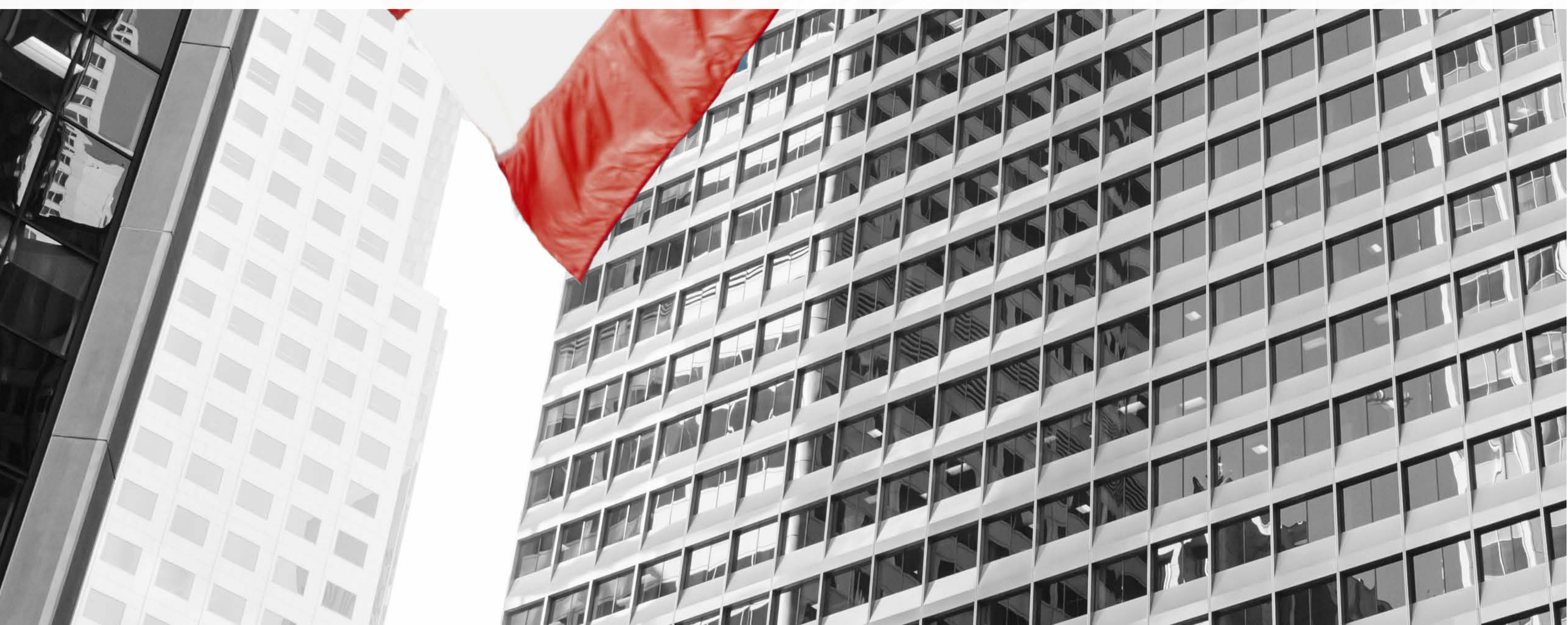
FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

CAPITAL PRESERVATION • DISCIPLINED INVESTING

FINANCIAL STATEMENTS

FOURTH QUARTER 2018
DECEMBER 31, 2018



Consolidated Financial Statements of

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

For the Years Ended December 31, 2018 and 2017

(Expressed In US Dollars)

Independent auditor's report

To the Shareholders of Firm Capital American Realty Partners Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Firm Capital American Realty Partners Corp. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

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

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Concord, Ontario
March 14, 2019

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Consolidated Balance Sheets
(Expressed in US Dollars)

	December 31, 2018	December 31, 2017
Assets	$	$
Current assets		
Cash and cash equivalents	2,374,340	6,224,567
Restricted cash	631,266	1,881,968
Accounts receivable	159,387	366,573
Prepaid expenses and other assets	475,737	386,350
Assets held for sale (note 18)	3,085,841	16,019,657
Total current assets	6,726,571	24,879,115
Non-current assets		
Investment properties (note 4)	44,783,595	42,651,982
Equity Accounted and Preferred Investments (note 5)	28,698,180	12,694,453
Preferred capital investments (note 6)	2,000,354	2,513,990
Property and equipment, net	-	10,122
Total non-current assets	75,482,129	57,870,547
Total assets	82,208,700	82,749,662
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,170,970	2,255,649
Mortgages payable (notes 8 and 9)	341,974	285,097
Convertible debentures payable (note 7)	1,346,716	12,118,400
Deferred share unit liabilities (note 19)	40,832	37,916
Liabilities associated with assets held for sale (note 18)	59,119	273,201
Total current liabilities	3,959,611	14,970,263
Non-current liabilities		
Mortgages payable (notes 8 and 9)	18,013,336	18,379,832
Deferred tax liability	525,358	654,472
Total non-current liabilities	18,538,694	19,034,304
Total liabilities	22,498,305	34,004,567
Shareholders' Equity		
Share capital (note 10)	82,938,306	76,842,700
Contributed surplus (notes 11 and 12)	5,764,738	5,100,195
Equity portion of convertible debentures (note 7)	1,242,017	1,242,017
Accumulated foreign currency translation reserve	3,331,940	3,331,940
Deficit	(33,566,606)	(37,771,757)
Total shareholders' equity	59,710,395	48,745,095
Total liabilities and shareholders' equity	82,208,700	82,749,662

Subsequent Events (note 22)

See accompanying Notes to Consolidated Financial Statements

(signed) "Geoffrey Bledin" (signed) "*Sandy Poklar*"

Geoffrey Bledin Sandy Poklar

Director CFO & Director

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Consolidated Statements of Income and Comprehensive Income
Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

		December 31, 2018		December 31, 2017
		$		$
Revenue				
Rental		4,135,834		4,546,115
Operating expenses				
Operating costs		787,689		1,171,201
Utilities		324,022		389,927
Property taxes		628,779		627,808
Total operating expenses		1,740,490		2,188,936
Net rental income		2,395,344		2,357,179
Income from equity accounted and preferred investments (note 5)		3,865,295		420,279
Income from preferred capital investments (note 6)		256,747		28,575
General and administrative		1,505,082		1,456,474
Professional fees		312,436		130,027
Net finance costs		2,053,139		3,032,620
Depreciation		-		19,371
		3,870,657		4,638,492
Net Income/(loss) before other income (expenses) and income taxes		2,646,729		(1,832,459)
Other income (expenses)				
Foreign exchange gain/ (loss)		(11,420)		278,039
Fair value adjustments of investment properties (note 4)		1,741,574		1,861,977
Share based compensation (notes 11, 12 and 19)		(329,230)		(483,651)
Fair value gain on derivative financial instruments (note 12)		-		34,179
Gain on disposition of investment properties		-		117,945
Total other income (expenses)		1,400,924		1,808,489
Net income/(loss) before income taxes and discontinued operations		4,047,654		(23,970)
Income tax expense/(recovery) (note 20)		(95,015)		(6,352)
Net Income/(loss) from continuing operations		4,142,669		(17,618)
Net income from discontinued operations (net of income tax expense) (notes 20 and 21)		1,486,689		1,347,245
Net income and comprehensive income		5,629,358		1,329,627
Basic net income per share				
From continuing operations (note 13)	$	0.66	$	0.00
From discontinued operations (note 13)	$	0.24	$	0.28
	$	0.90	$	0.28
Diluted net income per share				
From continuing operations (note 13)	$	0.52	$	0.00
From discontinued operations (note 13)	$	0.19	$	0.22
	$	0.71	$	0.22

