HALMONT PROPERTIES CORPORATION

Six months ended June 30, 2017

Forward-Looking Information

This report contains forward-looking information concerning the company's business and operations. The words "expects", "believes", "continue", "intends", "objective", "likely", 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 other 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

We are pleased to report on our operations and corporate activities, for the six-month period ended June 30, 2017.

Net income for the second quarter ended June 30, 2017 attributable to common shareholders increased to $415,000, compared to $265,000 in 2016, bringing the total for the first six months of 2017 to $795,000 compared to $615,000 in 2016.

In March 2017, we acquired a fourth commercial office property located at 22 College Street in the discovery district of Toronto for $20 million. In addition to being within 50-metres of a subway station, seven major high-rise residential properties are either under way or are planned to be constructed in close proximity to the building we acquired.

In April 2017, we acquired a 25% interest in 51 Yonge Street, Toronto in exchange for 2,740,000 Class A Common Shares to increase our ownership of this property to 100%.

In July 2017, we completed the acquisition of an additional 6% common share equity interest in the Haliburton Forest & Wild Life Reserve in exchange for 6,200,000 Class A Common Shares to increase our ownership interest to 30%.

The book value of each of the Company's common shares increased to 45¢ per share at June 30, 2017. Since we revalue our principal assets each year in accordance with IFRS accounting principles, which take into account available market information and relevant terms of our joint-venture and partnership agreements, the book value of our shares approximates their realizable values.

Should the Company's shares trade at meaningful discounts to their realizable values for extended periods, we plan to repurchase shares through normal course issuer bids. Recent trade prices for our shares have, however, been meaningfully higher than their realizable values. While it is normal for investors to have different views on a company's ability to sustain growth, and the value attributed to its shares, the recent trading prices for Halmont's shares in relation to their IFRS realizable values appear unrealistically optimistic.

Thank you for your continued interest and please email us at 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
August 28, 2017

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is intended to provide an assessment of the Company's performance for the six months ended June 30, 2017 and the comparable period in the prior year, as well as provide information on our financial position and other relevant matters. The information in the MD&A should be read in conjunction with the Company's interim report to shareholders and unaudited consolidated financial statements for the period ended June 30, 2017.

DESCRIPTION OF THE BUSINESS

The Company invests directly and indirectly in real assets, including forest properties, and in securities of companies holding property, energy and infrastructure assets.

The Company's common shares are listed on the TSX Venture Exchange under the symbol HMT.

The Company's principal areas of investment and the proportion of the Company's invested capital are:

(thousands)	Invested Capital			Revenues		
Commercial Properties	$	51,647	44%	$	1,277	52%
Forest Properties		27,856	24%		529	21%
Residential Properties		5,735	5%		–	–
Corporate Investments		31,652	27%		461	19%
Other Assets		514	0%		205	8%
Net Invested Capital	$	117,404	100%	$	2,472	100%

The Company's directly-owned commercial real estate property assets, which are located in the financial, discovery and entertainment districts of Toronto, ON, represent approximately 44% of its invested capital.

Property	Year Acquired	Ownership Interest	Invested Capital	
			(thousands)	
51 Yonge Street	2006	100%	$	5,485
220 King Street West	2014	100%		19,900
224 King Street West *Ground and second floors*	2016	75%		5,950
22 College Street	2017	100%		20,312
			$	51,647

The Company's forest investments at June 30, 2017 included a 24% common share interest in Haliburton Forest & Wild Life Reserve Limited, and an interest in 13,000 acres of adjacent forest properties, representing approximately 24% of the Company's total invested capital. The objective is to increase the Company's ownership of Haliburton Forest over time in support of its plans to expand its freehold hardwood forest and related recreational land holdings.

The Company also holds, through Continental Properties Inc., investment interests in other corporations providing asset management services, principally in the real estate, energy and infrastructure sectors. These investments are accounted for using the equity method whereby the investments are initially recognized at cost and adjusted for the Company's contractual share of income and distributions, which takes into account non-controlling shareholder interests in determining the expected realizable value of these investments on ultimate disposition.

CONSOLIDATED OPERATING RESULTS

The Company reported net income and comprehensive income of $1,011,000 for period ended June 30, 2017 compared with $962,000 for the same period in the preceding year. Net income attributable to common shareholders increased to $795,000 compared to $615,000 in 2016.

