ALGOMA CENTRAL CORPORATION

Interim Report to Shareholders

For the Three and Six Months Ended June 30, 2012 and 2011

ALGOMA CENTRAL CORPORATION

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ALGOMA CENTRAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

Algoma Central Corporation (the "Corporation") operates through four segments, Domestic Dry-Bulk, Product Tankers, Ocean Shipping and Real Estate.

This Management's Discussion and Analysis ("MD&A") of the Corporation should be read in conjunction with its consolidated financial statements for the years ending December 31, 2011 and 2010 and the three and six months months ended June 30,2012 and 2011 and related notes thereto and has been prepared as of August 9, 2012.

The MD&A has been prepared by reference to the disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on the Corporation, including its 2011 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Corporation's website at *www.algonet.com*.

The reporting currency used is the Canadian dollar unless otherwise noted and all amounts are reported in thousands of dollars except for per share data.

Caution Regarding Forward-Looking Statements

Algoma Central Corporation's public communications often include written or oral forward-looking statements. Statements of this type are included in this document and may be included in other filings with Canadian securities regulators or in other communications. All such statements are made pursuant to the safe harbour provisions of any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2012 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price and the results of or outlook for our operations or for the Canadian and U.S. economies. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates;

operational and infrastructure risks; general political conditions; labour relations with our unionized workforce; the possible effects on our business of war or terrorist activities;disruptions to public infrastructure, such as transportation, communications, power or water supply, including water levels; technological changes; significant competition in the shipping industry and other transportation providers; reliance on partnering relationships; on- time and on- budget delivery of new ships from shipbuilders and appropriate maintenance and repair of our existing fleet by third-party contractors; health and safety regulations that affect our operations can change and be onerous and the risk of safety incidents can affect results; a change in applicable laws and regulations, including environmental regulations, could materially affect our results; economic conditions may prevent us from realizing sufficient investment returns to fund our defined benefit plans at the required levels; our ability to raise new equity and debt financing when required; extreme weather conditions or natural disasters; our ability to attract and retain quality employees; the seasonal nature of our business; and, risks associated with the lease and ownership of real estate.

For more information, please see the discussion on pages 13 to 17 in the Corporation's Annual Information Form for the year ended December 31, 2011, which outlines in detail certain key factors that may affect the Corporation's future results. This should not be considered a complete list of all risks to which the Corporation may be subject from time to time. When relying on forward looking statements to make decisions with respect to the Corporation, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. The Corporation does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives and may not be appropriate for other purposes.

Summary of Quarterly Results

The results for the last eight quarters are as follows:

Year	Quarter	Revenue	Net earnings (loss)	Basic earnings (loss) per share
2012	Quarter 2	$ 165,648	$ 20,518	$ 5.27
	Quarter 1	$ 66,131	$ (31,140)	$ (8.00)
2011	Quarter 4	$ 185,050	$ 33,358	$ 8.56
	Quarter 3	$ 184,234	$ 35,003	$ 9.00
	Quarter 2	$ 156,220	$ 17,496	$ 4.50
	Quarter 1	$ 57,186	$ (17,013)	$ (4.37)
2010	Quarter 4	$ 122,974	$ 7,693	$ 1.98
	Quarter 3	$ 108,111	$ 17,126	$ 4.40

The nature of the Corporation's business is such that the earnings in the first quarter of each year are not indicative of the results for the other three quarters in a year. Due to the closing of the canal system and the winter weather conditions in the Great Lakes–St. Lawrence Waterway, the majority of the domestic dry-bulk fleet does not operate for much of the first quarter. In addition, significant repair and maintenance costs are incurred in the first quarter to prepare the domestic dry-bulk fleet for the upcoming navigation season. As a result, the first quarter revenues and earnings are significantly lower than the remaining quarters in the year.

In addition, the comparability of the results for the six months ended June 30, 2012 to the same period in 2011 is impacted significantly by the Corporation's acquisition, in April 2011, of certain vessels and partnership interests owned by Upper Lakes Group in the Corporation's domestic dry-bulk business (the "ULG Transaction"). The Corporation's reported 2011 first quarter results and for part of the second quarter to April 14 reflect only a 59% interest in the business (revenues and the losses incurred by the partnership for the reason noted in the preceding paragraph) and the charter income from the Corporation's vessels. Had the ULG Transaction occurred on January 1, 2011, the financial results for the six month period ended June 30, 2011 would have included additional revenues totaling $13,300 and the net earnings would have decreased by $15,067 or $3.87 per share, resulting in a loss per share of $3.75 for the six months ended June 30, 2011.

With the exception of the significant repair and maintenance costs incurred in the first quarter, the fluctuations and seasonality of the quarterly earnings has become less of a factor in recent years due to the product tanker and ocean shipping fleets operating year round, a somewhat longer season for the domestic dry-bulk fleet and the increase in our real estate portfolio.

Overall Performance

Second Quarter Results

The Corporation is reporting net earnings for the three months ended June 30, 2012 of $20,518 compared to net earnings of $17,496 for the same period in 2011.

The increase in earnings was due primarily to improved operating earnings of the Domestic Dry-Bulk segment and reduced financial expense, partially offset by an increase in the loss on the translation of foreign-denominated assets and liabilities and higher income tax expense, including $2,290 relating to the recent Ontario announcement that it will defer indefinitely planned reductions to the provincial corporate tax rate.

The Domestic Dry-Bulk segment operating earnings net of income tax increased from $10,603 in 2011 to $20,460 in 2012. The increase was due primarily to the following factors:

- Improved mix of business resulting in more operating days for the self-unloader fleet
- strong export ore volumes in the 2012 second quarter
- lower repairs expense during the winter layup season
- reduction in absorptions related to vessels incidents, and
- reduced general and administrative costs.

The Product Tanker segment operating earnings net of income tax decreased from $3,640 to $3,345. The earnings from additional operating days were more than offset by an increase in direct costs, mostly due to two regulatory dry-dockings in 2012 compared to none in the prior year, and an increase in professional fees incurred in connection with the arbitration process related to the refund of deposits on rescinded contracts to build three product tankers for international service.

The operating earnings net of income tax for the Ocean Shipping segment for the three months ended June 30, 2012 were $1,969 compared to $4,117 for the same period in 2011. The decrease was due primarily to the reduction in operating days and the repair costs associated with regulatory dry-dockings. There were no regulatory dry-dockings in the same period in 2011.