See accompanying Notes to Consolidated Financial Statements

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

	Share capital	Contributed surplus	Equity portion of convertible debentures	Accumulated foreign currency translation reserve	Deficit	Total
Balance at December 31, 2016	64,720,400	4,073,613	1,242,017	3,331,940	(38,660,519)	34,707,449
Issuance of shares from Equity Offering (note 10(a),(b),(c),(d))	13,285,610	-	-	-	-	13,285,610
Issuance of warrants from Equity Offering (note 10(a) and 12(a(i))	-	573,692	-	-	-	573,692
Issuance costs (note 10)	(1,163,310)	-	-	-	-	(1,163,310)
Issuance of options (notes 11 and 12(b(i))	-	476,615	-	-	-	476,615
Expiration of warrants	-	(23,725)	-	-	-	(23,725)
Net income and comprehensive income for the year	-	-	-	-	1,329,627	1,329,627
Dividends (note 14)	-	-	-	-	(440,867)	(440,867)
Balance at December 31, 2017	76,842,700	5,100,195	1,242,017	3,331,940	(37,771,757)	48,745,095
Issuance of shares from Equity Offering ((note 10)(e))	6,211,579	-	-	-	-	6,211,579
Issuance of warrants from Equity Offering (note 10(e) and 12(a)(ii)	-	338,229	-	-	-	338,229
Issuance costs (note 10)	(115,973)	-	-	-	-	(115,973)
Issuance of options (notes 11 and 12(b)(ii)	-	401,182	-	-	-	401,182
Expiration of options		(74,868)	-	-	-	(74,868)
Net income and comprehensive income for the year	-	-	-	-	5,629,358	5,629,358
Dividends (note 14)	-	-	-	-	(1,424,207)	(1,424,207)
Balance at December 31, 2018	82,938,306	5,764,738	1,242,017	3,331,940	(33,566,606)	59,710,395
Shares Outstanding	6,936,306					

See accompanying Notes to Consolidated Financial Statements

FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

Consolidated Statement of Cash Flows
Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

	December 31, 2018	December 31, 2017
	$	$
Operating activities		
Net income/(loss) before income taxes and discontinued operations	4,047,654	(23,970)
Income tax expense/(recovery) (note 20)	(95,015)	(6,352)
Net Income/(loss) from continuing operations	4,142,670	(17,618)
Net income/(loss) from discontinued operations (net of income tax expense) (notes 20 and 21)	1,486,688	1,347,245
Net income and comprehensive income	5,629,358	1,329,627
Add (Deduct):		
Depreciation	9,922	19,371
Accretion expense	292,532	761,604
Fair value adjustments of investment properties (notes 4 and 18)	(2,433,831)	(2,933,626)
Fair value adjustments of equity accounted investments (note 5)	(2,742,253)	-
Share based compensation (notes 11, 12 and 19)	329,230	483,651
Fair value gain on derivative financial instruments (notes 11 and 12)	-	(34,179)
Gain on disposition of investment properties	-	(117,945)
Deferred tax liability	(129,114)	477,031
Changes in non-cash operating working capital:		
Accounts receivable	207,186	11,553
Prepaid expenses and other assets	(89,387)	(146,462)
Accounts payable and accrued liabilities	(344,248)	(356,223)
Provisions		(40,034)
Total operating activities	729,397	(545,632)
Investing activities		
Proceeds received from redemption of equity accounted and preferred investments (note 5)	1,777,188	-
Proceeds received from redemption of preferred capital investments (note 6)	520,833	-
Equity accounted and preferred investments, net of distributions (note 5)	(15,038,662)	(6,590,316)
Preferred capital investments, net of distributions (note 6)	(7,197)	(2,513,990)
Capital expenditures on investment properties (notes 4 and 18)	(442,053)	(1,246,260)
Proceeds from disposition of assets held for sale (note 18)	13,678,088	15,243,998
Total investing activities	488,196	4,893,432
Financing activities		
Proceeds from equity and warrant issuances, net of issuance costs (note 10)	6,433,835	12,695,992
Warrant expiration	-	(23,725)
Proceeds from promissory note receivable	-	977,554
Cash dividends paid (note 14)	(1,378,724)	(96,186)
Repayment of notes payable	-	(11,002,738)
Repayment of convertible debentures (note 7)	(11,006,050)	(4,875,000)
Mortgages, advances (note 8)	8,050,000	-
Repayment of mortgages (note 8)	(8,417,582)	(123,822)
Total financing activities	(6,318,521)	(2,447,925)
Increase in cash and cash equivalents and restricted cash	(5,100,929)	1,899,875
Cash and cash equivalents and restricted cash, beginning of period	8,106,535	6,206,660
Cash and cash equivalents and restricted cash, end of period	3,005,606	8,106,535
Consisting of:		
Cash and cash equivalents	2,374,340	6,224,567
Restricted cash	631,266	1,881,968

See accompanying Notes to Consolidated Financial Statements

1. Nature of operations

Firm Capital American Realty Partners Corp. (the "**Company**") was incorporated under the Business Corporations Act (Ontario) on March 19, 2007. The Company trades on the TSX Venture Exchange ("**TSXV**") under the trading symbols "FCA.U" and "FCA". The address of the Company's registered office is 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5.

The Company is focused on the following investment platforms:

Income Producing Real Estate Investments: Acquiring income producing real estate assets in major cities across the United States. Acquisitions are completed solely by the Company or in joint-venture partnerships with local industry expert partners who retain property management; and

Mortgage Debt Investments: Real estate debt and equity lending platform in major cities across the United States. Focused on providing all forms of bridge mortgage loans and equity accounted and preferred investments.

The financial statements were approved and authorized for issue by the Board of Directors on March 13, 2019.

2. Basis of presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in US dollars which is the Company's reporting currency. Standards and guidelines not effective for the current accounting period are described in note 3(a). Standards and guidelines implemented and effective for the current accounting period are described in note 3(b).

Statement of compliance

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

Basis of measurement

The consolidated financial statements have been prepared on the cost basis except as otherwise noted.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are consolidated from the date control commences until control ceases.

Functional currency

As at December 31, 2018, the Company and all of its subsidiaries' functional currencies are the US Dollar ("USD").

Investment properties

The Company's investment properties include multi-family residential properties that are held to earn rental income. Investment properties acquired through a business combination are recognized at fair value. Investment properties acquired through an asset purchase are initially recognized at cost, which includes all amounts directly related to the acquisition of the properties. All costs associated with upgrading and extending the economic life of the existing properties, other than ordinary repairs and maintenance, are capitalized to investment properties. Investment properties are re-measured to fair value at each reporting date. Fair value is determined based on internal valuation models, statistical market evidence and valuations by third-party appraisers. Changes in the fair value of investment properties are recorded in the consolidated statement of income and comprehensive income in the period in which they arise. Investment properties are not amortized.

Equity Investments

Investments in entities where the Company exercises significant influence are accounted for using the equity method and are recorded initially at cost plus the Company's share of income or loss to date including the fair value adjustments to the underlining investment properties with evidence from 3rd party appraisals less dividends or distributions received.

Preferred Capital Investments

Preferred capital investments are debt and/or equity investments provided to sponsors or borrowers to acquire real estate investments that are typically ranked above common equity and generate a fixed rate of return over the life of the investment.

Assets held for sale and discontinued operations

Non-current assets and groups of assets and liabilities which are comprised of disposal groups are presented as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Where an asset or disposal group is acquired with a view to resale, it is classified as a current asset held for sale if the disposal is expected to take place within one year of the acquisition. Non-current assets held for sale and disposal groups are carried at fair value less costs to sell.

