dream alternatives DRA.UN-TSX

DREAM ALTERNATIVES REPORTS SECOND QUARTER RESULTS, CONTINUED INVESTMENT IN TORONTO DEVELOPMENT OPPORTUNITIES AND STEADY PROGRESS ON ITS PORTFOLIO

This press release contains forward-looking information that is based upon assumptions and is subject to risks and uncertainties as indicated in the cautionary note contained within this press release.

TORONTO, August 8, 2018, DREAM HARD ASSET ALTERNATIVES TRUST (TSX: DRA.UN) ("Dream Alternatives", "we" or the "Trust") today reported its financial results for the three and six months ended June 30, 2018.

During the second quarter of 2018, the Trust continued to progress its development investments through various value-enhancing milestones. We believe the current portfolio of core investments in Toronto and Ottawa, along with recent acquisitions, will deliver future income growth and value creation to unitholders.

"We have transformed the Trust to own incredible real estate development projects and assets in Toronto and Ottawa that are highly sought after" said Michael Cooper, Portfolio Manager. "Over the past 18 months we have successfully repositioned the portfolio to include transformative landmark development and re-development projects including: the iconic Frank Gehry King West project in downtown Toronto, the mixed use master planned Zibi development, the Hard Rock Hotel / Virgin Hotel Las Vegas and the 1,500 unit West Don Lands purpose-built rental project adjacent to the Canary and Distillery Districts in downtown Toronto, amongst other great investments. We also received analyst coverage during the second quarter of 2018 and continue to believe that the Trust is strategically positioned to execute on attractive investment opportunities, as well as fund its current projects in order to achieve our targeted returns and generate net asset value per unit growth to our unitholders."

As at June 30, 2018, over the next 18 months, in line with the current projections for the progression of its various development projects, management expects to invest a further $70 to $75 million towards funding the existing development projects in Toronto and Ottawa. Management expects to fund these capital requirements from existing cash on hand, cash generated from operations, future loan repayments and to the extent needed, its credit facility. The funds are expected to be used towards pre-development costs, development costs and other planned future payments. The aggregate capital call forecast over the next 18 months includes assumptions related to: timing and amount of expected loan financings, deposit commitments, timing of sales and/or construction commencement, revenue and cost estimates and leasing activity, all of which are based on current information and are subject to change. As at June 30, 2018, the Trust had a cash balance of $76.6 million and funds available under its revolving credit facility of $8.6 million (net of $1.4 million of letters of credit).

For the three months ended June 30, 2018, the Trust reported net income of $0.1 million compared with a net loss of $7.2 million in the same quarter in the prior year. As previously reported, the year over year results are not comparable primarily due to the sale of substantially all of the Trust's non-core legacy assets in 2017, which included the non core income properties and Villarboit assets. During the three months ended June 30, 2018, the Trust recorded a fair value loss of $6.2 million related to the Empire Lakeshore high-rise condominium development, based on updated information regarding changes in cost assumptions as the project nears completion. As a result of the project reaching its final stage of development, along with the developer, we are overseeing a detailed third party review of the project. As a result of the updated cost estimates for Empire Lakeshore, the Trust's fair value at June 30, 2018 was $61.7 million (approximately 10% of the Trust's NAV[1]). From inception of the Trust to June 30, 2018, the Trust recognized cumulative fair value gains of $12.9 million related to Empire Lakeshore. At completion, the Trust expects to earn approximately a 8% internal rate of return ("IRR"[1]) on its investment, based on current projections of profitability and timing of completion. While this is below the Trust's targeted return for residential development projects in Toronto, which we have originated, the project is considered a legacy investment that will still be accretive to net asset value.

During the three months ended June 30, 2018, projects within the Trust's development portfolio advanced through various milestones; particularly its investments in the Axis Condominiums (2.1% of the Trust's NAV) as well as its Zibi development (5.3% of the Trust's NAV), the Trust's flagship sustainable and complete community located in Gatineau, Quebec and Ottawa, Ontario. As at June 30, 2018, Zibi's launched condominiums, "O" and "Kanaal" comprised a total of 141 units and are 77% pre-sold. Construction commenced on O during the year ended December 31, 2017 and occupancy is expected in Q4 2018 along with access to "Zibi Plaza", a public square which will connect the O condominium to the waterfront. Construction for Kanaal also began in the second quarter of 2018 with occupancy slated for late fall 2019. Upon completion, the development will accommodate close to 5,000 residents and provide retail and commercial space for over 6,000 people. In addition, the Axis

Condominium development in downtown Toronto is ahead of schedule, with its completion date moved to 2019 from an initially expected completion of 2020. At completion, the Trust expects to earn an IRR of over 50% on the Axis Condominiums investment based on current projections of profitability and timing of completion.