The Real Estate segment operating earnings net of income tax decreased from $758 to $709 due primarily to an increase in general and administrative expenses.

Financial expense for the 2012 second quarter was $993 compared to $5,317 for 2011. The decrease was due largely to a reduction of $3,051 in the mark- to- market adjustment, recognizing the change in the period in the fair value of certain forward foreign exchange contracts, and an increase in interest capitalized as a result of additional installments on the *Equinox Class* vessels.

Income tax expense for the 2012 quarter was $11,463 compared to $4,194 for the previous year. In addition to the expected higher income tax expense on the increase in earnings, the Corporation also recognized $2,290 in income tax expense relating to the Province of Ontario 2012 announcement that it will defer indefinitely planned reductions to the corporate tax rate.

Six-Month Results

The Corporation is reporting a net loss for the six months ended June 30, 2012 of $10,622 compared to net earnings of $483 for the same period in 2011.

The Domestic Dry-Bulk segment's operating loss net of income tax increased from $12,524 in 2011 to $13,650 in 2012. The increase in the loss was primarily due to the ULG Transaction, resulting in the Corporation recognizing 100% in 2012 versus 59% in 2011 of the first quarter loss on the domestic dry-bulk fleet. Had the ULG Transaction occurred on January 1, 2011, the loss for the domestic dry-bulk segment for the first six months of 2011 would have been $27,591, an increase of $15,067 compared to the reported figure. Taking this adjustment into account, the operating loss for the segment was reduced significantly in 2012 as a result of increased revenues, and reductions in repair, vessel incident and general and administrative costs.

The Product Tanker segment operating earnings net of income tax decreased from $4,994 to $3,788 mainly as a result of fewer operating days due to two regulatory dry-dockings in 2012 versus none in the same 2011 period.

The operating earnings net of income tax of the Ocean Shipping segment were $6,473 compared to $7,041 for the same period in 2011. The decrease was due primarily to the reduction in operating days and to repair costs associated with regulatory dry-dockings in 2012 (no regulatory dry-dockings in 2011) which was partly offset by the settlement and collection of revenue relating to contract periods prior to 2012 which had not previously met the Corporation's revenue recognition criteria.

The Real Estate segment operating earnings net of income tax decreased from $1,617 to $1,572. Increases in the occupancy and rates from rental properties were more than offset by an increase in depreciation and general and administrative expenses.

Other factors affecting the comparability of the six-month results include a decrease in the gain on the translation of foreign-denominated assets and liabilities and a reversal recorded in the 2011 first quarter of an impairment charge taken in prior years. These were partially offset with a reduction in financial expense.

During the first quarter of 2011, the Corporation negotiated a conditional conversion of an international product tanker construction contract to a self-unloader construction contract and entered into an agreement with the shipyard to apply the instalments paid to date to fund instalments due on the new contract. As a result of this pending cancellation, the accumulated impairment provision recorded in prior periods was re-measured, resulting in a reduction of the accumulated impairment provision of $5,066, which has been disclosed in the statement of earnings for the six months ended June 30, 2011 as a separate line.

Financial expense for 2012 was $5,317compared to $9,698 for 2011. The decrease was due to a reduction of $4,958 in the mark- to- market adjustment recognizing the change in the period in the fair value of certain forward foreign exchange contracts, and an increase in interest capitalized on additional installments made on the *Equinox Class* vessels that are currently under construction.

The income tax recovery for 2012 was $1,381 compared to recovery of $3,681 for the previous year, primarily due to the reasons mentioned above in the discussion of the three month results

Results of Operations

Net Earnings (Loss)

The operating earnings (loss) net of income tax by segment are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Operating earnings (loss) net of income tax				
Domestic Dry-Bulk	$ 20,460	$ 10,603	$ (13,650)	$ (12,524)
Product Tankers	3,345	3,640	3,788	4,994
Ocean Shipping	1,969	4,117	6,473	7,041
Real Estate	709	758	1,572	1,617
	26,483	19,118	(1,817)	1,128
Reduction of impairment provision on product tankers	-	-	-	5,066
Gain on revaluation of domestic dry-bulk asset held for sale	-	1,687	-	1,687
Not specifically identifiable to segments				
Net (loss) gain on translation of foreign-denominated monetary assets and liabilities	(3,233)	353	(1,998)	1,255
Financial expense	(993)	(4,912)	(5,317)	(9,698)
Income tax (expense) recovery	(1,739)	1,250	(1,490)	1,045
	$ 20,518	$ 17,496	$ (10,622)	$ 483

Revenue

Revenue by segment is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Domestic Dry-Bulk	$ 118,048	$ 106,514	$ 140,400	$ 122,440
Product Tankers	24,164	22,712	41,264	39,574
Ocean Shipping	16,114	19,872	35,306	36,991
Real Estate	7,322	7,122	14,809	14,401
Earnings	$ 165,648	$ 156,220	$ 231,779	$ 213,406

The increase in revenue for the Domestic Dry-Bulk segment for the three and six months ended June 30, 2012 was due primarily to a better mix of business with increased operating days for the self-unloader fleet and in addition, the Corporation's share of the domestic dry-bulk fleet operations increasing from a proportionately consolidated 59% to 100%.

Revenue for the Product Tanker segment increased in both periods, as decreases due to two regulatory dry-dockings in 2012 versus none in the previous year were more than offset with increases resulting from improved utilization.

The decreases in Ocean Shipping revenue for both the three and six month periods when compared to 2011 is due primarily to reduced operating days as a result of vessel dry-dockings, partially offset with revenue from prior periods that did not meet the Corporation's revenue recognition criteria until 2012.

The increase in revenue for the Real Estate segment was due primarily to higher occupancy and rates at the Corporation's mall in Sault Ste. Marie.

Operating Expenses

The operating expenses by segment are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Domestic Dry-Bulk	$ 79,350	$ 79,235	$ 136,415	$ 119,420
Product Tankers	15,892	13,935	28,243	25,261
Ocean Shipping	11,450	13,087	23,687	24,744
Real Estate	4,189	6,153	8,461	10,555
	$ 110,881	$ 112,410	$ 196,806	$ 179,980

The increase in operating expenses for the 2012 six month period when compared to 2011 of the Domestic Dry-Bulk segment was due primarily to the Corporation's share of the domestic-dry bulk fleet operations increasing to 100%. Partially offsetting this was a reduction in repair and maintenance costs incurred during the winter lay-up period to prepare the domestic dry-bulk fleet for the current navigation season.