When a component of an entity has been disposed, or is reclassified as held for sale, and it represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, the related results of operations and gain or loss on reclassification or disposition are presented in discontinued operations. The profit or loss arising on disposition of assets or disposal groups that do not represent discontinued operations are presented in gains (losses) on disposition of investment properties.

Accounting for acquisitions

The Company assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("**IFRS 3**"). This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business, as defined in IFRS 3, and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the Company obtains controls of the business.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand to fund acquisition and other operating requirements. Cash and cash equivalents consists of cash on deposit and liquid money market funds, which are held at major Canadian and American banking institutions.

Financial instruments - recognition and measurement

The company previously accounted for financial instruments in accordance with IAS 39, which has now been replaced by IFRS 9. IFRS 9 addresses the classification and measurement of financial assets and liabilities and introduces new rules for hedge accounting. IFRS 9 also a new impairment model based on an expected loss model which may result in earlier recognition of credit losses. IFRS 9 must be applied for financial years commencing on or after January 1, 2018.

The Company retrospectively adopted IFRS 9 on January 1, 2018, and has elected not to restate comparative information, in accordance with IFRS 9 transitional provisions. Management has determined that there was no material impact to financial assets and liabilities in connection with the transition to IFRS 9.

The Company recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value plus or minus directly attributable transaction costs when a financial asset or financial liability is not recognized at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement depends on the initial classification of the financial asset or financial liability.

The classification of financial assets depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified and measured based on the following categories:

- amortized cost
- fair value through other comprehensive income (“FVOCI”)
- fair value through profit or loss (“FVTPL”)

The following summarizes the Company’s classification of financial assets and liabilities:

	Notes	IAS 39 Classification	IFRS 9 Classification
Assets			
Preferred Capital Investments	6	Loans and receivables	Amortized cost
Accounts Receivable		Loans and receivables	Amortized cost
Deposits and Other Assets		Loans and receivables	Amortized cost
Restricted Cash		Cash and Cash Equivalents	FVTPL
Cash and Cash Equivalents		Cash and Cash Equivalents	FVTPL
Liabilities			
Accounts Payable and Accrued Liabilities		Other Liabilities	Amortized cost
Mortgages Payable	8	Other Liabilities	Amortized cost
Option Liabilities		Other Liabilities	FVTPL
Convertible debentures payable	7	Other Liabilities	Amortized cost
Deferred share unit liabilities	19	Other Liabilities	FVTPL

IFRS 9 also outlines a forward looking “expected credit loss” (“ECL”) model, which replaces the model that was previously used from IAS 39. For trade receivables, the Company group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure ECL’s related to trade receivables, includes assessing credit risk characteristics and the days past due. The Company has concluded that there was no significant impact to financial assets in connection with the change from the incurred loss model under IAS 39 to the ECL model under IFRS 9.

To measure the expected credit losses, trade receivables have been grouped based on similar assessed credit risk characteristics and the days past due. The Company has concluded that there was no significant impact to financial assets in connection with the change from the incurred loss model under IAS 39 to the ECL model under IFRS 9.

All of the Company’s loans receivable at amortized cost are considered to have low credit risk, and the loss allowance recognized during the period was therefore limited to 12 months expected losses. These financial assets are considered by management to be “low credit risk” when these financial assets have a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term.

Revenue recognition

The Company has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Non- rental revenue has been accounted for in accordance to IFRS 15, as discussed in note 3 below.

Finance costs

Finance costs comprise interest expense on borrowings and impairment losses, if any, recognized on financial assets.

Deferred share units

The Company's deferred share unit ("DSU") plan provides for grants to non-employee directors as a long-term incentive component of their compensation. DSU's vest immediately upon grant and are paid out in either cash or shares when a participant ceases to be a director of the Company. The DSUs are recorded as a liability at fair value at the date of grant. Each subsequent reporting period, the liability is updated to the period end fair value of the DSU's and changes are recorded as a deferred share unit compensation expense. The fair value of the DSU's are calculated based on the period ended share price of the Company.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except for items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax basis, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in net income (loss) in the year of change.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Warrants classified as derivative financial instruments

The Company's warrants, some of which have a CAD exercise price, which were issued in connection with its loan and notes payable are all considered derivative financial instruments as the Company's functional currency is USD. The instruments are initially recognized at fair value and are subsequently remeasured at fair value at each reporting period with the change being recorded in the consolidated statement of income/(loss) and comprehensive income/(loss) using the Black-Scholes option pricing model.

Share-based compensation

The fair value of options awarded to employees, directors, and lenders is measured using the Black-Scholes option pricing model and is recognized over the vesting periods in the consolidated statement of income/(loss) and comprehensive income/(loss) and in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon exercise of the option, consideration received, together with the amount previously recognized in contributed surplus, is reclassified as an increase to share capital.

Income (loss) per share

Basic income (loss) per share is computed by dividing the net income (loss) applicable to common shares of the Company by the weighted average number of common shares outstanding for the period. Diluted income per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. When there is a loss, no potential shares are included in the computation of the denominator as they are anti-dilutive.

Consolidated statement of cash flows

The Company prepares its consolidated statement of cash flows using the indirect method. The Company classifies interest received and paid as part of operating activities in the statement of cash flows.

Significant estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and judgements. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required.

The estimates and judgements used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

Equity accounted and preferred investments

Investments in entities where the Company exercises significant influence are accounted for using the equity method and are recorded initially at cost plus the Company's share of income or loss to date including the fair value adjustments to the underlining investment properties with evidence from 3rd party appraisals less dividends or distributions received.

Preferred capital investments

Preferred capital investments are classified in accordance with IFRS 9. Such investments are recognized initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, the investment loans are measured at amortized cost less any impairment provisions.

Accounts receivable and impairment of receivables

Assessment is made of the collectability of accounts receivable based on the ECL model. The company uses judgement in assessing credit risk characteristics of tenants.

Investment properties and assets held for sale

Investment properties are re-measured at fair value at each reporting date. The values are determined annually by a combination of an internal valuation model and external appraisals. To value the investment properties, significant estimates are used in the calculations such as capitalization rates, inflation rates, vacancy rates, and Net Rental Income.

Convertible debentures and valuation of derivative financial instruments

The Company has issued convertible debentures that have an embedded derivative feature, relating to the forced conversion upon the Company completing a going public transaction while meeting certain financing requirements. The derivative financial instrument is valued at the estimated additional equity value to be received above the par value of the convertible debentures upon conversion. The Company is required to estimate the period of time until the convertible debentures will be converted as well as the value of the forced conversion option.

Share-based compensation

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments on the date on which they are granted if the fair value of the goods or services received by the Company cannot be reliably estimated. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including expected life of the share-based payment, volatility and dividend yield, and making assumptions about them.

Deferred income taxes

Tax interpretations and regulations in the jurisdictions of operations are subject to change, and as such, income taxes are subject to measurement uncertainty. Deferred income tax assets and liabilities are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable income. Judgment is required in determining the manner in which the carrying amounts will be recovered.

3. Accounting policy changes

(a) Future Changes in accounting policies

IFRS 16 - Leases (“IFRS 16”). IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the consolidated financial statements with a “right of use” asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Company is currently assessing the impact of IFRS 16 to its consolidated financial statements.

(b) New changes in Accounting Policies

The following new standards and amendments to new standards were implemented effective January 1, 2018 and have been applied to these consolidated financial statements:

IFRS 7 - Financial Instruments: Disclosures (“IFRS 7”) was amended in October 2010. The amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of and risks associated with an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and liabilities. The amendments are effective for annual periods beginning on or after January 1, 2018 and are required to be applied in accordance with the standard. The Company’s adoption of IFRS 7 did not have a significant impact to these consolidated financial statements.

