

**HALMONT PROPERTIES**  
**CORPORATION**

**Nine months ended September 30, 2021**

## 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

Net income for the nine months ended September 30, 2021, decreased to \$2,877,000 compared to \$3,417,000 in 2020 resulting in income attributable to common shareholders declining to \$1,887,000 from \$2,444,000 in 2020.

The decrease in the Company's earnings compared to the same period in 2020 is due principally to the impact of COVID-19 on our commercial office property portfolio. Our other business operations have performed well, and any issues relating to our commercial properties have recently been substantially addressed.

The diluted book value of each common share, including the net income in the third quarter, increased to 0.62¢ per common share compared to 0.59¢ on September 30, 2020.

In accordance with IFRS accounting principles we revalue our commercial properties and other investments at the end of each year, 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 the net realizable value of the Company's assets. 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](mailto: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 24, 2021

# 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.

# Management's Discussion and Analysis

## 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.

# Management's Discussion and Analysis

## 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

# 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 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](http://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

# Consolidated Balance Sheet

(unaudited)

(thousands of Canadian dollars)

	Note	September 30, 2021	December 31, 2020
<b>ASSETS</b>			
Cash		\$ 21	\$ 64
Loans and other receivables	4	52,726	21,629
Commercial properties	5	69,106	61,666
Forest properties	6	55,514	54,568
Industrial properties	7	5,973	-
Residential properties	8	18,696	47,087
Corporate investments	9	35,019	35,171
<b>Total Assets</b>		<b>\$ 237,055</b>	<b>\$ 220,185</b>
<b>LIABILITIES AND EQUITY</b>			
Accounts payable and other	10	\$ 5,090	\$ 3,545
Bank loan	11	81	2,523
Mortgages payable	12	17,451	17,870
Other loans payable	13	50,000	50,000
Due to affiliates	14	42,424	30,720
Deferred taxes		4,932	5,007
		<b>119,978</b>	<b>109,665</b>
Equity			
Non-controlling shareholders' interest	15(a)	21,580	17,190
Common and convertible preferred equity	15(b)	95,497	93,330
Total equity		<b>117,077</b>	<b>110,520</b>
<b>Total Liabilities and Equity</b>		<b>\$ 237,055</b>	<b>\$ 220,185</b>

See accompanying notes.

Approved by the Board on November 24, 2021, and signed on its behalf by:



Heather M. Fitzpatrick  
President



David W. Kerr  
Chairman

# Consolidated Statement of Net and Comprehensive Income

(unaudited) (thousands of Canadian dollars)	Note	Three months ended September, 30		Nine months ended September, 30	
		2021	2020	2021	2020
<b>REVENUE AND OTHER INCOME</b>					
Commercial property revenue		\$ 884	\$ 952	\$ 2,510	\$ 2,899
Interest and other income		1,080	435	2,303	2,689
Forest properties	6	569	557	1,672	1,644
Equity accounted income	9	232	245	718	833
Fair value (loss) gain on commercial properties		(41)	-	(125)	(1,300)
		<b>2,724</b>	2,189	<b>7,078</b>	6,765
<b>EXPENSES AND OTHER COSTS</b>					
Commercial property operations		527	397	1,449	1,138
Interest		1,091	382	2,529	1,402
General and administrative		188	186	271	325
Income taxes (recovery) expense		72	91	(48)	483
		<b>1,878</b>	1,056	<b>4,201</b>	3,348
<b>NET INCOME</b>		<b>\$ 846</b>	\$ 1,133	<b>\$ 2,877</b>	\$ 3,417
<b>Net income attributable to:</b>					
Common shareholders		\$ 484	\$ 820	\$ 1,887	\$ 2,444
Preferred shareholders		200	200	600	600
Non-controlling interests		162	113	390	373
Total		<b>\$ 846</b>	\$ 1,133	<b>\$ 2,877</b>	\$ 3,417
<b>Net income per share:</b>					
Basic	16	<b>0.39 ¢</b>	0.70 ¢	<b>1.52 ¢</b>	2.09 ¢
Diluted	16	<b>0.44 ¢</b>	0.53 ¢	<b>1.61 ¢</b>	1.58 ¢

