Imperial Street and 374 Dupont Street ("Plaza Imperial Development"). The Imperial Street property is a 22,000 square foot office property and the Dupont street property is an 11,000 square foot fully leased commercial property. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2017, the Trust acquired a 40% ownership interest in the Windmill Dream Zibi Master Limited Partnership (the "Zibi" development) for $33,605, including transaction costs, as acquired through a combination of acquisitions of existing units and new subscriptions from third parties. The residual partners are DAM for 40% and Windmill Green Properties LP ("Windmill") for 20%. DAM will act as lead developer for the project. Given the ownership percentage and the ability to exercise significant influence pursuant to the partnership agreements, the Trust is considered to have significant influence over this investment, and accordingly, the equity method of accounting was applied.

During the three months ended December 31, 2017, the Trust, along with DAM, also acquired a 25% interest in the Frank Gehry designed Mirvish-King West Development (the "Frank Gehry" development) located on King Street West in downtown Toronto being managed by DAM and Great Gulf Corporation ("Great Gulf") for $14,453, including transaction costs. The Trust owns an 18.75% interest in the development with DAM owning 6.25%. Given the ownership percentage and the ability to exercise significant influence pursuant to the partnership agreements, the Trust is considered to have significant influence over this investment, and accordingly, the equity method of accounting was applied.

Each equity accounted investment is subject to a shareholder or limited partnership agreement that governs distributions from these investments. In addition, distributions must also comply with the respective credit agreements.

The following tables summarize the projects' assets and liabilities and the Trust's proportionate share of the net assets of the equity accounted investments:

	100% project level				
As at December 31, 2017	**Assets**	**Liabilities**	**Net assets**	**Ownership interest**	**Net assets**
Frank Gehry	$ 332,954	$ 255,871	$ 77,083	18.75%	$ 14,453
Port Credit	272,561	139,602	132,959	23.25%	30,913
Zibi	134,641	51,029	83,612	40.00%	33,445
Lakeshore East	63,193	30,025	33,168	37.50%	12,438
Other	103,506	63,941	39,565	28.00% - 50.00%	14,668
Total	$ 906,855	$ 540,468	$ 366,387		$ 105,917

	100% project level				
As at December 31, 2016	**Assets**	**Liabilities**	**Net assets**	**Ownership interest**	**Net assets**
Lakeshore East	$ 61,239	$ 30,465	$ 30,774	37.50%	$ 11,540
Other	53,593	31,056	22,537	28.00% - 50.00%	7,283
Total	**$ 114,832**	**$ 61,521**	**$ 53,311**		**$ 18,823**

The following tables summarize the projects' revenue and net income (loss) and the Trust's proportionate share of the net income (loss) in equity accounted investments:

	100% project level			
For the year ended December 31, 2017	**Revenue**	**Net income (Loss)**	**Ownership interest**	**Net income (Loss)**
Frank Gehry	$ 5	$ 2	18.75%	**$ —**
Port Credit	—	(217)	23.25%	**(51)**
Zibi	222	(672)	40.00%	**(268)**
Lakeshore East	82	(309)	37.50%	**(116)**
Other	1,042	(2,762)	28.00%-50.00%	**(1,120)**
Total	**$ 1,351**	**$ (3,958)**		**$ (1,555)**

	100% project level			
For the year ended December 31, 2016	**Revenue**	**Net income (Loss)**	**Ownership interest**	**Net income (Loss)**
Lakeshore East	$ 12	$ (21)	37.50%	**$ (8)**
Other	1,281	137	28.00% - 50.00%	**32**
Total	**$ 1,293**	**$ 116**		**$ 24**

12. AMOUNTS RECEIVABLE

As at	**December 31, 2017**	December 31, 2016
Trade receivables	**$ 1,832**	$ 2,367
Less: Provision for impairment of trade receivables	**(437)**	(381)
Other amounts receivable	**2,092**	1,191
Total	**$ 3,487**	$ 3,177

Other amounts receivable are net of credit balances aggregating to a nominal amount (December 31, 2016 – $292).

The movement in the provision for impairment of trade receivables was as follows:

As at		December 31, 2017		December 31, 2016
Balance, beginning of year	**$**	**381**	$	525
Provision for impairment of trade receivables		**137**		437
Recovery of impaired trade receivables		**(11)**		(77)
Receivables written off during the period as uncollectible		**(70)**		(504)
Balance, end of year	**$**	**437**	$	381

The carrying value of amounts receivable approximates fair value as the Trust expects to realize these amounts within the next 12 months. As at December 31, 2017, trade receivables of $37 (December 31, 2016 – $291) were past due but not considered impaired as the Trust has ongoing relationships with these counterparties and the aging of these trade receivables is not indicative of expected default.

The Trust leases office, retail and industrial properties to tenants under operating leases. Minimum rental commitments including non-cancellable tenant operating leases over the remaining terms are as follows:

As at December 31, 2017		
No more than 1 year	$	6,824
1 – 5 years		24,300
5+ years		15,017
Total	**$**	**46,141**

13. DEBT

As at		December 31, 2017		December 31, 2016
Mortgages payable	**$**	**123,750**	$	243,261
Term loans		**79,568**		50,100
Revolving credit facility		**—**		15,000
Total debt before undernoted	**$**	**203,318**	$	308,361
Unamortized balance of premiums		**—**		1,183
Unamortized balance of deferred financing costs		**(3,541)**		(1,745)
Total	**$**	**199,777**	$	307,799
Less: current portion		**4,683**		91,284
Total non-current long-term debt	**$**	**195,094**	$	216,515

		Outstanding balance
2018	$	4,683
2019		32,627
2020		11,636
2021		16,512
2022		76,998
Thereafter		60,862
Balance as at December 31, 2017	**$**	**203,318**

MORTGAGES PAYABLE

During the year ended December 31, 2017, total mortgages payable of $149,312 relating to the disposed non core co-owned income properties, previously included in liabilities related to assets held-for-sale, were assumed by the purchaser or settled by the Trust. During the year ended December 31, 2017, the Trust incurred debt settlement costs of $1,286. During the year ended December 31, 2017, total lump sum repayments of mortgages payable were $22,968.

Mortgages payable are secured by charges on specific income properties, bear interest at a weighted average face rate of 3.2% (December 31, 2016 – 3.7%) and mature between 2019 and 2022. The weighted average effective interest rate of mortgages payable is 3.4% at December 31, 2017 (December 31, 2016 – 3.2%).

During the year ended December 31, 2017, two mortgages payable were refinanced for a total of $87,120 for a two and five year term at a rate of Bankers' Acceptances ("BA") plus 1.75% or at the bank's prime rate plus 0.25%, resulting in additional total proceeds of approximately $24,900, net of $673 of deferred financing costs. During the year ended December 31, 2017, in conjunction with the Trust's acquisition of a 40% interest in each of two co-owned income properties from Dream Office REIT, $6,490 of mortgages were assumed and $10,792 of additional proceeds were received upon refinancing of one of the properties.

Total lump sum and regular long-term debt principal repayments for the year ended December 31, 2017 were $29,781.