IFRS 9 - Financial Instruments ("IFRS 9") replaced IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 was amended by the IASB in October 2010 to provide guidance on the classification and reclassification of financial liabilities, their measurement and the presentation of gains and losses on financial liabilities designated as fair value through profit or loss (“FVTPL”). When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company implemented the new requirements of IFRS 9 retrospectively without restatement of comparatives as outlined in note 2 above.

(Expressed in US Dollars unless otherwise noted)

	Notes	IAS 39 Classification	IFRS 9 Classification
Assets			
Preferred Capital Investments	6	Loans and receivables	Amortized cost
Accounts Receivable		Loans and receivables	Amortized cost
Deposits and Other Assets		Loans and receivables	Amortized cost
Restricted Cash		Cash and Cash Equivalents	FVTPL
Cash and Cash Equivalents		Cash and Cash Equivalents	FVTPL
Liabilities			
Accounts Payable and Accrued Liabilities		Other Liabilities	Amortized cost
Mortgages Payable	8	Other Liabilities	Amortized cost
Option Liabilities		Other Liabilities	FVTPL
Convertible debentures payable	7	Other Liabilities	Amortized cost
Deferred share unit liabilities	19	Other Liabilities	FVTPL

IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”). In May 2014, the IASB issued IFRS 15, which replaces IAS 11 - Construction Contracts, IAS 18 - Revenue and IFRIC 13 - Customer Loyalty Programs, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15 did not have a significant impact on the Company’s revenue streams and the pattern of revenue recognition.

4. Investment properties

	December 31, 2018	December 31, 2017
	$	$
Balance, beginning of year	42,651,982	44,671,717
Additions:		
Building improvements	390,039	218,288
Transfers to assets held for sale (note 18)	-	(4,100,000)
Fair value adjustments to investment properties	1,741,574	1,861,977
Balance, end of year	44,783,595	42,651,982

The investment properties as at December 31, 2018 consist of 311 multi-family apartment units in three buildings located in Florida and Texas.

The Company determined the fair value of the remaining investment properties using a combination of an internally managed valuation model and property appraisals. The key valuation assumptions for the properties are set out in the following table on a stabilized basis:

	December 31, 2018	December 31, 2017
Key Assumptions		
Capitalization rate	5.00%	5.25%
Occupancy rate	95% - 97%	95% - 97%
Weighted average net rental income	$ 925,264	$915,994

The fair values of the Company's investment properties are sensitive to changes in key valuation assumptions. Changes in capitalization rates would result in a change in fair value of the Company's investment properties as set out in the following table:

	December 31, 2018
	$
Capitalization rate increase by 25 basis points	(2,132,000)
Capitalization rate decrease by 25 basis points	2,375,000

5. Equity Accounted and Preferred Investments

The Company has invested in the equity accounted and preferred investments.

(In $millions unless otherwise stated).

			Equity Accounted and Preferred Investments					
Location	**Units**	**Purchase Price (A)**	**Preferred**	**Common**	**Total**	**Preferred Yield**	**Ownership % (B)**	**Pro- Rata Ownership (A*B)**
New York City	129	$ 38.4	$ 4.9	$ 1.4	$ 6.3	8%	22.8%	$ 8.8
Brentwood, MD	116	9.8	-	1.2	1.2	-	25.0%	2.5
Bridgeport, CT	462	30.5	2.7	3.3	6.0	9%	30.0%	9.2
Irvington, NJ	189	17.8	2.6	0.9	3.5	9%	50.0%	8.9
Houston, TX	235	15.3	3.6	1.3	4.9	9%	50.0%	7.7
Bronx, NY	132	23.4	4.8	2.0	6.8	8%	50.0%	11.7
Total/ Wtd. Avg.	**1,263**	**$ 135.2**	**$ 18.6**	**$ 10.1**	**$ 28.7**	**8.5%**	**35.9%**	**$ 48.8**

The Company has significant influence over these equity accounted and preferred investments as further outlined below:

New York City: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 14.6% of the preferred equity and 7.3% of the common equity;

Brentwood, Maryland: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 20.0% of the common equity; and

Bridgeport, Connecticut: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 18.0% of the preferred equity and 9.0% of the common equity.

Outlined below are the details of the Company's net investment in the equity accounted and preferred investment comprised of common interests, accounted for using the equity method and preferred interests, accounted as preferred capital loans, along with the balance sheet and statement of income (each at 100% of the equity accounted and preferred investment) and income allocation from the equity accounted and preferred investments for the year ended December 31, 2018 and 2017:

(Expressed in US Dollars unless otherwise noted)

	December 31, 2018	December 31, 2017
Equity Accounted and Preferred Investments, Beginning of Year	$ 12,694,453	$ 6,104,137
Investments		
- Preferred Equity	10,834,248	4,471,957
- Common Equity	4,503,500	1,810,856
- Redemption of Preferred Equity	(1,777,188)	-
Income Earned		
- Interest on Preferred Capital Loan	1,231,720	548,345
- Common Equity	(108,678)	(128,066)
- Fair Value Adjustments	2,742,253	-
Less: Distributions and interest received	(1,422,129)	(112,775)
Equity Accounted and Preferred Investments, End of Year	**$ 28,698,180**	**$ 12,694,453**

	December 31, 2018	December 31, 2017
Assets		
Cash	$ 4,437,769	$ 4,674,216
Accounts Receivable	250,513	253,098
Other Assets	2,971,330	675,884
Investment Properties	151,062,573	80,337,489
	$ 158,722,185	**$ 85,940,687**
Liabilities		
Accounts Payable	$ 1,360,264	$ 1,482,291
Security Deposits	1,023,323	584,037
Mortgages	102,960,000	54,561,321
	$ 105,343,587	**$ 56,627,649**
Equity		
Retained Earnings / (Deficit)	$ 6,398,977	$ (662,962)
Preferred Equity	26,055,870	17,698,262
Common Equity	20,923,751	12,277,738
	$ 53,378,597	**$ 29,313,038**
	$ 158,722,185	**$ 85,940,687**
Investment Allocation for the Company		
Preferred Equity	$ 18,568,745	$ 9,579,412
Common Equity	10,129,435	3,115,041
	$ 28,698,180	**$ 12,694,453**

(Expressed in US Dollars unless otherwise noted)

		December 31, 2018		December 31, 2017
Net Income				
Rental Revenue	$	11,493,954	$	4,954,116
Property Operating Expenses		(6,202,104)		(2,269,904)
Net Rental Income		**5,291,850**		**2,684,212**
General & Administrative		(517,969)		(413,741)
Interest Expense		(3,923,059)		(1,734,923)
Fair Value Adjustments		9,702,958		-
Net Income Before Preferred Equity Dividend	**$**	**10,553,780**	**$**	**535,548**
Less: Preferred Equity Dividend		(1,938,304)		(1,124,107)
Net Income	**$**	**8,615,475**	**$**	**(588,559)**
Income Earned by the Company				
Preferred Equity	$	1,231,720	$	548,345
Common Equity		2,633,575		(128,066)
	$	**3,865,295**	**$**	**420,279**

6. Preferred capital investments

On December 18, 2017, the Company closed a participation of $2.5 million in a $12.0 million preferred capital loan (the “Preferred Capital”) to fund the acquisition of a portfolio of three apartment buildings located in New York, New York. The Preferred Capital earns an interest rate of 12% per annum during its initial term of three years and, if the term is extended for a further two years, at an interest rate thereafter that is the greater of 13% or London Interbank Offered Rate (“LIBOR”) plus 10% per annum. The investment is interest only and may be repaid prior to maturity in whole or in part upon 30 days prior written notice.

On September 24, 2018, $2.5 million of the Preferred Capital was repaid leaving a principal balance of approximately $9.5 million. $2.0 million represents the Company’s pro-rata interest in the Preferred Capital as at December 31, 2018.