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 interim period September 30, 2021							
<b>Balance, December 31, 2020</b>	<b>\$ 58,460</b>	<b>32,837</b>	<b>\$ 2,033</b>	<b>\$ 93,330</b>	<b>\$ 17,190</b>	<b>\$ -</b>	<b>\$ 110,520</b>
Other comprehensive income	-	-	315	315	-	-	315
Gain on corporate investments	-	584	(584)	-	-	-	-
Non- controlling interest	-	-	-	-	4,000	-	4,000
Dividend	-	(600)	-	(600)	-	-	(600)
Tax	-	-	(35)	(35)	-	-	(35)
Net income	-	2,487	-	2,487	390	-	2,877
<b>Balance, September 30, 2021</b>	<b>\$ 58,460</b>	<b>\$ 35,308</b>	<b>\$ 1,729</b>	<b>\$ 95,497</b>	<b>\$ 21,580</b>	<b>\$ -</b>	<b>\$ 117,077</b>

(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 interim period September 30, 2020							
<b>Balance, December 31, 2019</b>	<b>\$ 48,460</b>	<b>\$ 28,247</b>	<b>\$ 2,090</b>	<b>\$ 78,797</b>	<b>\$ 16,704</b>	<b>\$ 10,000</b>	<b>\$ 105,501</b>
Other comprehensive income	-	-	(165)	(165)	-	-	(165)
Capital notes interest	-	(375)	-	(375)	-	-	(375)
Preferred share dividends	-	(600)	-	(600)	-	-	(600)
Tax	-	-	121	121	-	-	122
Net income	-	3,044	-	3,044	373	-	3,417
<b>Balance, September 30, 2020</b>	<b>\$ 48,460</b>	<b>\$ 30,316</b>	<b>\$ 2,046</b>	<b>\$ 80,822</b>	<b>\$ 17,077</b>	<b>\$ 10,000</b>	<b>\$ 107,900</b>

See accompanying notes.

# Consolidated Statement of Cash Flows

(unaudited)

Nine months ended September, 30

(thousands of Canadian dollars)

2021

2020

## OPERATING

Net income	\$	2,877	\$	3,417
Items not involving cash:				
Equity accounted income		(718)		(833)
Fair value adjustments		125		1,300
Fair value gains on forest properties		(1,672)		(1,644)
Deferred taxes		(48)		482
Changes in non-cash working capital and other		(763)		188
		(199)		2,910

## FINANCING

Bank loan		(2,442)		(1,844)
Mortgages payable		(419)		(406)
Due to affiliates		10,930		10,570
Preferred share dividends		(600)		(600)
Non-controlling interest		4,000		-
Capital notes interest		-		(375)
		11,469		7,345

## INVESTING

Forest properties		(819)		(779)
Commercial properties investment		(7,565)		-
Industrial properties investment		(5,949)		-
Residential property loan advances		(5,998)		(14,018)
Residential property loan repayments		34,970		1,679
Property loan advances		(33,349)		2,048
Property loan repayments		6,213		859
Corporate Investments		1,184		-
		(11,313)		(10,211)

## Net cash flow

(43) 44

Cash, beginning of period 64 58

**Cash, end of period** \$ 21 \$ 102

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, forest properties, industrial 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, 2020.

These financial statements were authorized for issuance by the Board of Directors of the Company on November 24, 2021, 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 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 discounted cash flow ("DCF") approach, based on future free cash flow, when determining the fair value of its commercial properties.

### d) Financial Instruments

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

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

In accordance with IFRS 9 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 on the ex - dividend date.

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 to counterparty obligations.

# Notes to the Consolidated Financial Statements

## 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

The Company's loans and other receivables include approximately \$44.5 million in secured mortgages, with maturities through to 2022, \$3.0 million of management share investments loans, which bear interest at the prime rate and are subject to renewal from time to time, and \$ 5.2 million in accounts receivable.

