

HALMONT PROPERTIES
CORPORATION

Nine Months Ended September 30, 2022

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, 2022 amounted to \$11,196,000 compared to \$2,877,000 in 2021. Net income attributable to common shareholders in 2022 increased to \$10,012,000 compared to \$1,887,000 in 2021.

Given the current outlook for non-prime office space, Halmont closed the sale of a third heritage property in May 2022. A fourth property is currently subject to a conditional sale agreement scheduled to close early in 2023. The completion of these property sales will generate approximately \$80 million of capital, which is expected to be deployed initially to expand its forest property investments, and as opportunities arise re-invested in the commercial property sector.

We currently participate in the forestry sector through a 40% shareholding in Haliburton Forest & Wild Life Reserve Ltd., which owns and manages over 250,000 acres of timberland across Ontario. Haliburton Forest recently completed the purchase of a fourth hardwood sawmill, increasing its annual production capacity to 50 million fbm from 10 million fbm in 2018. Halmont also holds a 7% toe-hold investment in Acadian Timber Corp. (AND.TO), the owner of over 1,000,000 acres of freehold timberlands in the Province of New Brunswick and the State of Maine.

Excluding the property sale, which occurred during the second quarter, net income for the nine months was \$4,790,000 and net income attributable to common shareholders was \$3,606,000.

The fully diluted book value, assuming the conversion of the capital notes and preferred shares, increased to 72¢ per common share compared to 62¢ in September 2021.

In accordance with IFRS accounting principles, our commercial properties and other investments are revalued at the end of each year, taking into account available market information and the terms of our partnership agreements. As a result, the book value of the Company's common shares approximates the net realizable value of its assets. Therefore, should the Company's shares trade at a meaningful discount to their realizable value for extended periods, we plan to repurchase shares through a normal course issuer bid.

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

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of Halmont Properties Corporation ("Halmont", the "Company", or "we") is intended to provide an assessment of the Company's performance for the nine months ended September 30, 2022, 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, 2022.

OVERVIEW OF THE BUSINESS

The Company invests directly and indirectly in real assets, including commercial, forest, and residential properties. The Company's principal areas of investment and the proportion of the Company's invested capital are as follows:

	Assets		Revenue and Other Income	
(thousands)				
Commercial Properties	\$ 45,741	20%	\$ 12,053	64%
Forest Properties	55,787	25%	1,757	9%
Residential Properties	16,357	7%	620	3%
Corporate Investments	36,223	16%	1,048	6%
Property Loans and Other	70,293	32%	3,296	18%
	\$ 224,401	100%	\$ 18,774	100%

Commercial Properties

Halmont's directly owned commercial real estate assets, which represented approximately 20% of the Company's total assets as at September 30, 2022, comprised four heritage commercial buildings.

Property		Year Acquired	Interest	Assets
(thousands)				
51 Yonge Street	Toronto	2006	100%	\$ 6,300
22 College Street	Toronto	2017	100%	23,500
221 Yonge Street	Toronto	2018	100%	8,376
321 Lakeshore Road	Oakville	2021	100%	7,565
				\$ 45,741

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.

Forest Properties

The Company's investment in forest properties is comprised of a 40% equity interest in Haliburton Forest & Wild Life Reserve Ltd. ("Haliburton Forest"), and a \$20 million preferred share convertible into common shares of Acadian Timber Corp. These investments represent approximately 25% of the Company's total assets. As opportunities arise, we expect to increase our investment in the forest sector.

Haliburton Forest is managed and harvested sustainably, according to 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 biochar production for industrial and agricultural uses.

Residential Properties

The Company has a 60% net profit partnership interest in waterfront land in Huntsville, Ontario, which was acquired in return for providing construction financing for the development of a series of residential condominium buildings.

The risks associated with the development of the lands have been substantially mitigated by subdividing the property into several distinct parcels. On each parcel, separate residential projects will be built on a phased basis after achieving targeted pre-sale levels or sold in an orderly manner to other property developers. Phase 1 of the development was completed in 2021.

