ALGOMA CENTRAL CORPORATION

Interim Report to Shareholders

For the Three and Six Months Ended
June 30, 2013 and 2012

ALGOMA CENTRAL CORPORATION

CONTENTS

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, 2012 and 2011 and the three and six months ended June 30, 2013 and 2012 and related notes thereto and has been prepared as of August 8, 2013.

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 2012 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 2013 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: the impact of arbitration and judicial proceedings to which we are a party; 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, 2012, 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.

Application of Revised International Financial Reporting Standards (IFRS)

The following standards were adopted by the Corporation on January 1, 2013:

IAS 1 Presentation of Financial Statements

The amendments require the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual reporting periods beginning on or after July 1, 2012.

IFRS 10 Consolidated Financial Statements

This standard introduces a single, principle-based, control model for consolidation, irrespective of whether an entity is controlled through voting rights or through other contractual arrangements as is common in special purpose entities (SPE). Control is based on an investor's current ability to use its power over the key activities of a subsidiary or SPE to affect its exposure or return generated by the subsidiary or SPE. An amendment to the standard was subsequently issued which provided additional transition guidance.

IFRS 12 Disclosure of Interests in Other Entities

The revisions broaden the definition of interests and require enhanced disclosures on interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 Fair Value Measurement

The revisions provides a definition of fair value, establishes a single framework for measuring fair value, and provides disclosure requirements for fair value used across all IFRS standards.

The Corporation has determined there is no impact with the changes in the above four standards on its consolidated financial statements.

IAS 19 Employee Benefits

The amendments to IAS 19 eliminate the use of the corridor approach and require actuarial gains and losses to be recognized immediately in other comprehensive income (OCI). Amounts recorded into OCI would not be reclassified to the Consolidated Statements of Earnings.

On conversion to IFRS on January 1, 2010, the Corporation elected to recognize in opening OCI the cumulative net deficit previously unrecognized on the balance sheet at that date in opening retained earnings. In addition, on transition to IFRS, the Corporation adopted the accounting policy to recognize actuarial gains and losses directly in OCI.

In addition, net interest replaces both the interest cost on the benefit obligation and the expected return on plan assets. Net interest is determined by applying the discount rate to net benefit obligation or asset. The net interest income/expense will be included in financial expense. This will result in a net expense or income in the Consolidated Statements of Earnings based on the funded status of the plan.

The effect on the Unaudited Condensed Consolidated Financial Statements for the three months ended June 30, 2012 was to decrease net earnings by $289 and increase other comprehensive earnings by $289. For the six months ended June 30, 2012 the effect was to increase the net loss by $1,108, increase employee future benefits liability by $720 and decrease deferred income taxes by $190 and decrease other comprehensive loss by $578.

IFRS 11 Joint Arrangements

The new standard requires that reporting issuers consider whether a joint arrangement is structured through a separate vehicle, as well as the terms of the contractual arrangement and other relevant facts and circumstances, to assess whether the venture is entitled to only the net assets of the joint arrangement (a "joint venture") or to its share of the assets and liabilities of the joint arrangement (a "joint operation"). Joint ventures must be accounted for using the equity method, whereas joint operations must be accounted for by recognizing the venturer's right to assets and obligations for liabilities (i.e., proportionate consolidation). The standard is required to be applied retrospectively to the prior periods presented.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Corporation has certain interests in joint arrangements which will be accounted for on the equity basis under the new standard. The Corporation's wholly owned subsidiary, Algoma Central Properties Inc., has an interest in Seventy-Five Corporate Park Drive Ltd. with an unrelated corporation. This joint arrangement owns an office building. The Corporation also has an interest in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement.

Previously, the Corporation accounted for these two joint arrangements on a proportionately consolidated basis. There is no impact on net earnings for the change in this standard; however, revenues and expenses, and assets and liabilities which were previously proportionately consolidated will be presented as Earnings of Joint Arrangements, and as Investment in Joint Arrangements, respectively.

