

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 (the "Company" or "Halmont") for the year ended December 31, 2024, includes material information up to April 30, 2025. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company and related notes for the year ended December 31, 2024.

OVERVIEW OF THE BUSINESS

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

- Real Estate: Commercial, residential and industrial properties.
- Forest Properties: Freehold timberlands and related manufacturing facilities.
- Financial Assets: Medium-term property loans and related real estate advisory services.

The capital invested in each of its three principal areas of business was as follows at the end of the year:

| (CAD \$ thousands) FOR THE YEARS ENDED DEC. 31 | 2024 | | 2023 | |
|--|------------|------|------------|------|
| Real Estate Operations | | | | |
| — Commercial Properties | \$ 165,164 | 40% | \$ 56,670 | 22% |
| — Residential and Industrial Properties | 54,544 | 13% | 37,436 | 15% |
| Forest Properties | | | | |
| — Haliburton Forest | 74,530 | 18% | 51,811 | 20% |
| — Acadian Timber Corp | 20,000 | 5% | 20,000 | 8% |
| Financial Assets | | | | |
| — Property Loans and Other | 55,683 | 14% | 48,709 | 19% |
| — Corporate Investments | 41,848 | 10% | 38,946 | 15% |
| | \$ 411,769 | 100% | \$ 253,572 | 100% |

REAL ESTATE OPERATIONS

The Company presents the financial results of its Real Estate Operations based on the investment strategies and the nature of their underlying inherent characteristics. Therefore, Real Estate Operations are categorized into two groups: Commercial Properties and Residential and Industrial Properties.

Commercial Properties

Halmont's commercial properties represent approximately 40% of the Company's assets and include:

| | |
|-------------------------------------|--|
| 2 Queen Street East, Toronto | Acquired on December 2, 2024, in partnership with Brookfield Property Partners and Toronto Metropolitan University for approximately \$215.0 million. As a joint operator, Halmont recognizes its 37.5% share of the property's assets, liabilities, revenue and expenses. Halmont's share of the acquisition cost is approximately \$83.1 million. |
| 25 Dockside Drive, Toronto: | Acquired on April 15, 2024, in partnership with George Brown College for approximately \$240.0 million, with each partner contributing \$40 million for their 50% equity interests, and the balance financed with a \$160.0 million secured term loan. As at December 31, 2024, 25 Dockside had an appraised value of approximately \$251.0 million, bringing Halmont's equity investment to \$46.6 million. |
| 22 College Street, Toronto: | Leased to the Toronto School of Management and has an appraised value of approximately \$21.2 million. |
| 221 Yonge Street, Toronto: | Leased to a retail bank with the building having an appraised value of approximately \$4.9 million, for a total value of \$7.8 million which includes a \$2.9 million attributable to land lease. |
| 321 - 329 Lakeshore Road, Oakville: | Leased to both retail and residential tenants and has an appraised value of approximately \$6.5 million. |

During 2024, the Company completed the sale of its 51 Yonge Street office property for \$20.0 million, \$10.0 million of which was received as a vendor-take-back loan.

Total lease income, including equity-accounted income from the Company's joint venture, for the year ended December 31, 2024, was \$10.7 million, compared to \$3.1 million for the same period in the prior year. The increase is primarily attributable to rental income from properties acquired during the year.

Total commercial property expenses for the year ended December 31, 2024, were \$1.7 million, compared to \$1.3 million for the same period in the prior year. Commercial Properties expenses include costs such as property maintenance, property management fees, insurance, taxes and other expenses associated with maintaining income-generating properties.

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 13% of the Company's assets and include:

| | |
|---------------------------------------|---|
| Grandview Estates, Huntsville: | Halmont has provided \$16.5 million in senior construction loans to the Grandview project. In addition to interest earned on the loans, Halmont holds a 60% net profit partnership interest in the development, which includes 34 units that have been built and sold, and 227 units in an advanced planning stage. |
| Paisley Land Development, Huntsville: | Halmont holds a 20% net profit interest in an 84-acre mixed-use subdivision designated for retail, commercial, and residential development. |
| MakeSpace Inc.: | Halmont has a \$38.0 million investment in two property storage funds managed by MakeSpace Inc., which provides industrial storage solutions across Canada. |

Total interest income earned from construction loans for the year ended December 31, 2024, was \$1.4 million compared to \$1.7 million for the same period in the prior year. This decrease is primarily attributable to loan payments 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

Halmont's forest properties represents approximately 23% of the Company's assets and includes investments in Haliburton Forest and Acadian Timber Corp.