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

Net Asset Value[(9)] ("NAV")

NAV per unit of $8.77 as at June 30, 2018 decreased by 1.1% compared with March 31, 2018. The decrease was primarily the result of the aforementioned fair value loss recognized on the Empire Lakeshore high-rise condominium development project, which was partially offset by a market value gain of $1.4 million recorded on the Axis Condominiums development as a result of an earlier than expected completion date. Fair value adjustments are reflected in the Trust's condensed consolidated financial statements. Market value adjustments are reflected only in NAV, which is a non-GAAP measure. For details please refer to page 34 of the Management Discussion and Analysis ("MD&A").

As at June 30, 2018, the development and investment holdings NAV of $281.5 million (44.4% of total NAV) or $3.89 per unit increased compared to $276.6 million or $3.82 per unit as at March 31, 2018. The increase in NAV was driven primarily by acquisitions which closed during the quarter, net of the aforementioned fair value loss. The Trust closed on its previously announced 25% leasehold interest located at 100 Steeles Ave. West in Toronto, Ontario ("100 Steeles") and 25% interest in a partnership to develop and manage a new purpose-built rental community in Toronto’s West Don Lands region ("West Don Lands").

The lending portfolio NAV of $170.8 million (26.9% of total NAV) or $2.36 per unit at June 30, 2018 was relatively stable compared with $168.4 million or $2.33 per unit as at March 31, 2018.

As at June 30, 2018, NAV of $100.4 million (15.8% of total NAV) or $1.39 per unit for the income properties and investments portfolio decreased compared with $158.7 million or $2.19 per unit as at March 31, 2018. The decrease resulted from the Trust disposing of its investment in 2,520,147 publicly traded units of Dream Office REIT (TSX: D.UN) to DAM, by way of a private market transaction, for total consideration of $59.5 million. The Dream Office REIT units were acquired during the year ended December 31, 2017 for an aggregate cost of $52.6 million. The units were priced at the five day volume weighted average price ending June 27, 2018 and as a result of the disposition, the Trust generated a total return of $8.8 million or 16.8% of its gross investment, including distributions. During the three months ended June 30, 2018, the Trust recorded a fair value gain of $0.7 million on its investment in the publicly traded units of Dream Office REIT.

As at June 30, 2018, NAV of $78.4 million (12.4% of total NAV) or $1.08 per unit for the renewable power portfolio remained relatively stable when compared with March 31, 2018.

NAV per unit relating to cash, marketable securities and other Trust consolidated working capital increased to $0.05 per unit as at June 30, 2018 compared with a loss position of $0.56 per unit as at March 31, 2018. The increase is due to the receipt of the total consideration of $59.5 million from the disposal of the publicly traded units of Dream Office REIT during the second quarter of 2018.

The Trust relies on growth in the NAV per unit as a measure of value creation including the market value adjustments on its equity accounted investments and renewable power projects. Please refer to page 12 and 22, respectively, of the MD&A for additional details on the Trust's equity investments and renewable power projects. The closest IFRS measure to NAV per unit is unitholders' equity per unit. Please refer to page 8 of the MD&A for a reconciliation between NAV and unitholders' equity.

Unitholders' Equity[(9)]

As at June 30, 2018, total unitholders' equity per unit of $8.23 decreased compared with $8.34 per unit as at March 31, 2018. The decrease was primarily due to the fair value loss recorded on the Empire Lakeshore project.

Cash Generated from Operating Activities

Cash generated from operating activities for the three months ended June 30, 2018 was $1.7 million compared with cash utilized in operating activities of $6.2 million for the same quarter in the prior year. The year over year increase was largely due to the changes in non-cash working capital

Other Operating Highlights in Q2 2018:

Development and Investment Holdings

For the three months ended June 30, 2018, the development and investment holdings segment generated a net loss of $4.8 million compared with $4.2 million in the prior year. The year over year variance was due to the above noted fair value loss recorded during the period.