The effect of the change to the Unaudited Condensed Consolidated Statement of Earnings (Loss) is as follows:

	Three Months ended June 30, 2012	Six Months ended June 30,2012
Decrease in revenues	$ 8,415	$ 17,595
Decrease in operating expenses	(5,641)	(11,934)
Decrease in other expenses	(842)	(1,969)
Earnings of joint arrangements	$ 1,932	$ 3,692

The effect of the change to the Unaudited Condensed Consolidated Balance Sheets is as follows:

	December 31 2012	January 1 2012
Decrease in cash and cash equivalents	$ 4,429	$ 4,984
Decrease in accounts receivables	1,979	2,839
Decrease in material and supplies	1,043	1,164
Decrease in prepaid expenses	104	257
Decrease in property , plant and equipment	9,162	12,590
Decrease in investment properties	1,627	1,684
Decrease in accounts payable and accrued charges	(3,197)	(2,459)
Decrease in deferred income taxes	(4,764)	(4,472)
Investment in joint arrangements	$ 10,383	$ 16,587

MANAGEMENT'S DISCUSSION AND ANALYSIS

The effect of the change to the Unaudited Condensed Consolidated Statement of Cash Flows is as follows:

	Three Months ended June 2012	Six Months ended June 2012
Decrease in net cash used in operating activities	$ 1,547	$ 2,439
Decrease in cash and cash equivalents, beginning of period	(4,092)	(4,984)
Decrease in cash and cash equivalents, end of period	(2,545)	(2,545)

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
2013	Quarter 2	$ 144,930	$ 19,381	$ 0.50
	Quarter 1	$ 50,757	$ (28,635)	$ (0.74)
2012	Quarter 4	$ 148,667	$ 24,252	$ 0.62
	Quarter 3	$ 165,020	$ 29,639	$ 0.76
	Quarter 2	$ 157,233	$ 20,250	$ 0.52
	Quarter 1	$ 56,951	$ (31,959)	$ (0.82)
2011	Quarter 4	$ 175,406	$ 33,358	$ 0.86
	Quarter 3	$ 176,569	$ 35,003	$ 0.90

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.

Overall Performance

Second Quarter Results

The Corporation is reporting net earnings for the three months ended June 30, 2013 of $19,381 compared to $20,250 for the same period in 2012.

Earnings before income taxes and earnings of joint arrangements were $23,798 compared to $29,702 for the second quarter in 2012. Decreases in the Domestic Dry-Bulk and Real Estate segments were partially offset by improvements in earnings from the Product Tankers and Ocean Shipping segments. Earnings from joint arrangements were $1,657 compared to $1,932 last year. Income tax expense was $6,074 compared to $11,384 in 2012.

Earnings before income taxes and earnings of joint arrangements includes a gain of $711 in the 2013 second quarter compared to a loss of $1,539 for the same period in 2012 on the translation of foreign currencies due primarily to the change in the value of the Canadian dollar compared to U.S. dollar.

Six-Month Results

The Corporation is reporting a net loss for the six months ended June 30, 2013 of $9,254 compared to a loss of $11,716 for the same period in 2012.

The loss before income taxes and earnings of joint arrangements was $15,114 compared to $17,425 for the first half of 2012. Decreases in the Domestic Dry-Bulk and Real Estate segments were partially offset by improvements in earnings from the Product Tankers and Ocean Shipping segments. Earnings from joint arrangements were $3,594 compared to $3,692 last year. Income tax expense was $2,266 compared to $2,017 in 2012.

An additional factor affecting the comparability of results includes a gain of $2,797 in the 2013 six month period on foreign currency translation compared to a loss of $1,574 for the same period in 2012. The change was due primarily to the change in the value of the Canadian dollar compared to U.S. dollar. In the first half of 2013, the Canadian dollar weakened significantly more than it did in the similar period in 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

The operating results by segment are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
Net Earnings (Loss)	2013	2012	2013	2012
Operating earnings (loss) net of income tax				
Domestic Dry-Bulk	$ 13,119	$ 20,193	$ (18,736)	$ (14,743)
Product Tankers	3,475	2,972	4,917	3,415
Ocean Shipping	3,711	1,969	7,216	6,473
Real Estate	588	709	1,005	1,572
	20,893	25,843	(5,598)	(3,283)
Not specifically identifiable to segments				
Net gain (loss) on foreign currency translation	711	(1,539)	2,797	(1,574)
Financial expense	(2,548)	(2,687)	(4,915)	(5,741)
Income tax recovery (expense)	325	(1,367)	(1,538)	(1,118)
	$ 19,381	$ 20,250	$ (9,254)	$ (11,716)

