HALMONT PROPERTIES CORPORATION

Nine months ended September 30, 2018

Forward-Looking Information

This report contains forward-looking information concerning the company's business and operations. The words "expects", "believes", "continue", "intends", "objective", "likely", and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "can", "may", "will", "would", "should" or "could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking information. Forward-looking information in this report includes, among others, differences related to equity accounted investments as a result of the implementation of IFRS, the value of our investments, future income taxes, our ability to generate stable income returns and capital appreciation, fund cash requirements, finance our obligations, determine fair values and other statements with respect to the company's beliefs, outlooks, plans, expectations and intentions.

Although the company believes that the anticipated future results or achievements expressed or implied by the forward-looking information and statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking information and statements because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking information and statements.

Factors that could cause actual results to differ materially from those contemplated or implied by the forward-looking information include general economic conditions, the behavior of financial markets including fluctuations in interest and exchange rates, the availability of equity and debt financing and other risks and factors detailed from time to time in the company's other documents filed with the Canadian securities regulators.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to the company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, the company undertakes no obligation to publicly update or revise any forward-looking information or statements, whether written or oral, that may be as a result of new information, future events or otherwise.

Report to Shareholders

Net income for the third quarter ended September 30, 2018 attributable to common shareholders increased to $1,685,000 compared to $1,266,000 in 2017, bringing total net income for the first nine months of 2018 to $2,080,000 compared to $1,590,000 in 2017.

In May 2018, we acquired a leasehold interest in a downtown commercial building located at 221 Yonge Street, Toronto, Ontario for $5.5 million.

In July 2018, we provided a $14 million participating mortgage on a student residence with the right to 40% of the increase in the value of the property created from capital improvements completed prior to 2023.

The book value the Company's common shares increased to 49.5¢ per share at September 30, 2018. Since we revalue our assets each year in accordance with IFRS accounting principles; which take into account available market information and the terms of our partnership agreements, the book value of our common shares approximates their realizable values. Should the Company's shares trade at meaningful discounts to their realizable values for extended periods, we plan to repurchase shares through normal course issuer bids.

We plan to issue $25 million Senior Subordinated Debentures and $10 million Class B non-voting common shares to refinance the Company's recent investment initiatives and strengthen its capital structure for future growth. The Senior Debentures will be issued with a ten-year term and a 4.5% interest rate.

Thank you for your continued interest and please email us at admin@halmontproperties.com or call me directly at 647-448-7147 with any comments or enquiries you may have.

On behalf of the board,

Heather M. Fitzpatrick, President
November 28, 2018

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is intended to provide an assessment of the Company's performance for the nine months ended September 30, 2018 and the comparable period in the prior year, as well as provide information on our financial position and other relevant matters.

DESCRIPTION OF THE BUSINESS

The Company invests directly and indirectly in real assets, including commercial buildings, forest properties, and securities of companies holding property, energy and infrastructure assets.

The Company's principal areas of investment and the proportion of the Company's invested capital are as follows:

(thousands)	Invested Capital		Revenues	
Commercial Properties	$ 58,120	38%	$ 2,778	55%
Forest Properties	32,708	21%	959	19%
Residential Properties	8,594	6%	–	–
Corporate Investments	32,347	21%	900	18%
Other Assets	20,490	13%	430	8%
	$ 152,259	100%	$ 5,067	100%

Commercial Properties

Halmont's directly-owned commercial real estate assets, which represented approximately 38% of the Company's total assets at September 30, 2018, comprised four heritage commercial office buildings and the ground and second floor retail premises of a condominium complex located in the Toronto Entertainment District.

Property	Year Acquired	Ownership Interest	Assets
(thousands)			
51 Yonge Street	2006	100%	$ 5,695
220 King Street West	2014	100%	20,180
224 King Street West Ground and second floors	2016	75%	6,437
22 College Street	2017	100%	20,303
221 Yonge Street	2018	100%	5,505
			$ 58,120

We plan to increase the capital we have invested in commercial properties by acquiring other heritage category properties where there is a strong likelihood of achieving rental rate increases as adjacent properties undergo redevelopment.

Our objective is to enhance the value of our commercial properties portfolio by upgrading and re-tenanting the buildings, while also exploring redevelopment opportunities in conjunction with neighboring property owners.