Revenue and expenses for the period ended June 30, 2017 increased compared with the previous year due to the additional capital invested in commercial properties, as well as debt incurred to acquire these assets.

The Company's financial results have been prepared in accordance with International Financial Reporting Standards. All inter-company transactions and balances have been eliminated on consolidation.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a $15 million revolving credit facility from a related party.

Management's Discussion and Analysis

SUMMARY FINANCIAL INFORMATION

(in thousands)	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2016	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014
Total assets	**$ 117,403**	$ 8,475	$ 93,925	$ 76,755	$ 72,533
Total revenue	**2,472**	2,034	4,698	4,538	2,361
Net income to common	**795**	615	2,012	1,970	1,482

The following table summarizes selected consolidated financial information of the Company for the ten recently completed quarters:

	2017		2016				2015			
(in thousands)	June	March	Dec	Sept	June	March	Dec	Sept	June	March
Revenue	$ 1,324	$ 1,148	$ 1,432	$ 1,232	$ 1,009	$ 1,025	$ 1,664	$ 952	$ 989	$ 933
Net income	$ 523	$ 488	$ 878	$ 597	$ 440	$ 522	$ 1,167	$ 517	$ 324	$ 563

RISKS AND ACCOUNTING ESTIMATES

A description of the principal risks to which the Company is exposed is described in the notes to the financial statements accompanying this MD&A.

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the carried amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. This subject is more fully dealt with in the notes to the consolidated financial statements accompanying this MD&A.

The carrying values of the cash, receivables, and payables approximate their fair values due to the short-term maturity of these financial instruments.

EQUITY SECURITIES ISSUED AND OUTSTANDING

The Company's equity capital is comprised of 77,740,000 million Class A Common Voting Shares.

In December 2016 the Company issued Subordinated Convertible Capital Notes, which have been classified and presented as equity, and has set aside 20 million Class B non-voting common shares to redeem the Capital Notes, if required.

CONTROLS AND PROCEDURES

The Company's management has evaluated the effectiveness of the Company's controls and procedures and has concluded that such controls and procedures are effective for the period ended June 30, 2017. No changes were made in internal controls over financial reporting during the period ended June 30, 2017 that have materially affected, or are reasonably likely to affect, the internal control over financial reporting.

RELATED PARTY TRANSACTIONS

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

REVIEW OF THE ANNUAL FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements of the Company for the period ended June 30, 2017, 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

August 28, 2017

Consolidated Balance Sheet

(unaudited, in thousands)	Note	June 30, 2017	December 31, 2016
ASSETS			
Cash		$ 47	$ 187
Accounts and other receivables		467	5,192
Commercial properties	4	51,647	29,856
Forest properties	5	27,856	27,325
Residential properties		5,735	250
Other corporate investments	6	31,651	31,115
Total Assets		$ 117,403	$ 93,925
LIABILITIES AND EQUITY			
Accounts and other payables		$ 143	$ 161
Prepaid rent		65	43
Mortgage payable	7	8,555	8,641
Secured loans	8	25,000	15,000
Due to affiliates	9	19,901	8,966
Deferred taxes		3,277	3,033
Equity			
Non-controlling shareholders' interest	10(a)	15,333	15,117
Common shareholders' equity	10(b)	35,129	32,964
Subordinated convertible capital notes	10(c)	10,000	10,000
Total equity		60,462	58,081
Total Liabilities and Equity		$ 117,403	$ 93,925

See accompanying notes.

Approved by the Board on August 28, 2017 and signed on its behalf by:

Heather M. Fitzpatrick
President

David W. Kerr
Chairman

Consolidated Statement of Comprehensive Income

(unaudited, in thousands)	Three months ended June 30 2017	Three months ended June 30 2016	Six months ended June 30 2017	Six months ended June 30 2016
REVENUE				
Rental revenue	**$ 813**	$ 472	**$ 1,277**	$ 927
Interest and other investment income	**280**	277	**734**	590
Equity accounted income	**231**	260	**461**	517
	1,324	1,009	**2,472**	2,034
EXPENSES				
Interest	**380**	264	**760**	491
Property operations	**259**	174	**478**	334
General and administrative	**46**	31	**58**	47
Income taxes	**116**	100	**165**	200
	801	569	**1,461**	1,072
NET INCOME AND COMPREHENSIVE INCOME	**$ 523**	$ 440	**$ 1,011**	$ 962
Net income attributable to:				
Non-controlling interests	**$ 108**	$ 175	**$ 216**	$ 347
Common shareholders	**415**	265	**795**	615
Earnings per share – Basic and diluted (Note 11)	**0.45 ¢**	0.35 ¢	**0.96 ¢**	0.82 ¢