TERM LOANS AND RESTRICTED CASH

During the year ended December 31, 2017, the Trust closed financing on six Ontario Ground Mount Solar projects for gross proceeds of approximately $31,263, net of deferred financing fees of $1,466. The financing was secured on a non-recourse basis at a fixed face rate of 4.5% for the second tranche and 4.3% for the third tranche and amortizes over a 19.5 year term.

Restricted cash and the balance of available funds held in escrow under the term loans as at December 31, 2017 was $3,471 (December 31, 2016 - $1,720).

REVOLVING CREDIT FACILITY

A demand revolving credit facility (the "facility") is available up to a formula-based maximum not to exceed $50,000. The available credit under the facility, as determined by the formula, increased to $45,000 as at December 31, 2017 compared to $43,000 as at December 31, 2016. The facility is in the form of rolling one-month BA rates and bears interest at the BA rate plus 2.0%, or at the bank’s prime rate plus 1.0% (3.2% as at December 31, 2017, 2.7% as at December 31, 2016), payable monthly. The facility is secured by a general security agreement over all assets of Dream Alternatives Lending Services LP and Dream Alternatives Master LP, which are subsidiaries of the Trust. During the year ended December 31, 2017, the revolving credit facility was renewed and the maturity date was extended to July 31, 2019. As at December 31, 2017, there were no funds drawn on the revolving credit facility (December 31, 2016 – $15,000) and funds available under this facility were $43,295 (December 31, 2016 – $22,953), as determined by the formula-based maximum calculation, net of $1,705 (December 31, 2016 – $4,202) of letters of credit issued against the facility and net of an amount applied against the facility equal to the unrealized fair value loss on the derivative financial liability of $nil (December 31, 2016 – $845).

FINANCIAL COVENANTS

The revolving credit facility, the financial guarantees, certain mortgages on income properties and the renewable power term loans contain financial covenants that require the Trust to meet certain financial ratios and financial condition tests. A failure to meet these tests could result in default and, if not cured or waived, could result in an acceleration of the repayment in the underlying financing. For the year ended December 31, 2017, the Trust was in compliance with these financial covenants.

14. DEFERRED UNIT INCENTIVE PLAN

The deferred unit incentive plan (“DUIP”) provides for the grant of deferred Trust Units (“DTUs”) to Trustees, officers and employees as well as affiliates and their service providers, including the Asset Manager. DTUs are granted at the discretion of the Trustees and receive distributions in the form of income deferred Trust Units as they are declared and paid by the Trust. Once granted, each DTU and the related distribution of income deferred Trust Units from such DTUs vest evenly over a three-year or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to postpone the receipt of Units, such Units will be issued immediately on vesting. As at December 31, 2017, up to a maximum of 3.0 million DTUs were issuable under the DUIP. Distributions on the unvested DTUs are paid in the form of Units converted at the market price on the date of distribution.

		Total
Balance as at January 1, 2016	$	498
Compensation expense		536
Trust units issued		(116)
Re-measurements of carrying value of deferred trust units		189
Balance as at December 31, 2016		**1,107**
Compensation expense		**619**
Trust units issued		**(556)**
Re-measurements of carrying value of deferred trust units		**354**
Balance as at December 31, 2017	**$**	**1,524**

The following is a summary of the Trust's DUIP activity:

	December 31, 2017	December 31, 2016
Units outstanding, beginning of year	**299,683**	190,158
Granted	**127,365**	122,310
Distributions paid in units	**23,105**	18,190
Vested and paid out	**(92,562)**	(20,302)
Cancelled	**(10,283)**	(10,673)
Units outstanding, end of year	**347,308**	299,683

During the year ended December 31, 2017, $619 (December 31, 2016 – $536) of compensation expense, related to the DTUs and a fair value loss of $354 (December 31, 2016 – $189), representing the re-measurement of the DUIP liability during the period were recognized in general and administrative expenses. As at December 31, 2017, 66,305 (December 31, 2016 – 41,223) DTUs that vested remained unexercised.

15. DERIVATIVE FINANCIAL LIABILITIES

During the year ended December 31, 2017, the remaining sale agreements for bond forward purchase contracts, which were designated as hedges for the interest rate risk associated with the second and third tranche of project financing for the Ontario Ground Mount Solar projects, were settled and a fair value loss of $1,109 was realized on the settlement. This realized fair value loss was recognized in other comprehensive income (loss) and will be amortized to interest expense in the consolidated statements of comprehensive income (loss) over the term of the related debt. As at December 31, 2017, there was no derivative financial liability in the consolidated statements of financial position (December 31, 2016 – $845).

Unrealized fair value losses recorded in other comprehensive income (loss) in the consolidated statements of comprehensive income (loss) and the related income tax effects are shown in the following table for the years indicated:

		2017		2016
Fair value losses	**$**	**(264)**	$	(826)
Deferred income tax recovery		**68**		224
Fair value losses, net of deferred income tax recovery	**$**	**(196)**	$	(602)

There was no hedge ineffectiveness recorded in net income (loss) in the consolidated statements of comprehensive income (loss) for the years ended December 31, 2017 and 2016. During the year ended December 31, 2017, realized losses of $90, net of taxes of $33, were reclassified to net income (loss), respectively (year ended December 31, 2016 - realized losses of $20, net of taxes of $8).

16. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

As at		**December 31, 2017**		December 31, 2016
Accrued liabilities and other payables	**$**	**13,962**	$	22,311
Other liabilities		**25,525**		—
Distributions payable		**2,414**		2,411
Accrued interest		**193**		856
Rent received in advance		**644**		1,755
Total	**$**	**42,738**	$	27,333
Less: non-current portion		**—**		509
Current portion of accounts payable and accrued liabilities	**$**	**42,738**	$	26,824

Transaction costs of $3,475, previously included in the accrued liabilities and other payables were settled during the year ended December 31, 2017. The amount settled during the year was for $3,222, with the difference reflected in the consolidated statement of comprehensive income (loss). Other liabilities includes payables related to future capital commitments on certain development projects.

17. UNITHOLDERS' EQUITY

DREAM ALTERNATIVES UNITS

Dream Alternatives is authorized to issue an unlimited number of units and an unlimited number of Special Trust Units ("STUs"). Each Unit represents an undivided beneficial interest in the Trust. Each unit is transferable and entitles the holder thereof to:

- an equal participation in distributions of the Trust;
- rights of redemption; and
- one vote at meetings of unitholders.

The STUs may only be issued to holders of exchangeable securities and entitle the holder to exchange the exchangeable securities for units. The STUs have a nominal redemption value, entitle the holder to vote at the Trust level and do not receive distributions. At December 31, 2017, there were no STUs issued and outstanding.