Forest Properties

Our investment in forest properties is comprised of both common shares and participating preferred shares in Haliburton Forest & Wildlife Reserve Limited, ("Haliburton Forest"), representing an effective 40% equity interest. In aggregate, these investments represent approximately 21% of the Company's total assets. We plan to increase our investment in adjacent forest lands in the future through Haliburton Forest, should opportunities arise.

Haliburton Forest is managed on a sustainable basis, in accordance The Forest Stewardship Council (FSC®), by investing in long-life infrastructure such as logging roads, bridges and processing equipment. Forest product revenues are supplemented with income from recreational activities, including campsite rentals and the production of biochar for industrial and agricultural uses.

Residential Properties

In January 2017, the Company entered into an agreement to develop the peripheral lands of the Muskoka Grandview Resort property in Huntsville, Ontario. In this regard, we have agreed to a $10 million revolving loan facility to the joint operation to finance the sequential construction of a series of residential condominium buildings.

We plan to mitigate risks associated with the development of the Grandview Resort property by subdividing the lands into a number of distinct parcels on which separate residential condominium projects will be built by the joint operation on a phased basis after achieving targeted pre-sale levels.

Corporate Investments

Halmont, through a subsidiary, holds directly and indirectly shares of Brookfield Asset Management Inc. and other corporations owning and providing investment management services principally in real estate, energy and infrastructure sectors. These investments represent approximately 21% of the Company's total assets. After deducting $15.9 million of non-recourse participating equity securities issued by a subsidiary, Halmont's net effective investment in these entities represents approximately 11% of its total assets.

(thousands)	Nine months to Sept. 30 2018	Year ended Dec. 31 2017
Balance, beginning of period	$ 32,589	$ 31,115
Investments sold	(1,350)	-
Other comprehensive income	208	484
Equity accounted income	900	990
Balance, end of period	32,347	32,589
Non-controlling interests	15,968	15,573
Company's net investment	$ 16,379	$ 17,016

Our objective is to hold our current corporate investments for the long term as we expect them to continue to generate a reliable source of income, as well as provide access to professional relationships which assist us in pursuing new investment opportunities.

We account for our corporate investments using the equity method, whereby the investments are initially recorded at cost and adjusted for the Company's contractual share of income and distributions, while taking into account non-controlling participating equity interests in determining their realizable values.

Other Assets

Halmont's initial land development investment involved the acquisition of agricultural land adjacent to a proposed transit hub in Markham, Ontario, which was exchanged for a high-yield mortgage receivable, with partial principal repayments negotiated from time-to-time. Upon repayment of the remaining balance owing, the proceeds were reinvested on a temporary basis in a $5 million mortgage, due in 2020, secured by a prime residential property. In July 2018, the Company acquired a participating second mortgage for $14 million, due June 30, 2021. These loans, together with other future high yield property loans, will be structured to ensure they can be realized prior to their maturity dates to fund long-term investment opportunities as they arise.

CONSOLIDATED OPERATING RESULTS

The Company reported net income of $2,080,000 for nine months ended September 30, 2018 compared with $1,590,000 for the same period in the preceding year. Net income attributable to common shareholders increased to $1,685,000 compared to $1,266,000 in 2017.

Revenue and net income for the nine months ended September 30, 2018 increased compared with the previous year due principally to the additional capital invested in commercial properties.

The Company's financial results have been prepared in accordance with International Financial Reporting Standards. All inter-company transactions and balances have been eliminated on consolidation.

Management's Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

The Company has a $20 million revolving credit facility from a related party and a $10 million operating demand loan facility from a commercial bank. In addition, loans and mortgages receivable in the amount of approximately $20 million can be monetized in the short term.

SUMMARY FINANCIAL INFORMATION

	Nine months ended		Year ended	Year ended	Year ended
	Sept. 30, 2018	Sept. 30 2017	Dec. 31 2017	Dec. 31 2016	Dec. 31 2015
(thousands)					
Total assets	$ 152,259	$ 120,678	$ 129,313	$ 93,925	$ 76,755
Total revenue	5,067	3,969	5,972	4,698	4,538
Net income to common shareholders	1,685	1,266	2,601	2,012	1,970

RISKS AND ACCOUNTING ESTIMATES

A description of the principal risks to which the Company is exposed is described in the notes to the financial statements accompanying this MD&A.

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the carried amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. This subject is more fully dealt with in the notes to the consolidated financial statements accompanying this MD&A.

The carrying values of cash, loans and other receivables, accounts payables, the bank loan, mortgages payable, secured loans and due to affiliates approximate their fair values due to the short-term nature of these financial instruments.

