

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of Halmont Properties Corporation ("Halmont", the "Company") is intended to provide an assessment of the Company's performance for the nine months ended September 30, 2019 and the comparable period in the prior year, as well as provide information on our financial position and other relevant matters. This MD&A should be read in conjunction with the unaudited consolidated financial statements and related notes as of September 30, 2019.

OVERVIEW 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:

	Assets		Revenues	
(thousands)				
Commercial Properties	\$ 58,485	34%	\$ 2,905 *	48%
Forest Properties	34,036	20%	998	16%
Residential Properties	24,498	14%	-	-
Corporate Investments	33,496	19%	1,038	17%
Other Assets	21,913	13%	1,157	19%
	\$ 172,428	100%	\$ 6,098	100%

* Excluding gain on sale of a commercial property

Commercial Properties

Halmont's directly owned commercial real estate assets, which represent approximately 34% of the Company's total assets at September 30, 2019, comprised four heritage commercial buildings and the ground and second floor premises of a residential condominium complex located in the Toronto Entertainment District.

During the quarter the Company sold a commercial building located at 220 King Street West for a gain of \$3 million after provision for taxes and the revaluation of our adjacent property.

Property	Year Acquired	Ownership Interest	Assets
(thousands)			
51 Yonge Street	2006	100%	\$ 6,010
224 King Street West	2016	75%	5,927
22 College Street	2017	100%	20,400
221 Yonge Street	2018	100%	5,532
401 Yonge Street	2019	100%	20,616
			\$ 58,485

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

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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 20% of the Company's total assets. We expect to increase our investment in forest lands in the future when opportunities arise.

Haliburton Forest is managed and harvested on a sustainable basis in accordance with 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

The Company acquired a 60% participation in the redevelopment of the peripheral lands of the Muskoka Grandview Resort in Huntsville, Ontario, in return for arranging construction financing and a committing to finance the sequential development of a series of residential condominium buildings.

We aim to mitigate the 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 on a phased basis after achieving targeted pre-sale levels. Currently, 71% of the units comprising the initial three buildings have been sold.

Corporate Investments

Halmont, through a subsidiary, holds an indirect interest in corporations owning and providing investment management services principally in the real estate, energy and infrastructure sectors. After deducting \$16.5 million of non-recourse participating equity securities issued by a subsidiary, Halmont's net effective investment in these entities represents approximately 10% of its total assets.

Changes in the carrying value of our corporate investments are as follows:

	Sept. 30, 2019	Dec. 31, 2018
(thousands)		
Balance, beginning of period	\$ 32,147	\$ 32,589
Investments sold	-	(1,635)
Other comprehensive income	312	(45)
Equity accounted income	1,038	1,238
Balance, end of period	33,496	32,147
Non-controlling interests	16,553	16,112
Company's net investment	\$ 16,943	\$ 16,035

Our objective is to hold our 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 business relationships which assist 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.

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Other Assets

Other assets are principally comprised of high-yield property loans including a \$5 million mortgage, due in 2020, secured by a prime residential property and a \$14 million participating second mortgage, with the right to receive 40% of the increase in the value of the property from capital improvements completed prior to 2023. These loans are 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 \$4,138,000 for the nine months ended September 30, 2019 compared with \$2,080,000 for the same period in the preceding year. Net income attributable to common shareholders increased to \$3,697,000 compared to \$1,685,000 in 2018.

Revenue and expenses for the nine months ended September 30, 2019 increased compared with the previous year due principally to the additional capital invested in commercial properties, loans receivable and a gain realized on the sale of a commercial property.

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.

LIQUIDITY AND CAPITAL RESOURCES

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

SUMMARY FINANCIAL INFORMATION

(thousands)	Nine months ended		Year ended	Year ended	Year ended	Year ended
	Sept. 30, 2019	Sept. 30, 2018	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Total assets	\$ 172,428	\$ 152,259	\$ 157,072	\$ 129,313	\$ 93,925	\$ 76,755
Total revenue	9,828	5,067	7,808	5,972	4,698	4,538
Net income to common shareholders	3,697	1,685	2,885	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 payable and other, bank loan, mortgages payable, senior debentures, secured loans and due to affiliates approximate their fair values due to the short-term nature of these financial instruments.

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EQUITY

The Company's issued equity capital is comprised of 83,940,000 Class A Common Voting Shares and 20,000,000 Class B Non-Voting Common Shares.

In addition the Company's Subordinated Convertible Capital Notes, which are classified and presented as equity, are redeemable by the Company after December 31, 2020 by issuing to the holders 20 million Class B Non-Voting Common Shares.

CONTROLS AND PROCEDURES

The Company's management has evaluated the effectiveness of the Company's disclosure, controls and procedures and has concluded that such controls and procedures are effective for the interim period ended September 30, 2019. No changes were made in internal controls over financial reporting during the interim period September 30, 2019 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 ANNUAL FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements of the Company for the nine months ended September 30, 2019, 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 27, 2019