The Company's 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 five commercial properties, and a 75% interest in the ground and second floor premises of a 47-storey residential complex. Lease income from our operating leases totalled \$1.6 million during the quarter, including \$0.959 million of income related to variable lease income that is not dependent on an index or rate.

The property land lease, or right – of – use ("ROU") asset, is depreciated applying a straight-line method over the term of the lease to 2031. The corresponding lease liability was established using a 4% discount rate. Cash payments for the land leases during the quarter amounted to \$62,500.

	September 30, 2021	December 31, 2020
(thousands)		
Balance, beginning of period	\$ 61,666	\$ 60,033
Additional investment	7,565	-
Property land lease	-	2,296
Fair value adjustments	(125)	(663)
	<b>\$ 69,106</b>	<b>\$ 61,666</b>

The commercial property revenue is comprised of approximately 60% base rent and 40% variable lease payments for common area and property tax reimbursement. Minimum rental commitments under non-cancellable tenant operating lease are as follows: 2021 – \$2.1 million, 2022 – \$2.1 million, 2023 – \$1.9 million, 2024 - \$1.9 million, 2025 - \$1.9 million, thereafter – \$10.0 million.

## 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 \$20.0 million convertible preferred share investment in Macer Forest Holdings Inc.

	September 30, 2021	December 31, 2020
(thousands)		
Balance, beginning of period	\$ 54,568	\$ 53,600
Additional investment	819	779
Fair value adjustments	127	189
	<b>\$ 55,514</b>	<b>\$ 54,568</b>

## 7. INDUSTRIAL PROPERTIES

The Company has a 33% joint venture interest in Make Space Inc. ("MSI") - which invests directly in a broad range of storage solutions for personal or business needs across Canada. The Company accounts for its joint ventures using the equity method of accounting, initially recognized at cost.

## 8. RESIDENTIAL PROPERTIES

Residential properties include construction loans to, and a 60% limited net profit partnership interest in, a residential development project in Huntsville, Ontario. The Company accounts for its joint venture limited partnership interest using the equity method of accounting, initially recognised at cost. Total liabilities in the joint venture were approximately \$18.6 million as of September 30, 2021. The Company has outstanding letters of credit amounting to approximately \$1.0 million relating to a residential development project.

# Notes to the Consolidated Financial Statements

## 9. CORPORATE INVESTMENTS

The Company holds, directly and indirectly, investment interests in Brookfield Asset Management, Trisura Group Ltd. and other corporations with real estate and related infrastructure interests. Corporate investments include marketable securities carried at fair value of \$0.734 million and equity accounted investments of \$34.3 million. Changes in the carrying amounts of these investments are as follows:

	September 30, 2021	December 31, 2020
(thousands)		
Balance, beginning of period	\$ 35,171	\$ 33,941
Investments	(1,052)	-
Adjustment	-	61
Other comprehensive income	182	92
<u>Equity accounted income</u>	<u>718</u>	<u>1,077</u>
Balance, end of period	35,019	35,171
Non-controlling interests	21,580	17,190
<u>Company's net investment</u>	<u>\$ 13,439</u>	<u>\$ 17,981</u>

## 10. ACCOUNTS PAYABLE AND OTHER

Accounts payable include a \$2.0 million land lease liability related to a commercial property.

## 11. BANK LOAN

The Company has a \$10.0 million operating loan facility from a major Canadian Chartered Bank.

## 12. MORTGAGES PAYABLE

The Company's mortgage indebtedness secured by commercial properties are as follows:

	Maturity Date	Interest Rate	September 30, 2021	December 31, 2020
(thousands)				
22 College Street	August 1, 2022	2.79%	\$ 8,402	\$ 8,714
401 Yonge Street	May 1, 2028	3.95%	9,049	9,156
			<u>\$ 17,451</u>	<u>\$ 17,870</u>

## 13. OTHER LOANS PAYABLE

	Maturity Date	Interest Rate	September 30, 2021	December 31, 2020
(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
			<u>\$ 50,000</u>	<u>\$ 50,000</u>

Secured lenders have the option to secure their loan interests with a first charge on certain assets of the company.