EQUITY

The Company's issued equity capital is comprised of 83,940,000 million Class A Common Voting Shares.

In December 2016 the Company issued Subordinated Convertible Capital Notes, which have been classified and presented as equity. The Capital Notes are redeemable by the Company after December 31, 2020 by issuing 20 million Class B non-voting common shares to the holders.

CONTROLS AND PROCEDURES

The Company's management has evaluated the effectiveness of the Company's controls and procedures and has concluded that such controls and procedures are effective for the interim period ended September 30, 2018. No changes were made in internal controls over financial reporting during the interim period ended September 30, 2018 that have materially affected, or are reasonably likely to affect, the internal control over financial reporting.

RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are recorded at the exchange amounts agreed to between the parties.

REVIEW OF THE QUARTERLY FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements of the Company for the nine months ended September 30, 2018, have been prepared by and are the responsibility of the Company's management.

Additional information has been filed on SEDAR at www.sedar.com or may be obtained upon request from the Secretary of the Company at Suite 400 – 51 Yonge Street, Toronto, Ontario, M5E 1J1.

November 28, 2018

Consolidated Balance Sheet

(unaudited, in thousands of Canadian dollars)	Note	**September 30 2018**	December 31 2017
ASSETS			
Cash		**$ 47**	$ 31
Loans and other receivables	4	**20,443**	7,165
Commercial properties	5	**58,120**	52,349
Forest properties	6	**32,708**	31,748
Residential properties	7	**8,594**	5,431
Other corporate investments	8	**32,347**	32,589
Total Assets		**$ 152,259**	$ 129,313
LIABILITIES AND EQUITY			
Accounts payable and other		**$ 880**	$ 754
Bank loan	9	**335**	4,870
Mortgages payable	10	**17,973**	18,381
Secured loans	11	**25,300**	25,000
Due to affiliates	12	**36,554**	11,263
Deferred taxes		**3,779**	3,523
		84,821	63,791
Equity			
Non-controlling shareholders' interest	13(a)	**15,968**	15,573
Common shareholders' equity	13(b)	**41,468**	39,949
Subordinated convertible capital notes	13(c)	**10,000**	10,000
Total equity		**67,436**	65,522
Total Liabilities and Equity		**$ 152,259**	$ 129,313

See accompanying notes.

Approved by the Board on November 28, 2018 and signed on its behalf by:

Heather M. Fitzpatrick
President

David W. Kerr
Chairman

Consolidated Statement of Comprehensive Income

(unaudited, in thousands of Canadian Dollars)	Three months ended Sept 30 2018	2017	Nine months ended Sept 30 2018	2017
REVENUE				
Rental revenue	**$ 1,024**	$ 933	**$ 2,778**	$ 2,210
Interest and other investment income	**503**	311	**1,389**	1,044
Equity accounted income	**318**	253	**900**	715
	1,845	1,497	**5,067**	3,969
EXPENSES				
Interest	**609**	356	**1,470**	1,116
Property operations	**433**	400	**1,064**	879
General and administrative	**45**	58	**197**	116
Income taxes	**109**	103	**256**	268
	1,196	917	**2,987**	2,379
NET INCOME	**$ 649**	$ 580	**$ 2,080**	$ 1,590
Net income attributable to:				
Non-controlling interests	**$ 138**	$ 108	**$ 395**	$ 324
Common shareholders	**511**	472	**1,685**	1,266
Earnings per share – Fully diluted (Note 14)	**0.50 ¢**	0.61 ¢	**1.62 ¢**	1.63 ¢

Consolidated Statement of Changes in Equity

(unaudited in thousand of Canadian dollars)	Common Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity Attributable to Shareholders of the Company	Non-Controlling Interests	Subordinated Convertible Capital Notes	Total Equity
For the nine months ended September 30, 2018							
Balance, January 1, 2018	$ 18,460	$ 19,651	$ 1,838	$ 39,949	$ 15,573	$ 10,000	$ 65,522
Other comprehensive inome (loss)	-	-	208	208	-	-	208
Capital note interest	-	(375)	-	(375)	-	-	(375)
Net income	-	1,685	-	1,685	395	-	2,080
Balance, September 30, 2018	$ 18,460	$ 20,961	$ 2,046	$ 41,468	$ 15,968	$ 10,000	$ 67,436