7. Convertible debentures payable

$21,600,000 Convertible Debentures

During the year ended December 31, 2013, the Company completed a multi-tranche private placement financing raising gross proceeds of $21,600,000 through the issuance of unsecured subordinated convertible debentures (the “Debentures”). The Debentures bear interest at 7% per annum, payable quarterly and mature on July 31, 2019. The Debentures also hold a conversion feature which allows the holder to convert at any time after the Company becomes a publicly traded entity, at a price of $33.82 per common share (the “Conversion Price”).

On February 29, 2016, the Company, with the approval of the convertible debenture holders, agreed to convert 20% of the $21,600,000 convertible debentures into common shares at a price of $15.00 per common share for a total of 286,018 common shares issued. This reduced the total amount payable under the convertible debentures to $17,310,000.

The Company also amended the terms of the remaining convertible debenture such that the interest rate was reduced from 7% to 5.5% for a period of 12 months, following which the interest rate reverted back to 7% per annum. The maturity date of the convertible debentures was amended from July 31, 2018 to July 31, 2019. The Debentures were granted the same security over the assets and undertaking of the Company as was formerly held by Note holders so that the Debentures are no longer unsecured.

As at December 31, 2018, the Debentures balance was $1.3 million (December 31, 2017 - $12.1 million).

(Expressed in US Dollars unless otherwise noted)

8. Mortgages payable

	December 31, 2018	December 31, 2017
	$	$
Mortgages payable	$ 18,355,310	$ 18,664,929
Less: current portion	(341,974)	(285,097)
	$ 18,013,336	$ 18,379,832

As at December 31, 2018 the Company had mortgages payable secured by the multi-family properties of $18,355,310 (including the current portion and net of unamortized financing costs) (December 31, 2017-$18,664,929) which bear interest at an average rate of 4.37% (December 31, 2017- 4.24%) per annum, and have maturity dates ranging between July 1, 2019 and June 1, 2023.

The following annual payments of principal and interest are required over the next five years and thereafter in respect of the mortgages:

	$
2019	1,150,389
2020	1,150,389
2021	1,150,389
2022	11,886,768
2023	6,195,246
Total	21,533,181

On February 15, 2018, the Company closed a supplemental loan of approximately $4.0 million from the first mortgage lender on its multi-family residential investment property located in Sunrise, Florida. The loan has a fixed interest rate of 5.8%, a term to maturity of approximately 4.6 years and an amortization period of 30 years.

On September 13, 2018, the Company repaid the $4.0 million first mortgage loan secured by 120 single family homes located in Atlanta, Georgia. To fund this repayment, the Company entered into a new first mortgage with the Firm Capital Corporation (see note 17(ii)). The new loan was a one year $4.1 million, 6.5% interest only, first mortgage fully secured by the same 120 single family homes. During the year ended December 31, 2018, the company repaid that mortgage in full.

9. Changes in net debt

The following table sets out an analysis of the movements in net debt for the year ended December 31, 2018:

	Cash & Cash Equivalents	Mortgages	Convertible Debentures	Net Debt
	$	$	$	$
As at December 31, 2017	8,106,535	(18,664,929)	(12,118,400)	(22,676,794)
Cash Flows	(4,874,479)	309,618	11,006,050	6,441,189
Non Cash Changes	(226,449)	-	(234,366)	(460,815)
As at December 31, 2018	3,005,606	(18,355,310)	(1,346,716)	(16,696,421)

10. Share capital

The Company is authorized to issue an unlimited number of common shares. The common shares are voting and entitle the holder to dividends as and when declared by the board of directors of the Company. The following is a summary of changes in common share capital:

(Expressed in US Dollars unless otherwise noted)

	Number of shares	Value
Balance at December 31, 2016	4,279,756	64,720,400
Issuance of shares from equity offering (a)	850,160	5,802,508
Issuance of shares from equity offering (b)	510,000	3,825,000
Issuance of shares from equity offering (c)	20,747	155,602
Issuance of shares from equity offering (d)	467,000	3,502,500
Less: Issuance Costs	-	(1,163,310)
Balance at December 31, 2017	6,127,663	76,842,700
Issuance of shares from equity offering (e)	808,643	6,211,579
Less: Issuance Costs	-	(115,973)
Balance at December 31, 2018	6,936,306	82,938,306

(a) On May 29, 2017, the Company issued 850,160 common shares at a price of $7.50 per share (CAD$10.24 per share based on the Bank of Canada daily noon rate of exchange of 1.36535). The Company raised total gross proceeds of approximately $6.3 million. Net of the value of the warrants as further described in note 12(a)(i) of these consolidated financial statements, the common shares had a value of approximately $5.8 million.

(b) On December 11, 2017, the Company issued 510,000 common shares at a price of $7.50 per share for total gross proceeds of approximately $3.8 million.

(c) On December 27, 2017, the Company issued 20,747 common shares at a price $7.50 per share (CAD$9.64 per share based on the Bank of Canada daily noon rate of exchange of 1.28565) for total gross proceeds of approximately $0.2 million.

(d) On December 28, 2017, the Company completed its underwritten public offering of 451,000 common shares at a price of $7.50 per share (CAD$9.64 per share based on the Bank of Canada daily noon rate of exchange of 1.28565) and 16,000 common shares at a price of $7.50 per share for aggregate total gross proceeds of approximately $3.5 million.

(e) On November 9, 2018 the Company issued 808,643 common shares at a price of $8.10 per share for total gross proceeds of approximately $6.6 million. Net of the value of the warrants as further described in 12 (a)(ii) of these consolidated financial statements, the common shares had a value of approximately $6.2 million.

11. Share-based compensation

The Company has a 10% rolling incentive stock option plan which provides for the issuance of incentive stock options to directors, management, employees and consultants of the Company.

As at December 31, 2018, the Company has 686,842 options issued and outstanding (December 31, 2017 – 507,159) at a $10.30 weighted average exercise price per share (December 31, 2017 - $10.92). Further details around the outstanding balances are detailed in note 12(b) of these consolidated financial statements.

12. Derivative financial instruments

As at December 31, 2018, the Company's derivative financial instruments consist of options and warrants. The exercise price for the options are in USD and the exercise price for the warrants are in both USD and CAD. Because some of the warrants have an exercise price that is denominated in a currency other than the Company's functional currency, the fair value of the exercise proceeds can vary due to foreign exchange rate fluctuations between CAD and USD and the warrants are therefore considered a derivative financial instrument.

(Expressed in US Dollars unless otherwise noted)

Warrants

(a) A continuity of the warrants reserve is as follows:

	Number of warrants	Warrants reserve		Weighted average exercise price
December 31, 2016	162,550	23,725	$	25.71
Issuance of warrants (note 12(a)(i))	850,160	573,692	$	8.50
Revaluation/expiry of warrants	(130,908)	(23,725)	$	26.05
December 31, 2017	881,802	573,692	$	8.87
Issuance of warrants (note 12(a)(ii))	808,643	338,229	$	9.50
Revaluation/expiry of warrants	(31,642)	-	$	26.05
December 31, 2018	1,658,803	911,921	$	8.95

The warrant reserve was calculated using the Black Scholes option-pricing model. The key assumptions used in the model were: stock prices ranging from $6.86 to $7.00; exercise price ranging from $8.50 to $9.50; expected life ranging, in years, from 2.0 to 2.7; 30% volatility; risk free rate ranging from 1.57% to 2.36%; and annual dividends of $0.225 per share.

