

Q2 | 2020



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MANAGEMENT'S DISCUSSION AND ANALYSIS

(All dollar amounts in our tables are presented in thousands of Canadian dollars, except unit and per unit 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. The Trust's portfolio is comprised of exceptional real estate development opportunities, real estate lending and income properties. In the Trust's reportable operating segments, these investments are classified between development and those which generate recurring income. The Trust is managed by Dream Asset Management Corporation ("DAM" or the "Asset Manager"), a subsidiary of Dream Unlimited Corp. ("Dream") (TSX: DRM), which is one of Canada's leading real estate companies, and has approximately \$9 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". On January 1, 2018, Dream acquired control of the Trust, for accounting purposes, based on Dream's increased exposure to variable returns resulting from increased ownership through units held in the Trust and from new real estate joint venture agreements. The ultimate controlling party of the Trust is Michael Cooper, President and Chief Responsible Officer of DAM and Dream.

This Management's Discussion and Analysis ("MD&A") is dated as of, and reflects all material events up to, August 4, 2020, 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, 2019 and the unaudited condensed consolidated financial statements for the three and six months ended June 30, 2020, which can be found in the Trust's filings on the System for Electronic Document Analysis and Retrieval ("SEDAR") (www.sedar.com). Certain disclosures herein are non-IFRS measures. Refer to the "Non-IFRS Measures and Other Disclosures" section of this MD&A for further details. The financial statements underlying this MD&A, including 2019 comparative information, have been prepared in accordance with International Financial Reporting Standards ("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.

As at June 30, 2020, our operating segments consist of the following:

- **Development** — participating mortgages receivable, a hospitality asset under redevelopment, and direct and indirect investments in residential and mixed-use developments;
- **Recurring income** — interest-paying mortgages and corporate loans, and a portfolio of office and commercial real estate income properties in the Greater Toronto Area ("GTA").

We have redefined our segment information to better reflect how we manage our business. Comparative information has been reclassified in accordance with our new segment presentation.

1.2 FORWARD-LOOKING DISCLAIMER

FORWARD-LOOKING DISCLAIMER

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 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 and lending industries in general, in each case, that are not historical facts, as well as statements regarding our strategic plan; our unit buyback program (including the remaining amounts to be deployed, and the timing of our remaining commitment to offers to purchase units from unitholders over the next 18 months); our commitment to maintaining the current distribution policy; our expectations regarding future purchases of units by the Trust under our normal course issuer bid ("NCIB"), including the number of units to be acquired and the timing thereof; our commitment to maintain an annual distribution of \$0.40; our plans and proposals for current and future development projects, including projected sizes, densities, uses, costs and manner of funding,

and development milestones; development timelines, including commencement of construction and/or revitalization of our development projects, completion and expected timing on occupancy dates; anticipated returns from our development projects and the timing thereof, including expected returns from the Empire Lakeshore development and their future contributions to net asset value ("NAV")⁽¹⁾ and NAV per unit⁽¹⁾ and unitholder value and their ability to drive the Trust's growth; timing of distributions or future cash return from our development and recurring income segments; our income and cash flow growth, and targeted pre-tax internal rate of return ("IRR")⁽¹⁾; our methodologies for valuing investments, including market value adjustments; anticipated effect of our developments on our NAV and NAV per unit, unitholders' equity, growth and cash flows in future periods; expected profits from our development and recurring income projects; our expectations of changes in our NAV in future periods; the anticipated future variability in our results of operations, including cash from operating activities and net income; the Trust's sufficiency of cash on hand to fund normal course debt repayments, cash requirements and ongoing distributions; and our expectations regarding the Trust's income tax expense/recovery and deferred tax liabilities/assets. 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; timing and amount of future loan financings and deposit commitments; leasing risks, including those associated with the ability to lease vacant space; and the development, construction and operation of our real estate projects on anticipated terms.

Although 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, adverse changes in general economic and market conditions; the impact of the novel coronavirus (COVID-19) pandemic on the Trust; 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 projects; uncertainty surrounding the development and construction of new projects and delays and cost overruns in the design, development, construction and operation of projects; our ability to execute on our 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 under "Risks and Risk Management" in this MD&A and described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of August 4, 2020. 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 website at www.dreamalternatives.ca.

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

1.3 OUR OBJECTIVES

Our fundamental objectives are to:

- provide investors with a portfolio of high-quality real estate development opportunities and alternative assets, concentrated in core geographic markets;
- balance growth and stability of the portfolio, increasing cash flow, unitholders' equity and NAV⁽¹⁾ over time;
- provide predictable cash distributions to unitholders on a tax-efficient basis; and
- leverage access to an experienced management team and strong partnerships, to generate investment opportunities, capitalize on strong market fundamentals and generate attractive returns for investors.

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

1.4 FINANCIAL OVERVIEW - SECOND QUARTER 2020

In the three months ended June 30, 2020, the Trust reported a net loss of \$3.6 million compared to \$8.8 million of net income in the comparative period. The decrease was driven by occupancy income recognized from Axis Condominiums in the prior year, reduced income contribution from our recurring income segment due to asset dispositions and loan repayments, partially offset by reduced income taxes in the current period. In the six months ended June 30, 2020, the Trust reported net income of \$1.5 million, a decrease from \$9.6 million in the prior year due to the aforementioned reasons, partially offset by a reduction in general and administrative expenses and favorable foreign exchange movements in the current period.

As at June 30, 2020, the Trust had \$106.5 million of cash on hand, in addition to \$5.3 million of funds available under its revolving credit facility, which remains undrawn. The Trust's debt-to-total asset value as at June 30, 2020 was 13.4%, relatively consistent with March 31, 2020, or 34.0% compared to 47.2% as at March 31, 2020, inclusive of project-level debt and assets within our development segment, including equity accounted investments.

As at June 30, 2020, the Trust's nearest debt maturity occurs in early 2021 and the Trust has ample cash on hand to fund normal course debt repayments, cash requirements for its development investments and ongoing unitholders' distributions over the next year. As at August 4, 2020, the Trust had \$95.1 million of cash on hand.

KEY ACHIEVEMENTS

In February 2019, management of the Trust committed to a strategic plan to enhance unitholder value. As part of the plan, in April 2019, we announced our intention to repurchase 12.0 million Trust units through three substantial issuer bids ("SIB") at prices ranging from \$8.00 to \$8.50 per unit. The bids were to be funded through the sale of the Trust's renewable power segment, as well as the sale of other non-core assets.

In 2019, we successfully disposed of \$197.4 million in gross assets and purchased for cancellation 4.0 million units for an aggregate purchase price of \$32.0 million through our first SIB. In February 2020, we announced our second SIB with the intention to purchase another 4.0 million units at a price of \$8.25 per unit for aggregate proceeds of \$33.0 million. The SIB was subsequently terminated as a result of the failure to satisfy certain conditions of the offer due to the COVID-19 pandemic, and the resulting market instability and volatility in the Trust's unit price. During and subsequent to the six months ended June 30, 2020, the Trust repurchased 3.8 million units under the NCIB at a weighted average price of \$4.78 per unit. In aggregate, 7.8 million of the 12.0 million units committed to in accordance with the strategic plan have been repurchased. We continue to believe the current market price of our units does not reflect the intrinsic value of the Trust and our current intention is to complete the repurchase of the balance over the next 18 months. We are pleased with our accomplishments achieved as part of the strategic plan and are focused on prudently managing our capital and executing on our extensive development pipeline, which we believe will create further unitholder value over time.

In the six months ended June 30, 2020, the Trust contributed \$21.1 million, including transaction costs, to certain development projects held as equity accounted investments. This included Zibi, Brightwater and West Don Lands, our affordable housing development in downtown Toronto. Over the remainder of 2020, management currently expects to invest an additional \$20.0 million to \$30.0 million of capital towards existing projects.

Empire Lakeshore is a high-rise condominium development that includes two towers, the Water Tower and the Sky Tower, at 49 and 66 storeys, respectively, with an aggregate 1,280 residential units and 55,000 square feet ("sf") of retail and commercial gross leasable area ("GLA"). In the six months ended June 30, 2020, 99% of the condominium units closed, which is a significant milestone for the project. In addition, the project's senior construction facility was fully repaid, as well as the Trust's outstanding loan receivable from the project of \$21.2 million. Accordingly, the Trust's financial guarantee to the project of \$45.0 million was extinguished in the period, reducing the Trust's off-balance sheet financial exposure. The Trust expects our contributed capital to be returned from the project later in 2020.

In the three months ended June 30, 2020, vertical construction at Zibi, our 34-acre mixed-use waterfront community situated along the Ottawa River in Gatineau, Quebec and Ottawa, Ontario, resumed on all blocks as provincially mandated COVID-19 closures were lifted. Year-to-date in 2020, the Trust has invested \$14.1 million into the project, which has 540,000 sf of residential rental, retail and commercial buildings under active construction and an additional 575,000 sf in planning/pre-development stages. Zibi is expected to be one of Canada's most sustainable communities and the country's first One Planet community. In partnership with a utility company, we have developed the District Thermal Energy System, the first post-industrial waste heat recovery system in a master-planned community in North America, which will provide net-zero heating and cooling for all tenants, residents and visitors at Zibi.

FINANCIAL HIGHLIGHTS OF THE TRUST

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Consolidated results of operations				
Net income (loss)	\$ (3,634)	\$ 8,839	\$ 1,518	\$ 9,553
Net income (loss) from continuing operations	(3,634)	4,246	1,518	4,420
Net operating income ("NOI") ⁽¹⁾	2,523	16,710	5,351	22,672
Cash generated from (utilized in) operating activities from continuing operations	2,162	(3,109)	2,556	401
Net income (loss) per unit ⁽¹⁾	(0.05)	0.12	0.02	0.13
Net income (loss) from continuing operations per unit ⁽¹⁾	(0.05)	0.06	0.02	0.06
Cash generated from (utilized in) operating activities from continuing operations per unit ⁽¹⁾	0.03	(0.04)	0.04	0.01
Distributions declared and paid per unit	0.10	0.10	0.20	0.20
Units outstanding – end of period	68,848,500	72,038,551	68,848,500	72,038,551
Units outstanding – weighted average	69,054,839	71,895,547	69,026,710	71,789,168

⁽¹⁾ For the Trust's definition of the following non-IFRS measures: NOI, net income (loss) per unit, net income (loss) from continuing operations per unit, and cash generated from (utilized in) operating activities from continuing operations per unit, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

As at	June 30, 2020	March 31, 2020	December 31, 2019
Consolidated financial position			
Total unitholders' equity	\$ 557,067	\$ 568,788	\$ 567,551
Total unitholders' equity per unit ⁽¹⁾	8.09	8.23	8.25
Total debt	88,834	89,051	89,269
Total assets	664,879	676,906	696,141
Cash	106,452	101,746	117,787
Debt-to-asset value ⁽¹⁾	13.4%	13.2%	12.8%

⁽¹⁾ For the Trust's definition of the following non-IFRS measures: total unitholders' equity per unit, and debt-to-asset value, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

SEGMENTED RESULTS OF OPERATIONS – THREE MONTHS ENDED JUNE 30, 2020

	Development	Recurring income	Other ⁽¹⁾	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	\$ (1,951)	\$ —	\$ —	(1,951)
Lending portfolio interest income and lender fees	—	1,300	—	1,300
Income properties revenue	—	4,162	—	4,162
Share of loss from equity accounted investments	(158)	(100)	—	(258)
TOTAL INCOME	(2,109)	5,362	—	3,253
EXPENSES				
Income properties, operating	—	(2,746)	—	(2,746)
Interest expense	—	(776)	(52)	(828)
Provision for lending portfolio losses	—	(2,882)	—	(2,882)
General and administrative	—	—	(2,126)	(2,126)
TOTAL EXPENSES	—	(6,404)	(2,178)	(8,582)
Fair value adjustments to income properties	—	132	—	132
OPERATING LOSS	(2,109)	(910)	(2,178)	(5,197)
Interest and other income	57	335	(123)	269
Transaction costs	—	(64)	—	(64)
LOSS BEFORE INCOME TAX RECOVERY	(2,052)	(639)	(2,301)	(4,992)
INCOME TAX RECOVERY				
Deferred income tax recovery	—	—	1,358	1,358
TOTAL INCOME TAX RECOVERY	—	—	1,358	1,358
NET LOSS FROM CONTINUING OPERATIONS	\$ (2,052)	\$ (639)	\$ (943)	\$ (3,634)

SEGMENTED RESULTS OF OPERATIONS – THREE MONTHS ENDED JUNE 30, 2019

	Development	Recurring income	Other ⁽¹⁾	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	\$ (3,947)	\$ —	\$ —	(3,947)
Lending portfolio interest income and lender fees	—	3,726	—	3,726
Income properties revenue	—	5,858	—	5,858
Share of income (loss) from equity accounted investments	10,337	(271)	—	10,066
TOTAL INCOME	6,390	9,313	—	15,703
EXPENSES				
Income properties, operating	—	(3,047)	—	(3,047)
Interest expense	—	(1,171)	(89)	(1,260)
General and administrative	—	—	(4,150)	(4,150)
TOTAL EXPENSES	—	(4,218)	(4,239)	(8,457)
Fair value adjustments to income properties	—	261	—	261
OPERATING INCOME (LOSS)	6,390	5,356	(4,239)	7,507
Interest and other income	337	4	105	446
Transaction costs	—	(331)	(114)	(445)
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	6,727	5,029	(4,248)	7,508
INCOME TAX EXPENSE				
Deferred income tax expense	—	—	(3,262)	(3,262)
TOTAL INCOME TAX EXPENSE	—	—	(3,262)	(3,262)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 6,727	\$ 5,029	\$ (7,510)	\$ 4,246

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

SEGMENTED RESULTS OF OPERATIONS – SIX MONTHS ENDED JUNE 30, 2020

	Development	Recurring income	Other ⁽¹⁾	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	\$ 2,470	\$ —	\$ —	2,470
Lending portfolio interest income and lender fees	—	2,786	—	2,786
Income properties revenue	—	8,565	—	8,565
Share of loss from equity accounted investments	(888)	(281)	—	(1,169)
TOTAL INCOME	1,582	11,070	—	12,652
EXPENSES				
Income properties, operating	—	(4,896)	—	(4,896)
Interest expense	—	(1,558)	(61)	(1,619)
Provision for lending portfolio losses	—	(2,882)	—	(2,882)
General and administrative	—	—	(2,948)	(2,948)
TOTAL EXPENSES	—	(9,336)	(3,009)	(12,345)
Fair value adjustments to income properties	—	132	—	132
OPERATING INCOME (LOSS)	1,582	1,866	(3,009)	439
Interest and other income	425	341	308	1,074
Transaction costs	—	(109)	(13)	(122)
EARNINGS (LOSS) BEFORE INCOME TAX RECOVERY	2,007	2,098	(2,714)	1,391
INCOME TAX RECOVERY				
Deferred income tax recovery	—	—	127	127
TOTAL INCOME TAX RECOVERY	—	—	127	127
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 2,007	\$ 2,098	\$ (2,587)	\$ 1,518

SEGMENTED RESULTS OF OPERATIONS – SIX MONTHS ENDED JUNE 30, 2019

	Development	Recurring income	Other ⁽¹⁾	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	\$ (4,290)	\$ —	\$ —	(4,290)
Lending portfolio interest income and lender fees	—	7,262	—	7,262
Income properties revenue	—	11,882	—	11,882
Share of income (loss) from equity accounted investments	10,285	(663)	—	9,622
TOTAL INCOME	5,995	18,481	—	24,476
EXPENSES				
Income properties, operating	—	(6,368)	—	(6,368)
Interest expense	—	(2,366)	(175)	(2,541)
General and administrative	—	—	(8,344)	(8,344)
TOTAL EXPENSES	—	(8,734)	(8,519)	(17,253)
Fair value adjustments to income properties	—	261	—	261
OPERATING INCOME (LOSS)	5,995	10,008	(8,519)	7,484
Interest and other income	675	9	402	1,086
Transaction costs	—	(316)	(114)	(430)
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	6,670	9,701	(8,231)	8,140
INCOME TAX EXPENSE				
Deferred income tax expense	—	—	(3,720)	(3,720)
TOTAL INCOME TAX EXPENSE	—	—	(3,720)	(3,720)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 6,670	\$ 9,701	\$ (11,951)	\$ 4,420

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

1.5 HIGHLIGHTS BY REPORTABLE OPERATING SEGMENTS FROM CONTINUING OPERATIONS

The table below summarizes our consolidated net assets as at June 30, 2020 by geographic allocation, excluding cash and the Trust's other consolidated working capital and tax.