## 14. DUE TO AFFILIATES

The Company has available a \$40.0 million credit facility from an affiliate which bears interest at the prime rate plus 0.5%, is unsecured and due on ten days written notice or after September 30, 2022.

An affiliate holds \$5.0 million of the Company's senior debentures.

# Notes to the Consolidated Financial Statements

## 15. EQUITY

### a) Non-controlling Interests

This amount includes 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, 2021	December 31, 2020
(thousands)		
Preferred shares	\$ 12,000	\$ 8,000
Common shares	9,580	9,190
	<b>\$ 21,580</b>	<b>\$ 17,190</b>

### b) Common and Convertible Preferred Equity

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

	September 30, 2021	December 31, 2020
(thousands)		
Class B convertible preferred shares	\$ 20,000	\$ 20,000
Class A voting & Class B non-voting common shares	75,497	73,330
	<b>\$ 95,497</b>	<b>\$ 93,330</b>

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, 2021, were comprised of 83,940,000 Class A voting common, 40,000,000 Class B non-voting common and 20,000,000 Class B convertible preferred shares.

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

## 16. BASIC AND DILUTED EARNINGS PER COMMON SHARE

	September 30, 2021	September 30, 2020
(thousands, except per share amounts)		
Net income available to common shareholders - basic	\$ 1,886	\$ 2,168
Weighted average number of Common Shares issued	123,940	103,940
Basic earnings per Common Share	1.52 ¢	2.09 ¢
Net income available to common shareholders - diluted	\$ 2,486	\$ 2,444
Weighted average number of Common Shares issued plus dilution	154,709	154,709
Diluted earnings per Common Share	1.61 ¢	1.58 ¢

# Notes to the Consolidated Financial Statements

## 17. OTHER INFORMATION

### a) Related Party Transactions

Related parties include subsidiaries, associates, joint ventures, and key management personnel who have the authority and responsibility for planning and directing the Company's activities. The Company's directors provide oversight over the business and do not plan, direct, or control the activities of the Company directly.

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.

Associates include Brookfield Asset Management and Acadian Timber Corp.

### 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.

The following table presents the contractual maturities of the Company's financial liabilities at September 30, 2021:

Years	1 to 3	4 to 5	Thereafter	Total
(thousands)				
Bank Loan	\$ -	\$ -	\$ -	\$ -
Mortgages payable	\$ 9,049	\$ -	\$ 8,402	\$ 17,451
Other loans payable	\$ 25,000	\$ -	\$ 25,000	\$ 50,000

### d) Capital Management

The permanent capital available to pursue the Company's operations as at September 30, 2021 was \$ 117.1 million (December 31, 2020 – \$110.5 million) comprised of \$ 95.5 million (2020 – \$93.3 million) attributable to shareholders of the Company and \$ 21.6 million (2020 – \$17.2 million) attributable to non-controlling interests.

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 quarter.

# **HALMONT PROPERTIES** **CORPORATION**

## **DIRECTORS**

**Claude A. Doughty**  
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\***  
Toronto, ON

*\* Members of the Audit & Corporate Governance Committee*

## **HEAD OFFICE**

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## **OFFICERS**

**David W. Kerr**  
Chairman

**Heather M. Fitzpatrick, CPA**  
President & CEO

**Euan J. Darling**  
Chief Investment Officer

**Randal L. Froebelius, P. Eng.**  
Property Management

**Anthony E. Rubin, CPA**  
Secretary and Treasurer

**Ines N. Zaloshnja**  
Controller

## **EXCHANGE**

Toronto Stock Exchange - Venture  
**TSX - V: HMT**

## **REGISTRAR AND TRANSFER AGENT**

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**HALMONT PROPERTIES**  
**CORPORATION**

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