

HALMONT PROPERTIES
CORPORATION

Nine months ended September 30, 2020

Forward-Looking Information

This report contains forward-looking information concerning the company's business and operations. The words "expects", "believes", "continue", "intends", "objective", "likely", "estimates", 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 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

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.

The increase in the Company's earnings compared to the same period in 2019 is due principally to the additional investment in 2019 in commercial and forest properties, as well as participating property loans.

With respect to the impact of COVID-19, our businesses overall performed well in the third quarter. However, our commercial and residential operations are being impacted and we are working to mitigate the consequences.

The fully diluted book value of each common share, including the net income in the third quarter, increased to 59¢ per common share compared to 53¢ at September 30, 2019.

In accordance with IFRS accounting principles we revalue our commercial properties and other investments, taking into account available market information and the relevant terms of our partnership agreements. As a result, the book value of our common shares approximates their realizable values.

Should the Company's shares trade at a meaningful discount to their realizable value for extended periods, we plan to repurchase shares through normal course issuer bids.

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 20, 2020

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.

Management's Discussion and Analysis

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.

Management's Discussion and Analysis

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

Management's Discussion and Analysis

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

Consolidated Balance Sheet

(unaudited)

(thousands of Canadian dollars)

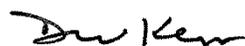
	Note	September 30, 2020	December 31, 2019
ASSETS			
Cash		\$ 102	\$ 58
Loans and other receivables	4	28,783	30,235
Commercial properties	5	58,733	60,033
Forest properties	6	56,023	53,600
Residential properties	7	41,613	28,282
Corporate investments	8	34,669	33,941
Total Assets		\$ 219,923	\$ 206,149
LIABILITIES AND EQUITY			
Accounts payable and other		\$ 3,491	\$ 1,823
Bank loan	9	1,903	3,747
Mortgages payable	10	18,007	18,413
Other loans payable	11	50,000	50,000
Due to affiliates	12	32,727	21,192
Deferred taxes		5,896	5,473
		112,024	100,648
Equity			
Non-controlling shareholders' interest	13(a)	17,077	16,704
Common and convertible preferred equity	13(b)	80,822	78,797
Subordinated convertible capital notes	13(c)	10,000	10,000
Total equity		107,899	105,501
Total Liabilities and Equity		\$ 219,923	\$ 206,149

See accompanying notes.

Approved by the Board on November 20, 2020 and signed on its behalf by:



Heather M. Fitzpatrick
President



David W. Kerr
Chairman

Consolidated Statement of Comprehensive Income

(unaudited) (thousands of Canadian dollars)	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
REVENUE					
Commercial property revenue		\$ 952	\$ 1,201	\$ 2,899	\$ 2,905
Interest and other investment income		435	391	2,689	1,157
Forest properties	6	557	339	1,644	998
Equity accounted income	8	245	354	833	1,038
Gain on sale and revaluation of commercial properties		-	3,730	(1,300)	3,730
		2,189	6,015	6,765	9,828
EXPENSES					
Commercial property operations		397	488	1,138	1,400
Interest		382	780	1,402	1,950
General and administrative		186	65	325	226
Income taxes		91	1,893	483	2,114
		1,056	3,226	3,348	5,690
NET INCOME		\$ 1,133	\$ 2,789	\$ 3,417	\$ 4,138
Net income attributable to:					
Common shareholders		\$ 820	\$ 2,640	\$ 2,444	\$ 3,697
Preferred shareholders		200	-	600	-
Non-controlling interests		113	149	373	441
Total		\$ 1,133	\$ 2,789	\$ 3,417	\$ 4,138
Net income per share:					
Basic	14	0.70 ¢	2.35 ¢	2.09 ¢	2.68 ¢
Diluted	14	0.53 ¢	2.05 ¢	1.58 ¢	2.45 ¢

See accompanying notes.