Second Quarter Results

Domestic Dry-Bulk segment operating earnings net of income tax decreased from $20,193 in 2012 to $13,119 in 2013. The decrease was due primarily to fewer operating days resulting from vessel incidents and increases in crew and repair costs. Great Lakes water levels also had an impact early in the quarter as low levels reduced the volumes of cargos that could be carried on some routes. Water levels by the end of the quarter had returned to levels comparable to 2012.

The Product Tanker segment operating earnings net of income tax increased from $2,972 to $3,475 due primarily to strong results from domestic tankers and a reduction in professional fees incurred in 2012 in connection with the arbitration process related to the refund of deposits on rescinded contracts to build three product tankers for international service. On April 30, the London Arbitration Panel found in favour of the Corporation in all matters related to this cancellation and the Corporation began collection activities for the refund of the construction deposits in the quarter; however, collection proceedings have been stayed while the shipyard seeks leave to appeal the decision.

The operating earnings net of income tax for the Ocean Shipping segment for the three months ended June 30, 2013 were $3,711 compared to $1,969 for the same period in 2012. The increase was due primarily to additional operating days in 2013 resulting from a regulatory dry-docking in the 2012 second quarter compared to none in the current year quarter.

The Real Estate segment operating earnings net of income tax decreased from $709 for the three months ended June 30, 2012 to $588 for the 2013 period. The decrease was due primarily to lower earnings from operations in Sault Ste. Marie and Waterloo.

Six- Month Results

The Domestic Dry-Bulk segment operating loss net of income tax increased from $14,743 in 2012 to $18,736 in 2013. The increase in the loss was due primarily to a reduction in revenue due to fewer operating days in 2013. A return to more normal winter conditions in 2013 and a slower start to the regular shipping season, combined with incidents that caused ships to be out of service and low water levels at the beginning of the quarter resulted in reduced operating days and lower cargo volumes. Partially offsetting these decreases were lower repair costs, depreciation and insurance expense.

The Product Tanker segment operating earnings net of income tax increased from $3,415 to $4,917. The main factors contributing to the increase in earnings were additional operating days for the domestic tankers due to strong customer demand and fewer days in regulatory dry-docking combined with a decrease in repair costs. In 2013 to June 30, there were no regulatory dry-dockings versus two regulatory dry-dockings in the same 2012 period. Earnings for 2012 also reflected the legal cost associated with the contract cancellation arbitration.

The operating earnings net of income tax for the Ocean Shipping segment for the six months ended June 30, 2013 were $7,216 compared to $6,473 for the same period in 2012. The improvement was a result of increased operating days as there were no regulatory dry-dockings in 2013 versus two in 2012. Earnings for 2012 included amounts recognized from the settlement and collection of revenue relating to contract periods prior to 2012 which had not previously met the Corporation's revenue recognition criteria. Partially offsetting the improvements in earnings is the reduced capacity due to the sale of the *Ambassador* in late 2012 and poor operating conditions during the month of February 2013.

The Real Estate segment operating earnings net of income tax decreased from $1,572 for the six months ended June 30, 2012 to $1,005 for the 2013 period. The decrease was due primarily to lower earnings from operations in Sault Ste. Marie and Waterloo.

General

IFRS 11 requires that earnings from certain jointly controlled entities be reported separately on the Unaudited Condensed Consolidated Statement of Earnings (Loss). The Corporation's management is actively engaged in the operation of these entities and therefore the discussion of earnings, revenues and operating expenses of these entities include the amounts that have been presented on the Unaudited Condensed Consolidated Statement of Earnings (Loss) within Earnings of Joint Arrangements for the respective segments.

The total revenues and expenses of business segments under management as reported in the two tables below are non-GAAP financial measures and may not be comparable to similar measures reported by other corporations.