DISTRIBUTIONS

Pursuant to its declaration of trust, Dream Alternatives expects to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is determined by the Trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. The Trustees may declare distributions out of the income, net realized capital gains and capital of the Trust to the extent such amounts have not already been paid, allocated or distributed. The following table provides details of the distribution payments:

		2017		2016
Paid in cash	**$**	**24,473**	$	27,251
Paid by way of reinvestment in units		**4,679**		1,730
Payable at beginning of period		**(2,411)**		(2,420)
Payable at end of period		**2,414**		2,411
Total	**$**	**29,155**	$	28,972

On December 18, 2017, the Trust announced a cash distribution of $0.033 per unit for the month of December 2017. The monthly distribution for December 2017 was paid on January 15, 2018. On January 22, 2018, the Trust announced a cash distribution of $0.033 per unit for the month of January 2018, which was paid on February 15, 2018 to unitholders of record as at January 31, 2018. On February 16, 2018, the Trust announced a cash distribution of $0.033 per unit for the month of February 2018.

DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The Distribution Reinvestment and Unit Purchase Plan ("DRIP") allows holders of units, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dream Alternatives reinvested in additional units. Unitholders who participate in the DRIP receive an additional distribution of units equal to 4% of each cash distribution that was reinvested. For the year ended December 31, 2017, 773,732 units were issued under the DRIP (year ended December 31, 2016 – 303,325 units).

NORMAL COURSE ISSUER BID

The Trust received acceptance of its Notice of Intention to renew its prior normal course issuer bid from the TSX on January 11, 2017. The bid commenced on January 13, 2017 and expired on January 12, 2018. Under the bid the Trust has the ability to purchase for cancellation up to a maximum of 6,595,470 units (representing 10% of the Trust's public float of 65,954,706 units at the time of entering the bid through the facilities of the TSX).

The Trust received acceptance of its Notice of Intention to renew its prior normal course issuer bid from the TSX on January 11, 2018. The bid commenced on January 15, 2018, and will remain in effect until the earlier of January 14, 2019 or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid the Trust has the ability to purchase for cancellation up to a maximum of 6,273,601 units (representing 10% of the Trust's public float of 62,736,012 units at the time of entering the bid through the facilities of the TSX).

During the year ended December 31, 2017, the Trust repurchased 800,230 units (December 31, 2016 – 534,392 units) at a total cost of $4,964 (December 31, 2016 – $2,911), inclusive of transaction costs. The excess book value over the purchase price of the units purchased of $1,756 (December 31, 2016 – $1,565) was recorded as a gain directly to retained earnings.

Subsequent to year end, 271,882 units were repurchased at a total cost of $1,730, inclusive of transaction costs.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Fair value adjustments to and realized fair value loss from derivative financial liabilities hedges, net of tax	Fair value adjustments to and realized fair value loss from available-for-sale investments, net of tax	Unrealized foreign currency translation gain (loss)	Total
Balance as at January 1, 2016	$ (1,122)	$ (311)	$ (19)	$ (1,452)
Other comprehensive loss during the period	(602)	(31)	(3,085)	(3,718)
Realized fair value loss	20	—	—	20
Balance as at December 31, 2016	**$ (1,704)**	**$ (342)**	**$ (3,104)**	**$ (5,150)**
Other comprehensive gain (loss) during the period	(196)	80	369	**253**
Realized fair value loss	90	557	—	**647**
Balance as at December 31, 2017	**$ (1,810)**	**$ 295**	**$ (2,735)**	**$ (4,250)**

As at December 31, 2017, the fair value adjustments to and realized fair value loss from derivative financial liabilities hedges are net of income taxes of $659 (December 31, 2016 – $624) and fair value adjustments to and realized fair value loss from available-for-sale investments are net of income taxes of $33 (December 31, 2016 – $132).

19. ASSETS HELD-FOR-SALE

As at December 31, 2017, the Trust has sold its interest in these non core co-owned income properties which were previously classified as assets held-for-sale:

For the year ended	Note	**December 31, 2017**	December 31, 2016
Balance, beginning of period		**$ 4,055**	$ —
Add (Deduct):			
Lease incentives and initial direct leasing costs		**601**	—
Amortization of lease incentives		**(61)**	—
Fair value adjustments to income properties		**1,974**	—
Disposition of properties		**(269,196)**	(11,466)
Reclassified from income properties	6	**262,627**	15,521
Balance, end of period		**$ —**	$ 4,055

During the year ended December 31, 2016, the Trust sold its 60% interest in 2010 Winston Park Drive for gross proceeds of $11,835. Net proceeds were $4,223 after repayment of mortgages.

During the year ended December 31, 2017, the Trust sold its interest in 14 non core co-owned income properties. Gross proceeds from the sale of these 14 non core co-owned income properties were $281,646, before ordinary course purchase adjustments and transaction costs, which included $4,766 of consideration in units in the form of publicly traded securities of the purchaser. Net proceeds were $114,089, net of transaction costs of $2,552, and after the repayment by the Trust or assumption of the mortgages payable by the purchaser.

20. INCOME PROPERTIES OPERATING EXPENSES

	2017	2016
Income properties operating costs	**$ 13,625**	$ 19,764
Realty tax expense	**6,687**	9,156
Salary and other compensation	**830**	1,165
Total	**$ 21,142**	$ 30,085

21. RENEWABLE POWER OPERATING EXPENSES

	2017	2016
Renewable power operating costs	**$ 3,209**	$ 2,496
General office and other	**390**	306
Depreciation and amortization on renewable power assets	**5,858**	4,043
Total	**$ 9,457**	$ 6,845

22. INTEREST EXPENSE

	2017	2016
Interest expense incurred, at contractual rate of debt and other bank charges	**$ 10,718**	$ 11,413
Debt settlement costs	**1,286**	—
Amortization of mortgages payable premiums	**(752)**	(1,437)
Amortization of deferred financing costs	**311**	200
Total	**$ 11,563**	$ 10,176

The amortization of mortgages payable premiums is amortized to interest expense over the expected life of the debt using the effective interest rate method. Debt settlement costs comprise expenses and gains on early discharge of mortgages.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Salary and other compensation	**$ 2,016**	$ 1,884
Trust, service and professional fees	**1,913**	2,039
General office and other	**390**	348
Asset management and other third party service fees	**10,997**	10,719
Total	**$ 15,316**	$ 14,990

24. INCOME TAXES

During the year ended December 31, 2017, the Trust recognized an income tax recovery of $5,084 (income tax expense for the year ended December 31, 2016 – $1,821).