Consolidated Statement of Changes in Equity

(unaudited) (thousands of Canadian dollars)	Common and Convertible Preferred 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, 2020							
Balance, December 31, 2019	\$ 48,460	\$ 28,247	\$ 2,090	\$ 78,797	\$ 16,704	\$ 10,000	\$ 105,501
Other comprehensive income	-	-	(165)	(165)	-	-	(165)
Capital notes interest	-	(375)	-	(375)	-	-	(375)
Preferred share dividends	-	(600)	-	(600)	-	-	(600)
Tax	-	-	121	121	-	-	121
Net income	-	3,044	-	3,044	373	-	3,417
Balance, September 30, 2020	\$ 48,460	\$ 30,316	\$ 2,046	\$ 80,822	\$ 17,077	\$ 10,000	\$ 107,899

(unaudited) (thousands of Canadian dollars)	Common and Convertible Preferred 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 year ended December 31, 2019							
Balance, December 31, 2018	\$ 28,460	\$ 22,266	\$ 1,556	\$ 52,282	\$ 16,112	\$ 10,000	\$ 78,394
Issuance of common shares	20,000	-	-	20,000	-	-	20,000
Other comprehensive income	-	-	397	397	-	-	397
Capital notes interest	-	(500)	-	(500)	-	-	(500)
Tax	-	-	137	137	-	-	137
Net income	-	6,481	-	6,481	592	-	7,073
Balance, December 31, 2019	\$ 48,460	\$ 28,247	\$ 2,090	\$ 78,797	\$ 16,704	\$ 10,000	\$ 105,501

See accompanying notes.

Consolidated Statement of Cash Flows

(unaudited) (thousands of Canadian dollars)	Nine months ended September 30,	
	2020	2019
OPERATING		
Net income	\$ 3,417	\$ 4,138
Items not involving cash:		
Equity accounted income	(833)	(1,038)
Fair value adjustments	1,300	-
Fair value gains on forest properties	(1,644)	(998)
Deferred taxes	482	2,114
Changes in non-cash working capital and other	188	291
	2,910	4,507
FINANCING		
Bank loan	(1,844)	(1,372)
Mortgages payable	(406)	713
Secured loans	-	300
Due to affiliates	10,570	8,311
Preferred share dividends	(600)	-
Capital notes interest	(375)	(375)
	7,345	7,577
INVESTING		
Commercial properties, net	-	309
Residential properties	(12,339)	(12,383)
Forest properties	(779)	-
Property loans, net	2,907	-
	(10,211)	(12,074)
Net cash flow	44	10
Cash, beginning of period	58	40
Cash, end of period	\$ 102	\$ 50

See accompanying notes.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

Halmont Properties Corporation is incorporated and domiciled in Canada. The Company invests in commercial, residential 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 interim 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 interim 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, 2019.

These financial statements were authorized for issuance by the Board of Directors of the Company on November 20, 2020, 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 ventures 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 share in interests in and results from jointly controlled assets, whereby the Company's shares of each of the assets, liabilities, income and expenses of the joint venture 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, supplemented on a rotational basis by independent external appraisals conducted by qualified and experienced valuers. 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 the net operating income and capitalization rates, and finally the discounted cash flow approach, based on future free cash flows.

d) Financial Instruments

The Company's financial assets comprise cash, loans and other receivables, forest properties and corporate investments.

The Company's financial liabilities comprise accounts payable and other, bank loans, mortgages payable and other loans payable.

All the Company's assets and financial liabilities are classified as amortized cost with the exception of forest properties which are classified as fair value through profit and loss (FVTPL) and corporate investments which are classified as fair value through other comprehensive income (FVOCI).

e) Revenue recognition

The Company has retained substantially all the risks and benefits of ownership of its commercial properties 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 an accrual basis and dividends from marketable securities are recognized when declared.

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

Notes to the Consolidated Financial Statements

f) Income taxes

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 and terminal capitalization rates used in the discounted cash flow model.

(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.

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 mortgages receivable and due to 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.

Notes to the Consolidated Financial Statements

4. 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.

5. COMMERCIAL PROPERTIES

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

	September 30, 2020	December 31, 2019
(thousands)		
Balance, beginning of period	\$ 60,033	\$ 58,794
Additional net investment	-	(3,935)
Fair value adjustments	(1,300)	5,174
	\$ 58,733	\$ 60,033

6. FOREST PROPERTIES

The Company's investment in forest properties is comprised of common and participating preferred shares in Haliburton Forest, which represents an effective 40% equity interest and a \$20 million convertible preferred share investment in Macer Forest Holdings Inc.