Haliburton Forest

Halmont's investment in Haliburton Forest currently accounts for 16% 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.

Total income for the year ended December 31, 2024, was \$4.3 million compared to \$3.2 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 partly through the appreciation in land values commensurate with inflationary pressures, and a diminishing supply of prime privately-owned recreational properties with attractive waterfront features.

In addition, value is expected to be created through the application of sustainable forest management practices, which improve forest quality and growth over time by prioritizing the removal of damaged and lower-quality trees, in order to promote the growth of the most valuable and vigorous species.

Investments in long-life infrastructure, including the building of roads and bridges, improve property access and thereby provide optionality with respect to land leases, fee-based recreational services, property development, and future forest harvesting.

Opportunities are also pursued to realize 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.

In addition, Halmont aims to benefit from the development of carbon credits for sale in both the voluntary and compliance markets to produce sustainable forest management returns.

Acadian Timber Corp.

Halmont's investment in Acadian Timber Corp is held through a \$20.0 million convertible preferred share in Macer Forest Holdings Inc. which is exchangeable for a 7% equity interest in Acadian Timber Corp., which owns approximately 1,100,000 acres of freehold forest lands in New Brunswick and Maine. Halmont accordingly has an indirect ownership in an additional 77,000 acres of freehold lands.

Acadian Timber Corp. owns and manages approximately 775,000 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 acres of Crown timberlands in New Brunswick.

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.

Consideration will be given in the future 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 benefiting from closer sharing of expertise in forest management, timber marketing, carbon credits, and property development.

FINANCIAL ASSETS

Halmont's financial assets are segregated into two groups: Property Loans and Other and Corporate Investments.

Property Loans and Other

Halmont's property loans and other account for 14% of the Company's assets and include:

| | | |
|----------------------------------|----|---------------------|
| Loans to a property storage fund | \$ | 18.2 million |
| Vendor-take-back loan | | 9.9 million |
| Secured property mortgages | | 9.8 million |
| Other receivables | | 9.1 million |
| Marketable securities | | 8.4 million |
| | \$ | <u>55.4 million</u> |

Total income from property loans and other, for the year ended December 31, 2024, was \$5.7 million compared to \$4.9 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 enables it to invest capital in financial assets, pending its redeployment in longer-term investment initiatives in the real estate property and forest sectors.

Corporate Investments

Halmont's corporate investments in the amount of \$41.8 million account for 10% of the Company's total assets and include investments held through a subsidiary, substantially financed with \$27.0 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 \$14.8 million representing 3.6% of its total assets.

Halmont accounts for its corporate investments using the equity method, which are 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 while they provide a source of income and business relationships that support its other investment activities.

Total equity accounted income for the year ended December 31, 2024, was \$2.9 million compared to \$2.7 million for the same period in the prior year.

SUMMARY FINANCIAL INFORMATION

The following table summarizes selected annual consolidated information:

| (CAD\$ THOUSANDS, EXCEPT PER SHARE AMOUNTS) | YEAR ENDED DECEMBER 31 | | | | |
|---|------------------------|------------|------------|------------|------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Total assets | \$ 411,769 | \$ 253,572 | \$ 224,032 | \$ 265,821 | \$ 220,185 |
| Total revenue | 32,026 | 27,973 | 19,514 | 13,492 | 11,219 |
| Comprehensive income | 20,715 | 18,602 | 10,425 | 7,656 | 6,199 |
| Comprehensive income to shareholders | 19,375 | 17,369 | 9,572 | 7,103 | 5,713 |
| - Per share diluted | 9.17 ¢ | 9.28 ¢ | 5.28 ¢ | 3.44 ¢ | 4.28 ¢ |
| - Per share basic | 12.52 ¢ | 12.69 ¢ | 6.68 ¢ | 4.85 ¢ | 3.63 ¢ |

CONSOLIDATED OPERATING RESULTS

For the year ended December 31, 2024, the Company reported a net income of \$18,399,000, compared to \$18,490,000 for the same period in 2023.