	2017	2016
Current income tax recovery (expense):		
Current income taxes with respect to profits in the year	**$ (2)**	$ (7)
Current tax adjustments in respect of prior years	**9**	291
Current income tax recovery (expense):	**$ 7**	$ 284
Deferred income tax recovery (expense):		
Origination and reversal of temporary differences	**4,961**	(1,789)
Deferred tax adjustments in respect of prior years	**98**	(331)
Expense (benefit) arising from previously unrecognized temporary difference	**—**	44
Impact of changes in income tax rates	**18**	(29)
Deferred income tax recovery (expense)	**$ 5,077**	$ (2,105)
Total income tax recovery (expense)	**$ 5,084**	$ (1,821)

The income tax expense amount on pre-tax earnings differs from the income tax expense amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.6% for the year ended December 31, 2017 (December 31, 2016 – 26.8%) as illustrated in the table below:

	2017	2016
Earnings (loss) before income tax expense for the year	**$ 14,556**	$ 11,543
Combined federal and provincial tax rate	**26.6%**	26.8%
Income tax recovery (expense) before the undernoted	**$ 3,872**	$ 3,094
Effect on taxes of:		
Adjustment in expected future tax rates	**21**	(4,203)
Non-deductible expenses	**(79)**	(223)
Difference between Canadian rates and rates in foreign jurisdiction	**17**	(4)
Tax adjustments in respect of prior years	**107**	(40)
Rate differences	**1,101**	151
Change in unrecognized deferred tax asset	**(154)**	(688)
Other items	**199**	92
Total income tax recovery (expense)	**$ 5,084**	$ (1,821)

The movement in the deferred income tax assets and liabilities during the year ended December 31, 2017 and the net components of the Trust's net deferred income tax asset are illustrated in the following table:

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other	Hedge	Loss carry forward	**Total**
Balance as at January 1, 2016	$ (6,928)	$ (834)	$ (369)	$ 2,853	$ 1,851	$ 406	$ —	**$ (3,021)**
(Charged) credited to:								
(Loss) Earnings for the year	4,260	(1,248)	178	(5,365)	(803)		873	**(2,105)**
Other comprehensive (income) loss	—	—	—	5	—	218	—	**223**
Balance as at December 31, 2016	**$ (2,668)**	**$ (2,082)**	**$ (191)**	**$ (2,507)**	**$ 1,048**	**$ 624**	**$ 873**	**$** (4,903)
(Charged) credited to:								
(Loss) Earnings for the year	**(642)**	**(811)**	**1,177**	**(1,798)**	**(839)**	**—**	**7,990**	**5,077**
Other comprehensive (income) loss	**—**	**—**	**—**	**(98)**	**—**	**35**	**—**	**(63)**
Balance as at December 31, 2017	**$ (3,310)**	**$ (2,893)**	**$ 986**	**$ (4,403)**	**$ 209**	**$ 659**	**$ 8,863**	**$ 111**

25. SEGMENTED INFORMATION

The Trust has identified its reportable operating segments as development and investment holdings, lending portfolio, income properties, and renewable power based on how the chief operating decision-maker views the financial results of the business.

For the years ended December 31, 2017 and December 31, 2016, income tax expense (recovery) and the majority of general and administrative expenses were not allocated to the segment expenses as these costs are not specifically managed on a segmented basis.

SEGMENTED RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2017

	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other[1]	Total
INCOME						
Fair value adjustments and operating cash distributions in development and investment holdings	$ (252)	$ —	$ —	$ —	$ —	**$ (252)**
Lending portfolio interest income and lender fees	—	13,446	—	—	—	**13,446**
Income properties revenue	—	—	38,993	—	—	**38,993**
Renewable power revenue	—	—	—	17,522	—	**17,522**
Share of income (loss) from equity accounted investments	(1,555)	—	—	—	—	**(1,555)**
Realized fair value (loss) from available-for-sale	(630)	—	—		—	**(630)**
TOTAL INCOME (LOSS)	**(2,437)**	**13,446**	**38,993**	**17,522**	**—**	**67,524**
EXPENSES						
Income properties, operating	—	—	(21,142)	—	—	**(21,142)**
Renewable power, operating	—	—	—	(9,457)	—	**(9,457)**
Interest expense	—	—	(7,250)	(3,527)	(786)	**(11,563)**
Provision for lending portfolio losses	—	(4,842)	—	—	—	**(4,842)**
General and administrative	—	—	—	—	(15,316)	**(15,316)**
TOTAL EXPENSES	**—**	**(4,842)**	**(28,392)**	**(12,984)**	**(16,102)**	**(62,320)**
Fair value adjustments to income properties	—	—	(22,867)	—	—	**(22,867)**
OPERATING INCOME (LOSS)	**(2,437)**	**8,604**	**(12,266)**	**4,538**	**(16,102)**	**(17,663)**
Interest and other income	1,350	—	1,591	—	(294)	**2,647**
Transaction costs	(492)	(26)	(2,552)	—	253	**(2,817)**
Fair value adjustments to marketable securities	—	—	3,277	—	—	**3,277**
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	**(1,579)**	**8,578**	**(9,950)**	**4,538**	**(16,143)**	**(14,556)**
INCOME TAX RECOVERY (EXPENSE)						
Current income tax recovery (expense)	—	—	—	—	7	**7**
Deferred income tax recovery (expense)	—	—	—	—	5,077	**5,077**
TOTAL INCOME TAX RECOVERY (EXPENSE)	**—**	**—**	**—**	**—**	**5,084**	**5,084**
NET INCOME (LOSS)	**(1,579)**	**8,578**	**(9,950)**	**4,538**	**(11,059)**	**(9,472)**
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that will be reclassified subsequently to net income (loss):						
Fair value adjustment to derivative financial liabilities hedges, net of tax	—	—	—	—	(196)	**(196)**
Realized fair value loss from derivative financial liabilities hedges, net of tax	—	—	—	—	90	**90**
Fair value adjustment to available-for-sale investments, net of tax	(18)	—	—	—	98	**80**
Realized fair value loss from available-for-sale investments, net of tax	557	—	—	—	—	**557**
Unrealized foreign currency translation loss	—	—	—	396	(27)	**369**
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**539**	**—**	**—**	**396**	**(35)**	**900**
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ (1,040)**	**$ 8,578**	**$ (9,950)**	**$ 4,934**	**$ (11,094)**	**$ (8,572)**

[1] Includes other Trust amounts not specifically related to the segments

SEGMENTED RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2016

	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other[1]	Total
INCOME						
Fair value adjustments and operating cash distributions in development and investment holdings	$ 15,918	$ —	$ —	$ —	$ —	**$ 15,918**
Lending portfolio interest income and lender fees	—	13,332	—	—	—	**13,332**
Income properties revenue	—	—	56,775	—	—	**56,775**
Renewable power revenue	—	—	—	12,906	—	**12,906**
Share of income (loss) from equity accounted investments	24	—	—	—	—	**24**
TOTAL INCOME (LOSS)	**15,942**	**13,332**	**56,775**	**12,906**	**—**	**98,955**
EXPENSES						
Income properties, operating	—	—	(30,085)	—	—	**(30,085)**
Renewable power, operating	—	—	—	(6,845)	—	**(6,845)**
Interest expense	—	—	(7,832)	(1,675)	(669)	**(10,176)**
Provision for lending portfolio losses	—	(6,312)	—	—	—	**(6,312)**
General and administrative	—	—	—	—	(14,990)	**(14,990)**
TOTAL EXPENSES	**—**	**(6,312)**	**(37,917)**	**(8,520)**	**(15,659)**	**(68,408)**
Fair value adjustments to income properties	—	—	(40,187)	—	—	**(40,187)**
OPERATING INCOME (LOSS)	**15,942**	**7,020**	**(21,329)**	**4,386**	**(15,659)**	**(9,640)**
Interest and other income	966	505	—	—	101	**1,572**
Transaction costs	—	—	—	—	(3,475)	**(3,475)**
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	**16,908**	**7,525**	**(21,329)**	**4,386**	**(19,033)**	**(11,543)**
INCOME TAX RECOVERY (EXPENSE)						
Current income tax recovery (expense)	—	—	—	—	284	**284**
Deferred income tax recovery (expense)	—	—	—	—	(2,105)	**(2,105)**
TOTAL INCOME TAX RECOVERY (EXPENSE)	**—**	**—**	**—**	**—**	**(1,821)**	**(1,821)**
NET INCOME (LOSS)	**16,908**	**7,525**	**(21,329)**	**4,386**	**(20,854)**	**(13,364)**
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that will be reclassified subsequently to net income (loss):						
Fair value adjustment to derivative financial liabilities hedges, net of tax	—	—	—	—	(602)	**(602)**
Realized fair value loss from derivative financial liabilities hedges, net of tax	—	—	—	—	20	**20**
Fair value adjustment to available-for-sale investments, net of tax	(31)	—	—	—	—	**(31)**
Unrealized foreign currency translation loss	—	—	—	(3,083)	(2)	**(3,085)**
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(31)**	**—**	**—**	**(3,083)**	**(584)**	**(3,698)**
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ 16,877**	**$ 7,525**	**$ (21,329)**	**$ 1,303**	**$ (21,438)**	**$ (17,062)**