	September 30, 2020	December 31, 2019
(thousands)		
Balance, beginning of period	\$ 53,600	\$ 33,037
Additional investment	779	20,000
Fair value adjustments	1,644	562
	\$ 56,023	\$ 53,600

7. RESIDENTIAL PROPERTIES

The Company has a 60% joint venture interest in a residential condominium development in Huntsville, Ontario, with the first delivery of completed units scheduled for 2020. Joint ventures are joint arrangements whereby the parties have joint control of the arrangement and have the rights to the net assets of the joint arrangement. The Company accounts for its joint ventures using the equity method of accounting, initially recognized at cost.

8. CORPORATE INVESTMENTS

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

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

Notes to the Consolidated Financial Statements

9. BANK LOAN

The Company has a \$10 million operating loan facility from a major Canadian Chartered Bank.

10. MORTGAGES PAYABLE

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

	Maturity Date	Interest Rate	September 30, 2020	December 31, 2019
(thousands)				
22 College Street	August 1, 2022	2.79%	\$ 8,816	\$ 9,120
401 Yonge Street	May 1, 2028	3.95%	9,191	9,293
			\$ 18,007	\$ 18,413

11. OTHER LOANS PAYABLE

	Maturity Date	Interest Rate	September 30, 2020	December 31, 2019
(thousands)				
Secured Loans	January 1, 2022	prime + 0.5%	\$ 15,000	\$ 15,000
	March 31, 2022	4.00%	10,000	10,000
Senior Debentures	December 31, 2028	4.50%	25,000	25,000
			\$ 50,000	\$ 50,000

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, 2022.

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.

	September 30, 2020	December 31, 2019
(thousands)		
Preferred shares	\$ 8,000	\$ 8,000
Common shares	9,077	8,704
	\$ 17,077	\$ 16,704

Notes to the Consolidated Financial Statements

b) Common and Convertible Preferred Equity

The Company's common and preferred equity is comprised as follows:

	September 30, 2020	December 31, 2019
(thousands)		
Class B convertible preferred shares	\$ 20,000	\$ 20,000
Class A voting & Class B non-voting common shares	60,822	58,797
	\$ 80,822	\$ 78,797

The Company is authorized to issue an unlimited number of preferred and common shares with no stated par value. Issued and outstanding shares as of September 30, 2020 is comprised of 83,940,000 Class A voting common, 20,000,000 Class B non-voting common and 20,000,000 Class B convertible preferred shares.

The issued \$20,000,000 convertible preferred shares bearing a 4% annual dividend and convertible into 30,769,230 Class B non-voting common shares on or before December 31, 2024.

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, 2020, the Company was in compliance with all debt covenants.

14. BASIC AND DILUTED EARNINGS PER COMMON SHARE

	September 30, 2020	December 31, 2019
(thousands, except per share amounts)		
Net income available to common shareholders - basic	\$ 2,168	\$ 6,113
Weighted average number of Common Shares issued	103,940	103,940
Basic earnings per Common Share	2.09 ¢	5.88 ¢
Net income available to common shareholders - diluted	\$ 2,444	\$ 6,481
Weighted average number of Common Shares issued plus dilution	154,709	124,614
Diluted earnings per Common Share	1.58 ¢	5.20 ¢

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 available a credit facility from a related party which bears interest at the prime rate plus 0.5% and is due on or after October 30, 2022.

The Company issued subordinated convertible capital notes to an affiliate in December 2016.

In December 2019, the majority of the issued convertible preferred shares were subscribed for by management and an affiliate, subject to a portion of the issue being available to the Company's other shareholders upon request.

Notes to the Consolidated Financial Statements

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 forest properties 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, 2020 was \$107.8 million (December 31, 2019 – \$105.5 million) comprised of \$80.8 million (2019 – \$78.8 million) attributable to shareholders of the Company, \$17 million (2019 – \$16.7 million) attributable to non-controlling interests and \$10 million (2018 – \$10 million) attributable to Subordinated convertible capital notes.

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.

HALMONT PROPERTIES
CORPORATION

Shareholder and Corporate Information

DIRECTORS

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Huntsville, ON

Heather M. Fitzpatrick, CPA
Toronto, ON

Randal L. Froebelius, P. Eng.
Toronto, ON

M. Diane Horton *
Toronto, ON

David W. Kerr *
Toronto, ON

Timothy R. Price*
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** Members of the Audit & Corporate Governance Committee*

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Chairman

Heather M. Fitzpatrick, CPA
President & CEO

Randal L. Froebelius, P. Eng.
Property Management

Anthony E. Rubin, CPA
Secretary and Treasurer

Ines N. Zaloshnja
Controller

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