Consolidated Statement of Cash Flows

(unaudited, in thousands of Canadian dollars)	Nine months ending Sept 30 **2018**	2017
OPERATING		
Net income	**$ 2,080**	$ 1,266
Items not involving cash:		
Equity accounted income	**(900)**	(790)
Fair value gains on forest properties	**(960)**	(811)
Other	**-**	26
Deferred taxes	**256**	269
Changes in non-cash working capital and other	**(814)**	(180)
	(338)	(220)
FINANCING		
Bank loan	**(4,535)**	-
Mortgage receivable	**-**	5,000
Mortgage payable	**(408)**	9,798
Shares issued	**-**	4,470
Secured loans	**300**	10,000
Advances from affiliates	**25,291**	567
Other	**(375)**	-
	20,273	29,835
INVESTING		
Commercial properties	**(5,771)**	(21,684)
Residential properties	**(3,163)**	(4,991)
Forest properties	**1,350**	(3,100)
Property Loans	**(12,337)**	-
	(19,921)	(29,775)
Net cash flow	**16**	(160)
Cash, beginning of period	**31**	187
Cash, end of period	**$ 47**	$ 27

See accompanying notes.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

Halmont Properties Corporation ("the Company") is incorporated and domiciled in Canada. The Company invests in commercial office and forest properties, and securities of companies holding property, energy and infrastructure assets. The Company is listed on the TSX Venture Exchange (the "Exchange"), and has its registered office at 51 Yonge Street, Suite 400, Toronto, Ontario, M5E 1J1.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These consolidated financial statements of the Company are unaudited and have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, IAS 34, as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements do not include all the information and disclosures required in the annual financial statements prepared under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2018.

These financial statements were authorized for issuance by the Board of Directors of the Company on November 28, 2018, and have been prepared by, and are the responsibility of, the Company's management.

b) Basis of Presentation

The consolidated financial statements are presented in thousands of Canadian dollars unless otherwise noted.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

(i) The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries, which are the entities over which the Company has control. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain full benefit from its activities. Non-controlling interests in the equity of the Company's subsidiaries are included in equity.

(ii) Corporate investments are entities over which the Company has significant influence over financial and operating policies. These investments are accounted for using the equity method whereby the investment is initially recognized at cost and adjusted for the Company's share of income and distributions. These investments are subject to shareholder agreements which determine the realizable value of the Company's investment on ultimate disposition.

(iii) The Company enters into joint arrangements with one or more parties whereby economic activity and decision-making are shared. A jointly controlled asset involves joint ownership, whereby each party is entitled to its share of the assets, liabilities, revenue and expenses. The Company accounts for its interests in and the results from jointly controlled assets, whereby the Company's share of each of the assets, liabilities, income and expenses of the joint operations are recorded in the financial statements.

c) Commercial Properties

Commercial properties are recorded at fair value at the balance sheet date. The changes in fair value are recorded in the consolidated statements of comprehensive income at year end. Fair value is determined based upon internal valuations, verified on a rotational basis by independent external appraisals conducted by qualified and experienced valuators. The Company appraises its commercial properties using the direct sales approach, which analyses recent sales and listings of properties with similar characteristics and features, the income approach, which analyses net operating income and capitalization rates, and finally the discounted cash flow approach, based on future free cash flow.

d) Financial Instruments

The Company adopted IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"), beginning on January 1, 2018, the mandatory effective date. IFRS 9 contains a new classification and measurement approach which requires financial assets to be classified and measured based on the business model in which they are managed and the characteristics of their contractual cash flows. IFRS 9 contain 3 principal classification categories for financial assets: measured at amortized costs, fair value through other comprehensive income and fair value through profit and loss, and eliminates existing categories of held to maturity, loan and receivables and available for sale. There was no material impact from the adoption of IFRS 9.

The Company's financial assets comprise cash and accounts and other receivables.

The Company's financial liabilities comprise accounts and other payables, mortgage indebtedness, secured loans and amounts due to affiliates.

e) Revenue recognition

The Company has retained substantially all of the risks and benefits of ownership of its income producing real estate and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the property subject to the lease. Generally, this occurs on the lease commencement date or, where the Company is required to make additions to the property in the form of tenant improvements, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line or free rent receivable, as applicable, is recorded for the difference between the rental revenue recorded and the contractual amount received. Rental revenue also includes recoveries of operating expenses, including property tax.

Interest income is recognized on the accrual basis and dividends from marketable securities are recognized when received. Gains (losses) in fair value of marketable securities are included in (charged to) income as they occur.