The Company had the following warrants outstanding and exercisable as at December 31, 2018:

Issuance Date	Number of warrants		Weighted average exercise price	Expiry Date
May 29, 2017 (note 12 (a)(i))	850,160	$	8.50	May 29, 2020
November 9, 2018 (note 12 (a)(ii))	808,643		9.50	November 9, 2020
Total/ Weighted Average	1,658,803	$	8.95	

(i) On May 29, 2017, the Company issued 850,160 Warrants to participants in the common share offering as described in note 10(a) of these consolidated financial statements. The Warrants have an exercise price of $8.50 per warrant and expire on May 29, 2020.

(ii) On November 9, 2018, the Company issued 808,643 Warrants to participants in the common share offering as described in note 10(e) of these consolidated financial statements. The warrants have an exercise price of $9.50 per warrant and expire on November 9, 2020.

Options

(b) A continuity of the option reserve is as follows:

	Number of Options		Options reserve		Weighted average exercise price
December 31, 2016	69,704	$	-	$	32.25
Issuance of Options (note 12(b)(i))	437,455		476,615	$	7.50
December 31, 2017	507,159		476,615	$	10.92
Expiry of Options	(68,717)		(74,868)	$	7.50
Issuance of Options (note 12(b)(ii))	248,400		401,182	$	8.30
December 31, 2018	686,842		802,929	$	10.30

The option reserve as at December 31, 2018, was calculated on the issuance date using the Black Scholes option-pricing model. The key assumptions used in the model were; stock price ranging from

(Expressed in US Dollars unless otherwise noted)

$6.20 to $7.30; exercise price ranging from $7.50 to $8.30 ; expected life of approximately 10 years; volatility of 30%; risk free rate ranging from 1.69% to 2.22%; and dividends of $0.225 per share.

Issuance Date	Number of Options		Weighted average exercise price	Expiry Date
May 12, 2014	69,704	$	32.25	May 12, 2019
August 17, 2017 (note 12 (b)(i))	368,738	$	7.50	August 17, 2027
November 19, 2018 (note 12 (b)(ii))	248,400	$	8.30	November 19, 2028
Total/ Weighted Average	686,842	$	10.30	

The Company had the following options outstanding and exercisable on December 31, 2018.

(i) On August 17, 2017, the Company issued 437,455 Options to members of senior management and the board. The Options have an exercise price of $7.50 per option and expire on August 17, 2027. During the year ended December 31, 2018, 68,717 of these options were retired leaving a balance of 368,738 options.

(ii) On November 19, 2018, the Company issued 248,400 Options to members of senior management and the board. The Options have an exercise price of $8.30 per option and expire on November 19, 2028.

13. Net income / (loss) per share

	Years Ended			
	Years Ended December 31,			
		2018		2017
	$			
Net income/(loss) before income taxes and discontinued operations		4,047,654		(23,970)
Income tax expense/(recovery) (note 20)		(95,015)		(6,352)
Net Income/(loss) from continuing operations		4,142,669		(17,618)
Net income/(loss) from discontinued operations (net of income tax expense) (note 20)		1,486,688		1,347,245
Net income and comprehensive income	$	5,629,358	$	1,329,627
Weighted average shares - basic		6,253,947		4,817,612
Weighted average shares - diluted		7,989,901		5,998,994
Basic net income / per share				
From continuing operations	$	0.66	$	0.00
From discontinued operations	$	0.24	$	0.28
	$	0.90	$	0.28
Diluted net income / per share				
From continuing operations	$	0.52	$	0.00
From discontinued operations	$	0.19	$	0.22
	$	0.71	$	0.22

14. Dividends

For the Year ended December 31, 2018, the Company declared dividends of $0.05625 per common share resulting in total dividends of $1,424,207 (December 31, 2017- 440,867).

15. Financial instruments and risk management

Risk management

In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market prices and includes foreign currency and interest rate risk.

Foreign currency risk

The Company's operations are based principally in the United States of America, but it has exposure to foreign exchange risk from the CAD. Foreign exchange risk arises from the recognized financial assets and liabilities denominated in CAD. The following CAD amounts are presented in USD to demonstrate the effects of changes in foreign exchange rates:

	CAD
	$
Cash and other assets	61,783
Accounts payable and accrued liabilities	(161,000)
Total	(99,217)
Effect of +/- 10% change in exchange rate	(9,922)

Interest rate risk

The Company is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. As all mortgages, loans and notes payable bear interest at fixed rates, interest rate risk is limited to potential decreases in the interest rate offered on cash held with chartered Canadian and American financial institutions. The risk also exists of a change in interest rates when the Company is required to renew its debt. The Company's objective of managing interest rate risk is to minimize the volatility of earnings. Interest rate risk has been minimized as mortgages have been financed at fixed interest rates. As a result of debt not being subject to floating interest rates, changes in prevailing interest rates would not be expected to have a material impact on profit or loss.

Credit risk and concentration risk

Credit risk refers to the risk that a tenant, counterparty or lender will default on its contractual obligations resulting in financial loss to the Company. Financial instruments which are potentially subject to credit risk for the Company consists primarily of non-payment of accounts receivable. The Company mitigates this risk by monitoring the credit worthiness of its tenants and lenders. To ensure that tenants continue to meet their credit terms, the financial viability of tenants is kept under review. Credit risk, or the risk of a counterparty defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the Company obtains security deposits as collateral.

The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Company's strategy is to satisfy its liquidity needs using cash on hand, cash flow generated from operating activities, cash flow provided by financing activities, and divestitures of long term assets.

(Expressed in US Dollars unless otherwise noted)

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. The fair values of the Company's cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities are estimated by management to approximate their carrying values due to their short-term nature.

The Company classifies its fair value measurements in accordance with the three levels fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table summarizes information about assets measured at fair value on a recurring basis in the consolidated balance sheets and categorized by level of significance of the inputs used in making the measurements:

December 31, 2018		**Level 3**
Assets held for sale	$	3,085,841
Investment properties		44,783,595

There were no transfers between level 1 and 2 during the year ended December 31, 2018.

December 31, 2017		**Level 3**
Assets held for sale	$	16,019,657
Investment properties		42,651,982

16. Capital risk management

The capital of the Company includes equity, which is comprised of issued share capital, contributed surplus, equity portion of convertible debentures, warrants, accumulated foreign currency translation reserve and deficit. The Company's objective when managing its capital is to safeguard the ability to continue as a going concern in order to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support the Company's core activities, the acquisition, ownership, management and rental of residential real estate properties as discussed in note 1 of these consolidated financial statements.

Although the Company is not subject to any formal covenants, there are certain restrictions under the different debts and mortgages that the Company must target to stay in compliance with. The debt and mortgage holders have the option to enforce temporary restrictive measures against the Company if these targets are not met.

17. Related party transactions

(i) On November 1, 2015, The Company entered into a Management Agreement with Firm Capital Realty Partners Advisors Inc. (the "**Manager**"), an entity related to a director of the Company. Under the terms of the Agreement, the Manager provides a number of services to the Company, and is entitled to certain fees payable monthly, as follows:

a. **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Company,
b. **Acquisition Fee:**
   i. 1.0% of the first $300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
   ii. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.

c. **Performance Incentive Fees:** 15% of Adjusted Funds from Operation ("AFFO") once AFFO exceeds 8.0% of Net Asset Value ("**NAV**") per share.
d. **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.
e. **Property Management Fees:**
   i. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
   ii. Multi-unit residential properties with more than 120 units. 3.5% of Gross Revenue collected from the property.
   iii. Industrial or commercial property, 4.25% of Gross Revenue are collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property.
f. **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long-term listing agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property**.**
g. **Commercial Leasing Renewal Fees:** Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.
h. **Construction Development Property Management Fees:** Where the Manager is requested by the Company to construct tenant improvements or to renovate same, or where the Manager is requested by the Company to construct, modify, or re-construct improvements to, or on, the Properties (collectively, "**Capital Expenditures**"), the Manager shall receive 5.0% of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process wherein the total cost of such Capital Expenditures exceed $50,000.
i. **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Company's cash balances or Non-Performing Loans held by the Company, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Company's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonoured payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Company.
j. **Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Company:
   i. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Company (prorated to reflect the Company's participation in the investment). The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Company calculated on the Company's investment amount; and
   ii. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Company (with a 8.0% annual preferential return to be given to the Company on the

(Expressed in US Dollars unless otherwise noted)

Company's investment amount prior to the Manager receiving its share of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.

k. **Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The Company may terminate the Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by shareholders at a meeting and upon 24 months prior written notice. Upon termination, the Company shall pay to the Manager the following:

   i. 2% of the Gross Invested Assets of the Properties and the Company's other assets; and
   ii. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "**Termination Payment**").