Corporate Investments

The Company, through a subsidiary, holds an indirect interest in corporations providing investment management services principally in the property and infrastructure sectors. After deducting \$22.3 million of non-recourse participating preferred share equity interests, Halmont's net effective investment in these entities represents approximately 6% of its total assets.

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 and provide access to business relationships that 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 equity interests in determining their realizable values.

Property Loans and Other Receivables

The Company's property loans and other receivables include approximately \$42 million of secured participating mortgages, with maturities through to 2025. These loans are structured to ensure they can be realized prior to their maturity dates to fund long-term investment opportunities as they arise. Property loans and other receivables represent approximately 32% of the Company's total assets.

CONSOLIDATED OPERATING RESULTS

The Company reported net income of \$11,196,000 for the nine months ended September 30, 2022, compared with \$2,877,000 for the same period in the preceding year. Net income attributable to common shareholders increased to \$10,012,000 compared to \$1,887,000 in 2021.

Revenue for the nine months ended September 30, 2022, increased compared with the same period in the previous year principally due to a gain realized on the sale of a commercial property and higher interest earned on property loan advances.

The Company's financial results have been prepared in accordance with International Financial Reporting Standards. As a result, all inter-company transactions and balances have been eliminated on consolidation.

LIQUIDITY AND CAPITAL RESOURCES

The Company has undrawn revolving credit facilities with an affiliate and commercial banks totaling \$90.5 million. In addition, loans and mortgages receivable in the amount of approximately \$42 million can be liquidated in the short term to raise cash if necessary.

SUMMARY FINANCIAL INFORMATION

(thousands)	Nine months ended September 30,		Year ended December 31,		
	2022	2021	2021	2020	2019
Total assets	\$ 224,401	\$ 237,055	\$ 265,821	\$ 220,185	\$ 206,149
Total revenue	18,774	7,078	13,492	11,219	13,474
Net income to common shareholders	10,012	1,887	5,899	4,821	6,481

The following table summarizes selected consolidated financial information for the eight most recently completed quarters:

(thousands)	2022				2021			2020
	Sept	Jun	Mar	Dec	Sept	Jun	Mar	Dec
Total revenue	\$ 3,246	\$ 13,689	\$ 2,993	\$ 6,414	\$ 2,724	\$ 2,201	\$ 2,153	\$ 4,333
Net income to common shareholders	669	8,457	886	4,012	484	781	622	2,377

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.

EQUITY

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.

On December 31, 2021, the Company issued \$25,000,000 Series II subordinated convertible capital notes, which are convertible by the holders of the Company into 31,250,000 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, 2022. No changes were made in internal controls over financial reporting during the interim period ended September 30, 2022, 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 agreed-upon exchange amounts 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, 2022, 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 23, 2022

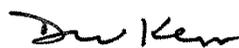
Consolidated Balance Sheet

(unaudited) (thousands)	Note	September 30, 2022	December 31, 2021
ASSETS			
Cash		\$ 12	\$ 87
Property loans and other receivables	4	70,281	81,095
Commercial properties	5	45,741	74,031
Forest properties	6	55,787	55,575
Residential properties	7	16,357	19,640
Corporate investments	8	36,223	35,393
Total Assets		\$ 224,401	\$ 265,821
LIABILITIES AND EQUITY			
Accounts payable and other	9	\$ 5,349	\$ 3,422
Bank loan	10	7	14
Other loans payable	11	50,000	67,310
Due to affiliates	12	4,084	42,758
Deferred taxes		8,838	5,993
		68,278	119,497
Equity			
Non-controlling shareholders' interest	13(a)	22,327	21,743
Subordinated convertible capital notes	13(b)	25,000	25,000
Common and convertible preferred equity	13(c)	108,796	99,581
Total equity		156,123	146,324
Total Liabilities and Equity		\$ 224,401	\$ 265,821

Approved by the Board on November 23, 2022, and signed on its behalf by:



Heather M. Fitzpatrick
President



David W. Kerr
Chairman

Consolidated Statement of Net and Comprehensive Income

(unaudited) (thousands, except per share amount)	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
REVENUE AND OTHER INCOME					
Commercial properties		\$ 775	\$ 884	\$ 2,293	\$ 2,510
Interest and other income		1,394	1,080	3,916	2,303
Forest properties		654	569	1,757	1,672
Equity accounted income	8	463	232	1,048	718
Fair value changes		(40)	(41)	9,760	(125)
		3,246	2,724	18,774	7,078
EXPENSES AND OTHER COSTS					
Commercial properties		406	527	1,197	1,449
Interest		695	1,091	2,619	2,529
General and administrative		85	188	868	271
Income taxes expense (recovery)		958	72	2,894	(48)
		2,144	1,878	7,578	4,201
NET INCOME		\$ 1,102	\$ 846	\$ 11,196	\$ 2,877
Net income attributable to:					
Common shareholders		\$ 669	\$ 484	\$ 10,012	\$ 1,887
Preferred shareholders		200	200	600	600
Non-controlling interests		233	162	584	390
Total		\$ 1,102	\$ 846	\$ 11,196	\$ 2,877
Other comprehensive income		(7)	50	(217)	182
Comprehensive income		\$ 1,095	\$ 896	\$ 10,979	\$ 3,059
Net income per share:					
Basic	14	0.39	0.39 ¢	7.63	1.52 ¢
Diluted	14	0.47	0.44 ¢	5.71	1.61 ¢

Consolidated Statement of Changes in Equity

(unaudited) (thousands)	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, 2022							
Balance, December 31, 2021	\$ 58,460	\$ 39,243	\$ 1,878	\$ 99,581	\$ 21,743	\$ 25,000	\$ 146,324
Other comprehensive income	-	-	(217)	(217)	-	-	(217)
Capital notes interest	-	(750)	-	(750)	-	-	(750)
Preferred share dividends	-	(600)	-	(600)	-	-	(600)
Tax	-	-	170	170	-	-	170
Net income	-	10,612	-	10,612	584	-	11,196
Balance, September 30, 2022	\$ 58,460	\$ 48,505	\$ 1,831	\$ 108,796	\$ 22,327	\$ 25,000	\$ 156,123

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

Consolidated Statement of Cash Flows

(unaudited) for the nine months ended September 30 (thousands of Canadian dollars)	2022	2021
OPERATING		
Net income	\$ 11,196	\$ 2,877
Items not involving cash:		
Equity accounted income	(1,048)	(718)
Fair value adjustments	120	125
Fair value gains on forest properties	(1,757)	(1,672)
Deferred taxes	(2,816)	(48)
Changes in non-cash working capital and other	5,242	(763)
	10,937	(199)
FINANCING		
Bank loan	(7)	(2,442)
Mortgages payable	(17,310)	(419)
Due to affiliates	(30,306)	10,930
Preferred share dividends	(600)	(600)
Non-controlling interest	-	4,000
Capital notes interest	(750)	-
	(48,973)	11,469
INVESTING		
Forest properties investment	-	(819)
Commercial properties, investment	-	(7,565)
Commercial properties, disposition	28,170	-
Other investments	(13,699)	(5,949)
Residential properties, advances	(889)	(5,998)
Residential properties, repayments	4,783	34,970
Property loan, advances	(20,557)	(33,349)
Property loan, repayments	40,153	6,213
Corporate investments	-	1,184
	37,961	(11,313)
Net cash flow	(75)	(43)
Balance, beginning of year	87	64
Balance, end of quarter	\$ 12	\$ 21

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

Halmont Properties Corporation (“Halmont”, the “Company”, or “we”) is incorporated and domiciled in Canada. The Company invests in commercial, forest, and residential properties. 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 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”). These 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, 2021.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 23, 2022 and have been prepared by and are the responsibility of the Company’s management.

b) Basis of Presentation

Unless otherwise noted, the consolidated financial statements are presented in thousands of Canadian dollars.