GEOGRAPHIC ALLOCATION

As at	June 30, 2020	December 31, 2019
Toronto and GTA	69.9%	71.3%
Ottawa/Gatineau	14.6%	11.5%
United States	10.9%	10.4%
British Columbia	2.4%	4.0%
Saskatchewan	2.1%	2.6%
Other Ontario	0.1%	0.2%
Total	100.0%	100.0%

SUMMARY OF DEVELOPMENT AND INVESTMENT HOLDINGS PARTNERS

We continue to leverage our relationships and expertise to attract world-class partners and investment opportunities. As a result of our partners and relationships, the Trust has access to unparalleled investment opportunities across North America. The table below provides an overview of some of the Trust's key partners within its development/redevelopment investments:

Project	Partners	Partner since
Empire Lakeshore & Brampton	Empire Communities	2014
Lakeshore East development	Dream Unlimited, Great Gulf Residential	2016
Brightwater development	Dream Unlimited, Kilmer Van Nostrand Co. Ltd., Diamond Corp., FRAM + Slokker	2017
Zibi development	Dream Unlimited, Theia Partners	2017
Frank Gehry development	Dream Unlimited, Great Gulf Residential, Westdale Construction Co Ltd.	2017
Seaton development	Fieldgate Homes, Mattamy Homes, Paradise Developments, TACC Construction Ltd.	2018
Hard Rock/Virgin Hotels Las Vegas	Juniper Capital Partners, Fengate Real Asset Investments, Virgin Hotels	2018
100 Steeles	Dream Unlimited, Westdale Construction Co. Ltd.	2018
West Don Lands	Dream Unlimited, Kilmer van Nostrand Co. Ltd., Tricon Capital Group	2018

1.6 SUMMARY OF PORTFOLIO ASSETS

The following table includes supplementary information on certain assets in our portfolio as at June 30, 2020. Please refer to section 10.1 of this MD&A for additional information on each of these investments.

Project/Property	Entity	DAT Ownership	Status	Property type	Residential GFA ⁽¹⁾ (at 100%)	Total commercial and retail GLA ⁽¹⁾ (at 100%)	In-place/ committed commercial occupancy	Occupancy/ stabilization date	
Recurring income segment									
Downtown Toronto & GTA									
Commercial:									
50 & 90 Burnhamthorpe Road West (Sussex Centre)	Dream Office REIT/DAT	50.1%	Income property	Office/retail	—	655,000	87.7%		
49 Ontario	DAT	100.0%	Redevelopment	Office	TBD	88,000	91.5%		
Queen and Mutual	DAT	9.0%	Income property	Office/retail	—	24,000	84.4%		
10 Lower Spadina	DAT	100.0%	Income property	Office/retail	—	61,000	100.0%		
349 Carlaw	DAT	100.0%	Income property	Office	—	34,000	100.0%		
Plaza Imperial	DAT	40.0%	Income property	Office/retail	—	35,000	100.0%		
Plaza Bathurst	DAT	40.0%	Income property	Office/retail	—	24,000	100.0%		
100 Steeles Avenue West	Dream/DAT	37.5%	Redevelopment	Retail	TBD	59,000	97.1%		
Total Downtown Toronto & GTA					—	980,000	90.5%		
Total projects in the recurring income segment					—	980,000	90.5%		
Project/Property	Type	Entity	DAT Ownership	Status	Total residential units at completion (at 100%) ⁽²⁾	Residential GFA ⁽¹⁾ (at 100%)	Total commercial and retail GLA ⁽¹⁾ (at 100%)	In-place/ committed commercial occupancy	Occupancy/ stabilization date
Development segment									
Downtown Toronto & GTA									
Residential and Mixed-Use:									
Canary Block 10	Various	Dream/DAT	25.0%	Planning	445	358,000	25,000		TBD
WDL Block 8	Build to hold	Dream/DAT	25.0%	Under construction	770	724,000	4,000		2023
WDL Block 3/4/7	Build to hold	Dream/DAT	25.0%	Planning	834	801,000	37,000		2025
WDL Block 20	Build to hold	Dream/DAT	25.0%	Planning	398	258,000	280,000		TBD
Lakeshore East	TBD	Dream/DAT	37.5%	Planning	1,100	989,000	32,000		TBD
Frank Gehry	Build to sell	Dream/DAT	18.8%	Planning	1,500	1,652,000	260,000		TBD
Brightwater	Build to sell	Dream/DAT	23.3%	Planning	3,000	3,100,000	400,000		2023-2032
Ivy	Build to sell	Dream/DAT	75.0%	Planning	256	205,000	—	TBD	
Seaton	Build to sell	DAT	7.0%	Planning	TBD	TBD	TBD		TBD
Total Downtown Toronto & GTA					8,303	8,087,000	1,038,000	n/a	
Zibi (Ottawa/Gatineau):									
Kanaal	Build to sell	Dream/DAT	40.0%	In occupancy	30	76,000	8,500		2020
Block 2-3	Build to hold	Dream/DAT	40.0%	Under construction	—	—	55,000	81.2%	2020
Block 208	Build to hold	Dream/DAT	40.0%	Under construction	—	—	34,000	79.8%	2020
Block 10	Build to hold	Dream/DAT	40.0%	Under construction	162	147,000	1,500		2022
Block 211	Build to hold	Dream/DAT	40.0%	Under construction	—	—	185,000	86.0%	2021
Future blocks	Various	Dream/DAT	40.0%	Planning	1,558	1,668,000	2,226,000		TBD
Total Ottawa/Gatineau					1,750	1,891,000	2,510,000	84.3%	
U.S.									
Hard Rock/Virgin Hotels Las Vegas	Build to sell	DAT	10.0%	Under construction	—	—	TBD		2023
Total U.S.					—	—	—		
Total projects in the development segment					10,053	9,978,000	3,548,000		
Total projects in the development and recurring income segments					10,053	9,978,000	4,528,000		
Summary by Geography									
Location	Current GLA (at 100%)	Future GLA under development (at 100%)	Residential units at completion (at 100%)						
Downtown Toronto & GTA	980,000	1,038,000	8,303						
Ottawa/ Gatineau	—	2,510,000	1,750						
U.S.	n/a	n/a	n/a						
Total	980,000	3,548,000	10,053						

⁽¹⁾ Total commercial and retail GLA, and residential gross floor area ("GFA"), includes planned GLA and GFA which are subject to change pending various development approvals.

⁽²⁾ Residential units and GLA are at 100% project level and include planned units and GLA which are subject to change pending various development approvals. Planned residential units may be developed as condominium units or purpose-built rentals as supported by market demand, targeted studies and return objectives. For projects currently in occupancy, residential units reflect remaining units in inventory to be occupied in future periods.

2. REPORTABLE OPERATING SEGMENTS RESULTS OF OPERATIONS

2.1 DEVELOPMENT

Our development segment includes development and investment holdings, and partnerships created for the purpose of developing residential and mixed-use projects. Development holdings relate to the Trust's participating loans secured by Empire-related development projects (referred to as Empire Lakeshore and Empire Brampton). Investment holdings primarily relate to the Trust's investment in the Hard Rock, in which we have a 10% interest in the project. The Trust's development assets, which are primarily located in the GTA and Ottawa, are in various planning and construction phases and classified as equity accounted investments. A large proportion of these assets are held at cost and are expected to contribute meaningfully to the Trust's earnings in future periods as properties are developed and completed.

As at June 30, 2020, the development segment had a carrying value of \$285.0 million, representing 51.2% of the Trust's net assets. Based on current development timelines, over the next five-year period, an additional 0.3 million sf of retail and commercial space and over 1,700 purpose-built rental units (at the project level) will be completed and contribute to the Trust's recurring income segment. In aggregate, the Trust's portfolio currently has 3.8 million sf in its development pipeline (inclusive of income-producing assets with redevelopment potential) and over 10,000 condominium or purpose-built rental units (at the project level).

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 upon their respective completion dates and will contribute to increased value for unitholders over the longer term. The Trust has historically targeted a pre-tax IRR of at least 15%-20% on new equity investments in residential and mixed-use development projects.

Refer to Section 10.1, "Summary of Development and Recurring Income Assets" and Section 1.6, "Summary of Portfolio Assets", for further details on the status of the Trust's development projects and interests.

The table below provides a continuity of the Trust's development and investment holdings, including equity accounted investments, for the periods indicated:

For the three months ended June 30, 2020	Development holdings	Investment holdings	Equity accounted investments	Total
Balance as at March 31, 2020	\$ 66,211	\$ 53,157	\$ 159,730	\$ 279,098
Advances/investments/share of income	—	—	8,146	8,146
Distribution/capital repayment	—	—	(140)	(140)
Fair value gain	—	92	—	92
Foreign exchange loss	—	(2,043)	—	(2,043)
Dispositions	—	(189)	—	(189)
Balance as at June 30, 2020	\$ 66,211	\$ 51,017	\$ 167,736	\$ 284,964
Less: current portion	\$ 45,277	\$ —	\$ —	\$ 45,277
Non-current portion of total development and investment holdings	\$ 20,934	\$ 51,017	\$ 167,736	\$ 239,687

For the six months ended June 30, 2020	Development holdings	Investment holdings	Equity accounted investments	Total
Balance as at December 31, 2019	\$ 66,211	\$ 48,736	\$ 165,396	\$ 280,343
Advances/investments/share of income	—	—	19,695	19,695
Distribution/capital repayment	—	—	(17,355)	(17,355)
Fair value gain	—	92	—	92
Foreign exchange gain	—	2,378	—	2,378
Dispositions	—	(189)	—	(189)
Balance as at June 30, 2020	\$ 66,211	\$ 51,017	\$ 167,736	\$ 284,964
Less: current portion	\$ 45,277	\$ —	\$ —	\$ 45,277
Non-current portion of total development and investment holdings	\$ 20,934	\$ 51,017	\$ 167,736	\$ 239,687

Empire Lakeshore is a high-rise condominium development that includes two towers, the Water Tower and Sky Tower, at 49 and 66 storeys, respectively, for an aggregate 1,280 residential units and 55,000 sf of retail and commercial GLA. As at June 30, 2020, 99% of the condominium units were occupied and closed. During the period, the project's senior construction facility, at the

project level, was fully repaid as well as the Trust's outstanding loan receivable from the project of \$21.2 million. The Trust's financial guarantee to Empire Lakeshore of \$45.0 million was extinguished in the period as the project-level debt was fully repaid. The Trust expects to receive our contributed capital to be returned from the project later in 2020.

Empire Brampton completed development in 2017. As at June 30, 2020, the Trust had cumulatively received \$30.9 million from the project, of which \$12.0 million represented profit to the Trust in excess of its initial contribution.

During the three and six months ended June 30, 2020, contributions of \$8.4 million and \$21.1 million were made to certain equity accounted investments, primarily related to Zibi, Brightwater and West Don Lands. Offsetting these contributions were distributions primarily related to a completed condominium project, which had been advanced to the Trust throughout 2019.

A summary of the development segment results is below:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net income - development holdings	\$ 57	\$ 376	\$ 425	\$ 1,013
Share of net income (loss) - development holdings included in equity accounted investments	(158)	10,337	(888)	10,285
Net income (loss) - investment holdings	(1,951)	(3,986)	2,470	(4,628)
Total net income (loss) - development	\$ (2,052)	\$ 6,727	\$ 2,007	\$ 6,670

In the three months ended June 30, 2020, the development segment generated a net loss of \$2.1 million relative to net income of \$6.7 million in the comparative period. The decrease was primarily due to income recognized in the prior period from the 572-unit Axis Condominiums project and foreign exchange losses in the current period due to the depreciation of the U.S. dollar related to the Trust's investment in the Hard Rock. This was partially offset by the loss on sale of a non-core legacy investment, with no similar activity in the current period.

In the six months ended June 30, 2020, the development segment generated net income of \$2.0 million compared with \$6.7 million in the comparative period. The decrease was primarily due to the aforementioned reasons, partially offset by foreign exchange gains recognized in the current period. The Trust expects the impact of foreign exchange gains and losses on the Hard Rock investment to fluctuate each period.

Due to the long-term nature of projects in the development segment, results will fluctuate between periods due to the various construction timelines and availability of completed inventory. As our development projects progress towards completion and achieve various milestones, the Trust will expect an increase in income and cash flows from this segment over time.

2.2 RECURRING INCOME

The Trust's recurring income segment includes its lending portfolio and income properties.

The Trust's lending portfolio includes investments in mortgages and loans secured by all types of residential and commercial real estate property that represent an acceptable underwriting risk. Working within these risk parameters, the Trust also invests 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.

The Trust's income properties consist of wholly owned and co-owned office properties as well as certain equity accounted investments that are income-producing, with future redevelopment potential. Revenue from these 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.

A summary of the recurring income segment results is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net income (loss) - lending portfolio	\$ (1,646)	\$ 3,722	\$ (191)	\$ 7,255
Net income - income properties	1,107	1,578	2,570	3,109
Share of net loss - income properties included in equity accounted investments	(100)	(271)	(281)	(663)
Net income (loss) - recurring income	\$ (639)	\$ 5,029	\$ 2,098	\$ 9,701

A further breakdown of income property results is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
Income properties revenue	\$ 4,162	\$ 5,858	\$ 8,565	\$ 11,882
NOI ⁽²⁾	1,416	2,811	3,669	5,514
Net income	1,107	1,578	2,570	3,109

⁽¹⁾ Results for the three and six months ended June 30, 2019 include results from non-core income properties that were sold during the year ended December 31, 2019. Results from the non-core income properties for the three and six months ended June 30, 2019 included revenue of \$1.8 million and \$3.7 million, NOI of \$0.8 million and \$1.6 million and net income of \$0.3 million and \$0.8 million, respectively.

⁽²⁾ For the Trust's definition of the following non-IFRS measures: NOI and a reconciliation of NOI to net income (loss), please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

During the three and six months ended June 30, 2020, the Trust generated a net loss of \$0.6 million and net income of \$2.1 million, respectively, compared to net income of \$5.0 million and \$9.7 million, respectively, in the prior period. The decrease was primarily driven by a loan provision recorded in the current period, in addition to reduced income contribution from the Trust's lending portfolio and the sale of its non-core income properties, consisting of a co-owned building with Dream Office Real Estate Investment Trust ("Dream Office REIT") and its co-owned industrial buildings in Western Canada, in the second half of 2019.

As at June 30, 2020, the Trust assessed assumptions related to the fair value of its income properties, including its cash flow assumptions, and noted no significant impact on the fair value of its income properties due to the impact of COVID-19 at this time. In response to the ongoing COVID-19 pandemic, the Trust is continuing to support our tenants through temporary rent deferrals on an as needed basis and through the Canada Emergency Commercial Rent Assistance ("CECRA") program which provides qualifying small businesses a 25% rent abatement from landlords. These concessions are not considered to have a significant impact on the Trust's financial results. In the three months ended June 30, 2020, the Trust's average monthly rent collection exceeded 94%.

LENDING PORTFOLIO

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

For the periods ended	June 30, 2020	December 31, 2019
Balance, beginning of period	\$ 64,705	\$ 144,095
Add (deduct):		
Lending portfolio advances	—	119
Changes in accrued interest balance and extension fees received	70	272
Provision for lending portfolio losses	(2,882)	(2,350)
Interest capitalized to lending portfolio balance	1,895	5,029
Premium on lending portfolio	416	752
Principal repayments at maturity, contractual repayments and prepayments	(29,230)	(83,212)
Balance, end of period⁽¹⁾	\$ 34,974	\$ 64,705
Less: current portion	20,789	51,216
Non-current portion of lending portfolio	\$ 14,185	\$ 13,489

As at	June 30, 2020	December 31, 2019
Number of loans outstanding	5	7
Weighted average effective interest rate (period-end)	9.3%	9.1%
Security allocation (1st mortgages/other)	59.7% / 40.3%	47.7% / 52.3%
Weighted average face interest rate (period-end)	5.0%	6.9%
Weighted average remaining term to maturity (period-end) (years)	1.06	0.80

⁽¹⁾ Lending portfolio balance included a loan of \$7.7 million (December 31, 2019 - \$7.3 million) that is classified as FVTPL.