Halmont's financial results have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards). As a result, 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, EXCEPT PER SHARE AMOUNTS) | 2024 | | | | 2023 | | | |
|---|-----------|----------|----------|----------|-----------|----------|----------|----------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Total revenue | \$ 11,067 | \$ 6,412 | \$ 5,777 | \$ 8,770 | \$ 14,983 | \$ 4,727 | \$ 4,456 | \$ 3,807 |
| Comprehensive income | 8,275 | 4,573 | 2,520 | 5,347 | 10,738 | 2,819 | 2,698 | 2,347 |
| Comprehensive income to shareholders | 7,943 | 4,251 | 2,160 | 5,021 | 10,711 | 2,422 | 2,179 | 2,057 |
| - Per share diluted | 4.14 ¢ | 1.77 ¢ | 1.07 ¢ | 2.19 ¢ | 5.58 ¢ | 1.31 ¢ | 1.13 ¢ | 1.26 ¢ |
| - Per share basic | 5.92 ¢ | 2.34 ¢ | 1.29 ¢ | 2.97 ¢ | 8.29 ¢ | 1.66 ¢ | 1.17 ¢ | 1.57 ¢ |

Halmont's quarterly results for the past eight quarters have been influenced by acquisitions and dispositions, occupancy levels, the economic performance of its commercial property portfolio, the timing and scale of development expenditures project completions, fluctuations in interest rates, and changes in the fair values of investment properties and financial assets.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2024, the Company's borrowings included \$25.0 million in secured loans (December 31, 2023 - \$25.0 million), \$75.2 million from an affiliate (December 31, 2023 - \$18.3 million), and \$25.0 million in senior debentures (December 31, 2023 - \$25.0 million). The Company's undrawn available credit totaled \$84.7 million (December 31, 2023 - \$51.7 million).

As at December 31, 2024, 61% of outstanding debt was at floating rates, and 39% with fixed rates.

EXPENSES AND INCOME TAXES

Total interest expense for the year ended December 31, 2024, was \$6.8 million, compared to \$4.8 million for the same period in the prior year. This increase in interest expense is primarily attributable to higher borrowing amounts, partially offset by lower average interest rates.

Halmont recorded an aggregate income tax expense of \$4.0 million for the year ended December 31, 2024, (December 31, 2023 - \$2.6 million), including current tax expenses of \$1.0 million (December 31, 2023 - \$0.2 million) and a deferred tax expense of \$3.0 million (December 31, 2023 - \$2.4 million). The increase in current income tax expense is primarily attributable to taxes related to the sale of a commercial property.

FAIR VALUE SUMMARY

Fair value adjustments totaled \$7.0 million (December 31, 2023 - \$12.2 million), which consisted of:

| (CAD\$ THOUSANDS) AS AT DEC. 31 | 2024 | 2023 |
|------------------------------------|----------|-----------|
| Sale of commercial properties | \$ 4,250 | \$ 10,450 |
| Commercial properties | (458) | (2,863) |
| Industrial properties | 3,221 | 4,388 |
| Property loans and other | (10) | 268 |
| Total fair value gain | \$ 7,003 | \$ 12,243 |

EQUITY BASE

On December 31, 2024, the Company redeemed its Series I convertible preferred shares by issuing 30.7 million subordinate-voting common shares of the Company. Halmont's issued common share capital is now comprised of 83.9 million multiple-voting common shares and 70.8 million subordinate-voting common shares. The multiple-voting common shares are listed for trading on TSX Venture Exchange under the symbol HMT.V.

On December 31, 2024, the Company issued \$50.0 million Series II preferred shares which are convertible into 50.0 million subordinate-voting common shares.

On December 31, 2021, the Company issued \$25.0 million subordinated capital notes which are convertible into 31.2 million subordinate-voting common shares.

The following table sets out the current issued and outstanding multiple-voting common shares and subordinate-voting common shares as at December 31, 2024, together with the subordinate-voting common shares to be issued on the conversion of its capital notes and preferred shares.

| | Number of shares (THOUSANDS) | Subscribed Value (CAD\$ THOUSANDS) |
|---|------------------------------------|--|
| Issued and Outstanding: | | |
| – Multiple - voting common shares | # 83,940 | \$ 76,685 |
| – Subordinate - voting common shares | 70,769 | 64,652 |
| | 154,709 | 141,337 |
| Issuance of Subordinate- voting common shares on conversion of: | | |
| – Series II subordinated capital notes | 31,250 | 25,000 |
| – Series II preferred shares | 50,000 | 50,000 |
| Fully diluted Multiple and Subordinated voting common shares | # 235,959 | \$ 216,337 |

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

April 30, 2025