Consolidated Statement of Changes in Equity

(unaudited, in thousands)	Common Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity Attributable to Shareholders of the Company	Non-Controlling Interests	Subordinated Convertible Capital Notes	Total Equity
Six months ended June 30, 2017							
Balance, January 1, 2017	**$ 13,990**	**$ 17,550**	**$ 1,424**	**$ 32,964**	**$ 15,117**	**$ 10,000**	**$ 58,081**
Issuance of subordinated convertible capital notes	**1,370**	**1,370**	**-**	**1,370**	**-**	**-**	**1,370**
Net income	**-**	**795**	**-**	**796**	**216**	**-**	**1,011**
Balance, June 30, 2017	**$ 15,360**	**$ 19,716**	**$ 1,424**	**$ 35,129**	**$ 15,333**	**$ 10,000**	**$ 60,462**
Six months ended June 30, 2016							
Balance, January 1, 2016	$ 13,990	$ 15,538	$ 1,424	$ 30,952	$ 14,692	$ -	$ 45,644
Net income	-	615	-	615	347	-	962
Balance, June 30, 2016	$ 13,990	$ 16,153	$ 1,424	$ 31,567	$ 15,039	$ -	$ 46,606

Consolidated Statement of Cash Flows

(unaudited, in thousands)	Six months ending June 30, 2017 2017	2016
CASH FLOW FROM (USED IN) THE FOLLOWING ACTIVITIES:		
OPERATING		
Net income	**$ 1,011**	$ 615
Items not involving cash:		
Equity accounted income	**(461)**	(517)
Fair value gains	**-**	25
Forest properties	**(531)**	(424)
Non-controlling interests	**216**	347
Taxes	**165**	200
Changes in non-cash working capital	**(483)**	(63)
	(83)	183
INVESTING		
Commercial properties	**(21,791)**	(6,452)
Residential properties	**(5,485)**	-
Forest properties	**-**	(500)
	(27,276)	(6,952)
FINANCING		
Shares issued	**1,370**	-
Mortgage receivable	**5,000**	-
Mortgage payable	**(86)**	(83)
Secured loans	**10,000**	-
Advances from affiliates	**10,935**	6,972
	27,219	6,889
Net cash flow	**(140)**	120
Cash and securities, beginning of period	**187**	82
Cash, end of period	**$ 47**	$ 202

See accompanying notes.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

Halmont Properties Corporation ("the Company") is incorporated and domiciled in Canada. The Company invests in commercial and forest properties and securities of companies holding property, energy and infrastructure assets. 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 consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance by the Board of Directors of the Company on August 28, 2017, and have been prepared by, and are the responsibility of, the Company's management.

b) Basis of Presentation

The consolidated financial statements are presented in thousands of Canadian dollars unless otherwise noted.

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 the power to govern the financial and operating policies of an entity so as to obtain full benefit from its activities. Non-controlling interests in the equity of the Company's subsidiaries are included in equity.

(ii) 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.

(iii) The Company enters into joint arrangements with one or more parties whereby economic activity and decision-making are shared. A jointly controlled asset involves joint ownership, whereby each venturer is entitled to its share of the assets, liabilities, revenue and expenses. The Company accounts for its interests in and results from jointly controlled assets using the proportionate consolidation method, whereby the Company's share of each of the assets, liabilities, income and expenses of the joint venture are recorded in the financial statements.

c) Commercial Properties

Commercial properties are recorded at fair value at the balance sheet date. The changes in fair value are recorded in the consolidated statements of income at year end. Fair value is determined based upon external valuations and appraisals performed by independent, qualified and experienced valuators, based on the direct sales comparison approach of recent sales and listings of properties with similar characteristics and features, corroborated by market conditions including leases in place, capitalization rates and other market trends.

d) Financial Instruments

Financial assets and financial liabilities are measured at fair value with changes in those fair values recognized in net income. Fair values of these instruments are based on published market prices or on cost, where the maturities are short, such as accounts payable and receivable. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost, net of associated transaction costs, using the effective interest method. The Company includes transaction costs associated with the origination of interest-bearing financial assets and liabilities as a component of the initial carrying amount of the instrument.