The increase in operating expenses of the Product Tankers segment was due largely to the repair costs incurred during the required regulatory dry-docking of two tankers in 2012 versus no similar costs in 2011.

The decrease in operating expenses of the Ocean Shipping segment was due primarily to reduced fuel and commercial costs partially offset by higher dry-docking costs.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2012 decreased to $6,629 from $8,441 for the same period in 2011 due primarily to the expenses in the prior year related to the ULG Transaction.

For the six month period ended June 30, 2012, general and administrative expenses were $15,192 compared to $14,562 for the same period in 2011. The increase is due primarily to the Corporation's share of the general and administrative expenses attributable to the domestic- dry bulk vessels increasing to 100%, an increase in employee compensation and an increase in professional fees related to an on-going arbitration. These increases were partially offset by non-recurring expenses incurred in 2011 related to the ULG Transaction.

Depreciation of Property, Plant and Equipment and Investment Property

Depreciation expense for the three and six months ended June 30, 2012 increased over the similar periods in 2011 due primarily to the ULG Transaction and the addition of the *Algoma Mariner* in mid 2011.

Financial Expense

Financial expense consists of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Interest expense on borrowings	$ 3,721	$ 3,516	$ 7,472	$ 5,321
Interest income on cash and cash equivalents	(84)	-	(227)	-
Amortization of financing costs	312	351	623	801
Interest capitalized	(1,262)	(312)	(2,127)	(958)
Net interest expense	$ 2,687	$ 3,555	$ 5,741	$ 5,164
Mark to market for derivatives that are not eligible for hedge accounting	(1,694)	1,357	(424)	4,534
	$ 993	$ 4,912	$ 5,317	$ 9,698

Interest expense on borrowings increased as a result of additional borrowings to finance the ULG Transaction and the investment in the *Equinox Vessels*.

Interest capitalized increased as a result of additional instalments made on the *Equinox Class* vessels.

Net Gain (loss) on Translation of Foreign Denominated Assets and Liabilities

The net gain (loss) on the translation of foreign denominated assets and liabilities consists of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
(Loss) gain on U.S. denominated debt	$ (1,853)	$ 214	$ (83)	$ 1,264
Gain (loss) on U.S. denominated cash	73	(152)	(489)	(152)
Realized loss on return of capital from foreign subsidiaries	(1,349)	(153)	(1,349)	(153)
Other	(104)	444	(77)	296
	$ (3,233)	$ 353	$ (1,998)	$ 1,255

The gain and loss on the U.S. dollar denominated debt and cash respectively are related to the translation to Canadian dollars of those items and resulting from changes in the value of the Canadian dollar against the U.S. dollar.

The realized loss on the return of capital from foreign subsidiaries relates to the loss on foreign exchange on cash returned to the Corporation from its foreign operations.

Income Tax

Income tax expense increased to $11,463 for the three months ended June 30, 2012 when compared to $4,194 in 2011 due mainly to increased operating earnings and the additional tax expense relating to the announcement by the Province of Ontario that it will defer indefinitely the planned reductions to the corporate tax rates. This also caused the decrease of $2,300 in the income tax recovery for the six months ended June 30, 2012.

The Canadian statutory rates for the Corporation for 2012 and 2011 are 26.3% and 28.3 % respectively. Any variation in the effective income tax rate from the statutory income tax rate is due mainly to the lower income tax rates applicable to foreign subsidiaries, the effect of any non-taxable gains or losses that have been included in earnings and the effect of tax adjustments relating to corporate tax rate changes.

Comprehensive Earnings (Loss)

Comprehensive earnings for the three months ended June 30, 2012 was $21,330 compared to $15,965 for the comparable period in 2011 due primarily to higher earnings from operations and a gain on the translation of financial statements of foreign operations. These increases were partially offset with an actuarial loss on employee future benefits due largely to a reduction in the discount rate used to value the obligations. For the six months ended June 30, 2012 the comprehensive loss was $15,172 compared to a loss of $6,568 for 2011.

Internal Controls over Financial Reporting

There have been no changes in the Corporation's internal controls over financial reporting during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Financial Condition, Liquidity and Capital Resources

Excerpts from the Statement of Cash Flows

Three months ended June 30	2012	2011	Increase (decrease) in cash
Net earnings	$ 20,518	$ 17,496	$ 3,022
Net cash generated from (used in) operating activities	$ 22,242	$ (5,994)	$ 28,236
Net cash used in investing activities	$ 18,017	$ 97,627	$ 79,610
Net cash (used in) provided by financing activities	$ (3,396)	$ 97,544	$ (100,940)

Six months ended June 30	2012	2011	Increase (decrease) in cash
Net (loss) earnings	$ (10,622)	$ 483	$ (11,105)
Net cash generated from operating activities	$ 19,036	$ 453	$ 18,583
Net cash used in investing activities	$ 29,053	$ 106,743	$ 77,690
Net cash (used in) provided by financing activities	$ (6,797)	$ 94,324	$ (101,121)

Net Cash Generated From Operating Activities

Net cash generated from operating activities for the three and six months ended June 30, 2012 increased when compared to the similar period in 2011 largely due an improvement in earnings from operations and less cash consumed by working capital.

Net Cash Used In Investing Activities

Cash used in investing activities for both the three and six months ended June 30, 2012 of $18,017 and $29,053, respectively, was primarily for construction instalments on the *Equinox* Class vessels, life extensions on three vessels and capitalized dry-dockings costs on certain vessels.

Cash used in investing activities for the six months ended June 30, 2011 was primarily for the ULG Transaction, instalments on the *Algoma Mariner* and the re-development of the mall in Sault Ste. Marie, Ontario.

Net Cash (Used In) Provided By Financing Activities

Cash generated by financing activities for the three and six months ended June 30, 2011 included the net proceeds from long-term debt required to assist in the financing of property, plant and equipment acquisitions and for repairs and maintenance of domestic dry-bulk vessels during the annual winter lay-up period.

