

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of Halmont Properties Corporation ("Halmont", and /or the "Company") is intended to provide an assessment of the Company's performance for the nine months ended September 30, 2020 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, 2020.

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	\$ 58,733	27%	\$ 2,899	43%
Forest Properties	56,023	25%	1,644	24%
Residential Properties	41,613	19%	-	-
Corporate Investments	34,669	16%	833	12%
Other Assets	28,885	13%	1,389	21%
	\$ 219,923	100%	\$ 6,765	100%

Commercial Properties

Halmont's directly owned commercial real estate assets, which represent approximately 27% of the Company's total assets as at September 30, 2020, comprised four heritage commercial buildings and the ground and second floor premises of a residential condominium complex located in the Toronto Entertainment District.

Property	Year Acquired	Interest	Assets
(thousands)			
51 Yonge Street	2006	100%	\$ 6,016
224 King Street West	2016	75%	4,731
22 College Street	2017	100%	22,570
221 Yonge Street	2018	100%	4,800
401 Yonge Street	2019	100%	20,616
			\$ 58,733

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 a 40% equity interest in Haliburton Forest & Wildlife Reserve Limited ("Haliburton Forest"), as well as a \$20 million convertible preferred share equity interest in Macer Forest Holdings Inc. In aggregate, these investments represent approximately 25% of the Company's total assets. We expect to increase our investment in the forest sector 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 has a 60% participation in the redevelopment of the peripheral lands of the Muskoka Grandview Resort in Huntsville, Ontario, which was acquired in return for providing construction financing and committing to finance the sequential development of a series of residential condominium buildings.

The risks associated with the development of the Grandview Resort property have been mitigated 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, 82% of the units comprising the initial three buildings of the Muskoka Resort Development 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 \$17 million of non-recourse participating equity securities issued by a subsidiary, Halmont's net effective investment in these entities represents approximately 8% of its total assets.

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

	September 30, 2020	December 31, 2019
(thousands)		
Balance, beginning of period	\$ 33,941	\$ 32,147
Other comprehensive income	(105)	398
<u>Equity accounted income</u>	<u>833</u>	<u>1,396</u>
Balance, end of period	34,669	33,941
<u>Non-controlling interests</u>	<u>17,077</u>	<u>16,704</u>
<u>Company's net investment</u>	<u>\$ 17,592</u>	<u>\$ 17,237</u>

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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Loans and Other Receivables

The Company's loans and other receivables are comprised of approximately \$25 million high-yielding participating mortgages, with maturities across 2020 to 2022. 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 \$3,417,000 for the nine months ended September 30, 2020 compared with \$4,138,000 for the same period in the preceding year. Net income attributable to common shareholders decreased to \$2,444,000 compared to \$3,697,000 in 2019.

Excluding the gain on the sale of a commercial property which occurred in the third quarter of 2019, net income for the nine months ended September 30, 2020 increased to \$3,417,000 compared to \$2,225,000 in 2019 and net income attributable to common shareholders in 2020 increased to \$2,444,000 compared to \$1,784,000 in 2019.

Revenue for the nine months ended September 30, 2020 increased compared with the same period in the previous year due principally to the additional capital invested in 2019 in forest properties, as well as participating loans receivables. Expenses decreased compared with the previous year principally due to the impacts of COVID-19.

Interest and other investment income for the nine months ended September 30, 2019 include a gain of \$1.3 million after tax on the collection of a mortgage loan receivable, which is offset by fair value adjustments of \$1.3 million made for the possible impact of COVID-19.

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 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 \$25 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
	Sept. 30, 2020	Sept. 30, 2019	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Total assets	\$ 219,923	\$ 172,428	\$ 206,149	\$ 157,072	\$ 129,313
Total revenue	6,765	9,828	13,474	7,808	5,972
Net income to common shareholders	2,444	3,697	6,481	2,885	2,601

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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 recent outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company in future periods.

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.

The \$20,000,000 Class B convertible preferred shares are convertible into 30,769,230 Class B non-voting common shares on or before December 31, 2024.

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 20,000,000 Class B non-voting common shares.

CONTROLS AND PROCEDURES

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, 2020. No changes were made in internal controls over financial reporting during the interim period ended September 30, 2020 that have materially affected, or are reasonably likely to affect, the internal controls 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, 2020 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 20, 2020