

**HALMONT PROPERTIES**  
**CORPORATION**

**Nine Months Ended September 30, 2023**

## 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, 2023, amounted to \$7,873,000 compared to \$11,196,000 in 2022. Excluding fair value changes related to a property sale, net income for the nine months ended September 30, 2022 was \$4,790,000.

Given the deteriorating rental market for low-rise commercial office space that occurred over the past two years, we undertook proactive measures to adapt to the changing market conditions. This included the sale of three office properties, while a fourth property is scheduled to close in December 2023 for a gain of \$12.8 million. On completion of these property sales we will have generated approximately \$80.0 million in capital, to reinvest in institutionally occupied properties.

The prospects for our two investments in the forest property sector are proving to be more attractive than previously projected. During the past quarter, Haliburton Forest acquired an additional 150,000 acres of forest lands, financed with our subscription for an additional \$15.0 million participating preferred shares, which brought our effective equity ownership interest of this best-in-class forest sector company to 49%.

Haliburton Forest is well advanced with its plans to assemble a portfolio of hardwood sawmills across Ontario, and is in the process of evaluating the expansion of its Huntsville sawmill acquired in 2020. In addition, its industrial biochar plant is scheduled to commence commercial production later this year, which given the company's research and related technical capabilities will place Haliburton Forest in the forefront of this rapidly evolving business.

The attractiveness of our toe-hold investment in Acadian Timber Corp. has also advanced significantly with its recent registration of carbon credits on a small section of their 1.1 million acres of freehold forest lands.

Halmont's fully diluted book value of our common shares, assuming the conversion of our capital notes and convertible preferred shares, has increased to 75¢ per common compared to 72¢ in September 2022. On completion of the sale of a fourth office property, the fully diluted value of our common shares is expected to increase to 80¢ per share.

At the end of each year we re-value our real estate and other investments, taking into account available market information and the terms of our investment agreements. As a result, the book value of our common shares approximates the net realizable value of our assets. Therefore, should these shares trade at meaningful discounts 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

# Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of Halmont Properties Corporation ("Halmont", the "Company", or "we", or "our", or "its") is intended to provide an assessment of the Company's performance for the nine months ended September 30, 2023, 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, 2023.

## OVERVIEW OF THE BUSINESS

Halmont invests directly and indirectly in three distinct real asset investment categories:

- Real Estate: Low-rise office, retail, residential, and industrial properties.
- Forestry: Freehold timberlands and related manufacturing facilities.
- Property Financing: Property financial and advisory services.

The total capital invested in of our three principal areas of business was as follows at the end of the third quarter:

AS AT SEP 30, 2023 AND DEC 31, 2022 (CAD \$ THOUSANDS)	2023	2022
Commercial Real Estate Properties		
– Office and retail properties	\$ 42,083	\$ 42,390
– Residential and industrial properties	45,101	38,848
– Institutional properties	2,500	-
Forest Properties		
– Land holdings	26,322	24,012
– Plant and equipment	12,000	12,000
– Share investments	35,000	20,000
Property Financing and Advisory Services	43,925	50,014
Other Corporate Investments	41,202	36,768
	<u>\$ 248,133</u>	<u>\$ 224,032</u>

## COMMERCIAL REAL ESTATE PROPERTIES

### Office and Retail Properties

Halmont's directly owned commercial office and retail properties currently represent approximately 18% of the Company's assets and include the following:

- 51 Yonge Street, Toronto, ON, located in the financial district, which is currently carried at its December 31, 2022 appraised value of approximately \$5.3 million, not taking into account a \$12.8 million after-tax gain which is expected to be realized on its sale in December 2023.

- 22 College Street, Toronto, ON, which is located in the discovery district and currently has an appraised value of approximately \$21.1 million.
- 221 Yonge Street, Toronto, ON, which is located opposite the Toronto Eaton Centre and currently has an appraised value of approximately \$7.7 million.
- 321 Lakeshore Road, Oakville, ON, which has an appraised value of approximately \$8.0 million.

Halmont's objective is to continue enhancing the value of its commercial property portfolio by re-tenanting, upgrading their physical appearances, and exploring redevelopment opportunities in conjunction with neighbouring property owners to jointly achieve higher density on the combined land footprint.