For the year ended December 31, 2018, the Company has accrued and/or paid approximately $900,752 (December 31, 2017 - $1,009,794) in the form of asset, property, loan servicing, acquisition, placement and construction development property management fees. The Company has accrued $895,502 (December 31, 2017 - $708,291) under this Management Agreement, which is included in accounts payable and accrued liabilities.

(ii) On September 13, 2018, the Company entered into a new first mortgage with the Firm Capital Corporation, a mortgage banker that is related to certain officers and directors of the Company. The new mortgage was a one year $4.1 million, 6.5% interest only first mortgage fully secured by 120 single family homes in Atlanta, Georgia. During the year ended December 31, 2018, the company repaid that mortgage in full.

18. Assets held for sale

As at December 31, 2018, the Company had 31 single family homes located in Georgia (December 31, 2017– 227 units located in Georgia, New Jersey and Florida). The Company has classified the single family units as held for sale as the Company is actively marketing and intends to sell these properties within one year.

	December 31, 2018	December 31, 2017
	$	$
Balance, beginning of year	16,019,657	24,911,959
Transfers from investment properties (note 4)	-	4,100,000
Building Improvements	52,014	1,027,972
Dispositions	(13,678,088)	(15,078,192)
Fair value adjustments to assets held for sale	692,257	1,057,918
Balance, end of year	3,085,841	16,019,657
Liabilities		
Accounts payable and other liabilities	59,119	273,201
Liabilities related to assets held for sale	59,119	273,201

(Expressed in US Dollars unless otherwise noted)

The net cash flows associated with discontinued operations are as follows:

	Years Ended	
	December 31, 2018	**December 31, 2017**
	$	$
Operating activities	546,252	759,238
Investing activities	13,626,073	14,216,026
Net cash inflow	14,172,325	14,975,264

19. Deferred share units

On March 31, 2015, the Company adopted a deferred share unit ("DSU") plan. Under the terms of the plan, any units issued must be issued at a share price which is a minimum of the volume weighted average trading price of the shares on the TSXV for the five days trading immediately preceding the date on which DSUs are granted. Dividend equivalents are awarded in respect of DSU holders on the same basis as shareholders, and credited to the DSU holders account as additional DSUs. The maximum DSUs which may be awarded under the DSU plan shall not exceed 10% of the issued and outstanding common shares. The DSU plan is designed such that the board may elect to pay out the DSUs in either cash or common shares of the Company.

20. Income Taxes

(a) Income tax expenses

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% to the effective tax rates for the years ended December 31, 2018 and 2017 is as follows:

	December 31, 2018	**December 31, 2017**
	$	$
Net income before adjustments	5,500,244	1,806,658
Expected income tax recovery	1,457,565	478,764
Difference in foreign tax rates	(26,240)	(8,335)
Tax rate changes and other adjustments	39,469	(306,570)
Permanent differences	(1,586,393)	(211,130)
Unrealized foreign exchange	-	(249,923)
Changes in tax benefits not recognized	(13,514)	774,226
Income tax (recovery)/expense	(129,114)	477,031
Income tax recovery from continuing operations	(95,015)	(6,352)
Income tax expense from discontinued operations	(34,099)	483,383
Income tax (recovery)/expense	(129,114)	477,031

(b)Deferred taxes

The following table summarizes the components of the recognized deferred taxes:

	December 31, 2018	**December 31, 2017**
Deferred tax assets	$	$
Other Assets	-	31,323
Non-capital losses carried forward	5,156,657	6,468,476
	5,156,657	6,499,798

(Expressed in US Dollars unless otherwise noted)

Movement in net deferred tax liabilities:

	December 31, 2018	**December 31, 2017**
	$	$
Balance, beginning of year	(654,472)	(177,441)
Recognized in profit/loss	129,114	(477,031)
Balance, end of year	(525,358)	(654,472)

(c) Unrecognized Deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible differences:

	December 31, 2018	**December 31, 2017**
	$	$
Capital losses carried forward - Canada	-	1,293,781
Non-capital losses carried forward - Canada	30,038,709	29,948,469
Share issuance costs	834,507	1,070,802
Other temporary differences	370,345	579,746

The non-capital loss carry forwards expire between 2027 and 2038. Deferred tax assets in respect of approximately $10.0 million of these losses have not been recognized. Share issuance costs will be fully amortized in 2021. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The company's non-capital losses for Canadian tax purposes are also available for US branch purposes. The company has additional non-capital losses available for US branch purposes of approximately $12.0 million which will expire between 2031 and 2037. However, as there is no future tax value expected to be realized from these additional US branch losses, no deferred tax assets have been recognized for these loss carry forwards

21. Segmented information

The Company defines its reportable segments based on geographical locations and on asset types including single family buildings, multi-family buildings, equity accounted and preferred investments and corporate. The segmented information based on geographical and asset types are outlined below. Note that the segments of Georgia and New York, Tri State Area combined (net of income from equity investments and preferred capital investments) and the reportable segment of the single family homes represent the Company's discontinued operations:

Note: *New York Tri State Area defined as New York, New Jersey and Connecticut.

(Expressed in US Dollars unless otherwise noted)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Year Ended December 31, 2018	$	$	$	$	$	$	$
Rental revenue	1,069,798	2,363,428	-	214,780	1,773,512	-	5,421,518
Operating costs	(230,761)	(423,518)	-	25,065	(374,180)	-	(1,003,395)
Utilities	(69,878)	(240,072)	-	(31,996)	(88,283)	-	(430,229)
Property taxes	(112,690)	(385,524)	-	(74,116)	(259,886)	-	(832,216)
Net rental income	656,468	1,314,314	-	133,734	1,051,162	-	3,155,678
Income from equity accounted and preferred investments	-	-	914,610	2,620,973	329,713	-	3,865,295
Income from preferred capital investments	-	-	-	256,747	-	-	256,747
General and administrative	-	-	-	-	-	(1,505,082)	(1,505,082)
Professional fees	-	-	-	-	-	(312,436)	(312,436)
Finance costs	-	-	-	-	-	(2,053,139)	(2,053,139)
Segment income (loss) from operations	656,468	1,314,314	914,610	3,011,454	1,380,875	(3,870,657)	3,407,063
Foreign exchange gain	-	-	-	-	-	(11,420)	(11,420)
Fair value adjustments of properties	995,843	1,104,589	-	(303,586)	636,985	-	2,433,831
Share based compensation	-	-	-	-	-	(329,231)	(329,231)
Net income (loss) before income taxes	1,652,312	2,418,903	914,610	2,707,868	2,017,860	(4,211,308)	5,500,244
Income tax (recovery)/expense	(38,786)	(56,781)	(21,471)	(63,565)	(47,367)	98,856	(129,114)
Net income (loss) for the period	1,691,098	2,475,684	936,079	2,771,433	2,065,227	(4,310,164)	5,629,358