During the three and six months ended June 30, 2020, scheduled loan repayments of \$21.2 million and \$29.2 million, respectively, were received by the Trust, which primarily related to the Empire Lakeshore loan repayment. Additionally, in the three and six months ended June 30, 2020, the Trust recognized a loan loss provision of \$2.9 million on one specific loan, the value of which was determined based on the net realizable value of the underlying real estate properties and estimated transaction costs.

INCOME PROPERTIES

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

For the periods ended		June 30, 2020	December 31, 2019
Balance, beginning of period	\$	200,869	\$ 224,310
Add (deduct):			
Building improvements		160	4,195
Lease incentives and initial direct leasing costs		1,332	3,266
Amortization of lease incentives		(683)	(1,626)
Fair value adjustments to income properties		132	15,064
Disposition of properties		—	(44,340)
Balance, end of period	\$	201,810	\$ 200,869
Amortized balance of mortgage payable	\$	88,595	\$ 88,988

Operating statistics for the core income property portfolio are as follows:

As at	June 30, 2020	December 31, 2019	June 30, 2019
Total core income properties portfolio⁽¹⁾			
Number of properties	4	4	10
Owned GLA (in millions of sf)	0.5	0.5	0.6
Occupancy rate (period-end) — including committed	90.6%	92.1%	91.6%
Occupancy rate (period-end) — in-place	90.5%	89.8%	86.6%
Average tenant size (in sf)	9,025	8,972	8,977
Average in-place and committed base rent per sf (period-end)	18.77	18.27	16.94
Weighted average remaining lease term (years)	5.3	5.6	5.2

⁽¹⁾ Core income properties are those that the Trust plans to hold for the long-term and non-core income properties are considered non-strategic to management's long-term business plan. During the year ended December 31, 2019, the Trust sold its remaining non-core income properties.

As at June 30, 2020, the in-place occupancy rate for income properties was 90.5%, compared to 89.8% at December 31, 2019, due to new leasing arrangements which, on average, occupied larger spaces. In the six months ended June 30, 2020, committed occupancy decreased from 91.6% in the prior year, primarily attributable to an early lease termination.

Income properties are measured at fair value using the income approach, which is derived from the overall capitalization rate method or discounted cash flow method. Certain of the Trust's income properties were valued using the discounted cash flow method with the overall capitalization rate method used to corroborate the fair values recorded. The fair values of these income properties were determined by using discount rates of 6.0% to 7.3% (December 31, 2019 – 6.0% to 7.3%) and capitalization rates of 5.0% to 6.3% (December 31, 2019 – 5.0% to 6.3%), resulting in a weighted average capitalization rate of 5.9% (December 31, 2019 – 5.9%).

A wholly owned office property, whose highest and best use is considered to be the asset's redevelopment potential due to a rezoning application submitted in 2019, was valued using the direct comparison approach. The direct comparison approach considered recent activity for similar development and redevelopment sites.

2.3 CONSOLIDATED TRUST REVIEW OF TOTAL COMPREHENSIVE INCOME (LOSS)

TOTAL INCOME FROM CONTINUING OPERATIONS

Total income from continuing operations for the three and six months ended June 30, 2020 was \$3.3 million and \$12.7 million, respectively, a decrease of \$12.5 million and \$11.8 million, respectively, from the comparative period. The decrease was primarily attributable to the previously mentioned occupancy income recognized on Axis Condominiums in the comparative period, as well as reduced income contribution from the Trust's loan portfolio and income properties due to repayments and non-core asset dispositions. In addition, period-over-period foreign currency fluctuations on the Trust's investment in the Hard Rock contributed favourably to the Trust's results.

TOTAL EXPENSES

Total expenses for the three months ended June 30, 2020 of \$8.6 million were comparable to the prior period as a result of the loan provision on the lending portfolio offsetting decreases in non-recurring general and administrative expenses. Total expenses for the six months ended June 30, 2020 of \$12.3 million were \$4.9 million lower than the prior year due to a reduction in asset management fees from a lower asset base and the settlement of fees in Trust units. Effective April 2019, Dream Alternatives and DAM agreed to satisfy management fees payable to DAM pursuant to the asset management agreement ("Management Agreement"), in units of the Trust. The Trust units are valued at \$8.74 per unit, equal to the NAV as at December 31, 2018, for purposes of determining the number of units to be issued. For accounting purposes, the asset management fees are recorded at the Trust's trading price of \$4.89 per unit on the date of settlement for the three months ended June 30, 2020. As a result, the Trust's asset management fee recognized in the period was lower relative to the prior period to the benefit of the Trust. The decrease was also related to the repayments on the lending portfolio and non-core asset dispositions in the Trust's income properties.

INCOME TAX EXPENSE (RECOVERY)

For the three and six months ended June 30, 2020, the Trust recorded an income tax recovery of \$1.4 million and \$0.1 million, respectively, compared to income tax expense of \$3.3 million and \$3.7 million, respectively, in the comparative period, as a result of higher income in the prior period and the composition of earnings.

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 condensed consolidated statement of net 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 and the United States. Significant judgments and estimates are required in the determination of the Trust's tax balances. Our income tax expense/recovery and deferred tax liabilities/assets reflect management's best estimate of current and future taxes to be paid/recovered. The Trust 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 Trust 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 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.

2.4 RELATED PARTY TRANSACTIONS

The Trust and its subsidiaries enter into transactions with related parties that are disclosed in Note 18 of the condensed consolidated financial statements.

3. DISTRIBUTION MEASURES

In any given period, the Trust anticipates that actual distributions paid and payable may differ from cash generated from (utilized in) operating activities from continuing operations. 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 our development and investment holdings.

Due to the Trust's portfolio composition and the long-term nature of projects in the development segment, the Trust expects that for the foreseeable future, cash generated from (utilized in) operating activities from continuing operations will fluctuate from period-to-period and may differ from distributions paid and payable in a single reporting period. However, these cash flows are relevant in the determination of distributions, as cash flows relating to a development project will ultimately be fully received at project completion. The Trust considers these factors among others in evaluating its distribution policy as well as its assessment of cash generated from (utilized in) operating activities from continuing operations 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 from continuing operations, and distributions paid and payable in accordance with the guidelines:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Cash generated from (utilized in) operating activities from continuing operations	\$ 2,162	\$ (3,109)	\$ 2,556	\$ 401
Distributions paid and payable	6,900	7,203	13,818	14,528
Shortfall of cash utilized in operating activities over distributions paid and payable	\$ (4,738)	\$ (10,312)	\$ (11,262)	\$ (14,127)

For the three and six months ended June 30, 2020, distributions paid and payable exceeded cash generated from operating activities from continuing operations by \$4.7 million and \$11.3 million, respectively (three and six months ended June 30, 2019 – distributions paid and payable exceeded cash generated from (utilized in) operating activities from continuing operations by \$10.3 million and \$14.1 million, respectively).

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net Income (loss) from continuing operations	\$ (3,634)	\$ 4,246	\$ 1,518	\$ 4,420
Distributions paid and payable	6,900	7,203	13,818	14,528
Shortfall of net income (loss) from continuing operations over distributions paid and payable	\$ (10,534)	\$ (2,957)	\$ (12,300)	\$ (10,108)

For the three and six months ended June 30, 2020, the Trust's distributions paid and payable exceeded net income (loss) from continuing operations by \$10.5 million and \$12.3 million, respectively (three and six months ended June 30, 2019 – distributions paid and payable exceeded net income from continuing operations by \$3.0 million and \$10.1 million, respectively).

Certain assets and liabilities are recognized at fair value in the condensed consolidated financial statements. Unrealized fair value adjustments and other non-cash items are included in net income (loss) from continuing operations 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) from continuing operations. The total unrealized fair value adjustments and other non-cash items included in net income (loss) from continuing operations in the condensed consolidated financial statements for the periods indicated are summarized in the following table:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Total adjustments to fair values and other non-cash items included in net income from continuing operations	\$ 3,975	\$ (2,670)	\$ 344	\$ (697)

The total adjustments to fair values and other non-cash items included in net income (loss) from continuing operations comprise: deferred income tax recovery (expense), fair value adjustments in development and investment holdings, share of income (loss) from equity accounted investments, deferred compensation expense and other non-cash items.

To the extent that there are shortfalls in cash flows relative to distributions paid and payable, the Trust has used and may continue to use its existing cash and revolving credit facility as a source of funding. The use of the Trust's revolving credit facility may involve risks as compared to 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 will review its distribution policy over time to ensure the distribution policy is reflective of the Trust's business and asset profile. As at June 30, 2020, based on current and expected liquidity, the Trust does not anticipate suspending cash distributions. 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.

4. CAPITAL RESOURCES AND LIQUIDITY

Our financial position is summarized below:

As at	June 30, 2020	December 31, 2019
Consolidated financial position		
Total unitholders' equity	\$ 557,067	\$ 567,551
Total unitholders' equity per unit ⁽¹⁾	8.09	8.25
Total debt	88,834	89,269
Total assets	664,879	696,141
Cash	106,452	117,787

⁽¹⁾ For the Trust's definition of the following non-IFRS measure: total unitholders' equity per unit, please refer to the Non-IFRS Measures and Other Disclosures section of this 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, debt principal repayments, interest payments, 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 our ongoing obligations with current cash, cash flows generated from operating activities, cash from maturing lending portfolio investments, and 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 June 30, 2020 and December 31, 2019, total debt comprised the following:

As at	June 30, 2020	December 31, 2019
Total debt payable	\$ 88,834	\$ 89,269
Unamortized balance of deferred financing costs	(239)	(281)
Total debt	\$ 88,595	\$ 88,988

As at June 30, 2020, total debt was \$88.6 million, a decrease of \$0.4 million from December 31, 2019, due to regular mortgage 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	June 30, 2020	December 31, 2019
Weighted average effective interest rate (period-end) ⁽¹⁾	3.4%	3.6%
Weighted average face rate of interest (period-end)	3.4%	3.6%
Debt due within one year	\$ 11,118	\$ 878
Total assets	\$ 664,879	\$ 696,141
Debt-to-asset value ⁽²⁾	13.4%	12.8%
Debt – average term to maturity (years)	1.79	2.54

⁽¹⁾ Weighted average effective interest rate is calculated as the weighted average face rate of interest, net of 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 of the following non-IFRS measures: debt-to-asset value, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

The debt-to-asset value as at June 30, 2020 was 13.4%, up slightly from 12.8% at December 31, 2019.

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 interest rate (face)
Mortgages payable					
2020	\$ —	\$ 442	\$ 442	0.5%	3.2%
2021	10,329	647	10,976	12.4%	3.1%
2022	77,318	98	77,416	87.1%	3.5%
Subtotal before undernoted	\$ 87,647	\$ 1,187	\$ 88,834	100.0%	3.4%
Unamortized balance of deferred financing costs (net)	(239)	—	(239)		
Total debt	\$ 87,408	\$ 1,187	\$ 88,595		

As at June 30, 2020, no funds were drawn on the revolving credit facility (December 31, 2019 – \$nil) and the funds available under the facility were \$5.3 million (December 31, 2019 – \$8.9 million), net of \$0.4 million (December 31, 2019 – \$0.4 million) of letters of credit issued against the facility. The revolving credit facility is available to the Trust up to a formula-based maximum not to exceed \$50,000.

FINANCIAL COVENANTS

The revolving credit facility, the financial guarantees and certain mortgages on income properties contain financial covenants that require the Trust and/or its subsidiaries 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.

The following are financial covenants required to be met by Dream Alternatives Master LP ("DAM LP"), a wholly owned subsidiary of the Trust, under the terms of the revolving credit facility, as at June 30, 2020:

Financial covenant	Financial covenant requirement
Unitholders' equity	≥ \$450,000
Interest service coverage ratio ⁽¹⁾	> 2.00
Debt-to-total assets	≤ 50.0%

⁽¹⁾ Calculated on a rolling four fiscal-quarter basis.

As at June 30, 2020, the Trust was in compliance with these financial covenants.

TOTAL EQUITY

As at June 30, 2020, the Trust had 68,848,500 units outstanding and a total unitholders' equity balance of \$557.1 million.

As at	June 30, 2020		December 31, 2019	
	Number of units	Amount	Number of units	Amount
Unitholders' equity	68,848,500	\$ 561,186	68,763,987	\$ 559,370
Retained earnings/(deficit)		(4,119)		8,181
Total unitholders' equity	68,848,500	\$ 557,067	68,763,987	\$ 567,551

The following table summarizes the changes in the outstanding units and unitholders' equity:

	Units	Unitholders' equity
As at December 31, 2019	68,763,987	\$ 559,370
Deferred units exchanged for Trust units	69,464	546
Cancellation of Trust units	(590,227)	(2,716)
Units issued as settlement of asset management fee	605,276	3,986
Total units outstanding on June 30, 2020	68,848,500	\$ 561,186
Cancellation of Trust units	(3,168,282)	(15,240)
Units issued as settlement of asset management fee	246,558	1,206
Total units outstanding on August 4, 2020	65,926,776	547,152

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 June 30, 2020, 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 June 30, 2020, there were 563,207 deferred trust units and income deferred trust units outstanding (December 31, 2019 – 477,605 units). As at August 4, 2020, 567,110 deferred trust units and income deferred trust units were outstanding.

During the year ended December 31, 2019, the Trust announced that until December 31, 2020, management fees payable to DAM pursuant to the Management Agreement will be satisfied in Trust units. The Trust units were valued at \$8.74, the NAV per unit as at December 31, 2018, for the purposes of determining the number of units to be issued. DAM agreed to accept units in satisfaction of the management fees in order to increase its ownership stake in the Trust and to preserve the business' cash to support the cash distributions by the Trust while the Trust executes on its strategic plan. During the six months ended June 30, 2020, 605,276 Trust units were issued as settlement of these asset management fees. Subsequent to June 30, 2020, the Trust settled its management fee payable to DAM with the issuance of 246,558 units.

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 DAM 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 June 30, 2020, our monthly distribution rate was \$0.033 per unit.

	2020			2019			2018		
As at	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
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⁾	8.4%	9.2%	5.2%	5.3%	5.2%	5.6%	6.4%	5.9%	
DRIP units issued during the quarter	—	—	—	—	—	271,552	383,952	362,693	

⁽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 period specified.

During the year ended December 31, 2019, as previously mentioned, the Trust announced an agreement to satisfy the asset management fees payable to DAM in units of the Trust until December 2020, confirming its commitment to maintain the existing distribution policy at \$0.40 per unit on an annual basis.

UNIT BUYBACK PROGRAM

The following table summarizes the Trust's unitholders' equity activity under its unit buyback program for the periods ended as indicated:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Units repurchased (number of units)	520,936	111,836	590,227	876,984
Total cash consideration	\$ 2,413	\$ 798	\$ 2,716	\$ 6,053

During and subsequent to the six months ended June 30, 2020, the Trust repurchased 3.8 million units under its NCIB at a weighted average price of \$4.78 per unit for a total cost of \$18.0 million. From the inception of the Trust's unit buyback program in December 2014 to August 4, 2020, the Trust purchased 12.6 million units for cancellation for a total cost of \$80.3 million. From 2014 to August 4, 2020, the Trust's asset manager, DAM, purchased an aggregate of 16.6 million of the Trust's units, including 1.3 million units under the DRIP and the rest in open market for its own account, representing approximately 25% of the total units outstanding.

The Trust received acceptance of its Notice of Intention to renew its prior NCIB from the TSX on January 16, 2020. The bid commenced on January 20, 2020 and will remain in effect until the earlier of January 19, 2021 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 5,256,231 units (representing 10% of the Trust's public float of 52,562,317 units at the time of entering the bid through the facilities of the TSX). Daily purchases will be limited to 8,281 units which equals 25% of the average daily trading volume during the last six calendar months (being 33,126 units per day), other than purchases pursuant to applicable

block purchase exceptions and purchases between March 23, 2020 and June 30, 2020, which were subject to a daily limit of 50% of the average daily trading volume pursuant to temporary blanket relief granted by the TSX.