Revenue

Revenue by segment is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Domestic Dry-Bulk	$ 100,097	$ 118,048	$ 115,178	$ 140,400
Product Tankers	27,902	24,164	47,335	41,264
Ocean Shipping	16,036	16,101	31,525	35,306
Real Estate	7,215	7,335	14,191	14,809
Revenues of business segments under management	$ 151,250	$ 165,648	$ 208,229	$ 231,779
Revenues included in earnings of joint arrangements	6,320	8,415	$ 12,542	$ 17,595
Consolidated revenues	$ 144,930	$ 157,233	$ 195,687	$ 214,184

The decrease in revenue for the Domestic Dry-Bulk segment for the three and six months ended June 30, 2013 compared to 2012 was due primarily to a reduction in operating days related to vessel incidents, lower revenue from fuel recoveries, a return to more normal winter conditions and a slower start to the regular shipping season. Low water levels early in the second quarter of 2013 resulted in reduced cargo sizes in the early part of the quarter. Heavy rains since have raised water levels.

Revenues for the Product Tanker segment for the three months ended June 30, 2013 increased when compared to 2012 as stronger customer demand resulted in more operating days in 2013. To meet a portion of this strong demand we significantly increased our in-chartering of vessels to service customer needs. Also affecting revenue, fewer days were spent in regulatory dry-docking in 2013 compared to the prior year quarter.

The decrease in Ocean Shipping revenue for the six months ended June 30, 2013 compared to 2012 was due primarily to sale of the vessel *M.V. Ambassador* late in 2012. In addition, the M.V. *Nelvana* is now operating as a bare-boat charter, resulting in a reduction of gross revenues and operating expenses although the earnings from the vessel remained approximately the same.

Real Estate segment revenues for the 2013 quarter decreased slightly when compared to 2012 due primarily to reduced occupancy at the hotel and Waterloo properties with an improvement in occupancy for St. Catharines properties.

Operating Expenses

The operating expenses by segment are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Domestic Dry-Bulk	$ 71,555	$ 79,069	$ 119,117	$ 137,134
Product Tankers	19,429	15,895	33,141	28,246
Ocean Shipping	9,727	11,449	19,087	23,686
Real Estate	4,417	4,188	8,891	8,460
Expenses of business segments under management	105,128	110,601	180,236	197,526
Expenses included in earnings of joint arrangements	3,912	5,641	7,709	11,934
Consolidated operating expenses	$ 101,216	$ 104,960	$ 172,527	$ 185,592

The decrease in operating expenses for the Domestic Dry-Bulk segment was due primarily to reductions in operating days and lower winter maintenance costs.

The increase in operating expenses of the Product Tankers segment was due largely to additional operating days partly offset with lower expenses due to continued attention to improved cost management.

The decrease in operating expenses of the Ocean Shipping segment was due primarily to the sale of the *Ambassador* and the *Nelvana* now operating as a bare-boat charter.

General and Administrative Expenses

General and administrative expenses for the three and six months ended June 30, 2013 decreased by $213 and $1,744, respectively. The decreases were due primarily to higher employee compensation expenses in 2012 and non- recurring arbitration legal fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Expense

Financial expense consists of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
Interest expense on borrowings	**$ 3,439**	$ 3,721	**$ 7,294**	$ 7,472
Interest income on cash and cash equivalents	**(55)**	(84)	**(199)**	(227)
Interest on employee future benefits	**797**	-	**1,010**	-
Amortization of financing costs	**301**	312	**603**	623
Interest capitalized on vessel construction	**(1,934)**	(1,262)	**(3,793)**	(2,127)
	$ 2,548	$ 2,687	**$ 4,915**	$ 5,741

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

Net Gain (Loss) on Foreign Currency Translation

The net gain (loss) on the foreign currency translation consists of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
Loss on U.S. denominated debt	**$ (2,684)**	$ (1,852)	**$ (4,267)**	$ (82)
Gain (loss) on U.S. denominated cash	**2,860**	72	**4,683**	(490)
Realized loss on cash returned from foreign subsidiaries	**(93)**	(1,348)	**(345)**	(1,348)
Mark-to-market for derivatives that are not eligible for hedge accounting	**478**	1,694	**2,706**	424
Other	**150**	(105)	**20**	(78)
	$ 711	$ (1,539)	**$ 2,797**	$ (1,574)

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 result from changes in the value of the Canadian dollar against the U.S. dollar.