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Year ended December 31, 2017	$	$	$	$	$	$	$
Rental revenue	1,154,735	2,799,775	-	816,260	1,858,452	-	6,629,221
Operating costs	(199,924)	(1,071,941)	-	(235,008)	(342,150)	-	(1,849,023)
Utilities	(91,203)	(289,937)	-	(139,042)	(118,838)	-	(639,020)
Property taxes	(193,557)	(369,226)	-	(227,728)	(234,509)	-	(1,025,020)
Net rental income	670,051	1,068,671	-	214,481	1,162,955	-	3,116,158
Income from equity accounted and preferred investments	-	-	120,798	299,481	-	-	420,279
Income from preferred capital investments	-	-	-	28,575	-		28,575
General and administrative	-	-	-	-		(1,456,474)	(1,456,474)
Professional fees	-	-	-	-		(130,027)	(130,027)
Finance costs	-	-	-	-		(3,032,620)	(3,032,620)
Depreciation and amortization	-	-	-	-		(19,371)	(19,371)
Segment income (loss) from operations	670,051	1,068,671	120,798	542,537	1,162,955	(4,638,492)	(1,073,480)
Foreign exchange gain	-	-	-	-	-	278,039	278,039
Fair value adjustments of properties	2,178,878	1,467,796	-	(474,072)	(238,975)	-	2,933,626
Gain on disposition of investment properties	-	117,945	-	-	-		117,945
Share based compensation	-	-	-	-	-	(483,651)	(483,651)
Fair value gain on derivative financial instruments	-	-	-	-	-	34,179	34,179
Net income (loss) before income taxes	2,848,929	2,654,412	120,798	68,465	923,980	(4,809,925)	1,806,658
Income tax (recovery)/expense	753,233	703,419	32,011	18,143	244,855	(1,274,630)	477,031
Net income (loss) for the period	2,095,696	1,950,993	88,787	50,322	679,125	(3,535,295)	1,329,627

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
As at December 31, 2018							
Total current assets	3,474,584	1,031,807	-	-	529,432	1,690,747	6,726,571
Total non-current assets	-	25,203,875	1,235,714	24,593,852	24,448,688	-	75,482,129
Total liabilities	(59,120)	(11,927,180)	-	-	(7,046,277)	(3,465,728)	(22,498,305)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
As at December 31, 2017							
Total current assets	12,223,687	1,185,822	-	4,493,287	397,851	6,578,468	24,879,115
Total non-current assets	-	23,758,972	1,025,929	14,182,515	18,893,010	10,121	57,870,546
Total liabilities	(4,054,200)	(8,157,479)	-	(147,534)	(7,204,417)	(14,440,937)	(34,004,567)

(Expressed in US Dollars unless otherwise noted)

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and Preferred Investments	Corporate	Total
Year Ended December 31, 2018	$	$			$	$
Rental revenue	1,285,684	4,135,834	-	-	-	5,421,518
Operating costs	(215,706)	(787,689)	-	-	-	(1,003,395)
Utilities	(106,207)	(324,022)	-	-	-	(430,229)
Property taxes	(203,437)	(628,779)	-	-	-	(832,216)
Net rental income	760,334	2,395,344	-	-	-	3,155,678
Income from equity accounted and preferred investments	-	-	-	3,865,295	-	3,865,295
Income from preferred capital investments	-	-	256,747	-	-	256,747
General and administrative	-	-	-	-	(1,505,082)	(1,505,082)
Professional fees	-	-	-	-	(312,436)	(312,436)
Finance costs	-	-	-	-	(2,053,139)	(2,053,139)
Segment income (loss) from operations	760,334	2,395,344	256,747	3,865,295	(3,870,657)	3,407,063
Foreign exchange gain	-	-	-	-	(11,420)	(11,420)
Fair value adjustments of properties	692,257	1,741,574	-	-	-	2,433,831
Share based compensation	-	-	-	-	(329,231)	(329,231)
Net income (loss) before income taxes	1,452,590	4,136,918	256,747	3,865,295	(4,211,308)	5,500,244
Income tax (recovery)/expense	(34,099)	(97,110)	(6,027)	(90,734)	98,856	(129,114)
Net income (loss) for the period	1,486,689	4,234,029	262,774	3,956,029	(4,310,164)	5,629,358

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and Preferred Investments	Corporate	Total
Year ended December 31, 2017	$	$	$	$	$	$
Rental revenue	2,083,106	4,546,115	-	-	-	6,629,221
Operating costs	(677,822)	(1,171,201)	-	-	-	(1,849,023)
Utilities	(249,093)	(389,927)	-	-	-	(639,020)
Property taxes	(397,212)	(627,808)	-	-	-	(1,025,020)
Net rental income	758,979	2,357,179	-	-	-	3,116,158
Income from equity accounted and preferred investments	-	-	-	420,279	-	420,279
Income from preferred capital investments			28,575	-		28,575
General and administrative	-	-	-	-	(1,456,474)	(1,456,474)
Professional fees	-	-	-	-	(130,027)	(130,027)
Finance costs	-	-	-	-	(3,032,620)	(3,032,620)
Depreciation and amortization	-	-	-	-	(19,371)	(19,371)
Segment income (loss) from operations	758,979	2,357,179	28,575	420,279	(4,638,492)	(1,073,480)
Foreign exchange gain	-	-	-	-	278,039	278,039
Fair value adjustments of properties	1,071,649	1,861,977	-	-	-	2,933,626
Gain on Disposition of Investment Properties		117,945	-	-	-	117,945
Fair value gain on derivative financial instruments	-	-	-	-	34,179	34,179
Share based compensation	-	-	-		(483,651)	(483,651)
Net income (loss) before income taxes	1,830,628	4,337,101	28,575	420,279	(4,809,925)	1,806,658
Income tax (recovery)/expense	483,383	1,149,332	7,572	111,374	(1,274,630)	477,031
Net income (loss) for the period	1,347,245	3,187,769	21,003	308,905	(3,535,295)	1,329,627

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and Preferred	Corporate	Total
As at December 31, 2018						
Total current assets	3,474,584	1,561,244	-	-	1,690,747	6,726,571
Total non-current assets	-	44,783,595	2,000,354	28,698,180	-	75,482,129
Total liabilities	(59,120)	(18,973,457)	-	-	(3,465,728)	(22,498,305)

(Expressed in US Dollars unless otherwise noted)

	Single	Multi-Family	Preferred Capital Investments	Equity Accounted and	Corporate	Total
As at December 31, 2017						
Total current assets	17,077,327	1,223,320	-	-	6,578,468	24,879,115
Total non-current assets	-	42,651,982	2,513,990	12,694,453	10,121	57,870,547
Total liabilities	(4,215,035)	(15,348,595)	-	-	(14,440,937)	(34,004,567)

22. Subsequent events

i. Single Family Home Sales

Subsequent to the year ended December 31, 2018, the Company closed sales on fourteen single family properties located in Atlanta for gross proceeds of approximately $1.4 million (net proceeds of approximately $1.3 million).

ii. Full Repayment of Debenture

Subsequent to the year ended December 31, 2018, the Company repaid approximately $1.3 million the Debentures, leaving no outstanding balance.

iii. Dividend Payments

On January 15, 2019, dividends of $0.05625 per common share that were accrued on December 31, 2018 were paid resulting in total dividends of $390,167.

iv. Share Repurchase

On January 30, 2019, the Company repurchased 1,000 common shares via a normal course issuer bid at a price of $6.80 per share for a total gross payment of $0.06 million.

v. Dividends

On March 13, 2019, the Company announced that it has declared and approved quarterly dividends in the amount of $0.059 per common share for shareholders of record on June 28, 2019 payable on or about July 15, 2019.