Gains on the sale of real estate are recognized when title passes to the purchaser and collection of proceeds is reasonably assured.

f) Income taxes

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income tax assets are recognized for all deductible temporary differences and for the carry forward of unused tax credits and unused tax losses only to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date to determine when recoverable. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

g) Use of estimates, judgments and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the carried amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses recorded during the period. Actual results could differ from those estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates and judgments in these financial statements.

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

(i) Commercial Properties

The critical judgments and estimates used when determining the fair value of commercial properties relate to identifying sales of comparable properties and estimates of expected future cash flows and of the suitable discount rates for the cash flows.

(ii) Degree of Influence

When determining the appropriate basis of accounting for the Company's corporate investments, the Company uses the following critical judgments and assumptions: the degree of power or influence that the Company exerts; the amount of potential voting rights which provide the Company or unrelated parties voting powers; the terms of shareholder or other contractual agreements; the ability to appoint directors; and the amount of benefit that the Company receives relative to other investors.

Other critical estimates utilized in the preparation of the Company's financial statements include the assessment of net recoverable amount for receivables, estimation of tax provision and the ability to utilize tax losses in the normal course.

h) Future changes in accounting policies

The following standards and amendments have not been adopted as they apply to future periods. They may result in future changes to our existing accounting policies and disclosures. The Company is currently evaluating the impact that these standards will have on its results of operations and financial position.

Leases

In January 2016, the IASB published a new standard to IFRS 16, Leases ("IFRS 16"). The standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 Leases and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, has also been applied. Adoption is not expected to have a material impact on Company's financial statements.

3. RISK MANAGEMENT

The Company is exposed to the following risks as a result of holding financial instruments: market risk (i.e. interest rate risk, currency risk and other price risks that impact the fair value of financial instruments); credit risk; and liquidity risk. There have been no changes in the Company's objectives, policies and processes for managing and measuring risk since the previous year. The following is a description of these risks and how they are managed.

a) Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates such as equity prices, commodity prices or credit spreads.

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in the net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in the fair value of financial instruments whose cash flows are fixed in nature. Financial instruments held by the Company that are exposed to market value risk include the mortgage receivable and due to and from affiliates.

The Company has no foreign currency risk.

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

b) Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations regarding accounts receivables and other. Exposure to credit risk in respect of financial instruments relates primarily to counterparty obligations.

c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund an obligation as it comes due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The primary source of liquidity consists of cash and financial assets, net of other liabilities, and undrawn committed credit facilities.

4. LOANS AND OTHER RECEIVABLES

Included in loans and other receivables is a $5 million mortgage receivable due on November 30, 2020, a $14 million participating second mortgage receivable due June 30, 2021, and $1.0 million of management share plan loans.

5. COMMERCIAL PROPERTIES

The Company holds a 100% interest in four Toronto, Ontario commercial office properties, and a 75% interest in the ground and second floor retail premises of a 47-storey residential complex adjacent to one of the Company's commercial office properties.

(thousands)	**September 30 2018**	December 31 2017
Balance, beginning of period	**$ 52,349**	$ 29,856
Additional investment	**5,771**	22,003
Fair value adjustments	**-**	490
	$ 58,120	$ 52,349

Fair value gains are recorded at year end.

6. FOREST PROPERTIES

The Company's investment in forest properties is comprised of both common shares and participating preferred shares in Haliburton Forest, which represents an effective 40% equity interest.

(thousands)	**September 30 2018**	December 31 2017
Balance, beginning of period	**$ 31,748**	$ 27,325
Additional investment	**-**	3,241
Fair value adjustments	**959**	1,182
	$ 32,708	$ 31,748

7. RESIDENTIAL PROPERTIES

The Company has a 60% interest in a residential development project in Huntsville, Ontario.

8. OTHER CORPORATE INVESTMENTS

The Company holds, directly and indirectly, investment interests in Brookfield Asset Management Inc. and other corporations with real estate and related infrastructure interests. Changes in the carrying amounts of these investments are as follows:

(thousands)	**September 30 2018**	December 31 2017
Balance, beginning of period	**$ 32,589**	$ 31,115
Investment sold	**(1,350)**	-
Other comprehensive income	**208**	484
Equity accounted income	**900**	990
Balance, end of period	**32,347**	32,589
Non-controlling interests	**15,968**	15,573
Company's net investment	**$ 16,379**	$ 17,016

9. BANK LOAN

The Company has a $10 million operating demand loan facility with a major Canadian Chartered Bank available until September 20, 2019.