The gains in the mark to market for derivatives are a result of the fluctuation in the periods of the fair value of certain currency contracts. These contracts are marked to market each quarter and the gain or loss is dictated by the change in the value of the Canadian dollar compared to U.S. dollar.

Income Tax

Income tax expense of $6,074 for the three months ended June 30, 2013 was $5,310 lower than the $11,384 for the similar period in 2012. The decrease in the expense is due mainly to reduced earnings before income taxes and earnings of joint arrangements and the effect of non taxable items included in earnings. In addition, in 2012, the Corporation recognized $2,290 in income tax expense relating to the Province of Ontario announcement that it will defer indefinitely planned reductions to the corporate tax rate.

The income tax recovery for the six months ended June 30, 2013 was $2,266 when compared to $2,017 for the similar period in 2012. The increase in the recovery due to a higher loss from operations of the business units was partially offset by the increase in the non-taxable portion of certain foreign currency transactions.

The Canadian statutory rates for the Corporation for 2013 and 2012 are 26.5% and 26.3 % 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 and changes to income tax provisions related to tax filings for prior periods.

Comprehensive Earnings (Loss)

The comprehensive earnings for the 2013 three month and six month periods increased significantly when compared to the amounts for the comparable periods in 2012.

The increases were due to an actuarial gain on employee future benefits resulting from strong investment results on pension fund assets and increases in the discount rate recommended by our actuaries for use in valuing the liabilities of the post-employment plans. In 2012, weak investment results and a lower discount rate resulted in actuarial losses. Also of note, the Corporation experienced gains on the translation of financial statements of foreign operations due to the change of the Canadian dollar when compared to the U.S. dollar.

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, 2013 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Condition, Liquidity and Capital Resources

Excerpts from the Statement of Cash Flows

Three months ended June 30	2013	2012	Increase (decrease) in cash
Net earnings	$ 19,381	$ 20,250	$ (869)
Net cash generated from operating activities	$ 10,710	$ 23,791	$ (13,081)
Net cash used in investing activities	$ 3,659	$ 18,017	$ 14,358
Net cash used in financing activities	$ 4,092	$ 3,396	$ (696)

Six months ended June 30	2013	2012	Increase (decrease) in cash
Net loss	$ 9,254	$ 11,716	$ (2,462)
Net cash generated from operating activities	$ 20,175	$ 21,395	$ (1,220)
Net cash used in investing activities	$ 15,067	$ 29,053	$ 13,986
Net cash used in financing activities	$ 8,316	$ 6,797	$ (1,519)

Net Cash Generated From Operating Activities

The decrease in net cash generated from operating activities for the three months ended June 30, 2013 when compared to the same period in 2012 resulted primarily from an increase in cash used by working capital.

For the six months ended June 30, 2013, net cash generated from operating activities decreased slightly when compared to 2012. The decrease in cash from the lower operating loss was almost completely offset with additional cash from working capital related primarily to the improved collection of amounts from customers and the timing of payments in 2012 to suppliers.

Net Cash Used In Investing Activities

Cash used in investing activities for the three and six months ended June 30, 2013 and 2012 was primarily for payments related to the *Equinox Class* vessels, life extensions and capitalized dry-dockings costs on certain vessels, and leasehold improvements on various rental properties.

In addition, retired vessels were sold for net proceeds of $822 in 2013 compared with $4,356 in 2012.

Net Cash Used In Financing Activities

Included in the net cash used in financing activities in both periods are the repayments of debt and the payment of dividends to shareholders. Dividends were paid to shareholders at $0.14 and $0.10 per common share for the six months ended June 30, 2013 and 2012 respectively.

Capital Resources

Management expects that cash and cash equivalents on hand at June 30, 2013 of $127,136, credit facilities and projected cash from operations for the remainder of 2013 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, 2013, 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, 2012 and 2011. There have been no significant changes in the items presented since December 31, 2012.

Transactions with Related Parties

There were no transactions with related parties for the three and six month periods ended June 30, 2013 and 2012.