During the six months ended June 30, 2020, the Trust renewed its automatic securities repurchase plan (the "Plan") in order to facilitate purchases of its units under the NCIB. The Plan allows for purchases by Dream Alternatives of units at any time including, without limitation, times when the Trust would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Trust based upon the parameters prescribed by the TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the units may also be purchased in accordance with management's discretion. The Plan will terminate on January 19, 2021.

LIQUIDITY

The following table summarizes the Trust's condensed consolidated statements of cash flows from continuing operations for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Cash generated from (utilized in) operating activities	\$ 2,162	\$ (3,109)	\$ 2,556	\$ 401
Cash generated from (utilized in) investing activities	12,083	592	3,075	(5,486)
Cash generated from (utilized in) financing activities	(9,539)	2,331	(16,966)	(8,760)

Cash generated from operating activities in the three months ended June 30, 2020 was \$2.2 million compared with cash utilized in operating activities of \$3.1 million in the comparative period. The increase in cash generated of \$5.3 million was primarily attributable to the settlement of asset management fees payable to DAM in units which commenced during the second quarter of 2019, as well as changes in non-cash working capital. Cash generated from operating activities in the six months ended June 30, 2020 was \$2.6 million compared to \$0.4 million in the comparative period. The increase in cash generated of \$2.2 million in the six months ended June 30, 2020 was primarily attributable to the aforementioned reasons.

Cash generated from investing activities for the three months ended June 30, 2020 was \$12.1 million compared with \$0.6 million in the comparative period. Cash generated from investing activities for the six months ended June 30, 2020 was \$3.1 million compared with cash utilized from investing activities of \$5.5 million in the comparative period. The increase of \$11.5 million and \$8.6 million for the three and six month periods, respectively, was primarily due to repayments from the lending portfolio, partially offset by increased contributions to our equity accounted investments.

Cash utilized in financing activities for the three months ended June 30, 2020 was \$9.5 million compared with cash generated from financing activities of \$2.3 million in the comparative period. Cash utilized in financing activities for the six months ended June 30, 2020 was \$17.0 million compared with \$8.8 million in the comparative period. The decrease of \$11.9 million and \$8.2 million, respectively, was primarily attributable to cash advances of \$10.6 million from the Axis Condominium project in the comparative period, partially offset by an increase in the Trust's NCIB activity in the current period.

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 condensed consolidated financial statements of Dream Alternatives.

OTHER COMMITMENTS

During the six months ended June 30, 2020, the requirement for the Trust to provide a guarantee pursuant to a senior construction loan associated with the Empire Lakeshore residential project was extinguished with the repayment of the project level senior construction loan (December 31, 2019 – \$45.0 million). Guarantees of the other underlying development project loan amounts of third parties are \$50.7 million (December 31, 2019 – \$34.4 million). As at June 30, 2020, the Trust is contingently liable under guarantees that are issued on certain debt assumed by purchasers of income properties up to an amount of \$2.7 million (December 31, 2019 – \$2.7 million).

The Trust is contingently liable for letters of credit in the amount of \$0.4 million (December 31, 2019 – \$0.4 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.

The Trust has entered into lease agreements that may require tenant improvement costs of approximately \$0.1 million (December 31, 2019 – \$0.1 million).

5. QUARTERLY FINANCIAL INFORMATION

	2020		2019 ⁽¹⁾				2018 ⁽¹⁾	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total income	\$ 3,253	\$ 9,399	\$ 15,404	\$ 14,574	\$ 15,703	\$ 8,773	\$ 13,453	\$ 9,676
Net income (loss) from continuing operations	(3,634)	5,152	24,133	(576)	4,246	174	7,293	(158)
Total net income (loss)	(3,634)	5,152	19,923	2,855	8,839	714	6,995	1,008
Net income (loss) per unit ⁽²⁾	(0.05)	0.07	0.29	0.04	0.12	0.01	0.10	0.01
Net income (loss) from continuing operations per unit ⁽²⁾	(0.05)	0.07	0.35	(0.01)	0.06	—	0.10	—

⁽¹⁾ Certain prior period comparative results have been reclassified to conform to the current year's condensed consolidated financial statement presentation.

⁽²⁾ For the Trust's definition of the following non-IFRS measures: net income (loss) per unit, and net income (loss) from continuing operations per unit, please refer to the Non-IFRS Measures and Other Disclosures section of this MD&A.

As a result of the Trust's implementation of its long-term strategy to expand its development segment, the Trust expects that the quarterly/annual results of operations will fluctuate from period-to-period. This is due to the long-term nature of projects in the Trust's development segment.

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.

"Cash generated from (utilized in) operating activities from continuing operations per unit" represents cash generated from (utilized in) operating activities from continuing operations of the Trust divided by the number of units outstanding at the end of the period.

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Cash generated from (utilized in) operating activities from continuing operations	\$ 2,162	\$ (3,109)	\$ 2,556	\$ 401
Units outstanding – end of period	68,848,500	72,038,551	68,848,500	72,038,551
Cash generated from (utilized in) operating activities from continuing operations per unit	0.03	(0.04)	0.04	0.01

"Debt-to-asset value" represents the total debt payable for the Trust divided by the asset value of the Trust 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-asset value can be found in the Capital Resources and Liquidity section of this MD&A under the heading "Summary of Debt".

"Debt-to-total asset value, inclusive of project-level debt" represents the Trust's total debt payable plus the debt payable within our development and investment holdings, and equity accounted investments, divided by the asset value of the Trust plus the debt payable within our development and investment holdings, and equity accounted investments, as at the applicable reporting date. This non-IFRS measure is an important measure in evaluating the amount of debt leverage inclusive of project-level debt within our development and investment holdings, and equity accounted 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.

	June 30, 2020
Total assets	\$ 664,879
Debt payable within our development and investment holdings, and equity accounted investments	208,056
Total assets, inclusive of project-level debt	872,935
 Total debt payable	 88,834
Debt payable within our development and investment holdings, and equity accounted investments	208,056
Total debt, inclusive of project-level debt	296,890
 Debt-to-total asset value, inclusive of project-level debt	 34.0%

"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 timeline 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.

"Market value" represents the carrying value as per the condensed consolidated statements of financial position adjusted for external appraisal values or a discounted cash flow methodology, incorporating expected future cash flows, discount rates, other applicable market information and the reduction in the risk profile of the equity accounted investments as they are developed or achieve completion milestones by the Trust. The Trust believes that incorporating this adjustment in determining the market value of the asset is a more useful measure to value the equity investments that would not ordinarily be captured within IFRS and the Trust's condensed consolidated financial statements. 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.

"Net asset value ("NAV")", a non-IFRS measure, annually used by the Trust, represents total unitholders' equity per the condensed consolidated financial statements, adjusted for market value adjustments for equity accounted investments (including applicable deferred income tax adjustments) and the unamortized balance of the mortgages payable premiums. A market 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 market value (subject to appraisals). The mortgages payable premiums represent the 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. The Trust believes that incorporating a market value adjustment is a more useful measure to value equity accounted investments that would not ordinarily be captured within IFRS and the Trust's condensed consolidated financial statements. The market value adjustments account for the applicable deferred income tax estimates considering the timing of their realization and, if appropriate, will be incorporated into the determination of the NAV. The applicable deferred income tax estimates related to the market value adjustments are calculated either based on income or capital gain rates or a combination thereof. The income tax rates used to determine NAV are dependent on various factors such as anticipated development plans, stage of development and current market trends applicable to the future development plans and will be reviewed on a regular basis and are subject to change. Excluded from the NAV calculation are any market value adjustments 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 over the next two years; as such, this portfolio is considered fairly liquid and fair value approximates amortized cost.

"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.

"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.

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net income (loss)	\$ (3,634)	\$ 8,839	\$ 1,518	\$ 9,553
Units outstanding – end of period	68,848,500	72,038,551	68,848,500	72,038,551
Net income (loss) per unit	(0.05)	0.12	0.02	0.13

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net income (loss) from continuing operations	\$ (3,634)	\$ 4,246	\$ 1,518	\$ 4,420
Total units outstanding	68,848,500	72,038,551	68,848,500	72,038,551
Net income (loss) per unit from continuing operations	(0.05)	0.06	0.02	0.06

"Net operating income ("NOI")" is defined by the Trust as net income (loss) per the condensed consolidated financial statements adjusted for: income tax expense (recovery), interest expense net of other interest income, transaction costs, general and administrative expenses, and fair value adjustments to development and investment holdings. 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. A reconciliation of NOI to net income (loss) can be found below:

For the three months ended June 30, 2020	Development	Recurring Income - income properties	Recurring income - lending portfolio	Other ⁽¹⁾	Total
NET INCOME (LOSS)	\$ (2,052)	\$ 1,007	\$ (1,646)	\$ (943)	(3,634)
Add (deduct):					
Income tax recovery	—	—	—	(1,358)	(1,358)
Interest expense net of other interest income	(57)	441	—	175	559
Fair value adjustments to income properties	—	(132)	—	—	(132)
Transaction costs	—	—	64	—	64
Fair value adjustments to equity accounted investments	65	—	—	—	65
Provision for lending portfolio losses	—	—	2,882	—	2,882
General and administrative expenses	—	—	—	2,126	2,126
Fair value adjustments to development and investment holdings	1,951	—	—	—	1,951
NET OPERATING INCOME (LOSS)	\$ (93)	\$ 1,316	\$ 1,300	\$ —	2,523

For the three months ended June 30, 2019	Development	Recurring Income - income properties	Recurring income - lending portfolio	Other ⁽¹⁾	Total
NET INCOME (LOSS)	\$ 6,727	\$ 1,307	\$ 3,722	\$ (7,510)	4,246
Add (deduct):					
Income tax expense	—	—	—	3,262	3,262
Interest expense net of other interest income	(337)	1,167	—	(16)	814
Fair value adjustments to income properties	—	(261)	—	—	(261)
Transaction costs	—	327	4	114	445
General and administrative expenses	—	—	—	4,150	4,150
Fair value adjustments to development and investment holdings	4,054	—	—	—	4,054
NET OPERATING INCOME	\$ 10,444	\$ 2,540	\$ 3,726	\$ —	16,710

For the six months ended June 30, 2020	Development	Recurring Income - income properties	Recurring income - lending portfolio	Other ⁽¹⁾	Total
NET INCOME (LOSS)	\$ 2,007	\$ 2,289	\$ (191)	\$ (2,587)	1,518
Add (deduct):					
Income tax recovery	—	—	—	(127)	(127)
Interest expense net of other interest income	(425)	1,217	—	(247)	545
Fair value adjustments to income properties	—	(132)	—	—	(132)
Transaction costs	—	14	95	13	122
Fair value adjustments to equity accounted investments	65	—	—	—	65
Provision for lending portfolio losses	—	—	2,882	—	2,882
General and administrative expenses	—	—	—	2,948	2,948
Fair value adjustments to development and investment holdings	(2,470)	—	—	—	(2,470)
NET OPERATING INCOME (LOSS)	\$ (823)	\$ 3,388	\$ 2,786	\$ —	5,351

For the six months ended June 30, 2019	Development	Recurring Income - income properties	Recurring income - lending portfolio	Other ⁽¹⁾	Total
NET INCOME (LOSS)	\$ 6,670	\$ 2,446	\$ 7,255	\$ (11,951)	4,420
Add (deduct):					
Income tax expense	—	—	—	3,720	3,720
Interest expense net of other interest income	(675)	2,357	—	(227)	1,455
Fair value adjustments to income properties	—	(261)	—	—	(261)
Transaction costs	—	309	7	114	430
General and administrative expenses	—	—	—	8,344	8,344
Fair value adjustments to development and investment holdings	4,564	—	—	—	4,564
NET OPERATING INCOME	\$ 10,559	\$ 4,851	\$ 7,262	\$ —	22,672

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

"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.

For the six months ended June 30,	2020	2019
Total unitholders' equity	\$ 557,067	\$ 580,220
Units outstanding – end of period	68,848,500	72,038,551
Total unitholders' equity per unit	8.09	8.05

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

The Trust does not have a Chief Executive Officer. At June 30, 2020, the President and Chief Responsible Officer of DAM and interim Chief Financial Officer of Dream Alternatives Master GP (the "Certifying Officers") are responsible for and, along with the assistance of senior management of the Asset Manager, have designed or caused to be designed under the Certifying Officers' supervision, disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" to provide reasonable assurance that material information relating to the Trust is made known to the Certifying Officers in a timely manner and information required to be disclosed by the Trust is recorded, processed, summarized and reported within the time periods specified in securities legislation, and have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the condensed consolidated financial statements in accordance with IFRS.

During the three and six months ended June 30, 2020, there have not been any changes that have materially affected, or are reasonably likely to materially affect, the Trust's disclosure controls and procedures and internal controls over financial reporting.

8. RISKS AND RISK MANAGEMENT

For information concerning Risks and Risk Management please refer to the 2019 Annual Report and the 2019 Annual Information Form, which are found on our website at www.dreamalternatives.ca and filed electronically on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Except as disclosed below, the Trust's risk exposures have not changed significantly since December 31, 2019.

Credit risk related to income properties and certain investment holdings arises from the possibility that tenants may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks from its tenants by attracting tenants of sound financial standing and by diversifying its tenant mix. COVID-19 and the measures to reduce its impact have created significant uncertainty in the general economy. A deterioration in the economy may impact the ability of tenants to meet their obligations under their leases or contracts due to the negative impact of the outbreak of COVID-19. The Trust has assessed the effect of the current economic conditions on the credit risk of our tenants and counterparties which included the review of the risk profiles of its tenant base. As at June 30, 2020, the Trust determined there to be a minimal impact on the Trust's financial results. For the three months ended June 30, 2020, the Trust received over 94% of its rental revenue. As at August 4, 2020, the Trust received over 91% of its July rental revenue from tenants related to its income properties.

Credit risk may also arise from a borrower that may not be able to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Trust. Credit risk related to financial guarantees provided by the Trust arises from the possibility that counterparties default on their financial obligations. The Trust mitigates these risks by actively monitoring the mortgage receivables, loan investment and financial guarantees, and initiating recovery procedures in a timely manner when required. The Trust assessed various scenarios that would impact the lending portfolio through its general approach Expected Credit Loss ("ECL") model and noted no further provision required as at the reporting date. Further considerations were taken on the fair value of certain loans within the lending portfolio as discussed below.

The maximum exposure to credit risk at June 30, 2020 was the fair value of the Trust's development holdings and the contractual value of its lending portfolio which, including interest receivable, was \$101.2 million (December 31, 2019 – \$130.9 million). 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.

As a result of the economic impact of COVID-19, the Trust has performed additional procedures to assess the fair value of its development and investment holdings, income properties and certain loan investments to ensure the Trust applied sound judgment with respect to the various assumptions impacting the valuation. The procedures included scenario testing to evaluate downside risk, borrowers' creditworthiness and risk characteristics of its underlying developments, which impact the underlying valuation of the asset. The Trust took into consideration the market conditions existing at the reporting date and will continue to monitor changes in the market and assumptions used to determine the fair value of the Trust's assets. The Trust recognized an additional \$2.9 million provision on its lending portfolio as a result of the value of underlying real estate properties and estimated transaction costs.

The amounts recorded in these condensed consolidated financial statements are based on the latest reliable information available to management at the time of preparation. 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.

The Trust is exposed to the variability in market interest rates on maturity debt payable to be renewed. As at June 30, 2020, 100% of the Trust's outstanding debt on our condensed consolidated statements of financial position was fixed, of which \$11.1 million will come due in the next 12 months.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations as they become due. As at June 30, 2020, the working capital balance was \$154.7 million, which includes cash of \$106.5 million. Additionally, the Trust has \$5.3 million available under the facility, net of \$0.4 million of letters of credit which remains undrawn. Based on our current liquidity position as at June 30, 2020, the Trust has sufficient cash available to cover obligations as they become due in the next year.

Although we believe that the above noted risk factors, along with the risk factors described in our 2019 Annual Report and in our 2019 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. 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.