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 power over the investee, with the ability to use its power to affect the amount of returns. Non-controlling interests in the equity of the Company’s subsidiaries are included in equity.
- (ii) 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.
- (iii) 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.

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 evaluators. The Company appraises its commercial properties generally using the discounted cash flow approach, based on future free cash flow, when determining the fair value of its commercial properties.

d) Financial Instruments

The Company classifies its financial assets and liabilities as either fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVTOCI), or amortized cost based on the Company’s business objectives and contractual characteristics of the financial instrument.

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

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

In accordance with IFRS 9, the Company’s financial liabilities are classified as amortized cost. The Company’s financial assets are classified as follows: property loans and other receivables – amortized cost/FVTPL, forest properties – FVTPL, and corporate investments – FVTOCI.

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 when 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.

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 temporary deductible 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 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 comparable properties' sales, estimates of expected future cash flows, and the applicable 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 the 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 in preparing 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 due to 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 exposed to market value risk include mortgages receivable and due to affiliates.

The Company has no foreign currency risk.

Another 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 property loans and other receivables. Exposure to credit risk in respect of financial instruments relates 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.

4. PROPERTY LOANS AND OTHER RECEIVABLES

The Company's property loans and other receivables include approximately \$42 million in secured mortgages, with maturities through to 2025, a \$4.9 million investment in a third-party managed investment fund, a \$21 million investment in a property fund, which invests in property storage facilities across Canada, and \$2.4 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 four commercial properties. During the second quarter, the Company sold its 401 Yonge Street property resulting in an after-tax gain of approximately \$8.0 million.

	September 30, 2022	September 30, 2021
(thousands)		
Balance, beginning of year	\$ 74,031	\$ 61,666
Additional investment	-	7,565
Sale of buildings	(28,170)	-
Fair value adjustments	(120)	(125)
	\$ 45,741	\$ 69,106

The property land lease, or right-of-use asset, is amortized by applying a straight-line method over the term of the lease to 2033. The corresponding lease liability was established using a 4% discount rate. Cash payments for the land lease during the quarter amounted to \$62,500.

The commercial properties revenue is comprised of approximately 60% base rent and 40% variable lease payments for common area and property tax reimbursement. Minimum base rental commitments under non-cancellable tenant operating leases are as follows: 2022 - \$2.59 million, 2023 - \$2.69 million, 2024 - \$2.60 million, 2025 - \$2.64 million, 2026 - \$2.69 million, thereafter - \$12.31 million.

6. FOREST PROPERTIES

The Company's investments in forest properties comprises a 40% equity interest in the common and participating preferred shares in Haliburton Forest and a \$20 million preferred share convertible into common shares of Acadian Timber Corp.

	September 30, 2022	September 30, 2021
(thousands)		
Balance, beginning of year	\$ 55,575	\$ 54,568
Additional investment	-	819
Fair value adjustments	212	127
	\$ 55,787	\$ 55,514

7. RESIDENTIAL PROPERTIES

Residential properties include construction loans advanced, and a 60% net profit partnership interest in residential development projects in Huntsville, Ontario. The Company accounts for its joint venture partnership interest using the equity method of accounting, initially recognized at cost.

8. 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 a fair value of \$0.608 million, and equity accounted investments of \$35.6 million. Changes in the carrying amounts of these investments are as follows:

	September 30, 2022	December 31, 2021
(thousands)		
Balance, beginning of year	\$ 35,393	\$ 35,171
Investments sold	-	(1,184)
Other comprehensive income	(217)	404
Equity accounted income	1,047	1,002
Balance, end of period	36,223	35,393
Non-controlling interest	(22,327)	(21,743)
Company's net investments	\$ 13,896	\$ 13,650

9. ACCOUNTS PAYABLE AND OTHER

Accounts payable include a \$2.2 million land lease liability related to an office building owned by the Company, with the corresponding right of use asset recorded in commercial properties.

10. BANK LOAN

The Company has \$40 million of operating loan facilities from Canadian Chartered Banks.