10. MORTGAGES PAYABLE

The Company's mortgage indebtedness is secured by commercial properties located in Toronto, Ontario as follows:

(thousands)	Interest Rate	**September 30 2018**	December 31 2017
220 King Street West	3.81%	**$ 8,360**	$ 8,483
22 College Street	2.79%	**9,612**	9,898
		$ 17,973	$ 18,381

11. SECURED LOAN

The secured loans are subordinate to the Company's bank borrowings and are repayable as follows:

(thousands)	Interest Rate	**September 30 2018**	December 31 2017
Due January 1, 2019	prime + 0.5%	**$ 15,000**	$ 15,000
Due March 31, 2022	4.00%	**10,300**	10,000
		$ 25,300	$ 25,000

12. DUE TO AFFILIATES

Amounts due to affiliates bear interest at the prime lending rate plus half a percent, are unsecured and due on ten-days written notice, received on or after October 30, 2020.

13. EQUITY

a) Non-controlling Interests

This amount includes participating preferred shares and a 33% common share equity interest held by other shareholders in a subsidiary through which the Company holds its corporate investments.

(thousands)	September 30 2018	December 31 2017
Preferred shares	$ 8,000	$ 8,000
Common shares	7,968	7,573
Company's net investment	$ 15,968	$ 15,573

b) Common Shareholders' Equity

	September 30 2018	December 31 2017
Authorized		
Unlimited Class A Common Voting Shares without par value		
Unlimited Class B Common Non-Voting Shares without par value		
Issued and outstanding September 30, 2018 and December 31, 2017	Number of Shares (in thousands)	
Class A Common Shares	83,940	83,940

c) Subordinated Convertible Capital Notes

The Subordinated Convertible Capital Notes are due December 31, 2026, bear interest at a rate of 5% per annum and are redeemable by the Company after December 31, 2020 or earlier in the event of a material breach of a debt covenant, by issuing 2,000 Class B Non-Voting Common Shares of the Company for each $1,000 Capital Note. Interest is payable at the Company's option in cash or the issuance of additional Capital Notes. At September 30, 2018, the Company was in compliance with all debt covenants.

14. BASIC AND DILUTED EARNINGS PER COMMON SHARE

(thousands, except per share amounts)	September 30 2018	September 30 2017
Net income available to common shareholders	$ 1,685	$ 1,266
Weighted average number of Class A Common Shares issued (in thousands)	103,940	77,515
Basic and diluted earnings per Class A Common Share	1.62 ¢	1.63 ¢

15. OTHER INFORMATION

a) Related Party Transactions

Related party transactions with corporate investees are in the normal course of operations and are recorded at the exchange amounts agreed to between the parties.

The Company has a $20 million credit facility from a related party which bears interest at the prime rate plus 0.5% and is due on or after October 30, 2020.

b) Segmented Information

Segments are determined by the nature of products produced or services rendered.

The Company operates in one reportable segment, real estate, based on the nature of services provided. All the Company's assets and operations are located in Canada.

c) Financial Instruments

The fair value of amounts due to affiliates cannot be determined with sufficient reliability as no active market exists for such related party instruments. All of the Company's other financial instruments are carried at amounts that approximate fair value based on level 3 inputs in accordance with the IFRS 13 hierarchy. The fair values of amounts receivable are estimated using the present value of future cash flows based on current interest rates for financial instruments with similar conditions and maturity. The fair value of the Company's investment in Haliburton Forest is determined based on prescribed values per contractual agreements.

d) Capital Management

The permanent capital available to pursue the Company's operations as at September 30, 2018 was $67.4 million (December 31, 2017 – $65.5 million) comprised of $41.4 million (2017 – $39.9 million) attributable to shareholders of the Company, $15.9 million (2017 – $15.6) attributable to non-controlling interests and $10 million (2017 - $10 million) attributable to Subordinated Convertible Capital Note holders.

The Company's objectives when managing its capital are to maintain a sufficient amount of capital to support its operations and to enable it to respond to attractive investment opportunities should they arise. The Company is in compliance with all covenants and other capital requirements arising from the regulatory or contractual obligations of material consequence to the Company. There were no changes in the Company's approach to capital management during the year.

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Property Management

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Secretary and Treasurer

Ines N. Zaloshnja
Controller

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