Lending Portfolio

For the three months ended June 30, 2018, net income of $4.1 million in the lending portfolio increased from $1.0 million when compared with the same quarter in the prior year. The variance was due to the Trust recording a loan loss provision of $2.2 million in the prior year, whereas no such provision was recorded in the current period. During the six months ended June 30, 2018, the Trust advanced total gross proceeds of $28.9 million at a weighted average effective interest rate of 11.2% compared to $27.2 million at a weighted average effective interest rate of 7.9% in the same period in the prior year.

Income Properties and Investments

For the three months ended June 30, 2018, income properties and investments generated net income of $2.6 million compared to a net loss of $4.8 million in the same period in the prior year. The year over year variance was primarily due to the sale of non core co-owned income properties, which included a $4.9 million net fair value loss recognized in the prior year.

Renewable Power

Net income of $2.0 million for the three months ended June 30, 2018 from the renewable power portfolio increased compared with $1.7 million in the same quarter in the prior year. The increase in the renewable power portfolio was primarily attributable to the portfolio being fully operational as well as acquisition of additional turbines compared with the same period in the prior year.

Other [2]

Net loss of $3.7 million for the three months ended June 30, 2018, related to the Other segment, increased from a net loss of $1.0 million in the same period in the prior year. The increase in the net loss is due to a lower income tax recovery balance recorded in the current period compared with the same period in the prior year, primarily as a result of the Trust reflecting a net loss position in the prior year as compared to a net income position in the current period.

NCIB

During the three months ended June 30, 2018, the Trust entered into an automatic securities repurchase plan (the "Plan") in order to facilitate purchases of its units under the normal course issuer bid ("NCIB"). The Plan allows for purchases of units by Dream Alternatives 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 Toronto Stock Exchange (the "TSX") and the terms of the parties' written agreement. Outside of such restricted or black-out periods, the Units may also be purchased in accordance with management’s discretion. The Plan will terminate on January 14, 2019.

From the inception of the Trust's NCIB program in December 2014 to August 8, 2018, the Trust purchased for cancellation 3.6 million units for a total cost of $22.2 million, which included 959,878 units purchased during and subsequent to the six months ended June 30, 2018.

Selected financial and operating metrics for the three months ended June 30, 2018 are summarized below:

	June 30, 2018	June 30, 2017
Consolidated results of operations		
Net income (loss)	**$ 115**	$ (7,241)
Net income (loss) before depreciation[1]	**1,629**	(5,776)
Net operating income ("NOI")[1]	**11,286**	12,533
Cash generated from (utilized in) operating activities	**1,681**	(6,172)
Net income (loss) per unit[1]	**—**	(0.10)
Net income (loss) per unit before depreciation [1]	**0.02**	(0.08)
Distributions paid and payable	**7,319**	7,282
Trust unit information		
Distributions declared and paid per unit	**0.10**	0.10
Units outstanding – end of period	**72,312,102**	72,399,018
Units outstanding – weighted average	**72,483,275**	72,395,388

With the Trust's focus on development investments that will generate higher growth and cash flow over a period of time, growth in NAV per unit is considered to be a useful metric of value creation and unitholders return. The determination of NAV incorporates a market value[1] adjustment to equity accounted investments and the renewable power portfolio to take into consideration the change in risk profile as a result of various factors including progression to completion or becoming operational. For additional details on NAV per unit, please refer to page 34 of the MD&A. The table below provides a summary of the Trust's portfolio as at June 30, 2018, including Unitholders' equity, NAV and date of last appraisal:

	Location	Accounting Treatment[3]	Economic Interest[8] %	Asset Value	Debt	Total Unitholders' Equity[5]	NAV	NAV per unit	Year acquired/ Last External Appraisal
Development & Investment Holdings									
Empire Lakeshore	Toronto & GTA	Fair value	80.0%	$ 61,724	N/A	$ 64,716	$ 64,716	$ 0.90	N/A
Hard Rock/Virgin Hotels Las Vegas	United States	Fair value	10.0%	38,590	N/A	38,590	38,590	0.53	Acquired 2018
Zibi development	Other Ontario	Equity Accounted	40.0%	33,292	N/A	33,292	33,348	0.46	Acquired 2017
Port Credit development	Toronto & GTA	Equity Accounted	23.3%	31,043	N/A	31,043	35,319	0.49	Q4 2017
Frank Gehry development	Toronto & GTA	Equity Accounted	18.8%	20,796	N/A	20,796	20,796	0.29	Acquired 2017
Bayfield LP	Other Western Canada	Fair value	11.9% - 13.2%	14,799	N/A	14,799	14,799	0.20	Q4 2017
Lakeshore East	Toronto & GTA	Equity Accounted	37.5%	12,780	N/A	12,780	27,278	0.38	Q4 2017
Plaza Bathurst and Plaza Imperial development	Toronto & GTA	Equity Accounted	40.0%	8,260	N/A	8,260	8,260	0.11	Acquired 2017
Empire Brampton	Toronto & GTA	Fair value	78.8%	6,364	N/A	6,364	6,364	0.09	N/A
100 Steeles	Toronto & GTA	Equity Accounted	25.0%	5,929	N/A	5,929	5,929	0.08	Acquired 2018
Seaton development[7]	Toronto & GTA	Equity Accounted	7.0%	4,176	N/A	4,176	4,176	0.06	Acquired 2018
Hotel Pur	Eastern Canada	Fair value	50.0%	3,652	N/A	3,652	3,652	0.05	N/A
IVY Condominiums	Toronto & GTA	Equity Accounted	50.0%	2,391	N/A	2,391	4,280	0.06	Q4 2017
Axis Condominiums	Toronto & GTA	Equity Accounted	28.0%	1,888	N/A	1,888	13,227	0.18	Q4 2017
West Don Lands	Toronto & GTA	Equity Accounted	25.0%	765	N/A	765	765	0.01	Acquired 2018
				$ 246,449		**$ 249,441**	**$ 281,499**	**$ 3.89**	
Lending Portfolio									
Toronto development	Toronto & GTA	Amortized Cost[4]	N/A	$ 104,554	N/A	$ 104,165	$ 104,165	$ 1.44	N/A
Vancouver development	British Columbia	Amortized Cost	N/A	52,052	N/A	52,052	52,052	0.72	N/A
Other	Saskatchewan	Amortized Cost	N/A	14,600	N/A	14,600	14,600	0.20	N/A
				$ 171,206		**$ 170,817**	**$ 170,817**	**$ 2.36**	
Income Properties and Investments									
Toronto and GTA	Toronto & GTA	Fair value	50.1% - 100%	$ 171,336	$ 90,133	$ 81,988	$ 81,988	$ 1.13	Q4 2017
Other	Other Ontario	Fair value	60.0%	42,017	26,862	14,948	14,948	0.21	Q3 2017
Industrial Portfolio	Saskatchewan	Fair value	50.0%	9,075	5,643	3,485	3,485	0.05	Q4 2017
				$ 222,428	**$122,638**	**$ 100,421**	**$ 100,421**	**$ 1.39**	
Renewable Power									
Canadian Solar	Toronto & GTA	Amortized Cost	100.0%	$ 81,996	$ 49,136	$ 38,292	$ 43,074	$ 0.60	Q4 2017
Canadian Wind	Eastern Canada	Amortized Cost	80.0%	31,419	25,942	7,506	10,421	0.14	Q4 2017
United Kingdom Wind	United Kingdom	Amortized Cost	100.0%	20,161	—	21,116	24,897	0.34	Q4 2017
				$ 133,576	**$ 75,078**	**$ 66,914**	**$ 78,392**	**$ 1.08**	
Cash, Working capital and Other									
Revolving credit facility						$ (35,000)	$ (35,000)	$ (0.48)	
Cash and other consolidated working capital[6], including tax						42,756	38,369	0.53	
						$ 7,756	**$ 3,369**	**$ 0.05**	
Total Unitholders Equity / NAV						**$ 595,349**	**$ 634,498**		
Total Unitholders Equity / NAV per unit						**$ 8.23**		**$ 8.77**	

