

Management's Discussion and Analysis

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Halmont Properties Corporation ("Halmont", the "Company", or "we", or "our") for the nine months ended September 30, 2024, includes material information up to November 29, 2024, and provides an assessment of the Company's performance. The financial information has been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Company and related notes for the same period.

OVERVIEW OF THE BUSINESS

Halmont invests directly and indirectly in three distinct property-related investment categories:

Real Estate: Commercial, residential and industrial properties.

Forest: Freehold timberlands and related manufacturing facilities.

Financial: Medium-term property loans and related advisory services.

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

FOR THE NINE MONTHS ENDED SEPT 30 (CAD \$ thousands)	2024		2023	
Real Estate Properties				
— Commercial Properties	\$ 75,716	23%	\$ 44,582	18%
— Residential and Industrial Properties	50,647	16%	34,100	14%
Forest Properties				
— Haliburton Forest	76,701	24%	53,322	22%
— Acadian Timber Corp	20,000	6%	20,000	8%
Financial Assets				
— Property Loans and Other	56,582	18%	57,922	23%
— Corporate Investments	41,169	13%	38,207	15%
	\$ 320,815	100%	\$ 248,133	100%

REAL ESTATE PROPERTIES

We present the operating results of our Real Estate Properties based on our investment strategies and the nature of their underlying inherent characteristics. Therefore, we have categorized our Real Estate Properties into two groups: Commercial Properties and Residential and Industrial Properties.

Commercial Properties

Halmont's commercial properties represent approximately 23% of the Company's assets and include:

25 Dockside Drive, Toronto:	Acquired on April 15, 2024, in partnership with George Brown College for approximately \$240 million, with each partner holding a 50% equity interest, valued at \$40.0 million each. The acquisition was financed with a \$160.0 million bond issuance.
22 College Street, Toronto:	Appraised value of approximately \$21.4 million.
221 Yonge Street, Toronto:	Appraised value of approximately \$4.6 million.
321 - 329 Lakeshore Road, Oakville:	Appraised value of approximately \$6.8 million.

During the first quarter, the Company sold its 51 Yonge Street property for \$20.0 million, \$10.0 million of which was received as a vendor-take-back loan.

Total lease income for the three months ended September 30, 2024, was \$1.4 million, compared to \$0.9 million for the same period in the prior year. Total lease income for the nine months ended September 30, 2024, was \$3.4 million, compared to \$2.3 million for the same period in the prior year. This increase is primarily attributable to lease income received from 25 Dockside Drive, acquired during the quarter.

Total commercial property expenses for the three months ended September 30, 2024, were \$0.2 million, compared to \$0.4 million for the same period in the prior year. Total commercial property expenses for the nine months ended September 30, 2024, were \$0.9 million, compared to \$1.0 million for the same period in the prior year.

Halmont aims to enhance the value of its commercial property portfolio by re-tenanting, upgrading physical features, and exploring redevelopment opportunities with neighboring properties. Furthermore, Halmont will partner with institutions to assist in acquiring properties that align with their long-term real estate strategies.

Residential and Industrial Properties

Halmont's residential and industrial properties represent approximately 16% of the Company's assets and include:

Grandview Estates, Huntsville:	60% net profit partnership interest in 34 units built and sold, and 227 units in an advanced planning stage. \$16.1 million in construction loan advanced.
Paisley Land Development, Huntsville:	20% net profit interest in an 84-acre mixed-use subdivision for retail, commercial, and residential uses.
MakeSpace Inc.:	\$34.5 million investment interest in a portfolio of property storage facilities across Canada.

Total interest income from our construction loans advanced for the three months ended September 30, 2024, was \$0.3 million compared to \$0.4 million for the same period in the prior year. Total income from our construction loans advanced for the nine months ended September 30, 2024, was \$1.0 million compared to \$1.3 million for the same period in the prior year. This decrease is primarily attributable to loan repayments and lower prevailing interest rates.

Halmont continues to explore opportunities to increase the value of its residential and industrial properties by collaborating with partners to develop future investment opportunities.

FOREST PROPERTIES

The operating results of our Forestry Properties segment are presented based on our strategy of direct and indirect investment in forestry companies. Within our Forest Properties we have investments in Haliburton Forest and Acadian Timber Corp.

Haliburton Forest

Halmont's investment in Haliburton Forest currently accounts for 24% of the Company's assets, and is comprised of a 59% equity interest in Haliburton Forest, which owns approximately 100,000 acres of predominantly hardwood freehold timberlands in Haliburton County, ON, and approximately 145,000 acres of predominantly softwood freehold timberlands near Timmins, ON. Haliburton Forest also owns and operates five hardwood sawmills and a 50% partnership interest in a biochar production facility.