### **Residential and Industrial Properties**

Halmont's residential and industrial properties currently represent approximately 18% of the Company's assets and include the following:

- A 60% net profit partnership interest in the Grandview Estates residential land development project located in Huntsville, ON, of which 33 units have been built and sold, and 227 units are in an advanced planning stage.
- A 20% net profit interest in the Paisley land development project in Huntsville, ON, comprising an 84-acre subdivision for retail, commercial and residential uses.
- A \$28.8 million investment interest in a portfolio of property storage facilities across Canada, developed and managed by MakeSpace Inc.
- A \$21.0 million participating loan financing on a high-rise residential project located on Victoria Island, B.C.

Halmont's objective is to continually increase the value of its residential and industrial properties by working with partners to develop alternative future investment opportunities in these sectors.

### **Institutional Properties**

Halmont has agreed to invest up to \$60 million to acquire a 50% interest in a 480,000 square-foot institutionally owned and operated Toronto Waterfront property.

## **FOREST SECTOR PROPERTIES**

### **Current Investments**

Halmont's directly and indirectly owned investments in the forest sector currently represent 30% of the Company's assets and include the following:

- A 49% equity interest in Haliburton Forest, which owns approximately 100,000 acres of predominantly hardwood freehold timberland in Haliburton County, ON, and approximately 145,000 acres of predominantly softwood freehold timberlands near Timmins, ON. Haliburton Forest also owns and operates four hardwood sawmills and a partnership interest in a biochar production facility.
- A \$20.0 million preferred share, which is convertible into a 7% equity interest in Acadian Timber Corp., the owner of approximately 1,100,000 acres of freehold lands in the Province of New Brunswick and the State of Maine.

### **Freehold Timberlands**

Halmont's objective is to derive attractive investment returns from its investments in freehold timberlands over the long term through the following principal sources:

- The normal course appreciation in land values commensurate with population growth, commercial and residential development, increased inflation, and a diminishing supply of prime privately-owned accessible wilderness properties with waterfront features.
- The application of sustainable forest management practices, which improve forest quality and growth over time by prioritizing the removal of damaged, lower-quality trees in order to promote the growth of the most valuable and vigorous trees.
- Investments in long-life infrastructure, including the building of roads and bridges, which improves property access and provides optionality with respect to land leases, fee-based recreational services, property development, and forest harvesting.
- Realizing the highest and best use of waterfront features through short-term recreational lease contracts, property development, or the sale of such segments of the freehold timberlands at premium prices.
- The development of carbon credits for sale in voluntary or compliance markets, where such opportunities present superior long-term returns to timber-focused sustainable forest management operations.

### **Timber Manufacturing Facilities**

Halmont also seeks to increase investment returns from the operation of Haliburton Forest's four hardwood sawmills and the commissioning of a biochar production facility, which are expected to benefit from the ongoing decline of hardwood lumber manufacturing capacity across North America, increasing demand for hardwood products presented by domestic and international markets, as well as strong incentives to incorporate sustainable bioproducts such as biochar into advanced manufacturing processes.

### **PROPERTY FINANCING AND ADVISORY SERVICES**

Halmont's property loans and other receivables, related to its property financing and advisory services include \$35.1 million of secured mortgages, with maturities through to 2025, and other receivables of \$8.8 million, which currently represent approximately 18% of the Company's assets.

Halmont's property loans are structured to ensure they can be monetized prior to their maturity dates to provide funding for long-term property and forestry sector investment opportunities as they arise.

In addition to expeditiously completing its processing of loan applications, Halmont provides client companies with advice on project financing alternatives and provides participating subordinate loan facilities to fund property completions.

Halmont's objective is to seek third-party underwriting for its higher-risk loans. In addition, should a client experience difficulty executing its property development plans, Halmont is capable of interceding by assigning experienced individuals to stabilize and, if necessary, complete such projects.

### **OTHER CORPORATE INVESTMENTS**

Halmont's holdings in other corporations currently represent approximately 16% of the Company's assets. Taking into account a \$23.8 million non-recourse preferred share issued by the subsidiary that holds these corporate investments, Halmont's net effective equity investment in these entities represents approximately 6% of its total assets.

Halmont's objective is to hold its corporate investments for the long term. In addition to generating a reliable source of income, these investments provide access to business relationships that assist in pursuing its principal investment activities. Halmont accounts for its 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.

## CONSOLIDATED OPERATING RESULTS

The Company reported net income of \$7,873,000 for the nine months September 30, 2023, compared with \$11,196,000 for the same period in the preceding year.

Revenue for the nine months ended September 30, 2023, decreased compared to the same period in the previous year, mainly due to the absence of a commercial property sale. Excluding fair value changes related to a property sale, net income for the nine months ended September 30, 2022 was \$4,790,000.