9. SIGNIFICANT ACCOUNTING POLICIES

9.1 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed 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, which are inherently uncertain and unpredictable. The result of which forms the basis of the carrying amounts of assets and liabilities. 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. The critical accounting judgments, estimates and assumptions applied during the quarter are consistent with those set out in Note 4 to the Trust's audited annual consolidated financial statements for the year ended December 31, 2019, aside from those noted below.

During the six months ended June 30, 2020, the World Health Organization declared COVID-19 a global pandemic, and the ensuing responses by governments, including the closure of non-essential businesses and social distancing requirements, increased the level of uncertainty and judgment in the economy. The Trust assessed this impact on its business, including recoverability of its lending portfolio, recoverability of accounts receivable, timing and amount of revenue recognized from income properties, and the fair value of certain loan investments classified as FVTPL, income properties, development and investment holdings.

The significant global uncertainty has impacted the availability of reliable market metrics and, accordingly, the Trust performed additional risk-based procedures to assess the fair value of its development and investments holdings, income properties and certain loan investments to ensure the Trust applied sound judgment with respect to the various assumptions impacting the valuation. The Trust took into consideration the market conditions existing at the reporting date. The additional risk-based procedures included scenario testing to evaluate downside risk, reviewing risk profiles of its tenant base, borrowers' creditworthiness and risk characteristics of its underlying developments.

The Trust assessed the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, equity accounted investments and the lending portfolio. The estimates and judgments primarily relate to the timing and amount of future cash flows. In determining whether the Trust's financial assets require a provision for impairment, the Trust reviewed its ECL model including the following various factors: the borrowers' credit risk, term to maturity, status of the underlying project and market risk.

The amounts recorded in the condensed consolidated financial statements are based on the best estimate at the reporting date.

9.2 ADOPTION OF ACCOUNTING STANDARDS

The Trust has adopted the following revised standards, along with any consequential amendments, effective January 1, 2020.

BUSINESS COMBINATIONS

IFRS 3, "Business Combinations" ("IFRS 3"), sets out to emphasize that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amended definition of a business is effective on or after January 1, 2020, with earlier application permitted. These amendments will apply to the Trust's future business combinations.

10. ADDITIONAL INFORMATION

10.1 SUMMARY OF DEVELOPMENT AND RECURRING INCOME ASSETS

DEVELOPMENT (Total assets of \$285.0 million)

Empire Lakeshore (Etobicoke, Ontario)

Empire Lakeshore, in which the Trust has an 80% interest in relation to participating loans, is a condominium development located in Etobicoke, Ontario. The development consists of two towers: the Water Tower and the Sky Tower, at 49 and 66 storeys, respectively. The project is substantially complete with 99% of units closed.

Empire Brampton (Brampton, Ontario)

Empire Brampton, in which the Trust has an interest of 78.8%, is a low-rise project that is substantially completed.

Hard Rock/Virgin Hotels Las Vegas (Las Vegas, Nevada)

The Hard Rock in Las Vegas, Nevada, in which the Trust has a 10% interest, is planning to open as a re-conceptualized and revitalized Virgin Hotels Las Vegas in late 2020. The hotel will include 1,504 suites, a 60,000 sf fully renovated casino and world-class restaurants. The property is located at 4455 Paradise Road in Las Vegas on 30 acres of land and is situated 1 mile east of the strip and 2 miles from the McCarran International Airport.

Canary Block 10 (Toronto, Ontario)

The Trust's investment in Canary Block 10 includes a proposed 239-unit residential rental building, located within the Canary District, adjacent to the West Don Lands and Distillery District in downtown Toronto.

Zibi Development (Ottawa, Ontario)

Zibi is a 34-acre mixed-use waterfront development along the Ottawa River in Gatineau, Quebec and Ottawa, Ontario. The project is a multi-phase development that includes over 4.0 million sf of density consisting of approximately 1,800 residential units (inclusive of purpose-built rental units) and over 2.0 million sf of commercial space. Land servicing on both the Ontario and Quebec lands continues and construction is underway on the project's first commercial and residential rental buildings. In total, there is over 540,000 sf of residential rental, retail and commercial space in various planning/development stages at Zibi, of which 84.3% of the retail and commercial space has been pre-leased as at June 30, 2020.

Brightwater Development (Mississauga, Ontario)

Brightwater is a 72-acre waterfront property for development in Mississauga's Port Credit area, with plans to transform the site into a complete, vibrant and diverse waterfront community. The site is expected to be redeveloped into a large master-planned residential/mixed-use community. Highlights of the draft master plan proposal include nearly 3,000 residential units and 400,000 sf of retail and commercial space. The source remediation program is complete and vertical construction is expected to commence in 2021.

Frank Gehry Development (Toronto, Ontario)

The Frank Gehry development, designed by renowned architect Frank Gehry, is slated to comprise two landmark residential towers, each in excess of 80 storeys. The project will consist of over 260,000 sf of office space and multi-level luxury retail opportunities, including a potential hotel component and an art gallery. The development is located at the intersection of King Street West and Duncan Street in downtown Toronto.

Lakeshore East Development (Toronto, Ontario)

The Lakeshore East development is a 5.3-acre waterfront property in downtown Toronto. The project is in the pre-development and planning stages and has approximately 1 million sf of density to be realized.

West Don Lands (Toronto, Ontario)

West Don Lands is a purpose-built multi-family rental apartment community in Toronto's downtown east end adjacent to the Distillery District and the Canary District. The development will feature approximately 2,000 rental units, including an affordable component, as well as ancillary retail and potential office space. The first fully zoned block for development (Block 8) commenced construction in the fall of 2019 and features 770 rental units and 4,000 sf of retail space.

Seaton Development (Pickering, Ontario)

The Seaton development is a fully zoned 395-acre land and housing development in the city of Pickering, Ontario.

IVY Condominiums (Toronto, Ontario)

IVY Condominiums is located in downtown Toronto's Garden District close to the Eaton Centre, Dundas subway station and many restaurants.

RECURRING INCOME (Total assets of \$258.1 million)

49 Ontario Street (Toronto, Ontario)

49 Ontario Street is an office property wholly owned by the Trust. The 88,000 sf income property is located in downtown Toronto, close to the Financial District in an area undergoing extensive redevelopment.

10 Lower Spadina (Toronto, Ontario)

10 Lower Spadina is an office property wholly owned by the Trust. This 61,000 sf, 7-storey building is located on Toronto's prime waterfront, in close proximity to the Financial District and transit, with redevelopment potential.

349 Carlaw (Toronto, Ontario)

349 Carlaw is an office property wholly owned by the Trust. This 34,000 sf, 3-storey building is located in a mixed commercial and residential neighbourhood in close proximity to Toronto's Queen Street neighbourhood.

Sussex Centre (Mississauga, Ontario)

Sussex Centre is a 50.1% co-owned income property with Dream Office REIT. The 655,000 sf centre includes two buildings located in Mississauga, Ontario, offering prime office and retail space.

100 Steeles (Toronto, Ontario)

100 Steeles is currently a 59,000 sf income-producing retail property that is 97.1% leased, located north of Toronto, steps away from the proposed Yonge-North subway extension. 100 Steeles is planned for much higher density beyond current zoning that would include over 1 million sf of residential and mixed-use development.

Plaza Bathurst Development (Toronto, Ontario)

The Plaza Bathurst investment includes two properties which are located at 6035 Bathurst Street and 388-390 Dupont Street in the GTA. The Bathurst Street property is a 6,000 sf commercial property and the Dupont Street property is an 18,000 sf fully leased distribution centre.

Plaza Imperial Development (Toronto, Ontario)

The Plaza Imperial investment includes two properties which are located at 25 Imperial Street and 374 Dupont Street. The Imperial Street property is a 23,000 sf office property and the Dupont Street property is a 12,000 sf fully leased commercial property.

Queen & Mutual (Toronto, Ontario)

Queen & Mutual is a mixed-use condominium development, located in downtown Toronto. The building is designed by IBI Architects and is expected to include 356 residential condo units, retail and community space. The investment acquired various retail investment properties located at the Mutual Street and Queen Street East intersection.

10.2 TAX INFORMATION

The Trust pays a monthly distribution to its unitholders of which only a portion is taxable. A taxable Canadian holder of the Trust units is required to include the taxable portion of the distribution in income. Any amount in excess of the after-tax net income of the Trust payable to the unitholder will generally not be included in the unitholders' income for the year. The non-taxable portion of the distribution received by a unitholder will reduce the unitholders' tax cost of their investment. On an annual basis, the unitholders will be provided with information relating to the tax treatment of the monthly distributions.

The Trust has determined that the distributions should be treated in the following manner:

	2019	2018	2017	2016	2015
Non-eligible dividends	—%	0.02%	0.06%	—%	—%
Eligible dividends	—%	—%	—%	—%	28.60%
Return of capital	92.83%	95.00%	99.94%	100.00%	71.40%
Foreign non-business income	7.17%	4.98%	—%	—%	—%

10.3 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, is available on SEDAR at www.sedar.com. The Trust's voting units trade on the TSX under the symbol "DRA.UN".

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

(in thousands of Canadian dollars)	Note	June 30, 2020	December 31, 2019
ASSETS			
NON-CURRENT ASSETS			
Development and investment holdings	6	\$ 71,951	\$ 114,947
Lending portfolio	7	14,185	13,489
Income properties	8	201,810	200,869
Other non-current assets		8,729	1,789
Equity accounted investments	9	189,030	186,713
TOTAL NON-CURRENT ASSETS		485,705	517,807
CURRENT ASSETS			
Lending portfolio	7	20,789	51,216
Development and investment holdings	6	45,277	—
Amounts receivable		6,487	9,119
Income tax receivable		—	58
Prepaid expenses and other current assets		169	154
Cash		106,452	117,787
TOTAL CURRENT ASSETS		179,174	178,334
TOTAL ASSETS		\$ 664,879	\$ 696,141
LIABILITIES			
NON-CURRENT LIABILITIES			
Debt	10	77,477	88,110
Deferred income taxes	16	4,388	4,515
Deferred units incentive plan		1,437	2,961
TOTAL NON-CURRENT LIABILITIES		83,302	95,586
CURRENT LIABILITIES			
Debt	10	11,118	878
Amounts payable and accrued liabilities	11	13,385	32,126
Income tax payable		7	—
TOTAL CURRENT LIABILITIES		24,510	33,004
TOTAL LIABILITIES		107,812	128,590
UNITHOLDERS' EQUITY			
Unitholders' equity		561,186	559,370
Retained earnings (deficit)		(4,119)	8,181
TOTAL UNITHOLDERS' EQUITY		557,067	567,551
TOTAL LIABILITIES AND EQUITY		\$ 664,879	\$ 696,141

See the accompanying notes to the condensed consolidated financial statements.
Commitments and contingencies (Note 20).

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

"Amar Bhalla"

Amar Bhalla
Chair

"Karine MacIndoe"

Karine MacIndoe
Trustee

CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME (LOSS)

(unaudited)

		Three months ended June 30,		Six months ended June 30,	
(in thousands of Canadian dollars)	Note	2020	2019	2020	2019
INCOME					
Fair value adjustments and operating cash distributions in development and investment holdings	6	\$ (1,951)	\$ (3,947)	\$ 2,470	(4,290)
Lending portfolio interest income and lender fees		1,300	3,726	2,786	7,262
Income properties revenue	13	4,162	5,858	8,565	11,882
Share of income (loss) from equity accounted investments	9	(258)	10,066	(1,169)	9,622
TOTAL INCOME		3,253	15,703	12,652	24,476
EXPENSES					
Income properties, operating		(2,746)	(3,047)	(4,896)	(6,368)
Interest expense	14	(828)	(1,260)	(1,619)	(2,541)
Provision for lending portfolio losses	7	(2,882)	—	(2,882)	—
General and administrative	15	(2,126)	(4,150)	(2,948)	(8,344)
TOTAL EXPENSES		(8,582)	(8,457)	(12,345)	(17,253)
Fair value adjustments to income properties	8	132	261	132	261
OPERATING INCOME (LOSS)		(5,197)	7,507	439	7,484
Interest and other income		269	446	1,074	1,086
Transaction costs		(64)	(445)	(122)	(430)
EARNINGS (LOSS) BEFORE INCOME TAX RECOVERY (EXPENSE)		(4,992)	7,508	1,391	8,140
INCOME TAX RECOVERY (EXPENSE)					
Deferred income tax recovery (expense)	16	1,358	(3,262)	127	(3,720)
TOTAL INCOME TAX RECOVERY (EXPENSE)		1,358	(3,262)	127	(3,720)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		(3,634)	4,246	1,518	4,420
Net income from discontinued operations before income tax expense		—	2,542	—	3,298
Income tax expense from discontinued operations - current		—	(3)	—	(4)
Income tax recovery from discontinued operations - deferred		—	2,054	—	1,839
NET INCOME FROM DISCONTINUED OPERATIONS		—	4,593	—	5,133
NET INCOME (LOSS)		\$ (3,634)	\$ 8,839	\$ 1,518	\$ 9,553
NET INCOME (LOSS) ATTRIBUTABLE TO					
Unitholders		(3,634)	8,672	1,518	9,145
Non-controlling interests - discontinued operations		—	167	—	408
NET INCOME (LOSS)		\$ (3,634)	\$ 8,839	\$ 1,518	\$ 9,553

See the accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(in thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
NET INCOME (LOSS)	\$ (3,634)	\$ 8,839	\$ 1,518	\$ 9,553
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive loss - discontinued operations	—	(765)	—	(753)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (3,634)	\$ 8,074	\$ 1,518	\$ 8,800
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO				
Unitholders	(3,634)	7,907	1,518	8,392
Non-controlling interests - discontinued operations	—	167	—	408
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (3,634)	\$ 8,074	\$ 1,518	\$ 8,800
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO				
Continuing operations	(3,634)	4,246	1,518	4,420
Discontinued operations	—	3,828	—	4,380
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (3,634)	\$ 8,074	\$ 1,518	\$ 8,800

See the accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

For the six months ended June 30, 2020

<i>(in thousands of Canadian dollars, except for number of units)</i>	Note	Number of units	Unitholders' equity	Retained earnings (deficit)	Total
Balance as at January 1, 2020		68,763,987	\$ 559,370	\$ 8,181	\$ 567,551
Net income for the period		—	—	1,518	1,518
Distributions paid and payable	12	—	—	(13,818)	(13,818)
Deferred units exchanged for Trust units		69,464	546	—	546
Cancellation of Trust units	12	(590,227)	(2,716)	—	(2,716)
Units issued as settlement of asset management fees	18	605,276	3,986	—	3,986
Balance as at June 30, 2020		68,848,500	\$ 561,186	\$ (4,119)	\$ 557,067

For the six months ended June 30, 2019

<i>(in thousands of Canadian dollars, except for number of units)</i>	Note	Number of units	Unitholders' equity	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Non- controlling interests	Total
Balance as at January 1, 2019		72,592,822	\$ 591,094	\$ 3,143	\$ (3,979)	\$ 1,669	\$ 591,927
Net income for the period		—	—	9,145	—	408	9,553
Other comprehensive loss		—	—	—	(753)	—	(753)
Distributions paid and payable	12	—	—	(14,528)	—	—	(14,528)
Distribution Reinvestment Plan	12	271,552	1,779	—	—	—	1,779
Deferred units exchanged for Trust units		51,161	372	—	—	—	372
Cancellation of Trust units	12	(876,984)	(7,351)	1,298	—	—	(6,053)
Distributions to non-controlling interests		—	—	—	—	(710)	(710)
Balance as at June 30, 2019		72,038,551	\$ 585,894	\$ (942)	\$ (4,732)	\$ 1,367	\$ 581,587