The Company's financial assets comprise accounts and other receivables, a forest investment fund and cash. The forest fund has a fixed maturity date and is classified as being held to maturity; and recorded at amortized cost using the effective interest rate method. Haliburton Forest & Wildlife Reserve is classified as available for sale and accounted for at fair value.

The Company's financial liabilities comprise accounts and other payables, mortgage indebtedness, secured loans and amounts due to affiliates.

e) Revenue recognition

The Company has retained substantially all of the risks and benefits of ownership of its income producing real estate 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, where 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 the accrual basis and dividends from marketable securities are recognized when received. Gains (losses) in fair value of marketable securities are included in (charged to) income as they occur.

Gains on the sale of real estate are recognized when title passes to the purchaser and collection of proceeds is reasonably assured.

Notes to the Consolidated Financial Statements

f) **Income taxes**

Current 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 deductible temporary differences and for the carry forward of unused tax credits and unused tax losses only to the extent that it is more likely than not 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. 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 that have been 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 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 sales of comparable properties and estimates of expected future cash flows and of the suitable discount rates for the cash flows.

(ii) Degree of Significant 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 control or influence that the Company exerts; the amount of potential voting rights which provide the Company or unrelated parties voting powers; the terms of 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 utilized in the preparation of the Company's financial statements include the assessment of net recoverable amount for receivables, net realizations from the investment in the forest fund and Haliburton Forest & Wildlife Reserve, estimation of tax provision and the ability to utilize tax losses in the normal course.

h) **Future changes in accounting policies**

The following standards and amendments have not been adopted as they apply to future periods. They may result in future changes to our existing accounting policies and disclosures. The Company is currently evaluating the impact that these standards will have on its results of operations and financial position:

Revenue Recognition

The IASB issued IFRS 15, "revenues from contracts with customers", which establishes principles for recognizing revenues based on a five-step model which is to be applied to all contracts with customers. Revenue arising from lease contracts accounted for under IAS 17 is outside the scope of the new standard. The company plans to adopt the new standard for the year ending December 31, 2017.

Financial instruments

IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. IFRS 9 introduces a simplified hedge accounting model, aligning hedge accounting more closely with risk management.

IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. Adoption is not expected to have a material impact on the Company's financial statements.

Leases

In January 2016, the IASB published a new standard to IFRD 16, Leases ("IFRS 16"). The standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 Leases and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. Adoption is not expected to have a material impact on Company's financial statements.

Notes to the Consolidated Financial Statements

3. **RISK MANAGEMENT**

The Company is exposed to the following risks as a result of 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 that are exposed to fair value risk include the mortgage receivable, forest fund and due to and from affiliates.

The Company has no currency risk.

Other 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 the forest fund and accounts and other receivables. Exposure to credit risk in respect of financial instruments relates primarily 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. **COMMERCIAL PROPERTIES**

The Company holds a 100% interest in three Toronto, Ontario commercial office properties, and a 75% interest in the ground and second floor retail premises of a 47-storey residential complex adjacent to one of the Company's commercial office properties.

(thousands)	June 30, 2017	December 31, 2016
Balance, beginning of period	$ 29,856	$ 23,345
Additional investment	21,791	5,887
Fair value adjustments	-	624
	$ 51,647	$ 29,856

5. **FOREST PROPERTIES**

The Company holds a 24% common share equity interest in Haliburton Forest & Wild Life Reserve as well as 13,000 adjacent acres, held through a Forest Investment Fund which are accounted for at amortized cost, taking into account Haliburton Forest's rights to acquire these properties on or before December 31, 2024 at prescribed values.

(thousands)	June 30, 2017	December 31, 2016
Investment in Haliburton Forest & Wild Life Reserve	$ 13,477	$ 13,277
Forest Investment Fund	14,379	14,048
	$ 27,856	$ 27,325

Notes to the Consolidated Financial Statements

6. OTHER CORPORATE INVESTMENTS

The Company holds, directly and indirectly, investment interests in Brookfield Asset Management Inc. and other corporations with real estate and related infrastructure interests. Changes in the carrying amounts of these investments are as follows:

(thousands)	2017	2016
Balance, beginning of period	$ 31,115	$ 27,970
Additional investment	75	2,250
Equity accounted income	461	895
Balance, end of period	31,651	31,115
Non-controlling interests	15,333	15,117
Company's net investment	$ 16,318	$ 15,998

7. MORTGAGE PAYABLE

The mortgage payable, net of unamortized financing costs of $145,000, is due on July 1, 2025 and bears interest at a rate of 3.81% per annum. The mortgage is secured by a first charge on a commercial property located at 220 King Street West, Toronto, ON.