Also included in the net cash used by financing activities in both periods are the repayments of debt and the payment of dividends to shareholders. Dividends were paid to shareholders at $0.50 and $0.45 per common share in the 2012 and 2011 second quarter respectively, and $1.00 and $0.90 for the six month periods in 2012 and 2011 respectively.

Capital Resources

Management expects that cash and cash equivalents on hand at June 30, 2012 of $115,577, credit facilities and projected cash from operations for the remainder of 2012 will be more than sufficient to meet the Corporation's planned operating and capital requirements and other contractual obligations for the year.

The Corporation maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. At June 30, 2012, the Corporation had $148,733 undrawn and available under existing credit facilities.

Contingencies

For information on contingencies, please refer to Note 26 of the consolidated financial statements for the years ending December 31, 2011 and 2010. There have been no significant changes in the items presented since December 31, 2011.

Transactions with Related Parties

There were no transactions with related parties for the three and six month periods ended June 30, 2012 and 2011 other than transactions prior to April 14, 2011 with the Seaway Marine Transport partnership.

Contractual Obligations

The table below provides aggregate information about the Corporation's contractual obligations at June 30, 2012 that affect the Corporation's liquidity and capital resource needs.

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Repayment of long-term debt including equity debenture component	$ 6,000	$ 11,000	$ 5,500	$ 220,358	$ 242,858
Purchase of new *Equinox Class* vessels	97,063	132,862	-	-	229,925
Defined benefit pension payments	2,787	6,574	3,290	-	12,651
Other commitments	250	500	500	625	1,875
Total	$ 106,100	$ 150,936	$ 9,290	$ 220,983	$ 487,309

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Earnings (Loss)
For the Three and Six Months Ended June 30, 2012 and 2011
(In thousands of dollars except per share figures)

	Notes	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
REVENUE		**$ 165,648**	$ 156,220	**$ 231,779**	$ 213,406
EXPENSES					
Operations		**110,881**	112,410	**196,806**	179,980
General and administrative		**6,629**	8,441	**15,192**	14,562
		117,510	120,851	**211,998**	194,542
EARNINGS BEFORE UNDERNOTED ITEMS		**48,138**	35,369	**19,781**	18,864
Depreciation of property, plant and equipment and investment properties		**(11,931)**	(10,807)	**(24,469)**	(20,372)
Reversal of impairment of property, plant and equipment		**-**	-	**-**	5,066
Financial expense	**5**	**(993)**	(4,912)	**(5,317)**	(9,698)
Gain on revaluation of asset held for sale		**-**	1,687	**-**	1,687
Net (loss) gain on translation of foreign-denominated assets and liabilities		**(3,233)**	353	**(1,998)**	1,255
EARNINGS (LOSS) BEFORE INCOME TAX (EXPENSE) RECOVERY		**31,981**	21,690	**(12,003)**	(3,198)
INCOME TAX (EXPENSE) RECOVERY		**(11,463)**	(4,194)	**1,381**	3,681
NET EARNINGS (LOSS)		**$ 20,518**	$ 17,496	**$ (10,622)**	$ 483
BASIC EARNINGS (LOSS) PER SHARE	**8**	**$ 5.27**	$ 4.50	**$ (2.73)**	$ 0.12
DILUTED EARNINGS (LOSS) PER SHARE	**8**	**$ 4.97**	$ 4.20	**$ (2.73)**	$ 0.12

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Comprehensive Earnings (Loss)
For the Three and Six Months Ended June 30, , 2012 and 2011

(In thousands of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	**2012**	2011
NET EARNINGS (LOSS)	**$ 20,518**	$ 17,496	**$ (10,622)**	$ 483
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Unrealized gain (loss) on translation of financial statements of foreign operations	**5,731**	(1,606)	**(641)**	(7,216)
Employee future benefits				
Actuarial loss, net of income tax	**(4,924)**	-	**(3,648)**	-
Unrealized gain (loss) on hedging instruments, net of income tax	**5**	75	**(261)**	165
	812	(1,531)	**(4,550)**	(7,051)
COMPREHENSIVE EARNINGS (LOSS)	**$ 21,330**	$ 15,965	**$ (15,172)**	$ (6,568)

See accompanying notes to the unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Financial Position
June 30, 2012 and December 31, 2011
(In thousands of dollars)

	Notes	June 30 2012	December 31 2011
ASSETS			
CURRENT			
Cash and cash equivalents		$ 115,577	$ 132,316
Accounts receivable		62,610	77,469
Materials and supplies		12,722	13,016
Prepaid expenses		8,076	3,666
Income taxes recoverable		27,675	21,255
		226,660	247,722
DEPOSITS ON VESSEL CONSTRUCTION		36,010	35,971
ASSETS HELD FOR SALE		1,570	5,305
PROPERTY, PLANT AND EQUIPMENT	6	502,102	505,125
GOODWILL	3	7,910	7,910
INVESTMENT PROPERTIES		71,151	72,364
		$ 845,403	$ 874,397
LIABILITIES			
CURRENT			
Accounts payable and accrued charges		$ 69,717	$ 77,342
Dividends payable		1,001	906
Current portion of long-term debt	7	4,754	4,754
		75,472	83,002
DERIVATIVE LIABILITIES		2,065	2,489
DEFERRED INCOME TAXES		48,696	50,835
LONG-TERM DEBT	7	225,241	227,228
EMPLOYEE BENEFITS		44,272	42,123
		320,274	322,675
COMMITMENTS	12	-	-
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	8	8,319	8,319
CONTRIBUTED SURPLUS		11,917	11,917
CONVERTIBLE DEBENTURES	8	4,632	4,632
ACCUMULATED OTHER COMPREHENSIVE LOSS	9,10	(7,137)	(6,235)
RETAINED EARNINGS		431,926	450,087
		449,657	468,720
		$ 845,403	$ 874,397

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Changes in Equity
June 30, 2012 and 2011
(In thousands of dollars except per share figures)