See the accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands of Canadian dollars)	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Net income (loss)					
Continuing operations		\$ (3,634)	\$ 4,246	\$ 1,518	\$ 4,420
Discontinued operations		—	4,593	—	5,133
Net income (loss)		\$ (3,634)	\$ 8,839	\$ 1,518	\$ 9,553
Non-cash and other items:					
Amortization and depreciation	19	263	142	255	289
Other adjustments	19	281	(5,155)	(4,488)	(5,961)
Change in non-cash working capital	19	1,588	(1,815)	(618)	1,689
Investment in lease incentives and initial direct leasing costs		(430)	(527)	(979)	(1,274)
Asset management fee settled in units		1,212	—	3,986	—
Provision for lending portfolio losses	7	2,882	—	2,882	—
Cash distributions from development and investment holdings	6	—	—	—	1,238
Generated from (utilized in) operating activities - continuing operations		\$ 2,162	\$ (3,109)	\$ 2,556	\$ 401
Generated from operating activities - discontinued operations		\$ —	\$ 1,832	\$ —	\$ 3,216
Generated from (utilized in) operating activities - all operations		\$ 2,162	\$ (1,277)	\$ 2,556	\$ 3,617
Investments in building improvements		(159)	(1,110)	(1,113)	(1,938)
Cash advances to development and investment holdings		(1,125)	(2,750)	(4,530)	(2,750)
Proceeds from disposal of development and investment holdings		189	10,307	189	10,307
Lending portfolio additions		—	(59)	—	(59)
Principal repayments received from lending portfolio	7	21,204	—	29,230	3,500
Distributions from equity accounted investments		385	—	385	—
Investments in equity accounted investments		(8,411)	(5,796)	(21,086)	(14,546)
Generated from (utilized in) investing activities - all operations		\$ 12,083	\$ 592	\$ 3,075	\$ (5,486)
Cancellation of Trust units	12	(2,413)	(798)	(2,716)	(6,053)
Mortgage repayments	10	(217)	(272)	(435)	(547)
Cash advances received from equity accounted investments		—	10,608	—	10,608
Distributions paid on units	12	(6,909)	(7,207)	(13,815)	(12,768)
Generated from (utilized in) financing activities - continuing operations		\$ (9,539)	\$ 2,331	\$ (16,966)	\$ (8,760)
Generated from financing activities - discontinued operations		\$ —	\$ 1,322	\$ —	\$ 388
Generated from (utilized in) financing activities - all operations		\$ (9,539)	\$ 3,653	\$ (16,966)	\$ (8,372)
Foreign exchange on cash held in foreign currency - discontinued operations		—	(57)	—	(53)
Increase (decrease) in cash		\$ 4,706	\$ 2,911	\$ (11,335)	\$ (10,294)
Cash, beginning of the period		101,746	33,525	117,787	46,730
Cash classified within assets held for sale		—	(4,164)	—	(4,164)
Cash, end of the period		\$ 106,452	\$ 32,272	\$ 106,452	\$ 32,272

See the accompanying notes to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, all dollar amounts are presented in thousands of Canadian dollars, except for unit and per unit 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 condensed 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"), a wholly owned subsidiary of Dream Unlimited Corp. ("Dream"). On January 1, 2018, Dream acquired control of the Trust, based on Dream's increased exposure to variable returns resulting from increased ownership through units held in the Trust and from new real estate joint venture agreements. Dream is the ultimate parent company of the Trust. The ultimate controlling party of the Trust is Michael Cooper, President and Chief Responsible Officer of DAM and Dream.

The Trust is focused on hard asset alternative investments comprising real estate development, real estate lending and income-producing real estate.

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' condensed consolidated financial statements for the three and six months ended June 30, 2020 were authorized for issuance by the Board of Trustees on August 4, 2020.

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 condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed. The condensed consolidated financial statements should be read in conjunction with the Trust's annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS.

Certain comparative figures in the condensed consolidated financial statements have been reclassified to conform to the current period presentation.

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

These condensed consolidated financial statements have been prepared using the same significant accounting policies and methods as those used in the Trust's annual financial statements for the year ended December 31, 2019.

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

The preparation of the condensed 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, which are inherently uncertain and unpredictable. The result of which forms the basis of the carrying amounts of assets and liabilities. 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. The critical accounting judgments, estimates and assumptions applied during the quarter are consistent with those set out in Note 4 to the Trust's audited annual consolidated financial statements for the year ended December 31, 2019, aside from those noted below.

During the six months ended June 30, 2020, the World Health Organization declared COVID-19 a global pandemic ("COVID-19"), and the ensuing responses by governments, including the closure of non-essential businesses and social distancing requirements, increased the level of uncertainty and judgment in the economy. The Trust assessed this impact on its business, including recoverability of its lending portfolio, recoverability of accounts receivable, timing and amount of revenue recognized from income properties, and the fair value of certain loan investments classified as FVTPL, income properties, development and investment holdings.

The significant global uncertainty has impacted the availability of reliable market metrics and, accordingly, the Trust performed additional risk-based procedures to assess the fair value of its development and investments holdings, income properties and certain loan investments to ensure the Trust applied sound judgment with respect to the various assumptions impacting the valuation. The Trust took into consideration the market conditions existing at the reporting date. The additional risk-based procedures included scenario testing to evaluate downside risk, reviewing risk profiles of its tenant base, borrowers' creditworthiness and risk characteristics of its underlying developments.

The Trust assessed the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, equity accounted investments and the lending portfolio. The estimates and judgments primarily relate to the timing and amount of future cash flows. In determining whether the Trust's financial assets require a provision for impairment, the Trust reviewed its Expected Credit Loss ("ECL") model including the following factors: the borrowers' credit risk, term to maturity, status of the underlying project and market risk.

The amounts recorded in the condensed consolidated financial statements are based on the best estimate at the reporting date.

5. ADOPTION OF ACCOUNTING STANDARDS

CURRENT ACCOUNTING POLICY CHANGES

The Trust has adopted the following revised standards, along with any consequential amendments, effective January 1, 2020.

BUSINESS COMBINATIONS

IFRS 3, "Business Combinations" ("IFRS 3"), sets out to emphasize that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amended definition of a business is effective on or after January 1, 2020, with earlier application permitted. These amendments will apply to the Trust's future business combinations.

6. DEVELOPMENT AND INVESTMENT HOLDINGS

The table below provides a continuity of development and investment holdings:

	Development holdings	Investment holdings	Total development and investment holdings
Balance as at January 1, 2019	\$ 64,765	\$ 53,844	\$ 118,609
Acquisitions	2,750	10,795	13,545
Distributions/capital repayment	(1,778)	—	(1,778)
Fair value adjustments	474	(3,476)	(3,002)
Foreign currency loss	—	(2,120)	(2,120)
Dispositions	—	(10,307)	(10,307)
Balance as at December 31, 2019	\$ 66,211	\$ 48,736	\$ 114,947
Fair value gain	—	92	92
Foreign exchange gain	—	2,378	2,378
Dispositions	—	(189)	(189)
Balance as at June 30, 2020	\$ 66,211	\$ 51,017	\$ 117,228
Less: current portion	\$ 45,277	\$ —	\$ 45,277
Non-current portion of total development and investment holdings	\$ 20,934	\$ 51,017	\$ 71,951

As at June 30, 2020, development and investment holdings include two long-term participating loans secured by real property comprising two residential assets under development and a hospitality asset, respectively. These assets are recorded as FVTPL.

During the three and six months ended June 30, 2020, the Trust sold its remaining retail property within investment holdings for cash proceeds of \$189 and recognized a fair value gain of \$92. The other components of this retail property were sold in the three and six months ended June 30, 2019, for cash proceeds of \$10,307.

During the three and six months ended June 30, 2020, the Trust recorded a foreign exchange loss of \$2,043 and gain of \$2,378, respectively, driven by the fluctuation of the U.S. dollar, related to the Trust's investment in the Hard Rock Hotel & Casino in Las Vegas, Nevada. As at June 30, 2020, the cash paid continues to approximate fair value, adjusted for foreign currency translation.

The fair value methodologies applied have been consistent with the prior period. For development and investment holdings recently acquired, or where certain bids have been obtained, the fair value is based on the purchase or bid price. The fair value methodologies and material assumptions for each respective category, other than the above noted, are summarized in the table below:

As at			June 30, 2020	December 31, 2019
	Method	Unobservable inputs	Range	Range
Development holdings				
Residential assets under development	Discount future anticipated proceeds from unit closings	Discount rates	7.0% - 8.0%	7.0% - 8.0%

If the discount rates applied for residential assets under development were to increase by 1%, the fair value of the residential assets under development would decrease by \$300. If the discount rate were to decrease by 1%, the fair value would increase by \$300.

7. LENDING PORTFOLIO

For the periods ended	June 30, 2020	December 31, 2019
Balance, beginning of period	\$ 64,705	\$ 144,095
Add (deduct):		
Lending portfolio advances	—	119
Changes in accrued interest balance	16	(111)
Provision for lending portfolio losses	(2,882)	(2,350)
Interest capitalized to lending portfolio balance	1,895	5,029
Premium on lending portfolio	416	752
Extension fees received	54	383
Principal repayments at maturity, contractual repayments and prepayments	(29,230)	(83,212)
Balance, end of period⁽¹⁾	\$ 34,974	\$ 64,705
Less: current portion	20,789	51,216
Non-current portion of lending portfolio	\$ 14,185	\$ 13,489

⁽¹⁾ Lending portfolio balance includes a loan of \$7,658 (December 31, 2019 - \$7,301) that is classified as FVTPL.

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

As at	June 30, 2020	December 31, 2019
Weighted average interest rate (period-end)	9.3%	9.1%
Security allocation (1st mortgages/other)	59.7% / 40.3%	47.7% / 52.3%
Maturity dates	2020 - 2025	2020 - 2025
Balance of accrued interest	\$ 146	\$ 130
Loans with prepayment options	9,575	30,877

During the six months ended June 30, 2020, a loan investment classified as FVTPL, aggregating \$7,658 (December 31, 2019 – \$7,301), was measured at fair value using a discounted cash flow method. The fair value was determined by discounting the expected cash flows of the loan using an interest rate of 17.5% (December 31, 2019 – 17.5%), which took into consideration similar instruments with corresponding maturity dates plus a credit adjustment in accordance with the borrowers' creditworthiness, as well as the risk profile of the underlying securities. Generally, under this method, a decrease in the market rate will result in an increase to the fair value and an increase in the market rate will result in a decrease to the fair value. If the weighted average market rate was to increase by 25 basis points ("bps"), the fair value of the loan investments would decrease by \$100. If the weighted average market rate was to decrease by 25 bps, the fair value would increase by \$100.

During the six months ended June 30, 2020, an increase in the existing provision for the lending portfolio resulted in a loss of \$2,882 (year ended December 31, 2019 – \$2,350). The full provision related to one loan, the value of which was determined based on the net realizable value of the underlying real estate properties, net of related transaction costs based on internal valuations. The provision for impairment on this loan was established based on the credit adjusted approach ECL model, which results in expected credit losses calculated considering an estimate of default over the life of the asset.

8. INCOME PROPERTIES

For the periods ended	June 30, 2020	December 31, 2019
Balance, beginning of period	\$ 200,869	\$ 224,310
Add (deduct):		
Building improvements	160	4,195
Lease incentives and initial direct leasing costs	1,332	3,266
Amortization of lease incentives	(683)	(1,626)
Fair value adjustments to income properties	132	15,064
Disposition of properties	—	(44,340)
Balance, end of period	\$ 201,810	\$ 200,869
Change in unrealized gains included in net income for the period		
Change in fair value of income properties	\$ 132	\$ 21,194

As at June 30, 2020, the Trust's income properties consisted of three wholly owned office properties and an interest in an office property co-owned with Dream Office Real Estate Investment Trust ("Dream Office REIT"), which is accounted for as a joint operation.

Income properties are measured at fair value using the income approach, which is derived from the overall capitalization rate method or discounted cash flow method. Certain of the Trust's income properties were valued using the discounted cash flow method with the overall capitalization rate method used to corroborate the fair values recorded. The fair values of these income properties were determined by using discount rates of 6.0% to 7.3% (December 31, 2019 – 6.0% to 7.3%) and capitalization rates of 5.0% to 6.3% (December 31, 2019 – 5.0% to 6.3%), resulting in a weighted average capitalization rate of 5.9% (December 31, 2019 – 5.9%).

A summary of assumptions used in the valuation of income properties using the discounted cash flow method as at June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020		December 31, 2019	
	Range	Weighted average	Range	Weighted average
Discount rates (%)	6.00 - 7.25	7.01	6.00 - 7.25	7.01
Terminal cap rates (%)	5.00 - 6.75	6.38	5.00 - 6.75	6.38
Market rents (in dollars per square foot) ⁽¹⁾	\$ 18.75 - 25.00	\$ 19.67	\$ 18.75 - 25.00	\$ 19.67

⁽¹⁾ Market rents represent year one rates in the discounted cash flow model. Market rents include office space only and exclude retail space.

The following sensitivity table outlines the potential impact on the fair value of income properties, assuming a change in the weighted average discount rates and terminal capitalization rates by a respective 25 bps as at June 30, 2020:

	Impact of changes to weighted average discount rates		Impact of changes to weighted average terminal cap rates	
	+25 bps	-25 bps	+25 bps	-25 bps
Increase (decrease) in value	\$ (2,884)	\$ 2,955	\$ (3,701)	\$ 4,021

Generally, under the overall cap rate method, an increase in stabilized NOI will result in an increase to the fair value. An increase in the capitalization rate will result in a decrease to the fair value. The capitalization rate magnifies the effect of a change in stabilized NOI. If the weighted average capitalization rate was to increase by 25 bps, the fair value of income properties would decrease by \$5,800. If the weighted average capitalization rate was to decrease by 25 bps, the fair value would increase by \$6,400.

As at June 30, 2020, the Trust assessed its assumptions related to the fair value of its income properties, including its cash flow assumptions, and noted no significant impact on the fair value of its income properties. For further details, refer to Note 21 – "Financial Instruments – Risk Management".

As at June 30, 2020, all of the income properties, with a fair value of \$201,810 (December 31, 2019 – \$200,869), were pledged as security for mortgages.

9. EQUITY ACCOUNTED INVESTMENTS

The Trust participates in various partnerships with other parties for the purpose of investing in various residential and mixed-use 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 June 30, 2020, the carrying value of these arrangements was \$189,030 (December 31, 2019 – \$186,713).

During the six months ended June 30, 2020, the Trust recorded \$17,215 in distributions related to the completion of the Axis Condominiums project, which had been received as cash advances in 2019.

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 Trust's proportionate share of the assets, liabilities and net assets of the equity accounted investments:

As at June 30, 2020	Ownership interest	Assets	Liabilities	Net assets
Development				
Frank Gehry	18.75%	\$ 76,096	\$ 53,165	\$ 22,931
Brightwater	23.25%	65,149	25,763	39,386
Zibi	40.00%	127,226	58,888	68,338
Lakeshore East	37.50%	25,466	11,295	14,171
West Don Lands	25.00%	48,722	38,803	9,919
Other ⁽¹⁾	7.00% - 75.00%	34,808	21,817	12,991
Total development		\$ 377,467	\$ 209,731	\$ 167,736
Recurring income				
100 Steeles	37.50%	11,982	3,990	7,992
Other ⁽²⁾	9.00% - 40.00%	25,391	12,089	13,302
Total recurring income		\$ 37,373	\$ 16,079	\$ 21,294
Total		\$ 414,840	\$ 225,810	\$ 189,030

⁽¹⁾ Other equity accounted investments include Axis Condominiums, IVY Condominiums, Seaton development and Canary Block 10.

⁽²⁾ Other equity accounted investments include Plaza Bathurst, Plaza Imperial and Queen & Mutual.

As at December 31, 2019	Ownership interest	Assets	Liabilities	Net assets
Development				
Frank Gehry	18.75%	\$ 74,498	\$ 51,309	\$ 23,189
Brightwater	23.25%	63,759	25,651	38,108
Zibi	40.00%	99,524	45,752	53,772
Lakeshore East	37.50%	25,336	11,255	14,081
West Don Lands	25.00%	35,429	26,632	8,797
Axis Condominiums	28.00% ⁽¹⁾	18,565	184	18,381
Other ⁽²⁾	7.00% - 75.00%	31,406	22,338	9,068
Total development		\$ 348,517	\$ 183,121	\$ 165,396
Recurring income				
100 Steeles	37.50%	\$ 12,188	\$ 4,093	\$ 8,095
Other ⁽³⁾	9.00% - 40.00%	25,207	11,985	13,222
Total recurring income		\$ 37,395	\$ 16,078	\$ 21,317
Total		\$ 385,912	\$ 199,199	\$ 186,713

⁽¹⁾ Effective economic interest of 14.7% based on milestone achieved per partnership agreement.

