

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of Halmont Properties Corporation ("Halmont", or the "Company") is intended to provide an assessment of the Company's performance for the nine months ended September 30, 2021, 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, 2021.

OVERVIEW OF THE BUSINESS

The Company invests directly and indirectly in real assets, including commercial buildings, forest properties, industrial 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 and Other Income	
(thousands)				
Commercial Properties	\$ 69,106	29%	\$ 2,385 *	34%
Forest Properties	55,514	23%	1,672	24%
Residential Properties	18,696	8%	-	0%
Industrial Properties	5,973	3%	-	0%
Corporate Investments	35,019	15%	718	10%
Other Assets	52,747	22%	2,303	33%
	\$ 237,055	100%	\$ 7,078	100%

* Includes Fair Value Changes

Commercial Properties

Halmont's directly owned commercial real estate assets, which represent approximately 29% of the Company's total assets as at September 30, 2021, comprised five heritage commercial buildings and the ground and second floor premises of a residential condominium complex.

Property	Year Acquired	Interest	Assets
(thousands)			
51 Yonge Street	2006	100%	\$ 5,816
224 King Street West	2016	75%	4,535
22 College Street	2017	100%	22,700
221 Yonge Street	2018	100%	7,190
401 Yonge Street	2019	100%	21,300
321 Lakeshore Road	2021	100%	7,565
			\$ 69,106

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. Two properties are currently under conditional sales contracts to other property developers, third under contract with a private investment group.

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Forest Properties

The Company's investment in forest properties is comprised of a 40% equity interest in Haliburton Forest & Wildlife Reserve Limited ("Haliburton Forest"), as well as a \$20.0 million convertible preferred share equity interest in Macer Forest Holdings Inc. In aggregate, these investments represent approximately 23% of the Company's total assets. Haliburton Forest acquired a third hardwood sawmill in late 2020, together with harvesting rights on one million acres of Central Ontario Crown Lands. 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% limited net profit partnership interest 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. Three of twenty planned buildings have been completed with registration and handover of the properties to the condo corporation completed, resulting in the Company receiving \$34.9 million on closing during the first two quarters of 2021.

The risks associated with the development of the Grandview Resort property have been substantially mitigated by subdividing the lands into several distinct parcels on which separate residential condominium projects will be built on a phased basis after achieving targeted pre-sale levels.

Corporate Investments

The Company, through a subsidiary, holds an indirect interest in corporations owning and providing investment management services principally in the property and infrastructure sectors. After deducting \$21.5 million of non-recourse participating preferred share equity interest issued by a subsidiary, Halmont's net effective investment in these entities represents approximately 6% of its total assets.

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

	September 30, 2021	December 31, 2020
(thousands)		
Balance, beginning of period	\$ 35,171	\$ 33,941
Investment sold	(1,052)	-
Other comprehensive income	182	153
Equity accounted income	718	1,077
Balance, end of period	35,019	35,171
Non-controlling interests	21,580	17,190
Company's net investment	\$ 13,439	\$ 17,981

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 \$44.5 million secured mortgages, with maturities through 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 \$2,877,000 for the nine months ended September 30, 2021, compared with \$3,417,000 for the same period in the preceding year. Net income attributable to common shareholders decreased to \$1,887,000 compared to \$2,444,000 in 2020.

Revenue for the nine months ended September 30, 2021, decreased principally due to the impact of COVID-19 on our commercial office property portfolio, compared to the same period in the previous year.

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 an affiliate and a \$10.0 million operating loan from a commercial bank. In addition, loans, and mortgages receivable in the amount of approximately \$44.5 million can be liquidated in the short term to raise cash if necessary.

SUMMARY FINANCIAL INFORMATION

	Nine months ended		Year ended	Year ended	Year ended
	Sept. 30, 2021	Sept. 30, 2020	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
(thousands)					
Total assets	\$ 237,055	\$ 219,923	\$ 220,185	\$ 206,149	\$ 157,072
Total revenues	7,078	6,765	11,219	13,474	7,808
Net income to common shareholders	1,887	2,444	4,821	6,481	2,885

The following table is a quarterly summary of the company's results for the eight most recently completed quarters:

	2021				2020			2019	
	Sept	Jun	Mar	Dec	Sept	Jun	Mar	Dec	Sept
(thousands)									
Revenue	\$ 2,724	\$ 2,201	\$ 2,153	\$ 4,453	\$ 2,189	\$ 1,842	\$ 2,735	\$ 3,603	\$ 6,015
Net income to common shareholder	\$ 484	\$ 781	\$ 622	\$ 2,377	\$ 820	\$ 854	\$ 770	\$ 2,589	\$ 2,640

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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 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 redeemed its subordinated convertible capital notes on December 31, 2020, by issuing 20,000,000 Class B non-voting common shares of the Company.

The Company's issued common share capital is comprised of 83,940,000 Class A voting common shares and 40,000,000 Class B non-voting common shares.

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

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, 2021. No changes were made in internal controls over financial reporting during the interim period ended September 30, 2021, 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 INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements of the Company for the nine months ended September 30, 2021 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 24, 2021