Contractual Obligations

The table below provides aggregate information about the Corporation's contractual obligations at June 30, 2013 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	$ 9,000	$ 1,500	$ 222,884	$ 239,384
Purchase of new *Equinox Class* vessels	83,461	92,436	-	-	175,897
Defined benefit pension payments	1,970	3,940	3,940	7,880	17,730
Total	$ 91,431	$ 105,376	$ 5,440	$ 230,764	$ 433,011

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Earnings (Loss)
For the Three and Six Months Ended June 30, 2013 and 2012
(In thousands of dollars except per share figures)

	Notes	Three Months Ended June 30 2013	Three Months Ended June 30 2012 (Note 3)	Six Months Ended June 30 2013	Six Months Ended June 30 2012 (Note 3)
REVENUE		**$ 144,930**	$ 157,233	**$ 195,687**	$ 214,184
EXPENSES					
Operations		**101,216**	104,960	**172,527**	185,592
General and administrative		**6,994**	7,207	**14,072**	15,816
		108,210	112,167	**186,599**	201,408
EARNINGS BEFORE UNDERNOTED ITEMS		**36,720**	45,066	**9,088**	12,776
Depreciation of property, plant and equipment and investment properties		**(11,085)**	(11,138)	**(22,084)**	(22,886)
Financial expense	**4**	**(2,548)**	(2,687)	**(4,915)**	(5,741)
Net gain (loss) on foreign currency translation	**5**	**711**	(1,539)	**2,797**	(1,574)
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE (RECOVERY) AND EARNINGS OF JOINT ARRANGEMENTS		**23,798**	29,702	**(15,114)**	(17,425)
INCOME TAX (EXPENSE) RECOVERY		**(6,074)**	(11,384)	**2,266**	2,017
EARNINGS OF JOINT ARRANGEMENTS	**3**	**1,657**	1,932	**3,594**	3,692
NET EARNINGS (LOSS)		**$ 19,381**	$ 20,250	**(9,254)**	(11,716)
BASIC EARNINGS (LOSS) PER SHARE		**$ 0.50**	$ 0.52	**$ (0.24)**	$ (0.30)
DILUTED EARNINGS (LOSS) PER SHARE		**$ 0.47**	$ 0.50	**$ (0.24)**	$ (0.30)

See accompanying notes to the unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Comprehensive Earnings (Loss)
For the Three and Six Months Ended June 30, 2013 and 2012
(In thousands of dollars except per share figures)

	Notes	Three Months Ended June 30 2013	Three Months Ended June 30 2012	Six Months Ended June 30 2013	Six Months Ended June 30 2012
NET EARNINGS (LOSS)		**$ 19,381**	$ 20,250	**$ (9,254)**	$ (11,716)
OTHER COMPREHENSIVE EARNINGS (LOSS)					
Item that may be subsequently reclassified to net earnings:					
Unrealized gain (loss) on translation of financial statements of foreign operations		**5,633**	5,731	**9,198**	(641)
Unrealized (loss) gain on hedging instruments, net of income tax		**(487)**	5	**1,024**	(261)
Items that will not be classified to net earnings:					
Employee future benefits					
Actuarial gain (loss), net of income tax	**6**	**6,687**	(4,649)	**10,605**	(3,098)
		11,833	1,087	**20,827**	(4,000)
COMPREHENSIVE EARNINGS (LOSS)		**$ 31,214**	$ 21,337	**$ 11,573**	$ (15,716)

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Balance Sheets
June 30, 2013, December 31, 2012 and January 1, 2012
(In thousands of dollars)

