

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 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