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 opportunities to invest in across North America. The table below provides an overview of some of the Trust's key partners within its development/re-development investments:

Project	Partners	Partner Since
Empire Lakeshore & Brampton	Empire Communities	2014
Axis Condominiums	CentreCourt Developments	2016
Lakeshore East development	Dream Unlimited, Great Gulf Residential	2016
Port Credit development	Dream Unlimited, Kilmer Van Nostrand Co. Ltd, Diamond Corp., FRAM + Slokker	2017
Zibi development	Dream Unlimited, Windmill Development	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

About Dream Alternatives

Dream Alternatives provides an opportunity for unitholders to invest in hard asset alternative investments, real estate development, real estate lending, real estate, and renewable power managed by an experienced team with a successful track record in these areas. The objectives of the Trust are to build and maintain a growth-oriented portfolio, provide predictable cash distributions to unitholders on a tax efficient basis, and grow and reposition the portfolio to increase NAV per unit over time. For more information, please visit: www.dreamalternatives.ca

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Footnotes

(1) Non-IFRS measures - Please refer to cautionary statements under the heading "Non-IFRS Measures" in this press release
(2) Other segment represents costs not allocated to the other operating segments, such as general and administrative costs and income taxes, and are net of interest income earned on our cash balances
(3) Equity accounted investments are recognized initially at cost and subsequently adjusted for the Trust's share of the profit or loss
(4) Includes a loan of $15.7 million as at June 30, 2018 classified as fair value through profit and loss
(5) Included in Total Unitholders' equity is working capital that is presented separately from its asset in the condensed consolidated statements of financial position
(6) Cash and other consolidated working capital includes Trust and other segment level cash and net working capital balances
(7) Seaton development total initial investment is $9.1 million, split between loan investments and equity investment under IFRS
(8) Includes debt and equity interests in the underlying projects
(9) The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the condensed consolidated financial statements

Non-IFRS Measures

The Trust's condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). In this press release, as a complement to results provided in accordance with IFRS, the Trust discloses and discusses certain non-IFRS financial measures including net income (loss) before depreciation, net income (loss) per unit before depreciation, IRR, net operating income ("NOI"), market value, net asset value ("NAV"), NAV per unit, as well as other measures discussed elsewhere in this release. These non-IFRS measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other issuers. The Trust has presented such non-IFRS measures as Management believes they are relevant measures of our underlying operating performance and debt management. Non-IFRS measures should not be considered as alternatives to unitholders' equity, net income, total comprehensive income or cash flows generated from operating activities or comparable metrics determined in accordance with IFRS as indicators of the Trust's performance, liquidity, cash flow and profitability. For a full description of these measures and, where applicable, a reconciliation to the most directly comparable measure calculated in accordance with IFRS, please refer to the "Non-IFRS Measures and Other Disclosures" in the Trust's Management's Discussion and Analysis for the three and six months ended June 30, 2018.

Forward-Looking Information

This press release may contain forward-looking information within the meaning of applicable securities legislation, including statements relating to our objectives, strategies to achieve those objectives, our beliefs, plans, estimates, projection and intentions, and similar statements concerning anticipated future events, future growth, results of operations, performance, business prospects and opportunities, as well as statements regarding our plans and proposals for future development projects, including projected sizes, density and uses; our expected ownership levels of proposed investments; the growth potential of our development investments; development timelines and anticipated returns on current and future development projects; our anticipated return on our development projects and expected growth in NAV of our development projects as a result of fair value adjustments; unitholders equity and NAV performance as well as targeted returns, future distributions and future returns on equity. 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 that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to: general and local economic and business conditions including foreign exchange rates, employment levels, mortgage and interest rates and regulations, regulatory risks, environmental risks, consumer confidence, the financial condition of tenants and borrowers, local real estate conditions, adverse weather conditions and variability in wind conditions and solar irradiation, reliance on key clients, partners and personnel, the uncertainties of acquisitions and new projects, inflation and competition. All forward-looking information in this press release speaks as of August 8, 2018. The Trust does not undertake to update any such forward looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is disclosed in filings with securities regulators filed on SEDAR (www.sedar.com). These filings are also available at the Trust's website at www.dreamalternatives.ca