⁽²⁾ Other equity accounted investments include IVY Condominiums, Seaton development and Canary Block 10.

⁽³⁾ Other equity accounted investments include Plaza Bathurst, Plaza Imperial and Queen & Mutual.

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

For the three months ended June 30, 2020	Ownership interest	Revenue	Net income (loss)
Development			
Frank Gehry	18.75%	\$ 53	\$ (122)
Brightwater	23.25%	—	55
Zibi	40.00%	489	(61)
Lakeshore East	37.50%	52	(22)
West Don Lands	25.00%	—	(9)
Other ⁽¹⁾	7.00% - 75.00%	2	1
Total development		\$ 596	\$ (158)
Recurring income			
100 Steeles	37.50%	243	(100)
Other ⁽²⁾	9.00% - 40.00%	155	—
Total recurring income		\$ 398	\$ (100)
Total		\$ 994	\$ (258)

⁽¹⁾ Other equity accounted investments include Axis Condominiums, IVY Condominiums, Seaton development and Canary Block 10.

⁽²⁾ Other equity accounted investments include Plaza Bathurst, Plaza Imperial and Queen & Mutual.

For the three months ended June 30, 2019	Ownership interest	Revenue	Net income (loss)
Development			
Frank Gehry	18.75%	\$ 93	\$ (71)
Brightwater	23.25%	6	(17)
Zibi	40.00%	1,340	11
Lakeshore East	37.50%	37	21
West Don Lands	25.00%	55	38
Axis Condominiums	28.00% ⁽¹⁾	26,218	10,343
Other ⁽²⁾	7.00% - 75.00%	11	12
Total development		\$ 27,760	\$ 10,337
Recurring income			
100 Steeles	37.50%	\$ 153	\$ (175)
Other ⁽³⁾	9.00% - 40.00%	27	(96)
Total recurring income		\$ 180	\$ (271)
Total		\$ 27,940	\$ 10,066

⁽¹⁾ Effective economic interest of 14.7% based on milestone achieved per partnership agreement.

⁽²⁾ Other equity accounted investments include IVY Condominiums, Seaton development and Canary Block 10.

⁽³⁾ Other equity accounted investments include Plaza Bathurst, Plaza Imperial and Queen & Mutual.

For the six months ended June 30, 2020	Ownership interest	Revenue	Net income (loss)
Development			
Frank Gehry	18.75%	\$ 142	\$ (269)
Brightwater	23.25%	—	(4)
Zibi	40.00%	8,254	489
Lakeshore East	37.50%	124	(7)
West Don Lands	25.00%	21	(15)
Other ⁽¹⁾	7.00% - 75.00%	6	(1,082)
Total development		\$ 8,547	\$ (888)
Recurring income			
100 Steeles	37.50%	483	(228)
Other ⁽²⁾	9.00% - 40.00%	352	(53)
Total recurring income		\$ 835	\$ (281)
Total		\$ 9,382	\$ (1,169)

⁽¹⁾ Other equity accounted investments include Axis Condominiums, IVY Condominiums, Seaton development and Canary Block 10.

⁽²⁾ Other equity accounted investments include Plaza Bathurst, Plaza Imperial and Queen & Mutual.

For the six months ended June 30, 2019	Ownership interest	Revenue	Net income (loss)
Development			
Frank Gehry	18.75%	\$ 187	\$ (142)
Brightwater	23.25%	6	(22)
Zibi	40.00%	1,471	(15)
Lakeshore East	37.50%	72	44
West Don Lands	25.00%	105	66
Axis Condominiums	28.00% ⁽¹⁾	26,218	10,343
Other ⁽²⁾	7.00% - 75.00%	11	11
Total development		\$ 28,070	\$ 10,285
Recurring income			
100 Steeles	37.50%	\$ 394	\$ (530)
Other ⁽³⁾	9.00% - 40.00%	376	(133)
Total recurring income		\$ 770	\$ (663)
Total		\$ 28,840	\$ 9,622

⁽¹⁾ Effective economic interest of 14.7% based on milestone achieved per partnership agreement.

⁽²⁾ Other equity accounted investments include IVY Condominiums, Seaton development and Canary Block 10.

⁽³⁾ Other equity accounted investments include Plaza Bathurst, Plaza Imperial and Queen & Mutual.

10. DEBT

As at		June 30, 2020	December 31, 2019
Total debt before undernoted	\$	88,834	\$ 89,269
Unamortized balance of deferred financing costs		(239)	(281)
Total	\$	88,595	\$ 88,988
Less: current portion		11,118	878
Total non-current long-term debt	\$	77,477	\$ 88,110

MORTGAGES PAYABLE

Mortgages payable are secured by charges on specific income properties, bear interest at a weighted average face rate of 3.4% (December 31, 2019 – 3.6%) and mature between 2021 and 2022. During the three and six months ended June 30, 2020, there were no lump sum principal repayments (year ended December 31, 2019 – \$27,008).

REVOLVING CREDIT FACILITY

A demand revolving credit facility (the "facility") is available to the Trust up to a formula-based maximum not to exceed \$50,000. The available credit under the facility, as determined by the formula, was \$5,276, net of \$360 (December 31, 2019 – \$8,894, net of \$360) of letters of credit issued against the facility. The facility is in the form of rolling one-month Bankers' Acceptance ("BA") rates and bears interest at the BA rate plus 2.0%, or at the bank's prime rate plus 1.0% (2.45% as at June 30, 2020 and 3.95% as at December 31, 2019), 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. As at June 30, 2020, there were no funds drawn on the facility (December 31, 2019 – \$nil).

FINANCIAL COVENANTS

The revolving credit facility, the financial guarantees and certain mortgages on income properties 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. As at June 30, 2020, the Trust was in compliance with these financial covenants.

11. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

As at		June 30, 2020	December 31, 2019
Accrued liabilities and other payables	\$	9,090	\$ 27,644
Other liabilities		500	500
Distributions payable		2,295	2,292
Accrued interest		229	232
Rent received in advance		1,271	1,458
Total	\$	13,385	\$ 32,126

12. 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 June 30, 2020, 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:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Paid in cash	\$ 6,909	\$ 7,207	\$ 13,815	\$ 12,768
Paid by way of reinvestment in units	—	—	—	1,779
Payable at beginning of period	(2,304)	(2,405)	(2,292)	(2,420)
Payable at end of period	2,295	2,401	2,295	2,401
Total	\$ 6,900	\$ 7,203	\$ 13,818	\$ 14,528

On June 19, 2020, the Trust announced a cash distribution of \$0.033 per unit for the month of June 2020. The monthly distribution for June 2020 was paid on July 15, 2020. On July 22, 2020, the Trust announced a cash distribution of \$0.033 per unit for the month of July 2020, which will be paid on August 14, 2020 to unitholders of record as at July 31, 2020.

UNIT BUYBACK PROGRAM

During the six months ended June 30, 2020, the Trust received acceptance of its Notice of Intention to renew its prior NCIB from the TSX on January 16, 2020. The bid commenced on January 20, 2020 and will remain in effect until the earlier of January 19, 2021 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 5,256,231 units (representing 10% of the Trust's public float of 52,562,317 units at the time of entering the bid through the facilities of the TSX). Daily purchases were limited to 8,281 units which equals 25% of the average daily trading volume during the last six calendar months (being 33,126 units per day), other than purchases pursuant to applicable block purchase exceptions and purchases between March 23, 2020 and June 30, 2020, which were subject to a daily limit of 50% of the average daily trading volume pursuant to temporary blanket relief granted by the TSX.

During the six months ended June 30, 2020, the Trust renewed its automatic securities repurchase plan (the "Plan") in order to facilitate purchases of its units under the NCIB. The Plan allows for purchases by Dream Alternatives of units at any time including, without limitation, times when the Trust would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Trust based upon the parameters prescribed by the TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the units may also be purchased in accordance with management's discretion. The Plan will terminate on January 19, 2021.

During the six months ended June 30, 2020, the Trust announced a substantial issuer bid to purchase for cancellation up to 4.0 million units of the Trust from unitholders at a price of \$8.25 per unit for an aggregate purchase price of \$33,000. The offer expired on March 16, 2020, as the conditions of the bid were not satisfied as of the expiration time. During the six months ended June 30, 2020, the Trust repurchased 590,227 units under the NCIB, at a weighted average price of \$4.60 per unit for a total cost of \$2,716.

The following table summarizes the Trust's unitholders' equity activity under its unit buyback program for the periods ended as indicated:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Units repurchased (number of units)	520,936	111,836	590,227	876,984
Total cash consideration	\$ 2,413	\$ 798	\$ 2,716	\$ 6,053

Subsequent to June 30, 2020, the Trust repurchased 3,168,282 units under the NCIB, at a weighted average price of \$4.81 per unit for a total cost of \$15,240. As at August 4, 2020, 65,926,776 units were issued and outstanding.

13. INCOME PROPERTIES REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Rental revenue	\$ 2,422	\$ 3,376	\$ 5,109	\$ 6,802
CAM and parking services revenue	1,740	2,482	3,456	5,080
Total	\$ 4,162	\$ 5,858	\$ 8,565	\$ 11,882

14. INTEREST EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Interest expense incurred, at contractual rate of debt and other bank charges	\$ 807	\$ 1,205	\$ 1,577	\$ 2,430
Amortization of deferred financing costs	21	55	42	111
Total	\$ 828	\$ 1,260	\$ 1,619	\$ 2,541

15. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Salary and other compensation	\$ 313	\$ 361	\$ 653	\$ 589
Deferred compensation expense (recovery)	375	448	(978)	1,176
Trust, service and professional fees	417	1,498	1,109	1,914
General office and other	32	104	168	175
Asset management and other third-party service fees	989	1,739	1,996	4,490
Total	\$ 2,126	\$ 4,150	\$ 2,948	\$ 8,344

During the three and six months ended June 30, 2020, a deferred compensation expense of \$375 and a deferred compensation recovery of \$978, respectively, (three and six months ended June 30, 2019 – deferred compensation expense of \$448 and \$1,176, respectively) were recognized as a result of the fluctuation in the Trust's unit price, related to the deferred unit incentive plan.

16. INCOME TAXES

During the three and six months ended June 30, 2020, the Trust recognized an income tax recovery of \$1,358 and \$127, respectively (income tax expense for the three and six months ended June 30, 2019 – \$1,211 and \$1,885, respectively).

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Deferred income tax recovery (expense):				
Origination of temporary differences	\$ 1,358	\$ (3,249)	\$ 80	\$ (3,746)
Impact of changes in income tax rates	—	(13)	47	26
Deferred income tax recovery (expense)	\$ 1,358	\$ (3,262)	\$ 127	\$ (3,720)
Total income tax recovery (expense) from continuing operations	\$ 1,358	\$ (3,262)	\$ 127	\$ (3,720)
Total income tax recovery from discontinued operations	\$ —	\$ 2,051	\$ —	\$ 1,835
Income tax recovery (expense)	\$ 1,358	\$ (1,211)	\$ 127	\$ (1,885)

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 26.5% for the six months ended June 30, 2020 (June 30, 2019 – 26.8%), as illustrated in the table below:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Earnings (losses) before income tax recovery (expense) for the period	\$ (4,992)	\$ 7,508	\$ 1,391	\$ 8,140
Combined federal and provincial tax rate	26.5%	26.8%	26.5%	26.8%
Income tax recovery (expense) before the undernoted	\$ 1,322	\$ (2,012)	\$ (369)	\$ (2,182)
Effect on taxes of:				
Adjustment in expected future tax rates	—	(13)	47	26
Non-deductible expenses	1	(70)	(52)	(218)
Non-taxable income items	(44)	—	369	—
Difference between Canadian rates and rates in foreign jurisdiction	(10)	(6)	12	(13)
Rate differences	88	(1,159)	119	(1,331)
Other items	1	(2)	1	(2)
Total income tax recovery (expense) from continuing operations	\$ 1,358	\$ (3,262)	\$ 127	\$ (3,720)

The movement in the deferred income tax assets and liabilities during the six months ended June 30, 2020 and the net components of the Trust's net deferred income tax asset (liability) 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, 2019	\$ (3,561)	\$ (3,787)	\$ 751	\$ (466)	\$ (989)	\$ 623	\$ 7,752	\$ 323
(Charged) credited to:								
(Loss) earnings for the period	(7,387)	3,644	(509)	3,248	(1,073)	—	(2,281)	(4,358)
Charge to gain on sale	—	143	—	—	—	—	—	143
Other comprehensive income	—	—	—	—	—	(623)	—	(623)
Balance as at December 31, 2019	\$ (10,948)	\$ —	\$ 242	\$ 2,782	\$ (2,062)	\$ —	\$ 5,471	\$ (4,515)
(Charged) credited to:								
(Loss) earnings for the period	(196)	—	89	(1,338)	(13)	—	1,585	127
Balance as at June 30, 2020	\$ (11,144)	\$ —	\$ 331	\$ 1,444	\$ (2,075)	\$ —	\$ 7,056	\$ (4,388)

17. SEGMENTED INFORMATION

As a result of the sale of the renewable power segment and other non-core assets in 2019, the Trust has redefined its operating segments to better reflect how the business is managed and evaluated by the chief operating decision maker, the Trust's Portfolio Manager. This change is effective January 1, 2020, and comparatives have been reclassified to conform to the new segment presentation.

For the three and six months ended June 30, 2020 and June 30, 2019, the majority of income tax (expense) recoveries and 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 – THREE MONTHS ENDED JUNE 30, 2020

	Development	Recurring income	Other ⁽¹⁾	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	\$ (1,951)	\$ —	\$ —	(1,951)
Lending portfolio interest income and lender fees	—	1,300	—	1,300
Income properties revenue	—	4,162	—	4,162
Share of loss from equity accounted investments	(158)	(100)	—	(258)
TOTAL INCOME (LOSS)	(2,109)	5,362	—	3,253
EXPENSES				
Income properties, operating	—	(2,746)	—	(2,746)
Interest expense	—	(776)	(52)	(828)
Provision for lending portfolio losses	—	(2,882)	—	(2,882)
General and administrative	—	—	(2,126)	(2,126)
TOTAL EXPENSES	—	(6,404)	(2,178)	(8,582)
Fair value adjustments to income properties	—	132	—	132
OPERATING LOSS	(2,109)	(910)	(2,178)	(5,197)
Interest and other income	57	335	(123)	269
Transaction costs	—	(64)	—	(64)
LOSS BEFORE INCOME TAX RECOVERY	(2,052)	(639)	(2,301)	(4,992)
INCOME TAX RECOVERY				
Deferred income tax recovery	—	—	1,358	1,358
TOTAL INCOME TAX RECOVERY	—	—	1,358	1,358
NET LOSS FROM CONTINUING OPERATIONS	\$ (2,052)	\$ (639)	\$ (943)	\$ (3,634)

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

SEGMENTED RESULTS OF OPERATIONS – THREE MONTHS ENDED JUNE 30, 2019

	Development	Recurring income	Other ⁽¹⁾	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	\$ (3,947)	\$ —	\$ —	(3,947)
Lending portfolio interest income and lender fees	—	3,726	—	3,726
Income properties revenue	—	5,858	—	5,858
Share of income (loss) from equity accounted investments	10,337	(271)	—	10,066
TOTAL INCOME	6,390	9,313	—	15,703
EXPENSES				
Income properties, operating	—	(3,047)	—	(3,047)
Interest expense	—	(1,171)	(89)	(1,260)
General and administrative	—	—	(4,150)	(4,150)
TOTAL EXPENSES	—	(4,218)	(4,239)	(8,457)
Fair value adjustments to income properties	—	261	—	261
OPERATING INCOME (LOSS)	6,390	5,356	(4,239)	7,507
Interest and other income	337	4	105	446
Transaction costs	—	(331)	(114)	(445)
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	6,727	5,029	(4,248)	7,508
INCOME TAX EXPENSE				
Deferred income tax expense	—	—	(3,262)	(3,262)
TOTAL INCOME TAX EXPENSE	—	—	(3,262)	(3,262)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 6,727	\$ 5,029	\$ (7,510)	\$ 4,246