	Notes	June 30 2013	December 31 2012 (Note 3)	January 1 2012 (Note 3)
ASSETS				
CURRENT				
Cash and cash equivalents		**$ 127,136**	$ 124,494	$ 127,332
Accounts receivable		**59,570**	77,752	74,630
Derivative assets		**1,149**	-	-
Materials and supplies		**11,932**	12,326	11,852
Prepaid expenses		**9,787**	4,777	3,409
Income taxes recoverable		**25,451**	14,332	21,255
Recoverable vessel deposits	**6**	**35,884**	33,943	-
		270,909	267,624	238,478
RECOVERABLE VESSEL DEPOSITS	**6**	**-**	-	34,697
ASSETS HELD FOR SALE		**-**	-	5,305
PROPERTY, PLANT AND EQUIPMENT		**522,853**	519,965	493,809
GOODWILL		**7,910**	7,910	7,910
INVESTMENT PROPERTIES		**70,394**	69,870	70,680
INVESTMENT IN JOINT ARRANGEMENTS	**3**	**9,030**	10,383	16,587
		$ 881,096	$ 875,752	$ 867,466
LIABILITIES				
CURRENT				
Accounts payable and accrued charges		**$ 66,202**	$ 55,451	$ 74,883
Dividends payable		**1,139**	1,007	906
Current portion of long-term debt	**8**	**4,773**	4,773	4,754
Derivative liabilities		**-**	3,212	2,489
		72,114	64,443	83,032
DEFERRED INCOME TAXES		**56,404**	51,061	46,363
EMPLOYEE FUTURE BENEFITS	**7**	**24,757**	40,835	42,123
LONG-TERM DEBT	**8**	**223,234**	220,953	227,228
COMMITMENTS	**12**	**-**	-	-
		304,395	312,849	315,714
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	**9**	**8,319**	8,319	8,319
CONTRIBUTED SURPLUS		**11,917**	11,917	11,917
CONVERTIBLE DEBENTURES		**4,632**	4,632	4,632
ACCUMULATED OTHER COMPREHENSIVE LOSS	**10**	**(380)**	(10,602)	(6,235)
RETAINED EARNINGS		**480,099**	484,194	450,087
		504,587	498,460	468,720
		$ 881,096	$ 875,752	$ 867,466

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Changes in Equity
June 30, 2013 and 2012
(In thousands of dollars)

	Share capital	Contributed Surplus/ Convertible debentures	(Note 10) Cash Flow Hedging Reserve	(Note 10) Foreign Currency Translation Reserve	Retained Earnings	Total Equity
BALANCE AT DECEMBER 31, 2011	$ 8,319	$ 16,549	$ (418)	$ (5,817)	$ 450,087	$ 468,720
Net loss	-	-	-	-	(11,716)	(11,716)
Dividends declared	-	-	-	-	(3,891)	(3,891)
Other comprehensive earnings (loss)	-	-	(261)	(641)	(3,098)	(4,000)
BALANCE AT JUNE 30, 2012	$ 8,319	$ 16,549	$ (679)	$ (6,458)	$ 431,382	$ 449,113
BALANCE AT DECEMBER 31, 2012	$ 8,319	$ 16,549	$ (566)	$ (10,036)	$ 484,194	$ 498,460
Net loss	-	-	-	-	(9,254)	(9,254)
Dividends declared	-	-	-	-	(5,446)	(5,446)
Other comprehensive earnings	-	-	1,024	9,198	10,605	20,827
BALANCE AT JUNE 30, 2013	$ 8,319	$ 16,549	$ 458	$ (838)	$ 480,099	$ 504,587

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, 2013 and 2012
(In thousands of dollars except per share figures)

	Notes	Three Months Ended June 30 2013	Three Months Ended June 30 2012 (Note 3)	Six Months Ended June 30 2013	Six Months Ended June 30 2012 (Note 3)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES					
OPERATING					
Net earnings (loss)		**$ 19,381**	$ 20,250	**$ (9,254)**	$ (11,716)
Earnings of joint arrangements	**3**	**(1,657)**	(1,932)	**(3,594)**	(3,692)
Dividends received from joint arrangements		**1,542**	4,036	**5,608**	7,544
Items not affecting cash					
Depreciation of property, plant and equipment and investment property		**11,085**	11,138	**22,084**	22,886
Net gain (loss) on foreign currency translation		**(2,939)**	3,233	**(2,797)**	1,998
Income tax expense (recovery)		**6,074**	11,384	**(2,266)**	(2,017)
Financial expense		**4,776**	993	**4,915**	5,317
Other		**(525)**	(1,871)	**(999)**	(1,223)
		37,737	47,231	**13,697**	19,097
Net change in non-cash operating working capital		**(24,601)**	(21,552)	**21,210**	14,150
		13,136	25,679	**34,907**	33,247
Interest paid		**(925)**	(646)	**(7,320)**	(7,016)
Income taxes paid		**(1,501)**	(1,242)	**(7,412)**	(4,836)
Net cash generated from operating activities		**10,710**	23,791	**20,175**	21,395
INVESTING					
Additions to property, plant and equipment and investment properties		**(4,481)**	(18,253)	**(15,889)**	(33,409)
Proceeds on sale of property, plant and equipment		**822**	236	**822**	4,356
Net cash used in investing activities		**(3,659)**	(18,017)	**(15,067)**	(29,053)
FINANCING					
Repayment of long-term debt		**(1,500)**	(1,500)	**(3,000)**	(3,000)
Dividends paid		**(2,592)**	(1,896)	**(5,316)**	(3,797)
Net cash used in financing activities		**(4,092)**	(3,396)	**(8,316)**	(6,797)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**2,959**	2,378	**(3,208)**	(14,455)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		**3,968**	1,356	**5,850**	74
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**120,209**	109,298	**124,494**	127,413
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 127,136**	$ 113,032	**$ 127,136**	$ 113,032