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.

## SUMMARY FINANCIAL INFORMATION

(CAD\$ THOUSANDS)	NINE MONTHS ENDED SEP 30		YEAR ENDED DEC 31			
	2023	2022	2022	2021	2020	2019
Total assets	\$ 248,133	224,401	\$ 224,032	\$ 265,821	\$ 220,185	\$ 206,149
Total revenue	12,990	18,774	19,514	13,492	11,219	13,474
Comprehensive income to shareholders	6,673	10,395	9,572	5,621	4,821	6,481

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

(CAD\$ THOUSANDS)	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	\$ 4,727	\$ 4,456	\$ 3,807	\$ 740	\$ 3,246	\$ 12,535	\$ 2,993	\$ 6,414
Comprehensive income(loss) to shareholders	2,422	2,179	2,072	(1,305)	862	9,002	1,013	4,212

## EQUITY BASE

The Company's issued common share capital is comprised of 83.94 million Class A multiple-voting common shares and 40.00 million Class B subordinate-voting common shares.

The Company's \$20.0 million preferred shares and \$25.0 million subordinated capital notes are convertible into 30.77 million and 31.25 million Class B single-voting common shares respectively.

The following table sets out the current issued and outstanding Class A multiple-voting common shares and Class B subordinate-voting common shares, together with the Class B subordinate-voting common shares to be issued on the conversion of its capital notes and preferred shares, as at September 30, 2023.

(THOUSANDS)	Number of shares	Subscribed Value
Issued and Outstanding:		
– Class A multiple-voting common shares	# 83,940	\$ 63,927
– Class B subordinate-voting common shares	40,000	30,463
	123,940	94,390
Issuance of Class B subordinate-common shares on conversion of:		
– Series II subordinated capital notes	31,250	25,000
– Preferred shares	30,769	20,000
Fully diluted Class A & B common shares	# 185,959	\$ 139,390

## 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, 2023. No changes were made in internal controls over financial reporting during the interim period ended September 30, 2023, that have materially affected, or are reasonably likely to affect, the internal controls over financial reporting.

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 Company has undrawn contractual revolving credit facilities with a commercial bank and an affiliate totaling \$45.2 million. In addition, loans and mortgages receivable in the amount of approximately \$35.1 million can be liquidated in the short term for re-investment in the Company's principal operations.

Related party transactions are conducted 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, 2023, 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 15, 2023

# Consolidated Balance Sheet

(UNAUDITED)  
AS AT SEP 30, 2023 AND DEC 31, 2022  
(CAD\$ THOUSANDS)

	Note	2023	2022
<b>ASSETS</b>			
Property loans and other receivables	4	\$ 72,735	\$ 72,095
Commercial properties	5	44,583	42,390
Forest properties	6	73,322	56,012
Residential properties	7	16,292	16,767
Corporate investments	8	41,201	36,768
<b>Total Assets</b>		<b>\$ 248,133</b>	<b>\$ 224,032</b>
<b>LIABILITIES AND EQUITY</b>			
Accounts payable and other	9	\$ 3,298	\$ 3,475
Bank loan	10	5	8
Other loans payable	11	50,000	50,000
Due to affiliates	12	24,787	6,966
Deferred taxes		6,850	8,324
		<b>84,940</b>	<b>68,773</b>
Equity			
Non-controlling shareholders' interest	13(a)	23,802	22,596
Subordinated convertible capital notes	13(b)	25,000	25,000
Common and convertible preferred equity	13(c)	114,391	107,663
Total equity		<b>163,193</b>	<b>155,259</b>
<b>Total Liabilities and Equity</b>		<b>\$ 248,133</b>	<b>\$ 224,032</b>

Approved by the Board on November 15, 2023, and signed on its behalf by:



Heather M. Fitzpatrick  
President



David W. Kerr  
Chairman

# Consolidated Statement of Net and Comprehensive Income

(UNAUDITED)		Three Months Ended		Nine Months Ended		
FOR THE PERIODS ENDED SEP 30						
(CAD\$ THOUSANDS, EXCEPT PER SHARE AMOUNTS)		Note	2023	2022	2023	2022
<b>REVENUE AND OTHER INCOME</b>						
Commercial properties			\$ 890	\$ 775	\$ 2,325	\$ 2,293
Interest and other income			2,426	1,394	6,643	3,916
Forest properties			913	654	2,310	1,757
Equity accounted income	8		722	463	2,019	1,048
Fair value changes			(224)	(40)	(307)	9,760
			<b>\$ 4,727</b>	<b>\$ 3,246</b>	<b>\$ 12,990</b>	<b>\$ 18,774</b>
<b>EXPENSES AND OTHER COSTS</b>						
Commercial properties			\$ 414	\$ 406	\$ 1,027	\$ 1,197
Interest			1,183	695	3,024	2,619
General and administrative			52	85	299	868
Income taxes expense			243	958	767	2,894
			<b>1,892</b>	<b>2,144</b>	<b>5,117</b>	<b>7,578</b>
<b>NET INCOME</b>			<b>\$ 2,835</b>	<b>\$ 1,102</b>	<b>\$ 7,873</b>	<b>\$ 11,196</b>
Other comprehensive income (loss)	8		(16)	(7)	6	(217)
<b>COMPREHENSIVE INCOME</b>			<b>\$ 2,819</b>	<b>\$ 1,095</b>	<b>\$ 7,879</b>	<b>\$ 10,979</b>
Attributable to:						
Shareholders						
Net income - Diluted			\$ 2,438	\$ 869	\$ 6,667	\$ 10,612
Other comprehensive income (loss)			(16)	(7)	6	(217)
Comprehensive income			<b>2,422</b>	<b>862</b>	<b>6,673</b>	<b>10,395</b>
Non-controlling interest						
Net income			\$ 397	\$ 233	\$ 1,206	\$ 584
Other comprehensive income			-	-	-	-
Comprehensive income			<b>397</b>	<b>233</b>	<b>1,206</b>	<b>584</b>
<b>Net income per common share:</b>						
Basic	14		<b>1.66 ¢</b>	0.39 ¢	<b>4.46 ¢</b>	7.63 ¢
Diluted	14		<b>1.31 ¢</b>	0.47 ¢	<b>3.59 ¢</b>	5.71 ¢

# Consolidated Statement of Changes in Equity

(UNAUDITED) FOR THE NINE MONTHS END SEP 30, 2023 (CAD\$ 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
<b>Balance, December 31, 2022</b>	\$ 58,460	\$ 47,525	\$ 1,678	\$ 107,663	\$ 22,596	\$ 25,000	\$ 155,259
Other comprehensive income	-	-	6	6	-	-	6
Capital notes interest	-	(750)	-	(750)	-	-	(750)
Preferred share dividends	-	(600)	-	(600)	-	-	(600)
Tax	-	199	(1)	198	-	-	198
Net income	-	7,874	-	7,874	1,206	-	9,080
<b>Balance, September 30, 2023</b>	\$ 58,460	\$ 54,248	\$ 1,683	\$ 114,391	\$ 23,802	\$ 25,000	\$ 163,193

(AUDITED) FOR THE YEAR END DEC 31, 2022 (CAD\$ 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
<b>Balance, December 31, 2021</b>	\$ 58,460	\$ 39,243	\$ 1,878	\$ 99,581	\$ 21,743	\$ 25,000	\$ 146,324
Other comprehensive income	-	-	(245)	(245)	-	-	(245)
Capital notes interest	-	(1,000)	-	(1,000)	-	-	(1,000)
Preferred share dividends	-	(800)	-	(800)	-	-	(800)
Tax	-	265	45	310	-	-	310
Net income	-	9,817	-	9,817	853	-	10,670
<b>Balance, December 31, 2022</b>	\$ 58,460	\$ 47,525	\$ 1,678	\$ 107,663	\$ 22,596	\$ 25,000	\$ 155,259

# Consolidated Statement of Cash Flows

(UNAUDITED) (CAD\$ THOUSANDS)	For the nine months Sep 30 <b>2023</b>	For the twelve months Dec 31 <b>2022</b>
<b>OPERATING</b>		
Net income	\$ 7,873	\$ 10,670
Items not involving cash:		
Equity accounted income	(2,019)	(1,620)
Fair value adjustments	(307)	(6,750)
Fair value gains on forest properties	(2,310)	(437)
Deferred taxes	767	(2,377)
Changes in non-cash working capital and other	(4,467)	1,359
	<b>(463)</b>	<b>845</b>
<b>FINANCING</b>		
Bank loan	(3)	(6)
Mortgages payable	-	(17,310)
Due to affiliates	15,988	(37,277)
Preferred share dividends	(600)	(800)
Other investments	(2,408)	-
Capital notes interest	(750)	(1,000)
	<b>12,227</b>	<b>(56,393)</b>
<b>INVESTING</b>		
Forest properties, investment	(15,000)	-
Commercial properties, disposition	-	37,966
Institutional properties, investment	(2,500)	-
Other investments	(7,105)	(6,452)
Residential properties, advances	(376)	(972)
Residential properties, repayments	2,182	4,801
Property loan, advances	(2,347)	(24,214)
Property loan, repayments	13,382	44,332
	<b>(11,764)</b>	<b>55,461</b>
<b>Net cash flow</b>	-	(87)
Balance, beginning of year	-	87
<b>Balance, end of period</b>	-	-