[1] Includes other Trust amounts not specifically related to the segments

SEGMENTED ASSETS AND LIABILITIES – AS AT DECEMBER 31, 2017

As at December 31, 2017	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other[(1)]	Total
ASSETS						
Total non-current assets	$ 202,510	$ 62,041	$ 276,299	$ 137,247	$ 300	**$ 678,397**
Total current assets	434	99,391	9,892	10,606	54,545	**174,868**
TOTAL ASSETS	**$ 202,944**	**$ 161,432**	**$ 286,191**	**$ 147,853**	**$ 54,845**	**$ 853,265**
LIABILITIES						
Total non-current liabilities	$ —	$ —	$ 121,976	$ 73,118	$ 1,524	**$ 196,618**
Total current liabilities	26,118	2,674	7,753	5,726	5,150	**47,421**
TOTAL LIABILITIES	**$ 26,118**	**$ 2,674**	**$ 129,729**	**$ 78,844**	**$ 6,674**	**$ 244,039**

(1) Includes other Trust amounts not specifically related to the segments

SEGMENTED ASSETS AND LIABILITIES – AS AT DECEMBER 31, 2016

As at December 31, 2016	Development and investment holdings	Lending portfolio	Income properties	Renewable power	Other[(1)]	Total
ASSETS						
Total non-current assets	$ 208,242	$ 35,259	$ 480,358	$ 134,625	$ 2,210	**$ 860,694**
Total current assets	407	106,697	7,069	8,029	4,471	**126,673**
Assets held-for-sale	—	—	4,231	—	—	**4,231**
TOTAL ASSETS	**$ 208,649**	**$ 141,956**	**$ 491,658**	**$ 142,654**	**$ 6,681**	**$ 991,598**
LIABILITIES						
Total non-current liabilities	$ 509	$ —	$ 152,640	$ 48,875	$ 21,010	**$ 223,034**
Total current liabilities	1,056	172	96,331	9,017	12,377	**118,953**
Liabilities related to assets held-for-sale	—	—	2,285	—	—	**2,285**
TOTAL LIABILITIES	**$ 1,565**	**$ 172**	**$ 251,256**	**$ 57,892**	**$ 33,387**	**$ 344,272**

(1) Includes other Trust amounts not specifically related to the segments

The renewable power segment includes operations in foreign jurisdictions. During the year ended December 31, 2017 total income of $2,460 and non current assets of $20,022 was attributed to operations in foreign jurisdictions. During the year ended December 31, 2017, the Trust recorded $7,088 or 10.3% of total income from one customer in the renewable power portfolio.

26. RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, the Trust and its subsidiaries enter into transactions with related parties that are contracted under commercial terms. DAM, which is a wholly owned subsidiary of Dream Unlimited Corp. (TSX: DRM), is the Trust's Asset Manager and is a related party on the basis that it provides key management personnel services to the Trust under the terms of the management agreement as further discussed below:

ASSET MANAGEMENT AGREEMENT

On July 8, 2014, the Trust entered into a management agreement (the "Management Agreement") with DAM, pursuant to which DAM provides a broad range of asset management services to the Trust for the following fees:

- Base annual management fee calculated and payable on a monthly basis, equal to 1.00% of the gross value of the initial assets at the Trust's Listing, plus the gross cost of any asset acquired on the date of such acquisition, plus the gross amount invested in any assets following acquisition, less the gross amount previously included in the calculation of this amount in respect of any asset disposed of or repaid;
- Acquisition/origination fee equal to:
    - (a) 0.40% of the principal amount of any loan originated by the Trust or a subsidiary having an expected term of less than five years;
    - (b) 1.00% of the principal amount of any loan originated by the Trust or a subsidiary having an expected term of five years or more; and

(c) 1.00% of the gross cost of any asset acquired or originated by the Trust or a subsidiary represented by all other investments, assets or projects; and

- Disposition fee equal to 0.25% of the gross sale proceeds of any asset (including all indebtedness) sold by the Trust or any subsidiary represented by loans, investments, assets or projects disposed of during the fiscal year, including any part of the initial assets, except for the disposition of individual loans having a term to maturity of 12 months or less and excluding the regular and scheduled repayment of loans.

In addition, the Trust will reimburse DAM for reasonable out-of-pocket costs and expenses incurred in connection with the performance of the management services described in the Management Agreement and the costs and expenses incurred in providing such other services that the Trust and DAM agree to in writing that are to be provided from time to time by DAM.

Pursuant to the Management Agreement, the Trust incurred the following amounts:

		2017		2016
Fees paid by the Trust under the Management Agreement:				
Base annual management fee	**$**	**9,856**	$	10,000
Acquisition/origination fee and disposition fees		**3,300**		474
Expense recoveries relating to financing arrangements and other		**1,716**		1,924
Total	**$**	**14,872**	$	12,398

During the year ended December 31, 2017, the acquisition of ownership interest in investments within the development and investment holdings portfolio, renewable power assets, new loans within the lending portfolio and the acquisition of income properties resulted in acquisition fees calculated in accordance with the Management Agreement. The disposition fees are as a result of the disposal of the Villarboit Investment and non core co-owned income properties.

AMOUNTS DUE TO RELATED PARTIES

Amounts payable and accrued liabilities at December 31, 2017 included $1,566 (December 31, 2016 – $1,018) related to the Management Agreement. Total amounts payable and accrued liabilities due to DAM at December 31, 2017 were $8,254 (December 31, 2016 – $1,427). Included in the balance due to DAM is $6,688 (December 31, 2016 - $nil) relating to a letter of credit to a third party in relation to a co-owned development project, including fees accrued of $178.

On February 22, 2017, the Trust entered into a project-level development management agreement with DAM and its third party co-developer, in which the Trust has a 50% equity ownership interest. Pursuant to the agreement, DAM provides development management services for a fee equal to 3.75% of project-level revenue, which is shared equally between the Trust and its third party co-developer. Under this agreement, $966 of fees were incurred at the project level during the year ended December 31, 2017 and, at the Trust's share, $379 was owing to DAM from the project for the period.