	Share capital	Contributed Surplus/ Convertible debentures	(Note 9) Cash Flow Hedging Reserve	(Note 10) Foreign Currency Translation Reserve	Retained Earnings	Total Equity
BALANCE AT DECEMBER 31, 2010	$ 8,319	$ 11,917	$ (1,294)	$ (10,369)	$ 401,215	$ 409,788
Net loss	-	-	-	-	483	483
Dividends declared	-	-	-	-	(3,502)	(3,502)
Convertible debentures		6,186				6,186
Other comprehensive earnings (loss)	-	-	165	(7,216)	-	(7,051)
BALANCE AT JUNE 30, 2011	$ 8,319	$ 18,103	$ (1,129)	$ (17,585)	$ 398,196	$ 405,904
BALANCE AT DECEMBER 31, 2011	$ 8,319	$ 16,549	$ (418)	$ (5,817)	$ 450,087	$ 468,720
Net loss	-	-	-	-	(10,622)	(10,622)
Dividends declared	-	-	-	-	(3,891)	(3,891)
Other comprehensive earnings (loss)	-	-	(261)	(641)	(3,648)	(4,550)
BALANCE AT JUNE 30, 2012	$ 8,319	$ 16,549	$ (679)	$ (6,458)	$ 431,926	$ 449,657

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Cash Flows
For the Three and Six Months Ended June 30, 2012 and 2011
(In thousands of dollars except per share figures)

	Notes	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES					
OPERATING					
Net earnings (loss)		**$ 20,518**	$ 17,496	**$ (10,622)**	$ 483
Items not affecting cash					
Depreciation of property, plant and equipment and investment property		**11,931**	10,807	**24,469**	20,372
Net gain (loss) on translation of foreign-denominated assets and liabilities		**3,233**	(353)	**1,998**	(1,255)
Reversal of impairment of property, plant and equipment		**-**	-	**-**	(5,066)
Income tax expense (recovery)		**11,463**	4,194	**(1,381)**	(3,681)
Financial expense		**993**	4,912	**5,317**	9,698
Other		**(2,230)**	(3,543)	**(2,693)**	(3,864)
		45,908	33,513	**17,088**	16,687
Net change in non-cash operating working capital		**(19,675)**	(35,957)	**15,903**	(8,425)
Cash generated from operations		**26,233**	(2,444)	**32,991**	8,262
Interest paid		**(2,748)**	(2,669)	**(9,118)**	(4,677)
Income taxes paid		**(1,242)**	(881)	**(4,836)**	(3,132)
Net cash generated from (used in) operating activities		**22,242**	(5,994)	**19,036**	453
INVESTING					
Additions to property, plant and equipment and investment properties		**(18,253)**	(14,613)	**(33,409)**	(23,729)
Proceeds on sale of vessels		**236**	3,738	**4,356**	3,738
Business acquisition	**4**	**-**	(86,752)	**-**	(86,752)
Net cash used in investing activities		**(18,017)**	(97,627)	**(29,053)**	(106,743)
FINANCING					
Proceeds from issue of long-term debt		**-**	100,755	**-**	100,755
Repayment of long-term debt		**(1,500)**	(1,500)	**(3,000)**	(3,000)
Dividends paid		**(1,896)**	(1,711)	**(3,797)**	(3,431)
Net cash (used in) provided by financing activities		**(3,396)**	97,544	**(6,797)**	94,324
NET CHANGE IN CASH AND CASH EQUIVALENTS		**829**	(6,077)	**(16,814)**	(11,966)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		**1,357**	(43)	**75**	(302)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**113,390**	36,654	**132,316**	42,802
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 115,577**	$ 30,534	**$ 115,577**	$ 30,534

See accompanying notes to the unaudited condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Algoma Central Corporation (the "Corporation") is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Corporation's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The condensed consolidated financial statements of the Corporation for the three and six month periods ended June 30, 2012 and 2011 comprise the Corporation, its subsidiaries and the Corporation's interest in associated and jointly controlled entities.

Algoma Central Corporation owns and operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway. The Corporation's Canadian flag fleet consists of nineteen self-unloading dry-bulk carriers, seven gearless dry bulk carriers and seven product tankers.

The Corporation has commitments for a significant investment in six state of the art new *Equinox Class* vessels for domestic dry-bulk service. The *Equinox Class* will provide much needed improvements in operating efficiency and environmental performance.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Corporation's 26 – vessel domestic dry-bulk fleet. The dry-bulk vessels carry cargoes of raw materials such as coal, grain, iron ore, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes a diversified ship repair and steel fabricating facility active in the Great Lakes and St. Lawrence regions of Canada.

The Product Tankers marine transportation segment includes ownership and management of the operational and commercial activities of seven Canadian flag tanker vessels operating on the Great Lakes, the St. Lawrence Seaway and the east coast of North America. It also includes the ownership of one product tanker through a wholly owned foreign subsidiary engaged in worldwide trades.

The Ocean Shipping marine transportation segment includes direct ownership of two ocean-going self-unloading vessels and a 50% interest through a joint venture in an ocean-going fleet of five self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide ocean trades.

The Corporation also owns and manages commercial real estate in Sault Ste. Marie, Waterloo and St. Catharines, Ontario.

The nature of the Corporation's business is such that the earnings in the first quarter of each year are not indicative of the results for the other three quarters in a year. Due to the closing of the canal system and the winter weather conditions in the Great Lakes–St. Lawrence Waterway, the majority of the domestic dry-bulk fleet does not operate for much of the first quarter. In addition, significant repair and maintenance costs are incurred in the first quarter to prepare the domestic dry-bulk fleet for the upcoming navigation season. As a result, the first quarter revenues and earnings are typically significantly lower than the remaining quarters in the year.

With the exception of the significant repair and maintenance costs incurred in the first quarter, the fluctuations and seasonality of the quarterly earnings has become less of a factor in recent years due to the product tanker and ocean shipping fleets operating year round, a somewhat longer season for the domestic dry-bulk fleet and the increase in the Corporation's real estate portfolio.

In addition, the comparability of the results for the six months ended June 30, 2012 to the same period in 2011 is impacted significantly by the Corporation's acquisition, in April 2011, of certain vessels and partnership interests owned by Upper Lakes Group in the Corporation's domestic dry-bulk business (the "ULG Transaction"). The Corporation's reported 2011 first quarter results and for part of the second quarter to April 14 reflect only a 59% interest in the business (revenues and the losses incurred by the partnership for the reason noted in the preceding paragraph) and the charter income from the Corporation's vessels. Had the ULG Transaction occurred on January 1, 2011, the financial results for the six month period ended June 30, 2011 would have included additional revenues totaling $13,300 and the net earnings would have decreased by $15,067 or $3.87 per share, resulting in a loss per share of $3.75 for the six months ended June 30, 2011.