Halmont earned \$1.2 million from its investment in Haliburton Forest for the three months ended September 30, 2024, compared to \$0.9 million for the same period in the prior year. Total income for the nine months ended September 30, 2024, was \$3.1 million compared to \$2.3 million for the same period in the prior year. This increase primarily reflects a \$21.7 million additional investment in Haliburton's participating preferred shares.

Halmont's objective is to earn attractive investment returns from the appreciation in the value of Haliburton Forest's 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, continued inflation, and a diminishing supply of prime privately-owned recreational properties with attractive 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 improve property access and provide 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, long-term commercial leases, property development, or the sale of such segments of the freehold timberlands at premium prices.

Halmont also aims to benefit from opportunities to develop carbon credits for sale in both the voluntary and compliance markets to produce superior long-term returns to timber-focused sustainable forest management operations.

Acadian Timber Corp.

Halmont's investment in Macer Forest Holdings Inc. currently accounts for 6% of the Company's assets, and is comprised of a \$20.0 million convertible preferred share, exchangeable for a 7% equity interest in Acadian Timber Corp., which owns approximately 1,100,000 acres of freehold lands in New Brunswick and Maine.

Acadian Timber Corp. owns and manages approximately 777,000 acres of freehold timberlands in New Brunswick and approximately 300,000 acres of freehold timberlands in Maine. Acadian also provides forest management services related to approximately 1,300,000 million acres of Crown timberlands in New Brunswick. Halmont therefore holds an effective indirect interest in 77,000 acres of freehold forest lands through its ownership.

Acadian's products include softwood and hardwood sawlogs, pulpwood, and biomass. Acadian also develops carbon credits for sale in the voluntary carbon credit markets and generates additional income from long-term leases.

In the future, consideration will be given to a strategic transaction between Haliburton Forest and Acadian Timber Corp. The attraction of such a transaction would include geographic and economic diversification of the companies' respective land holdings, as well as complementary expertise in forest management, timber marketing, carbon credits, and real estate development.

FINANCIAL ASSETS

We present the operating results of our Financial Assets based on the nature of the asset class; therefore, we have segregated them into two groups: Property Loans and Other and Corporate Investments.

Property Loans and Other

Halmont's Property Loans and Other account for 18% of the Company's assets and include:

\$17.4 million in loans to a property storage investment fund.

\$16.7 million in a third-party managed investment fund and other property-related loans in Ontario.

\$8.0 million in marketable securities.

\$9.4 million in a vendor-take back loan

\$4.8 million in loans and other receivables.

Total income for the three months ended September 30, 2024, was \$2.7 million compared to \$2.0 million for the same period in the prior year. Total income for the nine months ended September 30, 2024, was \$7.9 million compared to \$5.3 million for the same period in the prior year.

In addition to being capable of responding promptly to property loan applications, Halmont provides client companies with advice on project financing alternatives, offers subordinate loans with equity participation features, and endeavours to seek third-party underwriting for its higher-risk loans. Should a client experience difficulty executing their property development plans, Halmont has the capacity to intercede and assign experienced individuals to stabilize and, if necessary, complete and realize value from such projects.

Halmont maintains longstanding relationships with commercial banks and other parties, which enable it to invest capital in financial assets, pending its redeployment in longer-term investment initiatives in the real estate property and forestry sectors.

Corporate Investments

Halmont's corporate investments account for 13% of the Company's total assets and include investments held through a subsidiary, substantially financed with \$26.7 million of preferred shares, which have no recourse to the Company's other assets. As a result, Halmont's net effective investment in these entities is \$14.5 million representing 4.5% of its total assets.

Halmont accounts for its corporate investments using the equity method, initially recorded at cost and adjusted for the Company's contractual share of income and distributions. Halmont's objective is to hold these corporate investments as they provide a reliable source of income and business relationships that support its other investment activities.

Total equity accounted income for the three months ended September 30, 2024, was \$0.7 million compared to \$0.7 million for the same period in the prior year. Total income for the nine months ended September 30, 2024, was \$2.2 million compared to \$2.0 million for the same period in the prior year.