TRANSACTIONS WITH DAM

During the year ended December 31, 2017, the Trust entered into various related party transactions as disclosed in note 11 Equity Accounted Investments.

KEY MANAGEMENT COMPENSATION

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly. The Trust's key management personnel is the Board of Trustees.

Compensation expense for key management personnel is shown in the table below:

		2017		2016
Compensation	**$**	**107**	$	69
Unit-based awards[1]		**453**		337
Total	**$**	**560**	$	406

[1] Deferred trust units granted to officers and trustees vest over a five-year period with one-fifth of the deferred trust units vesting each year. Amounts are determined based on the grant date fair value of deferred trust units multiplied by the number of deferred trust units granted in the year.

27. SUPPLEMENTARY CASH FLOW INFORMATION

Amortization and depreciation includes:

		2017		2016
Lease incentives	$	**1,135**	$	866
Lender fees		**245**		—
Deferred financing costs		**311**		200
Renewable power assets		**5,761**		3,946
Intangible assets – wind power contract		**97**		97
Realized fair value loss on derivative financial liabilities hedges		**123**		28
Mortgages payable premiums		**(752)**		(1,437)
Total	$	**6,920**	$	3,700

Other adjustments include:

		2017		2016
Straight-line rent adjustment	$	**(19)**	$	(18)
Deferred interest income		**2,482**		—
Realized fair value loss from available-for-sale investments		**630**		—
Share of (income) loss from equity accounted investments		**1,555**		(24)
Fair value adjustments to development and investment holdings		**1,350**		(14,477)
Fair value adjustments to income properties		**22,867**		40,187
Fair value adjustments to marketable securities		**(3,277)**		—
Interest capitalized and lender fees received on lending portfolio balance		**(4,967)**		(3,500)
Deferred unit compensation expense		**973**		725
Provision for lending portfolio losses		**4,842**		6,312
Deferred income tax expense (recovery)		**(5,077)**		2,105
Debt settlement costs		**1,286**		—
Transaction costs		**2,802**		—
Total	$	**25,447**	$	31,310

Non-cash working capital includes cash generated from (utilized in):

		2017		2016
Lending portfolio interest income accrual	$	**152**	$	72
Other non-current assets		**(457)**		(2,268)
Amounts receivable		**(657)**		1,038
Prepaid expenses and other current assets		**(133)**		(208)
Amounts payable and accrued liabilities		**(2,549)**		6,624
Income tax payable/receivable		**(7)**		(4,750)
Assets held-for-sale		**(5,185)**		(172)
Total	$	**(8,836)**	$	336

During the year ended December 31, 2017, cash interest paid was $11,950 (year ended December 31, 2016 – $10,701) and cash taxes paid was $nil (year ended December 31, 2016 – $4,466). For the same period, investments in building improvements included non cash transactions of $377 (December 31, 2016 – settlement of $1,152 of payables) and investments in lease incentives and initial direct leasing costs included non cash transactions of $85 (December 31, 2016 – settlement of $131 of payable). Additions to renewable power assets include settlement of payables of $4,321 (December 31, 2016 – settlement of payables of $1,024). Acquisition of income properties included the assumption of mortgage payables of $6,490 (December 31, 2016 - no such acquisitions). Net proceeds from disposal of income properties included the assumption of mortgage payables of $137,501 and the receipt of $4,766 in the form of units of publicly traded securities (December 31, 2016 - no such dispositions).

28. COMMITMENTS AND CONTINGENCIES

Dream Alternatives and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of the Asset Manager, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of Dream Alternatives.

PROPERTY MANAGEMENT AGREEMENT

The Trust's co-owned Office Portfolio and Industrial Portfolio are property managed by Dream Office Management Corp. ("DOMC") and Dream Industrial Management Corp. ("DIMC"), respectively. The Trust's wholly owned office property is managed by DAM. DOMC is owned by Dream Office REIT, the co-owner of the Trust’s Office Portfolio. DIMC is owned by Dream Industrial REIT, the co-owner of the Trust’s Industrial Portfolio. Pursuant to the property management agreements, DOMC, DIMC and DAM will perform property management services including tenant administration, leasing services, accounting, etc., for a fee of 3.0% to 3.5% of income property revenues. The property management agreement can be terminated upon an unremedied default by the property manager, DOMC, DIMC or DAM, or if there is a change in the ownership of the property.

SERVICES AGREEMENT

The Trust entered into a services agreement ("Service Agreement") with DOMC on July 8, 2014. The Service Agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the Service Agreement is terminated in accordance with its terms or by mutual agreement of the parties. The Service Agreement was renewed on July 8, 2015. Pursuant to the Service Agreement, DOMC provides administrative and support services including the use of office space, office equipment, communication services and computer systems, and the provision of personnel in connection with accounts payable, human resources, taxation and other services. DOMC receives a monthly fee sufficient to reimburse it for all the expenses incurred in providing these services.

COMMERCIAL MORTGAGE SERVICING AGREEMENT

On July 8, 2014, Dream Alternatives Lending Services LP ("Lending Services LP"), a subsidiary of the Trust, entered into a commercial mortgage servicing agreement ("Mortgage Servicing Agreement") with Canadian Mortgage Servicing Corporation ("CMSC") to manage and service the loan portfolio and select other debt investments for the following fees:

- A monthly fee of 1.25 basis points ("bps") (15 bps annually), calculated on the principal amount of each mortgage in the loan portfolio outstanding at the beginning of each month; and
- Origination fees paid by a borrower of up to 1% of the principal amount of each new mortgage investment originated by CMSC and up to 50% of the origination fee paid by a borrower in excess of 1%.

In addition, Lending Services LP reimburses CMSC for all reasonable third party disbursements and expenses made or incurred in connection with the performance of the services described in the Mortgage Servicing Agreement. The agreement can be terminated upon 90 days' written notice.

OTHER COMMITMENTS

During the year ended December 31, 2017, the Trust, through a subsidiary, continued to provide a guarantee for up to $45,000 pursuant to the requirements of a senior construction loan associated with the Empire Lakeshore residential project. As at December 31, 2017, this guarantee balance is $16,246. The guarantee will be in place for the term of the construction loan and will proportionately scale down as the construction loan is repaid as unit closings begin to occur. Guarantees of the other underlying development project loan amounts of third parties are $3,756. As at December 31, 2017, the Trust is contingently liable under guarantees that are issued on certain debt assumed by purchasers of income properties up to an amount of $54,029.

The Trust is contingently liable for letters of credit in the amount of $1,705 that have been provided to support third party performance.

The Trust may also be contingently liable for certain obligations of joint venture partners. However, the Trust would have available to it the other joint venture partners’ share of assets to satisfy any obligations that may arise.

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $787.

Rooftop lease agreements are agreements which the Trust has entered into with six building owners. These agreements provide the Trust with rooftop access, as well as the rights to operate solar panels on rooftops which the Trust does not own. These agreements are typically 20-year contracts with renewal options available.