8. SECURED LOAN

The loan bears interest at the prime lending rate plus half a percent, is due on twelve months' notice and no later than January 1, 2019 and is secured by a charge on the Company's assets.

9. DUE TO AFFILIATES

Amounts due to affiliates are with entities in which the Company exercises significant influence, bear interest at the prime rate, are unsecured and due on twelve months' notice.

10. EQUITY

a) Non-controlling Interests

This amount includes preferred shares and a 33% common share equity interest held by other shareholders in Continental Properties Inc., the Company's principal subsidiary.

(thousands)	2017	2016
Preferred shares	$ 8,000	$ 8,000
Common shares	7,333	7,039
Company's net investment	$ 15,333	$ 15,039

b) Shareholders' Equity

Authorized

Unlimited Class A Common Voting Shares without par value

Unlimited Class B Common Non-Voting Shares without par value

Issued and outstanding June 30, 2017 and December 31, 2016	Number of Shares (in thousands)	
Class A Common Shares	77,740	75,000

During the quarter the Company issued 2,740,000 Class A common shares in exchange for a 25% interest in a commercial office property.

Notes to the Consolidated Financial Statements

c) Subordinated Convertible Capital Notes

The Subordinated Convertible Capital Notes are due December 31, 2026, bear interest at a rate of 5% per annum and are redeemable by the Company after December 31, 2020 or earlier in the event of a material breach of a debt covenant, by issuing 2,000 Class B Non-Voting Common Shares of the Company for each $1,000 Capital Note. Interest is payable at the Company's option in cash or the issuance of additional Capital Notes. At June 30, 2017, the Company was in compliance with all debt covenants.

11. BASIC AND DILUTED EARNINGS PER COMMON SHARE

(thousands, except per share amounts)	June 30, 2017	June 30, 2016
Net income available to common shareholders	$ 795	$ 615
Weighted average number of Class A Common Shares issued (in thousands)	76,370	75,000
Basic and diluted earnings per Class A Common Share	0.96 ¢	0.82 ¢

12. OTHER INFORMATION

a) Related Party Transactions

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 available $15 million credit facility from a related party which bears interest at the prime rate and is due on twelve months' notice.

The Company issued Subordinated Convertible Capital Notes to an affiliate in December 2016 (Note 10(c)).

b) Segmented Information

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

The Company operates in one reportable segment, real estate, based on the nature of services provided. All of the Company's assets and operations are located in Canada.

c) Financial Instruments

The fair value of amounts due to affiliates cannot be determined with sufficient reliability as no active market exists for such related party instruments. All of the Company's other 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 values of Haliburton Forest & Wild Life Reserve and forest investment fund are determined based on prescribed values per contractual agreements.

d) Capital Management

The permanent capital available to pursue the Company's operations as at June 30, 2017 was $60.5 million (December 31, 2016 – $58.1 million) comprised of $35.1 million (2016 – $32.9 million) attributable to shareholders of the Company, $15.3 million (2016 – $15.1) attributable to non-controlling interests and $10 million (2016 - $10 million) attributable to Subordinated Convertible Capital Notes.

The Company's objectives when managing its capital are to maintain a sufficient amount of capital to support its operations and to enable it to respond to attractive 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 year.

13. SUBSEQUENT EVENTS

In July 2017 the Company issued 6,200,000 Class A Common Shares in exchange for an additional 6% common share interest in the Haliburton Forest & Wild Life Reserve.

In July 2017 a $10,000,000 mortgage was drawn down secured by the Company's 22 College Street property, which is due in July 2022 and bears interest at a rate of 2.79% per annum.

HALMONT PROPERTIES CORPORATION

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M. Diane Horton *
Toronto, Ont

David W. Kerr *
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Edward C. Kress
Toronto, Ont

Anthony E. Rubin, CPA, CGA
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** Members of the Audit & Corporate Governance Committee*

OFFICERS

David W. Kerr
Chairman

Heather M. Fitzpatrick, CPA
President

Michelle S. Kielb
Chief Financial Officer

Anthony E. Rubin, CPA, CGA
Vice-President, Secretary and Treasurer

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