SUMMARY FINANCIAL INFORMATION

The following table summarizes the selected annual consolidated information:

(CAD\$ THOUSANDS)	NINE MONTHS ENDED SEPTEMBER 30		YEAR ENDED DECEMBER 31		
	2024	2023	2023	2022	2021
Total assets	\$ 320,815	\$ 248,133	\$ 253,572	\$ 224,032	\$ 265,821
Total revenue	20,959	12,990	27,973	19,514	13,492
Comprehensive income	12,440	7,879	18,602	10,425	7,656
Comprehensive income to shareholders	11,432	6,673	17,369	9,572	7,103
- Per share diluted	5.02 ¢	3.59 ¢	9.28 ¢	5.28 ¢	3.44 ¢
- Per share basic	6.61 ¢	4.46 ¢	12.69 ¢	6.68 ¢	4.85 ¢

CONSOLIDATED OPERATING RESULTS

For the three months ended September 30, 2024, the Company reported a net income of \$3,607,000 compared to \$2,835,000 for the same period in 2023. The increase in revenue is largely attributable to an increase in leasing income from 25 Dockside Drive, purchased during the quarter, and higher interest earned on property loans, partially offset by increased income tax expenses.

For the nine months ended September 30, 2024, the Company reported a net income of \$10,346,000 compared to \$7,873,000 for the same period in 2023. The increase in revenue is largely attributable to a gain on the sale of 51 Yonge Street that closed February 2024, an increase in leasing income from 25 Dockside Drive that was purchased during the quarter, and higher interest earned on property loans, partially offset by increased income tax expense.

Halmont'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.

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

(CAD\$ THOUSANDS)	2024			2023			2022	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	\$ 6,412	\$ 5,777	\$ 8,770	\$ 14,983	\$ 4,727	\$ 4,456	\$ 3,807	\$ 740
Comprehensive income (loss)	4,573	2,520	5,347	10,738	2,819	2,698	2,347	(1,176)
Comprehensive income (loss) to shareholders	4,251	2,160	5,021	10,711	2,422	2,179	2,057	(1,445)
- Per share diluted	1.77 ¢	1.64 ¢	2.04 ¢	5.58 ¢	1.31 ¢	1.13 ¢	1.26 ¢	0.07 ¢
- Per share basic	2.34 ¢	2.16 ¢	2.75 ¢	8.29 ¢	1.66 ¢	1.17 ¢	1.57 ¢	0.15 ¢

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2024, the Company's borrowings included \$nil million drawn on our revolving credit facility (December 31, 2023 - \$0.003 million), \$25 million from secured loans (December 31, 2023 - \$25 million), \$68.3 million from an affiliate (December 31, 2023 - \$18.3 million), and \$25 million from senior debentures (December 31, 2023 - \$25 million), with our undrawn aggregated borrowings totaling \$91.2 million (December 31, 2023 - \$51.7 million). In addition, loans and mortgages receivable in the amount of approximately \$9.7 million (December 31, 2023 - \$23.6 million) can be liquidated in the short term for re-investment in the Company's principal operations.

As at September 30, 2024, 100% of our debt outstanding was floating rate.

Total interest expense for the three months ended September 30, 2024, was \$2.2 million compared to \$1.2 million for the same period in the prior year. Total interest expense for the nine months ended September 30, 2024, was \$5.4 million compared to \$3.3 million for the same period in the prior year.

EQUITY BASE

Halmont's issued common share capital is comprised of 83.9 million multiple-voting common shares and 40.0 million subordinate-voting common shares. The multiple-voting common shares are listed for trading on the TSX Venture Exchange under the symbol HMT.V.

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 subordinate-voting common shares respectively.

The following table sets out the current issued and outstanding multiple-voting common shares and subordinate-voting common shares as at September 30, 2024, together with the subordinate-voting common shares to be issued on the conversion of its capital notes and preferred shares.

(CAD\$ THOUSANDS)	Number of shares	Subscribed Value
Issued and Outstanding:		
- Multiple - voting common shares	# 83,940	\$ 77,087
- Subordinate - voting common shares	40,000	36,735
	123,940	113,822
Issuance of Subordinate- voting common shares on conversion of:		
- Series II subordinated capital notes	31,250	25,000
- Preferred shares	30,769	20,000
Fully diluted Multiple and Subordinated voting common shares	# 185,959	\$ 158,822

REVIEW OF THE INTERIM FINANCIAL STATEMENTS

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.

Related party transactions are conducted in the normal course of operations and are recorded at the agreed-upon exchange amounts between the parties.

The accompanying unaudited consolidated financial statements of the Company for the nine months ended September 30, 2024, have been prepared by and are the responsibility of the Company's management.

Additional information has been filed on SEDARPLUS at www.sedarplus.ca or may be obtained upon request from the Secretary of the Company at 181 Bay Street, Suite IN200, Toronto, ON, M5J 2T3.

November 29, 2024