The Trust also enters into operations and maintenance agreements related to its renewable power assets. The Trust's commitments with respect to renewable power assets are outlined in the table below**:**

	Rooftop lease agreements	Land right and easement	Operational and maintenance contracts	Total
2018	$ 241	$ 697	$ 486	**$ 1,424**
2019	241	697	424	**1,362**
2020	241	698	—	**939**
2021	241	701	—	**942**
2022	283	701	—	**984**
2023 and thereafter	3,875	10,457	—	**14,332**
Total	**$ 5,122**	**$ 13,951**	**$ 910**	**$ 19,983**

29. CAPITAL MANAGEMENT

The Trust's capital consists of debt, including mortgage payables, notes payable, term loans, revolving loan facility and unitholders' equity. The Trust's objectives in managing capital are to ensure that adequate funds are available to maintain consistent and sustainable unitholders distributions, to fund leasing costs and capital expenditure requirements, and to provide the resources needed to acquire and develop development properties, originate new real estate lending, acquire new properties, and acquire renewable power assets.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross book value. Other significant indicators include the weighted average interest rate, average term to maturity of debt and variable debt as a proportion of total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for unitholders distributions and capital expenditures, and for evaluating the need to raise funds for further expansion. Various mortgage payables, term loans associated with renewable power portfolios and the revolving loan facility have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These covenants include loan-to-value ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited partnership level. During the year ended December 31, 2017, the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The Trust's equity consists of Units in which the carrying value is impacted by earnings, unitholders distributions and Unit repurchases pursuant to its normal course issuer bid. The Trust endeavors to make annual distributions to Unitholders. Any amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures, other investments as the Trust sees fit, and working capital requirements. The Asset Manager monitors distributions through various ratios to ensure adequate resources are available. These ratios include the proportion of distributions paid in cash, DRIP participation ratio, and total distributions as a percent of funds available for distribution.

30. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

IFRS 7, "Presentation of Financial Statements" ("IFRS 7"), places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risks.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has exposure to interest rate risk primarily as a result of its variable-rate debt payable included in mortgages payable. There are no variable-rate mortgages or loans within the lending portfolio. In addition, there is interest rate risk associated with the Trust's fixed-rate debt payable due to the expected requirement to refinance such debts in the year of maturity. The Trust is exposed to the variability in market interest rates on maturing debt payable and lending portfolio investments to be renewed. Variable-rate debt payable at December 31, 2017 was approximately 43.3% (December 31, 2016 – 15.6%) of the Trust's total debt payable. In order to manage exposure to interest rate risk, the Trust endeavors to maintain an appropriate mix of fixed and variable-rate debt, manage maturities of fixed-rate debt, match the nature of the debt with the cash flow characteristics of the underlying asset and undertake hedging strategies when appropriate.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on fixed rate assets and liabilities maturing within one year and variable-rate financial assets and liabilities held at the consolidated statements of financial position date. A 1% change is considered a reasonable level of fluctuation on variable-rate financial assets and liabilities.

		Interest rate risk			
		-1%		1%	
As at December 31, 2017	Amounts	Income	Equity	Income	Equity
Financial liabilities					
Fixed-rate debt payable due to mature in the next 12 months and total variable debt	$ 86,533	$ 865	$ 865	$ (865)	$ (865)

Foreign exchange risk is the risk that an investment's value will fluctuate due to changes in currency exchange rates. The Trust's functional and presentation currency is the Canadian dollar. The Trust's exposure to foreign exchange risk at December 31, 2017 includes the Trust's British pound investment in a wind power subsidiary operating in the United Kingdom. The Trust's investment in the U.K. wind power subsidiary is exposed to foreign exchange risk related to its invested equity and operating profits received by the Trust. The U.K. wind power investment is described in detail in note 9. The effect of changes in foreign exchange rates is recognized in Other Comprehensive Income.

Credit risk related to income properties and AFS Investments arises from the possibility that tenants in income properties may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Credit risk related to the lending portfolio and development and investment holdings arises from the possibility that a borrower may not be able to honor its debt commitments as a result of a negative change in market conditions that could result in a loss to the Trust. The Trust mitigates risk by actively monitoring the mortgage and loan investments and initiating recovery procedures, in a timely manner, when required.

The maximum exposure to credit risk at December 31, 2017 was the fair value of the Trust's development and investment holdings and the contractual value of its lending portfolio, including interest receivable, was $261,095. The Trust has recourse under these investments in the event of default by the borrower, in which case, the Trust would have a claim against the underlying collateral. Cash, deposits and restricted cash carry minimal credit risk as all funds are maintained with highly reputable lenders.

The Trust also holds various instruments with the same counterparty or related counterparties within its lending and development and investment holdings portfolios. As at December 31, 2017, the Trust had approximately $92,038 of development and investment holdings assets with, or guaranteed by, the same borrowers or related group of borrowers. Security over certain underlying assets has been posted and the underlying investments are actively monitored.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations as they become due. Accordingly, there is a liquidity risk that we would be unable to dispose of our illiquid assets in a timely way in response to changing economic or investment conditions. The Trust manages lending portfolio advances, maturities of debt, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations as they become due.

31. FAIR VALUE MEASUREMENTS

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2017, $67.6 million of development and investment holdings relating to the Villarboit Investments was transferred from Level 3 to Level 2 and have been disposed during the year ended December 31, 2017. There were no transfers between levels 1, 2 and 3 during the year ended December 31, 2016.

The following tables summarize fair value measurements recognized or disclosed in the consolidated financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the fair value measurements.

		Fair value		
As at December 31, 2017	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Recurring measurements				
Income properties	$ **219,656**	$ **—**	$ **—**	$ **219,656**
Development and investment holdings	**94,119**	**—**	**—**	**94,119**
Investment in marketable securities[1]	**60,636**	**60,636**	**—**	**—**
Lending portfolio - FVTPL	**10,000**	**—**	**—**	**10,000**

[1] Included in other non-current assets and other current assets on the consolidated statements of financial position

		Fair value		
As at December 31, 2016	Carrying value	Level 1	Level 2	Level 3
Recurring measurements				
Income properties	$ 479,401	$ —	$ —	$ 479,401
Development and investment holdings	187,295	—	—	187,295
Derivative financial liabilities	845	—	—	845

Financial instruments carried at amortized cost are noted below:

		Fair value		
As at December 31, 2017	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Fair values disclosed				
Lending portfolio - amortized cost	$ **151,432**	$ **—**	$ **—**	$ **151,399**
Debt	**199,777**	**—**	**—**	**203,967**

		Fair value		
As at December 31, 2016	Carrying value	Level 1	Level 2	Level 3
Fair values disclosed				
Lending portfolio	$ 141,956	$ —	$ —	$ 141,998
Debt	307,799	—	—	310,679

At December 31, 2017, amounts receivable, cash, restricted cash, deposits, amounts payable and accrued liabilities, and distributions payable were carried at amortized cost, which approximates fair value due to their short-term nature.