2. STATEMENT OF COMPLIANCE

The unaudited condensed consolidated financial statements are prepared on a going concern basis. The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Corporation's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2011 and 2010. These financial statements should be read in conjunction with the Corporation's Consolidated Financial Statements for the years ended December 31, 2011 and 2010.

The reporting currency used is the Canadian dollar unless otherwise noted and all amounts are reported in thousands of dollars except for per share data.

The financial statements were approved by the Audit Committee of the Board of Directors and authorized for issue on August 9, 2012.

3. BUSINESS COMBINATION

On April 14, 2011, the Corporation concluded an agreement with Upper Lakes Group Inc. ("ULG") to acquire from ULG its 41% partnership interest in Seaway Marine Transport and related entities (collectively, "SMT") along with the vessels and assets owned by ULG and its affiliates and used by SMT in its Great Lakes – St. Lawrence Waterway domestic dry-bulk freight business (the "ULG Transaction").

Under the terms of the transaction, the Corporation acquired 11 vessels previously owned by ULG, consisting of four gearless and seven self-unloading bulk freighters. The Corporation also acquired ULG's interest in two gearless and two self-unloading bulk freighters that were owned jointly by the Corporation and ULG, as well as ULG's interest in a self-unloader then under construction at Chengxi Shipyard in China. In addition, ULG has novated in favour of the

Corporation a contract for the construction of one gearless bulk freighter and the Corporation has reimbursed ULG for an instalment payment made in respect of that contract.

The allocation of the net purchase price for accounting purposes is as follows:

Cash and cash equivalents	$ 1,603
Accounts receivable	13,092
Materials and supplies	3,585
Prepaid expenses	1,271
Income taxes receivable	610
Assert held for sale	1,750
Property, plant and equipment	81,597
Accounts payable and accrued charges	(14,427)
Employee future benefits	(3,897)
Deferred tax liabilities	(4,739)
Total identifiable assets	80,445
Goodwill	7,910
Total cash consideration paid to vendor	$ 88,355
Less cash and cash equivalents acquired	1,603
Total net cash	$ 86,752

4. INTERESTS IN JOINT VENTURES

Prior to April 14, 2011, the Corporation had an interest in Seaway Marine Transport, a partnership with an unrelated party. The Corporation's vessels were commercially and operationally managed by Seaway Marine Transport.

The Corporation, through its wholly owned subsidiary Algoma Shipping Inc. and through a joint venture interest in Marbulk Canada Inc. owns and operates ocean-going vessels. Both the Algoma Shipping Inc. and Marbulk Canada Inc. vessels are participants in an international commercial arrangement. The management and maintenance of these vessels is outsourced.

The Corporation, through its wholly owned subsidiary, Algoma Central Properties Inc., has an interest in Seventy-Five Corporate Park Drive Ltd. with an unrelated corporation. This joint venture owns an office building.

The Corporation as of November 15, 2011, through its wholly owned subsidiary Algoma Tankers International Inc., participates in the Navig8 Chemical Group's Brizo8 Pool. This pool was established in March 2007 and has operations worldwide. The Navig8 pool has more than 40 members with 135 vessels serving many commercial segments. This new pool is not accounted for as a joint venture as the Corporation does not exercise joint control. Prior to

November 15, 2011 the Corporation participated in Hanseatic Tankers, a foreign joint venture, which has been dissolved.

The Corporation's interests in joint ventures are accounted for using the proportionate consolidation method. With the exception of the ULG Transaction and the dissolution of Hanseatic Tankers, there has been no change in the Corporation's ownership or voting interests in these joint ventures for the reported periods.

The Corporation's share in the assets and liabilities and revenues, expenses and operating earnings of these jointly controlled operations is as follows:

	June 30 2012	December 31 2011
Current assets	$ 10,859	$ 15,214
Non-current assets	$ 14,198	$ 15,244
Current liabilities	$ 4,576	$ 6,740
Non-current liabilities	$ 3,607	$ 3,546

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Revenue	$ 16,251	$ 30,465	$ 35,612	$ 59,137
Expenses	12,931	27,949	26,500	85,307
Operating earnings (loss)	$ 3,320	$ 2,516	$ 9,112	$ (26,170)

5. FINANCIAL EXPENSE

The components of financial expense are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Interest expense on borrowings	$ 3,721	$ 3,516	$ 7,472	$ 5,321
Interest income on cash and cash equivaler	(84)	$ -	(227)	$ -
Amortization of financing costs	312	351	623	801
Interest capitalized	(1,262)	(312)	(2,127)	(958)
Net interest expense	$ 2,687	$ 3,555	$ 5,741	$ 5,164
Mark to market for derivatives that are not eligible for hedge accounting	(1,694)	1,357	(424)	4,534
	$ 993	$ 4,912	$ 5,317	$ 9,698

6. PROPERTY, PLANT AND EQUIPMENT

The Corporation finalized the conversion of two product tanker construction contracts during the first six months of 2012 to orders for two *Equinox Clas*s vessels having approximately equal value. The Corporation made initial instalments on these two construction contracts of U.S. $32,640 which were previously included with the Product Tankers segment property, plant and equipment.

The Corporation has satisfied a portion of the instalment obligations on the *Equinox Class* vessels by applying the deposits made on the converted product tankers contracts to these vessels and, accordingly, these deposits were reclassified to the domestic dry-bulk segment.

7. LONG-TERM DEBT

	June 30 2012	December 31 2011
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.0%	$ 63,422	$ 63,044
Senior secured notes, due July 19, 2021		
U.S. $75,000, interest fixed at 5.11%	76,358	76,275
Canadian $75,000, interest fixed at 5.52%	75,000	75,000
Senior secured non-revolving term loan, due October 20, 2014, interest fixed at 5.90%	5,000	6,000
Senior secured non-revolving term loan, due October 20, 2016, interest fixed at 5.02% to May 30, 2013	17,500	19,500
	237,280	239,819
Less unamortized financing expenses	7,285	7,837
	229,995	231,982
Current portion	4,754	4,754
	$ 225,241	$ 227,228

The Corporation is subject to restrictive and financial covenants with respect to maintaining certain financial ratios and other conditions under the terms of the Bank Facility and the Notes. At June 30, 2012 and December 31, 2011, the Corporation was in compliance with all of the covenants.