# Notes to the Consolidated Financial Statements

## 1. CORPORATE INFORMATION

Halmont Properties Corporation (“Halmont”, the “Company”, or “we”, or “our”, or “its”) 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, 2022.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 15, 2023, 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 including land leases 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 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, other loans payable, and 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 \$35.1 million (2022 - \$68.0 million) in secured mortgages, with maturities through to 2025, a \$5.1 million investment in a third-party managed investment fund (2022 - \$4.9 million), a \$17.8 million (2022 - \$8.8 million) investment in and a \$11.0 million loan (2022 - \$10 million) to an industrial property fund, which invests in property storage facilities across Canada, and \$3.7 million (2022 \$2.9 million) in accounts receivable.

The Company has committed up to \$10.0 million to a third-party managed investment fund and up to \$37.0 million to industrial property funds.

**5. COMMERCIAL PROPERTIES**

The Company holds a 100% interest in four commercial properties.

AS AT SEP 30, 2023 AND DEC 31, 2022 (CAD\$ THOUSANDS)	2023	2022
Balance, beginning of year	\$ 42,390	\$ 74,031
Sale of buildings	-	(28,170)
Property land lease and capital investments	-	(166)
Property purchase deposit	2,500	-
Fair value adjustments	(307)	(3,305)
	\$ 44,583	\$ 42,390

The property land lease, or right-of-use asset, is amortized applying a straight-line method over the term of the lease to 2033. The corresponding lease liability was established using a 4.0% discount rate. Cash payments for the land leases during the quarter amounted to \$98,313.

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: 2023 - \$2.22 million, 2024 - \$2.27 million, 2025 - \$2.16 million, 2026 - \$2.17 million, 2027 - \$2.10 million, thereafter - \$6.85 million.

## 6. FOREST PROPERTIES

The Company's investments in forest properties comprises a 49% equity interest in common and participating preferred shares of Haliburton Forest and a \$20.0 million preferred share investment in Macer Forest Holdings Inc., which holds a 45% investment in Acadian Timber Corp. The Company's preferred share investment is convertible into a 7% equity interest in Acadian Timber Corp. During the quarter, the Company subscribed for an additional \$15.0 million of participating preferred shares issued by Haliburton Forest.

AS AT SEP 30, 2023 AND DEC 31, 2022		
(CAD\$ THOUSANDS)	2023	2022
Balance, beginning of year	\$ 56,012	\$ 55,575
Additional investment	15,000	-
Fair value adjustments	2,310	437
	\$ 73,322	\$ 56,012

## 7. RESIDENTIAL PROPERTIES

Residential properties include participating construction loans which bear interest at the prime rate + 2.0%, and a 60% net profit joint venture partnership interest in a residential development project.

The Company accounts for its joint venture partnership interests using the equity method of accounting, initially recognized at cost.

## 8. CORPORATE INVESTMENTS

The Company holds, directly and indirectly, investment interests in Brookfield Corporation and its affiliates, as well as other corporations with real estate and related infrastructure interests. Corporate investments include marketable securities carried at a fair value of \$0.6 million and equity-accounted investments of \$38.2 million. Changes in the carrying amounts of these investments are as follows:

AS AT SEP 30, 2023 AND DEC 31, 2022		
(CAD\$ THOUSANDS)	2023	2022
Balance, beginning of year	\$ 36,768	\$ 35,393
Other comprehensive income	6	(245)
Additional investment	2,408	-
Equity accounted income	2,019	1,620
Balance, end of period	\$ 41,201	\$ 36,768

## 9. ACCOUNTS PAYABLE AND OTHER

Accounts payable include a \$1.8 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 a \$10.0 million of operating loan facility from a Canadian Chartered Bank.