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

SEGMENTED RESULTS OF OPERATIONS – SIX MONTHS ENDED JUNE 30, 2020

	Development	Recurring income	Other ⁽¹⁾	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	\$ 2,470	\$ —	\$ —	2,470
Lending portfolio interest income and lender fees	—	2,786	—	2,786
Income properties revenue	—	8,565	—	8,565
Share of loss from equity accounted investments	(888)	(281)	—	(1,169)
TOTAL INCOME	1,582	11,070	—	12,652
EXPENSES				
Income properties, operating	—	(4,896)	—	(4,896)
Interest expense	—	(1,558)	(61)	(1,619)
Provision for lending portfolio losses	—	(2,882)	—	(2,882)
General and administrative	—	—	(2,948)	(2,948)
TOTAL EXPENSES	—	(9,336)	(3,009)	(12,345)
Fair value adjustments to income properties	—	132	—	132
OPERATING INCOME (LOSS)	1,582	1,866	(3,009)	439
Interest and other income	425	341	308	1,074
Transaction costs	—	(109)	(13)	(122)
EARNINGS (LOSS) BEFORE INCOME TAX RECOVERY	2,007	2,098	(2,714)	1,391
INCOME TAX RECOVERY				
Deferred income tax recovery	—	—	127	127
TOTAL INCOME TAX RECOVERY	—	—	127	127
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 2,007	\$ 2,098	\$ (2,587)	\$ 1,518

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

SEGMENTED RESULTS OF OPERATIONS – SIX MONTHS ENDED JUNE 30, 2019

	Development	Recurring income	Other ⁽¹⁾	Total
INCOME				
Fair value adjustments and operating cash distributions in development and investment holdings	\$ (4,290)	\$ —	\$ —	(4,290)
Lending portfolio interest income and lender fees	—	7,262	—	7,262
Income properties revenue	—	11,882	—	11,882
Share of income (loss) from equity accounted investments	10,285	(663)	—	9,622
TOTAL INCOME	5,995	18,481	—	24,476
EXPENSES				
Income properties, operating	—	(6,368)	—	(6,368)
Interest expense	—	(2,366)	(175)	(2,541)
General and administrative	—	—	(8,344)	(8,344)
TOTAL EXPENSES	—	(8,734)	(8,519)	(17,253)
Fair value adjustments to income properties	—	261	—	261
OPERATING INCOME (LOSS)	5,995	10,008	(8,519)	7,484
Interest and other income	675	9	402	1,086
Transaction costs	—	(316)	(114)	(430)
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	6,670	9,701	(8,231)	8,140
INCOME TAX EXPENSE				
Deferred income tax expense	—	—	(3,720)	(3,720)
TOTAL INCOME TAX EXPENSE	—	—	(3,720)	(3,720)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 6,670	\$ 9,701	\$ (11,951)	\$ 4,420

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

SEGMENTED ASSETS AND LIABILITIES – AS AT JUNE 30, 2020

As at June 30, 2020	Development	Recurring income	Other ⁽¹⁾	Total
ASSETS				
Total non-current assets	\$ 246,511	\$ 238,250	\$ 944	485,705
Total current assets	50,848	28,051	100,275	179,174
TOTAL ASSETS	\$ 297,359	\$ 266,301	\$ 101,219	\$ 664,879
LIABILITIES				
Total non-current liabilities	\$ —	\$ 77,477	\$ 5,825	83,302
Total current liabilities	—	18,991	5,519	24,510
TOTAL LIABILITIES	\$ —	\$ 96,468	\$ 11,344	\$ 107,812

⁽¹⁾ Includes the Trust and other segment level cash and net working capital balances.

SEGMENTED ASSETS AND LIABILITIES – AS AT DECEMBER 31, 2019

As at December 31, 2019	Development	Recurring income	Other ⁽¹⁾	Total
ASSETS				
Total non-current assets	\$ 280,343	\$ 236,585	\$ 879	517,807
Total current assets	7,929	57,672	112,733	178,334
TOTAL ASSETS	\$ 288,272	\$ 294,257	\$ 113,612	\$ 696,141
LIABILITIES				
Total non-current liabilities	\$ —	\$ 88,110	\$ 7,476	95,586
Total current liabilities	17,142	8,950	6,912	33,004
TOTAL LIABILITIES	\$ 17,142	\$ 97,060	\$ 14,388	\$ 128,590

⁽¹⁾ Includes the Trust and other segment level cash and net working capital balances.

18. 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. On January 1, 2018, Dream acquired control of the Trust, based on Dream's increased exposure to variable returns resulting from increased ownership through units held in the Trust and from new real estate joint venture agreements. DAM, which is a wholly owned subsidiary of Dream Unlimited Corp. (TSX: DRM), is the Trust's Asset Manager and is a related party and provides management personnel services to the Trust under the terms of the management agreement.

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 a base annual management fee, acquisition/origination fee and disposition fee.

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:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Fees paid/payable by the Trust under the Management Agreement:				
Base annual management fee	\$ 1,047	\$ 1,679	\$ 2,104	\$ 4,321
Acquisition/origination fee and disposition fees	20	85	36	195
Expense recoveries relating to financing arrangements and other	191	373	398	515
Total	\$ 1,258	\$ 2,137	\$ 2,538	\$ 5,031

Effective April 1, 2019, the Trust agreed to settle the asset management fees payable pursuant to the Management Agreement in units of the Trust, until December 31, 2020. The Trust units will be valued at \$8.74, for purposes of determining the number of units to be issued. During the three and six months ended June 30, 2020, the Trust settled the asset management fee payable through the issuance of 246,406 units and 605,276 units, respectively (three and six months ended June 30, 2019 – through a cash settlement of \$4,544). The asset management fee, paid in units, is recorded based on the market price on the date of settlement. Subsequent to June 30, 2020, the Trust settled its management fee to DAM with the issuance of 246,558 units.

PROPERTY MANAGEMENT AGREEMENT

The Trust's co-owned office property is managed by Dream Office Management Corporation ("DOMC"). Effective February 1, 2018, the Trust's wholly owned office properties, previously managed by DAM, are now managed by DOMC. DOMC is owned by Dream Office REIT. As a result of Dream acquiring control of the Trust, as at January 1, 2018, Dream Office REIT is a related party to the Trust. Pursuant to the property management agreements, DOMC will perform property management services including tenant administration, accounting, etc., for a fee of 3.5% of income property revenues. Additionally, DOMC will perform services with respect to the leasing and construction management of the office properties for a fee equal to expenses incurred or a percentage of the expenses incurred for each property. The property management agreement can be terminated upon an unremedied default by the property manager, DOMC, or if there is a change in the ownership of the property.

SERVICE 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 the expenses incurred in providing these services.

FRAMEWORK AGREEMENT

Effective January 1, 2018, the Trust entered into a Framework Agreement with DAM with respect to their management of development investments. Pursuant to the Framework Agreement, DAM will manage certain development investments that are co-owned by the Trust and DAM. The Framework Agreement can be terminated by either party upon 60 days prior written notice. On a project by project basis, the development fee that the Trust will pay to DAM in respect of projects exclusive to the Trust and DAM will be equal to 3.75% of total net revenues of the development investment projects. For projects involving third parties,

the development fee will be negotiated on a case by case basis with the parties involved. For rental properties, the development fee is expected to be based on the fair value of the project at substantial completion rather than net revenues. The commencement of such fees will vary depending on certain milestones being met, such as construction or sales commencement. During the three and six months ended June 30, 2020, \$34 and \$69 in development fees, respectively, were paid to DAM in accordance with the Framework Agreement (three and six months ended June 30, 2019 – \$nil).

AMOUNTS DUE TO RELATED PARTIES

Amounts payable and accrued liabilities due to DAM at June 30, 2020 were \$1,346 (December 31, 2019 – \$2,650).

As at December 31, 2017, the Trust had entered into various project level development management agreements with DAM, and its third-party co-developers where applicable, in which the Trust has equity ownership interests. Pursuant to these agreements, DAM provides development management services. The corresponding development management fees are shared among the partners within each development project. Under these agreements, during the three and six months ended June 30, 2020, fees of \$2,393 and \$3,178 were incurred at the project level, at the Trust's share, respectively (three and six months ended June 30, 2019 – \$727 and \$1,176, respectively). As at June 30, 2020, at the Trust's share, \$3,247 was owed to DAM from the projects in respect of these fees (December 31, 2019 – \$3,065).

During the three and six months ended June 30, 2020, fees incurred pursuant to the property management agreements were \$495 and \$1,038, respectively (three and six months ended June 30, 2019 – \$655 and \$1,403, respectively). Amounts payable and accrued liabilities as at June 30, 2020 included \$92 (December 31, 2019 – \$73) related to these agreements.

For the three and six months ended June 30, 2020, fees incurred pursuant to the Service Agreement were \$94 and \$178, respectively (three and six months ended June 30, 2019 – \$103 and \$197, respectively). Amounts payable and accrued liabilities as at June 30, 2020 included \$49 (December 31, 2019 – \$29) related to the Service Agreement.

19. SUPPLEMENTARY CASH FLOW INFORMATION

Amortization and depreciation includes:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Lease incentives	\$ 480	\$ 383	\$ 683	\$ 766
Lender fees	(27)	(112)	(54)	(225)
Premium on lending portfolio	(211)	(184)	(416)	(363)
Deferred financing costs	21	55	42	111
Total	\$ 263	\$ 142	\$ 255	\$ 289

Other adjustments include:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Straight-line rent adjustment	\$ 8	\$ (30)	\$ (55)	\$ (77)
Deferred interest income	—	(750)	—	(1,875)
Share of (income) loss from equity accounted investments	258	(10,066)	1,169	(9,622)
Fair value adjustments to development and investment holdings	1,951	4,055	(2,470)	4,564
Fair value adjustments to income properties	(132)	(261)	(132)	(261)
Interest capitalized to lending portfolio balance	(821)	(1,813)	(1,895)	(3,586)
Deferred unit compensation expense (recovery)	375	448	(978)	1,176
Deferred income tax expense (recovery)	(1,358)	3,262	(127)	3,720
Total	\$ 281	\$ (5,155)	\$ (4,488)	\$ (5,961)

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Lending portfolio interest income accrual	\$ —	\$ (375)	\$ (16)	\$ (464)
Other non-current assets	(91)	(17)	(2,358)	(290)
Amounts receivable	647	(1,307)	2,632	(741)
Prepaid expenses and other current assets	(53)	(111)	(15)	(75)
Amounts payable and accrued liabilities	1,085	(8)	(926)	1,599
Income tax payable/receivable	—	3	65	1,660
Total	\$ 1,588	\$ (1,815)	\$ (618)	\$ 1,689

During the three and six months ended June 30, 2020, cash interest paid was \$759 and \$1,478, respectively (three and six months ended June 30, 2019 – \$2,695 and \$4,268, respectively) and cash taxes paid was \$nil (three and six months ended June 30, 2019 – \$nil). For the same period, investments in building improvements included settlement of payables of \$125 and \$953, respectively (June 30, 2019 – non-cash transactions of \$nil and \$135, respectively) and investments in lease incentives and initial direct leasing costs included non-cash transactions of \$61 and \$353, respectively (June 30, 2019 – settlement of payables of \$254 and \$314, respectively).

20. 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 condensed consolidated financial statements of Dream Alternatives.

OTHER COMMITMENTS

During the six months ended June 30, 2020, the requirement for the Trust, through a subsidiary, to provide a guarantee (December 31, 2019 – \$45,000) pursuant to a senior construction loan associated with the Empire Lakeshore residential project was extinguished with the repayment of the project level senior construction loan. Guarantees on other underlying development project loan amounts of third parties are \$50,713 (December 31, 2019 – \$34,423). As at June 30, 2020, the Trust is contingently liable under guarantees that are issued on certain debt assumed by purchasers of income properties up to an amount of \$2,664 (December 31, 2019 – \$2,729).

The Trust is contingently liable for letters of credit in the amount of \$360 (December 31, 2019 – \$360) 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 \$126 (December 31, 2019 – \$121).

21. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

Except as disclosed below, the Trust's risk exposures have not changed significantly since December 31, 2019.

Credit risk related to income properties and certain investment holdings arises from the possibility that tenants may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks from its tenants by attracting tenants of sound financial standing and by diversifying its tenant mix. COVID-19 and the measures to reduce its impact have created significant uncertainty in the general economy. A deterioration in the economy may impact the ability of tenants to meet their obligations under their leases or contracts due to the negative impact of the outbreak of COVID-19. The Trust has assessed the effect of the current economic conditions on the credit risk of our tenants and counterparties, which included the review of the risk profiles of its tenant base. As at June 30, 2020, the Trust determined there to be a minimal impact on the Trust's financial results. For the three months ended June 30, 2020, the Trust received over 94% of its rental revenue. As at August 4, 2020, the Trust received over 91% of its July rental revenue from tenants related to its income properties.

Credit risk may also arise from a borrower that may not be able to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Trust. Credit risk related to financial guarantees provided by the Trust arises from the possibility that counterparties default on their financial obligations. The Trust mitigates these risks by actively monitoring the mortgage receivables, loan investment and financial guarantees, and initiating recovery procedures in a timely manner when required. The Trust assessed various scenarios that would impact the lending portfolio through its general approach Expected Credit Loss ("ECL") model and noted no further provision required as at the reporting date. Further considerations were taken on the fair value of certain loans within the lending portfolio as discussed below.

The maximum exposure to credit risk at June 30, 2020 was the fair value of the Trust's development holdings and the contractual value of its lending portfolio which, including interest receivable, was \$101,185 (December 31, 2019 – \$130,916). 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.

As a result of the economic impact of COVID-19, the Trust has performed additional procedures to assess the fair value of its development and investment holdings, income properties and certain loan investments to ensure the Trust applied sound judgment with respect to the various assumptions impacting the valuation. The procedures included scenario testing to evaluate downside risk, borrowers' creditworthiness and risk characteristics of its underlying developments, which impact the underlying valuation of the asset. The Trust took into consideration the market conditions existing at the reporting date and will continue to monitor changes in the market and assumptions used to determine the fair value of the Trust's assets. The Trust recognized an additional \$2,882 provision on its lending portfolio as a result of the value of underlying real estate properties and estimated transaction costs.

The Trust is exposed to the variability in market interest rates on maturity debt payable to be renewed. As at June 30, 2020, 100% of the Trust's outstanding debt on our condensed consolidated statements of financial position was fixed, of which \$11,118 will come due in the next 12 months.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations as they become due. As at June 30, 2020, the working capital balance was \$154,664, which includes cash of \$106,452. Additionally, the Trust has \$5,276 available under the facility, net of \$360 of letters of credit which remains undrawn. Based on our current liquidity position as at June 30, 2020, the Trust has sufficient cash available to cover obligations as they become due in the next year.

22. 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 three months ended June 30, 2020, no transfers were made between Levels 1, 2 and 3. 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 June 30, 2020	Carrying value	Level 1	Level 2	Level 3
Recurring measurements				
Development and investment holdings	\$ 117,228	\$ —	\$ —	\$ 117,228
Income properties	201,810	—	—	201,810
Lending portfolio - FVTPL	7,658	—	—	7,658
		Fair value		
As at December 31, 2019	Carrying value	Level 1	Level 2	Level 3
Recurring measurements				
Development and investment holdings	\$ 114,947	\$ —	\$ —	\$ 114,947
Income properties	200,869	—	—	200,869
Lending portfolio - FVTPL	7,301	—	—	7,301

Financial instruments carried at amortized cost are noted below:

As at June 30, 2020	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Fair values disclosed				
Lending portfolio - amortized cost	\$ 27,316	\$ —	\$ —	27,316
Debt	88,595	—	—	88,431

As at December 31, 2019	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Fair values disclosed				
Lending portfolio - amortized cost	\$ 57,404	\$ —	\$ —	57,195
Debt	88,988	—	—	89,608

At June 30, 2020, amounts receivable, cash, amounts payable and accrued liabilities, and distributions payable were carried at amortized cost, which approximates fair value due to their short-term nature.

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange

Listing Symbol: DRA.UN

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