11. OTHER LOANS PAYABLE

	Maturity Date	Interest Rate	September 30, 2022	September 30, 2021
(thousands)				
Secured loans	January 1, 2025	prime + 0.5%	\$ 15,000	\$ 15,000
	January 1, 2025	4.00%	10,000	10,000
Senior debentures	December 31, 2028	4.50%	25,000	25,000
Mortgages payable	2022 - 2028	3.37%	-	17,451
			\$ 50,000	\$ 67,451

Holders of the senior debentures have the right to secure their loan interests with a first charge on certain assets of the Company.

12. DUE TO AFFILIATES

The Company has a \$60 million credit facility from an affiliate which bears interest at the prime rate plus 0.5%, is unsecured, and is due on ten days' written notice or after September 30, 2023.

An affiliate holds \$5 million of the Company's senior debentures and \$3.5 million of the Company's Series II subordinated convertible capital notes.

13. 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, 2022	September 30, 2021
(thousands)		
Preferred shares	\$ 12,000	\$ 12,000
Common shares	10,327	9,580
	\$ 22,327	\$ 21,580

b) Series II Convertible Capital Notes

On December 31, 2021, the Company issued \$25,000,000 Series II subordinated convertible capital notes. The capital notes bear interest at 4% per annum payable annually, with an interest rate reset every five years commencing December 31, 2026, and are convertible into 31,250,000 Class B non-voting common shares.

The capital notes mature on December 31, 2081, and are redeemable by the Company after December 31, 2026, at a price equal to 100% of the principal amount of the note, together with accrued and unpaid interest to the redemption date.

Upon non-payment of interest or principal when due, the capital notes are convertible at Halmont's discretion into Class B non-voting common shares.

c) Common and Convertible Preferred Equity

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

	September 30, 2022	September 30, 2021
(thousands)		
Class B convertible preferred shares	\$ 20,000	\$ 20,000
Class A voting & Class B non-voting common shares	88,796	75,497
	\$ 108,796	\$ 95,497

The Company is authorized to issue an unlimited number of preferred and common shares with no stated par value. As of December 31, 2021, issued and outstanding shares comprised 83,940,000 Class A voting common, 40,000,000 Class B non-voting common, and \$20,000,000 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.

14. BASIC AND DILUTED EARNINGS PER COMMON SHARE

	September 30, 2022	September 30, 2021
(thousands, except per share amounts)		
Net income available to common shareholders - basic	\$ 9,461 *	\$ 1,886
Weighted average number of Common Shares issued	123,940	123,940
Basic earnings per Common Share	7.63 ¢	1.52 ¢
Net income available to common shareholders - diluted	\$ 10,612	\$ 2,486
Weighted average number of Common Shares issued plus dilution	185,959	154,709
Diluted earnings per Common Share	5.71 ¢	1.61 ¢

*Reflects reduction for capital notes interest after tax

15. 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.

The Company has investments in Brookfield Asset Management, Acadian Timber Corp. and Haliburton Forest and Wild Life Reserve Ltd.

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

All of the Company's 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, 2022:

	1 to 3 Years	4 to 5 Years	Thereafter	Total
(thousands)				
Bank loan	\$ 7	\$ -	\$ -	\$ 7
Mortgages payable	-	-	-	-
Other loans payable	-	25,000	25,000	50,000
	\$ 7	\$ 25,000	\$ 25,000	\$ 50,007

d) Capital Management

The permanent capital available to pursue the Company's operations as at September 30, 2022, was \$156.1 million (December 31, 2021 – \$146.3 million), comprised of \$108.8 million (2021 – \$99.6 million) attributable to shareholders of the Company, \$22.3 million (2021 – \$21.7 million) attributable to non-controlling interests, and \$25 million (2021 - \$25 million) attributable to Series II subordinated capital note holders.

The Company's objectives when managing its capital are to maintain sufficient capital to support its operations and to enable it to respond to 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

DIRECTORS

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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 and Corporate Governance Committee*

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 & Treasurer

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