

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 year ended December 31, 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 audited consolidated financial statements and related notes for the year December 31, 2021.

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	\$	74,031	28%	\$	7,618	56%
Forest Properties		55,575	21%		2,248	17%
Residential Properties		19,640	7%		768	6%
Corporate Investments		35,393	13%		1,002	7%
Property Loans and Other		81,182	31%		1,856	14%
	\$	265,821	100%	\$	13,492	100%

Commercial Properties

Halmont's directly owned commercial real estate assets, which represented approximately 28% of the Company's total assets as at December 31, 2021, comprised six heritage commercial buildings and a 75% interest in the ground and second floor premises of a residential condominium complex located at 224 King Street West, which was sold subsequent to the year end for a gross total of \$8.4 million.

Property		Year Acquired	Interest	Assets
(thousands)				
51 Yonge Street	Toronto	2006	100%	\$ 6,300
224 King Street West	Toronto	2016	75%	7,800
22 College Street	Toronto	2017	100%	23,500
221 Yonge Street	Toronto	2018	100%	8,496
401 Yonge Street	Toronto	2019	100%	20,370
321 Lakeshore Road East	Oakville	2021	100%	7,565
				\$ 74,031

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 investments 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 21% of the Company's total assets. Haliburton Forest benefited during the year from the acquisition of a hardwood sawmill acquired in late 2020, together with harvesting rights on one million acres of Crown Lands. We expect to increase our investment in the forest sector as 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% 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 the registration and handover of the properties to the condo corporation, 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, or sold in an orderly manner to other property developers.

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 \$21.7 million of non-recourse participating preferred share equity interests, Halmont's net effective investment in these entities represents approximately 5% 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, 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.

Property Loans and Other Receivables

The Company's property loans and other receivables include approximately \$61.0 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.

CONSOLIDATED OPERATING RESULTS

The Company reported net income of \$7,252,000 for the year ended December 31, 2021, compared with \$6,107,000 for the same period in the preceding year. Net income attributable to common shareholders increased to \$5,899,000 compared to \$4,821,000 in 2020. Revenue for the year ended December 31, 2021, increased compared with the same period in the previous year due principally to the additional capital invested in 2021 in commercial properties, a fair value gain from the sale of a property, and property loan participations. Expenses increased compared with the previous year principally due to the addition of a commercial property. 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 revolving credit facilities with an affiliate and commercial bank totaling \$70.0 million. In addition, loans and mortgages receivable in the amount of approximately \$61 million can be liquidated in the short term to raise cash if necessary.

SUMMARY FINANCIAL INFORMATION

	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
(thousands)				
Total assets	\$ 265,821	\$ 220,185	\$ 206,149	\$ 157,072
Total revenues	13,492	11,219	13,474	7,808
Net income to common shareholders	5,899	4,821	6,481	2,885

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 or 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 year ended December 31, 2021. No changes were made in internal controls over financial reporting during the year ended December 31, 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 ANNUAL FINANCIAL STATEMENTS

The accompanying audited consolidated financial statements of the Company for the year ended December 31, 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

April 20, 2022