8. SHARE CAPITAL AND DILUTED NET EARNINGS

Share capital

Authorized share capital consists of an unlimited number of common and preferred shares with no par value. At June 30, 2012 and December 31, 2011, there were 3,891,211 common shares and no preferred shares issued and outstanding.

Basic and diluted net earnings

	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
Net earnings (loss) for basic earnings per share	$ 20,518	$ 17,496	$(10,622)	$ 483
Dilutive effect of debentures	1,053	749	-	-
Net earnings (loss) for diluted earnings per share	$ 21,571	$ 18,245	$(10,622)	$ 483
Diluted weighted average common shares	4,339	4,339	4,339	4,115
Basic net earnings (loss) per common share	$ 5.27	$ 4.50	$ (2.73)	$ 0.12
Diluted net earnings (loss) per common share	$ 4.97	$ 4.20	$ (2.73)	$ 0.12

The debentures are dilutive, but were not included in the calculation of diluted loss per common share because they are antidilutive for the six month period ended June 30, 2012 and 2011.

9. CASH FLOW HEDGING RESERVE

	June 30 2012	June 30 2011
Balance, beginning of year	**$ (418)**	$ (1,294)
(Loss) gain arising on change in fair value of hedging instruments entered into for cash flow hedges	**(502)**	273
Income tax recognized in other comprehensive earnings	**241**	(108)
Balance, end of period	**$ (679)**	$ (1,129)

10. FOREIGN CURRENCY TRANSLATION RESERVE

	June 30 2012	June 30 2011
Balance, beginning of year	**$ (5,817)**	$ (10,369)
Exchange differences on translating net assets of foreign operations	**(641)**	(7,216)
Balance, end of period	**$ (6,458)**	$ (17,585)

11. CAPITAL DISCLOSURES

The Corporation's objectives for managing capital are as follows:

- Provide sustained growth of shareholder value by earning long- term returns on capital employed in the 10% to 12% range.
- Maintain a strong capital base to gain investor, creditor and market confidence and to sustain future growth. In this regard, the Corporation will target to maintain a long-term debt to equity ratio of no greater than one to one. The Corporation views a one to one ratio as a maximum rate due to the capital intensive nature of the business.
- Pay regular quarterly dividends to shareholders.

The returns on capital employed over the five years ending December 31, 2011 of the Corporation averaged 9.1% and ranged from 5.9% to 12.3%.

Included in capital employed are shareholders' equity and long term-debt including the current portion.

The Corporation's Board of Directors reviews the return on capital employed target on an annual basis and it reviews the level of dividends to be paid to the Corporation's shareholders on a quarterly basis. The nature of the Corporation's business results in periods in which the Corporation makes significant capital expenditures over extended periods. During these times, a large portion of the capital employed in the business will be invested in assets that are not yet generating revenues or operating earnings, and therefore the return on capital employed may be lower than the targeted range. Adjusting capital employed in this manner results in a return on capital employed average over the five years ending December 31, 2011 of 10.9%.

The Corporation is not subject to any capital requirements imposed by a regulator.

The debt to shareholders' equity ratio at June 30, 2012, and December 31, 2011 are as follows:

	June 30 2012	December 31 2011
Total long-term debt	**$ 237,280**	$ 239,819
Shareholders' equity	**$ 449,657**	$ 468,720
Debt to shareholders' equity ratio	**0.53 to 1**	0.51 to 1

12. COMMITMENTS

The Corporation has commitments for capital expenditures and other commitments at June 30, 2012 and December 31, 2011 of $244,451 and $257,171, respectively.

The commitments relate primarily to the purchase of four new maximum seaway size self-unloading and two gearless bulker vessels and commitments relating to required payments for its employee future benefit plans.

Annual expected payments are as follows: $100,101 due in 2012, $134,399 due in 2013, $5,537 due in 2014 and $4,414 due in 2015 and beyond.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Corporation's financial instruments that are included in the consolidated statements of financial position comprise cash and cash equivalents, accounts receivable, accounts payable and accrued charges, dividends payable, derivative liabilities and long-term debt.

Fair value

The carrying value is equal to the fair value of financial assets consisting of cash and cash equivalents and accounts receivable and financial liabilities consisting of accounts payable and accrued charges, dividends payable and derivative liabilities.

The values for long-term debt are as follows:

	June 30 2012	December 31 2011
Carrying value of long-term debt	**$ 237,280**	$ 239,819
Fair value of long-term debt	**$ 249,952**	$ 246,961

The difference in the fair value of long-term debt compared to the carrying value is due to the difference in the rates on the debt when compared to current market rates for similar instruments with similar terms.

Fair value measurements recognized in the consolidated statements of financial position

The fair value measurements, as provided by financial institutions, in the consolidated statements of financial position include derivative assets (Level 2) of nil (December 31, 2011 - $594) and derivative liabilities (Level 2) of $2,065 as of June 30, 2012 (December 31, 2011 - $3,083).

There were no transfers into or out of Level 1, 2 or 3 during the periods.

Risk management and financial instruments

The Corporation is exposed to various risks arising from financial instruments. The following analysis provides a measurement of those risks.

Credit risk

The Corporation's principal financial assets are cash and cash equivalents and accounts receivable.

Cash and cash equivalents are denominated primarily in Canadian and U.S. dollars and consist of the following:

	June 30 2012		December 31 2011	
	Base currency	**Canadian equivalent**	Base currency	Canadian equivalent
Canadian dollar balances	**$ 30,014**	**$ 30,014**	$ 61,085	$ 61,085
U.S. dollar balances	**$ 84,042**	**$ 85,563**	$ 70,040	$ 71,231
		$ 115,577		$ 132,316

Canadian and U.S. dollar cash and cash equivalents are held primarily with a major Canadian financial institution and the risk of default of this institution is considered remote. Cash balances outside of Canada are also held with major financial institutions and are generally kept to a minimum.