INCOME PROPERTIES AND AFS INVESTMENTS

The Trust's accounting policy as indicated in Note 3 is to estimate the fair value of each income property using the most appropriate valuation methodology determined for each property on a highest and best use basis, which may include the overall capitalization method, the discounted cash flow method or, in certain circumstances, land values. Income properties and AFS Investments are measured at fair value using the income approach, which is derived from two methods: the overall capitalization rate method and the discounted cash flow method, which results in these measurements being classified as Level 3 in the fair value hierarchy. Valuations of these income properties are most sensitive to changes in discount rates and capitalization rates. In applying the overall capitalization rate method, the stabilized net operating income ("stabilized NOI") of each property is divided by an appropriate capitalization rate ("cap rate").

The key assumptions in the valuation of income properties are as follows:

- Cap rate – based on actual location, size and quality of the properties and taking into account any available market data at the valuation date.
- Stabilized NOI – revenues, less property operating expenses adjusted for items such as market rental rates, average lease-up costs, long-term vacancy rates, non-recoverable capital expenditures, straight-line rents and other non-recurring items.
- Discount rate – reflecting current market assessments of the uncertainty in the amount and timing of cash flows.
- Terminal rate – taking into account assumptions regarding vacancy rates and market rents.
- Cash flows – based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

Income properties are valued on a highest and best use basis. For all of the Trust's income properties, the current use is considered the highest and best use.

INCOME PROPERTIES VALUATION PROCESS

The Trust is responsible for determining the fair value measurements included in the consolidated financial statements. DAM, in its capacity as Asset Manager for the Trust, provides the Trust with a valuation of each income property every quarter, as calculated by the respective property managers. The valuations team is headed by an experienced valuator. From time to time, DAM engages independent, professionally qualified valuators who hold a recognized relevant professional qualification and have recent experience in the locations and categories of the income properties to complete valuations of selected properties. DAM's objective is to have each property valued by an independent valuator at least once every three years. For properties subject to an independent valuation report, the valuations team verifies all major inputs to the valuations and reviews the results with the independent valuators. Discussion of valuation processes, key inputs and results are held between the Trust and the valuations team at least once every quarter, in line with the Trust's quarterly reporting rules. Changes in Level 3 fair values are analyzed at each reporting date during the quarterly valuation discussions between the Trust and the valuations team.

DEVELOPMENT AND INVESTMENT HOLDINGS

The fair value of development and investment holdings are valued using a number of approaches that typically include a discounted cash flow analysis, direct capitalization approach and direct comparison approach. For the year ended December 31, 2017, the primary methods of valuation used by the Trust are the discounted cash flow approach or the direct capitalization approach. The discounted cash flow model is calculated based on future interest and participating profit payments as determined by the Asset Manager and project managers' estimates of unit sales proceeds and/or net operating income of the development properties. With the direct capitalization rate method, the fair value is determined by applying a capitalization rate to stabilized NOI. In determining the discount rate and cap rate, the Trust considered market conditions, time to completion of the development, the market cap rate, the percentage of space leased on units sold, and other available information.

INVESTMENT IN MARKETABLE SECURITIES

Investments in marketable securities are measured at the value determined on the quoted active market where they are traded.

LENDING PORTFOLIO

There are no quoted prices in an active market for the lending portfolio investments. The Trust determines fair value based on its assessment of the current lending market for lending portfolio investments of the same or similar terms in consultation with CMSC, the manager and servicer of the lending portfolio, and other available information. The fair value of the lending portfolio as at December 31, 2017 was determined by discounting the expected cash flows of each loan using an assessment of the market interest rate ranging from 7.9% to 17.5%. The market interest rates were determined taking into consideration similar instruments with corresponding maturity dates, plus a credit adjustment in accordance with the borrower's creditworthiness as well as considering the risk characteristic of the underlying development.

DEBT

The fair value of debt as at December 31, 2017 was determined by discounting the expected cash flows of each debt instrument using an assessment of the market interest rate ranging from 3.2% to 4.2%. The market interest rates were determined using the Government of Canada benchmark bond yield for instruments with corresponding maturity dates, plus a credit spread in accordance with the Trust's assessment of credit risk. In determining the adjustment for credit risk, the Trust considered market conditions, the value of the properties that the mortgages are secured by and other indicators of the Trust's creditworthiness.

DERIVATIVE FINANCIAL LIABILITIES

The fair value of derivative financial liabilities is calculated using the Government of Canada benchmark bond yield corresponding with the maturity dates applicable to bond forward contracts and the committed hedged debt payable. The effectiveness of the hedging arrangement is assessed using a regression analysis of the impact of interest rate changes on the valuation of the hedging agreement in relation to the underlying debt subject to the hedging arrangement.

32. SUBSEQUENT EVENTS

On January 1, 2018, Dream Unlimited Corp., the Trust's Asset Manager, acquired control of the Trust, as it was determined that Dream Unlimited Corp.'s exposure to variable returns from its involvement with the Trust had increased substantially through units held in the Trust and certain contractual agreements.

Ind. Independent
1 Member of the Audit Committee
2 Member of the Governance, Compensation and Environmental Committee
3 Chair of the Board

Corporate Information

HEAD OFFICE

Dream Hard Asset Alternatives Trust
State Street Financial Centre
30 Adelaide Street East, Suite 301
Toronto, Ontario M5C 3H1
Phone: (416) 365-3535
Fax: (416) 365-6565

INVESTOR RELATIONS

Phone: (416) 365-6339
Toll free: 1 877 365-3535
E-mail: alternativesinfo@dream.ca
Web: www.dreamalternatives.ca

TRANSFER AGENT

(for change of address, registration or other unitholder enquiries)

Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Phone: (514) 982-7555 or
1 800 564-6253
Fax: (416) 263-9394 or 1 888 453-0330
Web: www.computershare.com
E-mail: service@computershare.com

AUDITORS

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

CORPORATE COUNSEL

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place, Suite 6200
Toronto, Ontario M5X 1B8

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Listing Symbol: DRA.UN

For more information, please visit **dreamalternatives.ca**

DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The purpose of our Distribution Reinvestment and Unit Purchase Plan ("DRIP") is to provide Unitholders with a convenient way of investing in additional units without incurring transaction costs such as commissions, service charges or brokerage fees. By participating in the Plan, you may invest in additional units in two ways:

Distribution reinvestment: Unitholders will have cash distributions from Dream Alternatives Trust reinvested in additional units as and when cash distributions are made. If you register in the DRIP, you will also receive a "bonus" distribution of units equal to 4% of the amount of your cash distribution reinvested pursuant to the Plan. In other words, for every $1.00 of cash distributions reinvested by you under the Plan, $1.04 worth of units will be purchased.

Cash purchase: Unitholders may invest in additional units by making cash purchases.

To enroll, contact: **Computershare Trust Company of Canada** 100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Attention: Dividend Reinvestment Services

Or call their Customer Contact Centre at:
1 800 564-6253 (toll free) or (514) 982-7555.

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alternatives

Corporate Office

State Street Financial Centre
30 Adelaide Street East, Suite 301
Toronto, Ontario M5C 3H1
Phone: 416.365.3535
Fax: 416.365.6565
dream.ca