## 11. OTHER LOANS PAYABLE

AS AT SEP 30, 2023 AND DEC 31, 2022				
(CAD\$ THOUSANDS)	Maturity Date	Interest Rate	2023	2022
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
			\$ 50,000	\$ 50,000

Senior debenture holders 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 \$60.0 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 after December 31, 2025.

An affiliate holds \$5.0 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 33.0% common share equity interest held by other shareholders in a subsidiary through which the Company holds its corporate investments.

AS AT SEP 30, 2023 AND DEC 31, 2022		
(CAD\$ THOUSANDS)	2023	2022
Preferred shares	\$ 12,000	\$ 12,000
Common shares	11,802	10,596
	\$ 23,802	\$ 22,596

### b) Convertible Capital Notes

On December 31, 2021, the Company issued \$25.0 million subordinated convertible capital notes. The capital notes bear interest at 4.0% per annum payable annually, with an interest rate reset every five years commencing December 31, 2026, and are convertible into 31.25 million Class B single-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 single-voting common shares.

### c) Common and Convertible Preferred Equity

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

AS AT SEP 30, 2023 AND DEC 31, 2022		
(CAD\$ THOUSANDS)	2023	2022
Class B convertible preferred shares	\$ 20,000	\$ 20,000
Class A multiple-voting & Class B subordinate-voting common shares	93,391	87,663
	\$ 114,391	\$ 107,663

The Company is authorized to issue an unlimited number of preferred and common shares with no stated par value. As of September 30, 2023, issued and outstanding shares comprised 83.94 million Class A multiple-voting common shares which entitle their holdings to five votes for each share held (2022 – 83.94 million), 40.00 million Class B subordinate-voting common shares (2022 – 40.00 million), and \$20.0 million convertible preferred shares (2022 – \$20.0 million).

The Company's \$20.0 million convertible preferred shares bear a 4.0% annual cumulative dividend and are convertible into 30.77 million Class B single-voting common shares on or before December 31, 2024.

#### 14. BASIC AND DILUTED NET INCOME PER COMMON SHARE

AS AT SEP 30, 2023 AND DEC 31, 2022		
(CAD\$ THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2023	2022
Net income available to common shareholders - basic	\$ 5,515 *	\$ 8,282 *
Weighted average number of Common Shares issued	123,940	123,940
Basic Net Income per Common Share	4.46 ¢	6.68 ¢
Net income attributable to common shareholders - diluted	\$ 6,667	\$ 9,817
Weighted average number of Common Shares issued plus dilution	185,959	185,959
Diluted Net Income per Common Share	3.59 ¢	5.28 ¢

*\*reflects a reduction for interest on capital notes 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 Corporation, Brookfield Asset Management Ltd., Acadian Timber Corp. and Haliburton Forest & Wild Life Reserve Ltd.

##### b) Segmented Information

Segments are determined by the nature of products produced or services rendered.

The Company operates in three reportable segments, real estate, forest properties, and property financing. 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, 2023:

(CAD\$ THOUSANDS)	1 to 3 Years	4 to 5 Years	Thereafter	Total
Bank loan	\$ 5	\$ -	\$ -	\$ 5
Mortgages payable	-	-	-	-
Other loans payable	-	25,000	25,000	50,000
	<u>\$ 5</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 50,005</u>

**d) Capital Management**

The permanent capital available to pursue the Company's operations as at September 30, 2023, was \$163.2 million (December 31, 2022 – \$155.3 million), comprised of \$114.4 million (2022 – \$107.7 million) attributable to shareholders of the Company, \$23.8 million (2022 – \$22.6 million) attributable to non-controlling interests, and \$25.0 million (2022 - \$25.0 million) attributable to 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 quarter.

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

## **DIRECTORS**

**Claude A. Doughty**

Huntsville, ON

**Heather M. Fitzpatrick**

Toronto, ON

**Randal L. Froebelius**

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**

President & CEO

**Randal L. Froebelius**

Property Management

**Anthony E. Rubin**

Secretary & Treasurer

**Ines N. Zaloshnja**

Chief Financial Officer

## **Head Office**

51 Yonge Street, Suite 400

Toronto, ON

M5E 1J1

Telephone: 647.448.7147

Fax: 416.203.9931

## **Exchange**

Toronto Stock Exchange - Venture

TSX- V: HMT

## **Register and Transfer Agent**

TMX Equity Transfer Service

200 University Avenue, Suite 300

Toronto, ON M5H 4H1

**HALMONT PROPERTIES**  
**CORPORATION**

51 Yonge Street, Suite 400  
Toronto, ON M5E 1J1  
(HMT.V)