Liquidity risk

The contractual maturities of non-derivative financial liabilities at June 30, 2012 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 69,717	$ -	$ -	$ -	$ 69,717
Dividends payable	1,001	-	-	-	1,001
Long-term debt including equity portion	6,000	11,000	5,500	220,358	242,858
Total	$ 76,718	$ 11,000	$ 5,500	$ 220,358	$ 313,576

Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts.

At June 30, 2012 and December 31, 2011, the Corporation did not have any cash flow exposure to interest rate movements for its outstanding debt, since all of the Corporation's debt have interest rates that have been fixed.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting periods.

	Average Fixed Rate		Notional Principal		Fair Value	
	June 30 2012	December 31 2011	June 30, 2012	December 31 2011	June 30 2012	December 31 2011
2 to 5 years						
Canadian dollar	5.90%	5.90%	$ 5,347	$ 6,319	$ 276	$ 379
Canadian dollar	5.02%	5.02%	19,100	20,288	506	799
			$ 24,447	$ 26,607	$ 782	$ 1,178

The interest rate swaps settle on a monthly basis.

Foreign currency exchange risk

At June 30, 2012 and December 31, 2011, 30% and 32% respectively, of the Corporation's total assets were denominated in U.S. dollars.

The Corporation's exposure to foreign currency fluctuations is related to its cash balances, deposits on vessel construction, net investment in foreign subsidiaries and long-term debt denominated in U.S. dollars. The Corporation does not hedge its investments in the subsidiaries as the currency positions are considered long-term in nature. At June 30, 2012 and December 31, 2011, the net investment in U.S. dollar foreign subsidiaries was U.S. $191,610 and $223,250, respectively, and the foreign currency denominated long-term debt outstanding was U.S. $75,000.

The Corporation has significant commitments due for payment in U.S. dollars. The Corporation utilizes foreign exchange forward contracts to manage its foreign exchange risk associated with payments required under ship building contracts with foreign shipbuilders for vessels that will join the Corporation's Canadian flag domestic dry-bulk fleet. For payments due in U.S. dollars for foreign vessels, the Corporation mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt.

The foreign exchange forward contracts are as follows:

	Notional Principal		Fair Value	
	June 30 2012	December 31 2011	June 30 2012	December 31 2011
U.S. dollar denominated contracts	$ 137,802	$ 164,037	$ 1,283	$ 1,311

U.S. dollar denominated contracts of $53,676 mature in 2012; $63,414 mature in 2013 and $20,712 mature in 2014.

Foreign Currency Sensitivity Analysis (after income tax)

Based on the Corporation's estimates, a ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would reduce net earnings in the current year by $962.

Based on the balances at June 30, 2012 and December 31, 2011:

- A ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would decrease Other Comprehensive Earnings by $19,161 and $22,325, respectively.

- A ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would reduce total assets by $25,611 and $27,820, respectively.

- A ten-cent strengthening in the Canadian dollar relative to the U.S dollar would reduce total liabilities by $7,500.

For a ten cent weakening in the Canadian dollar relative to the U.S. dollar, there would be an equal but opposite impact to the amounts stated above.

14. SEGMENT DISCLOSURES

The following presents the Corporation's results from operations by reportable segment for the three and six months ended June 30, 2012 and 2011:

	Three Months Ended June 30		Six Months Ended June 30	
Revenues	2012	2011	2012	2011
Domestic Dry-Bulk	$ 118,048	$ 106,514	$ 140,400	$ 122,440
Product Tankers	24,164	22,712	41,264	39,574
Ocean Shipping	16,114	19,872	35,306	36,991
Real Estate	7,322	7,122	14,809	14,401
	$ 165,648	$ 156,220	$ 231,779	$ 213,406

	Three Months Ended June 30		Six Months Ended June 30	
Net Earnings (Loss)	2012	2011	2012	2011
Operating earnings (loss) net of income tax				
Domestic Dry-Bulk	$ 20,460	$ 10,603	$ (13,650)	$ (12,524)
Product Tankers	3,345	3,640	3,788	4,994
Ocean Shipping	1,969	4,117	6,473	7,041
Real Estate	709	758	1,572	1,617
	26,483	19,118	(1,817)	1,128
Reduction of impairment provision on product tankers	-	-	-	5,066
Gain on revaluation of domestic dry-bulk asset held for sale	-	1,687	-	1,687
Not specifically identifiable to segments				
Net (loss) gain on translation of foreign-denominated monetary assets and liabilities	(3,233)	353	(1,998)	1,255
Financial expense	(993)	(4,912)	(5,317)	(9,698)
Income tax (expense) recovery	(1,739)	1,250	(1,490)	1,045
	$ 20,518	$ 17,496	$ (10,622)	$ 483

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

Operating Expenses	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
Domestic Dry-Bulk	$ 79,350	$ 79,235	$ 136,415	$ 119,420
Product Tankers	15,892	13,935	28,243	25,261
Ocean Shipping	11,450	13,087	23,687	24,744
Real Estate	4,189	6,153	8,461	10,555
	$ 110,881	$ 112,410	$ 196,806	$ 179,980

Assets	June 30 2012	December 31 2011
Domestic Dry-Bulk	$ 370,774	$ 372,895
Product Tankers	179,834	214,458
Ocean Shipping	76,298	77,994
Real Estate	75,245	70,063
	702,151	735,410
Not specifically identifiable to segments		
Current assets	143,252	138,987
	$ 845,403	$ 874,397

Additions to Property, Plant and Equipment and Investment Property	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
Domestic Dry-Bulk	$ 16,497	$ 14,779	$ 30,297	$ 18,922
Product Tankers	370	-	677	-
Ocean Shipping	1,174	1,013	1,174	1,273
Real Estate	-	2,548	367	3,206
	18,041	18,340	32,515	23,401
Amounts included in working capital	212	(3,727)	894	328
Total per statement of cash flows	$ 18,253	$ 14,613	$ 33,409	$ 23,729

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

Depreciation of Property, Plant and Equipment and and Investment Properties	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Domestic Dry-Bulk	$ 6,848	$ 5,823	$ 14,316	$ 10,438
Product Tankers	2,314	2,280	4,591	4,566
Ocean Shipping	1,661	1,666	3,334	3,355
Real Estate	1,108	1,038	2,228	2,013
	$ 11,931	$ 10,807	$ 24,469	$ 20,372

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