See accompanying notes to the unaudited condensed consolidated financial statements.

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 unaudited condensed consolidated financial statements of the Corporation for the three and six month periods ended June 30, 2013 and 2012 comprise the Corporation, its subsidiaries and the Corporation's interests in 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, six gearless dry bulk carriers and seven product tankers.

The Corporation has commitments for investment in six state of the art new *Equinox Class* vessels for domestic dry-bulk service. The *Equinox Class* will provide significant 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 25 – 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 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 four self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide ocean trades.

The Corporation also owns 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, first quarter revenues and earnings are typically significantly lower than the remaining quarters in the year.

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 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, 2012 and 2011, except for the changes described below in Note 3. The financial statements should be read in conjunction with the Corporation's Consolidated Financial Statements for the years ended December 31, 2012 and 2011.

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 8, 2013.

3. APPLICATION OF REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following standards were adopted by the Corporation on January 1, 2013.

IAS 1 Presentation of Financial Statements

The amendments require the components of Other Comprehensive Income (OCI) to be presented separately for items that may be reclassified to the consolidated statement of earnings from those that remain in equity.

IFRS 10 Consolidated Financial Statements

This standard introduces a single, principle-based, control model for consolidation, irrespective of whether an entity is controlled through voting rights or through other contractual arrangements as is common in special purpose entities (SPE). Control is based on an investor's current ability to use its power over the key activities of a subsidiary or SPE to affect its exposure or return generated by the subsidiary or SPE. An amendment to the standard was subsequently issued which provided additional transition guidance.

IFRS 12 Disclosure of Interests in Other Entities

The revisions broaden the definition of interests and require enhanced disclosures on interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 Fair Value Measurement

The revisions provides a definition of fair value, establishes a single framework for measuring fair value, and provides disclosure requirements for fair value used across all IFRS standards. The Corporation has determined there is no impact from these four new standards on its condensed consolidated financial statements.

IAS 19 Employee Benefits

The amendment to IAS 19, adopted on January 1, 2013, eliminates the use of the corridor approach and requires actuarial gains and losses to be recognized immediately in OCI. Amounts recorded into OCI would not be reclassified to the Condensed Consolidated Statements of Earnings (Loss).

On conversion to IFRS on January 1, 2010, the Corporation elected to recognize in opening OCI the cumulative net deficit previously unrecognized on the balance sheet at that date in opening retained earnings. Also on transition to IFRS, the Corporation adopted the accounting policy to recognize actuarial gains and losses directly in OCI.

Net interest replaces both the interest cost on the benefit obligation and the expected return on plan assets. Net interest is determined by applying the discount rate to net benefit obligation or asset. The net interest income/expense will be included in financial expense. This will result in a net expense or income in the Consolidated Statements of Earnings based on the funded status of the plan.

The effect on the Unaudited Condensed Consolidated Financial Statements for the three months ended June 30, 2012 was to decrease net earnings by $289 and increase other comprehensive earnings by $289.; For the six months ended June 30, 2012 the effect was to increase the net loss by $1,108, increase employee future benefits liability by $720, decrease deferred income taxes by $190 and decrease other comprehensive loss by $578.

IFRS 11 Joint Arrangements

The new standard requires that reporting issuers consider whether a joint arrangement is structured through a separate vehicle, as well as the terms of the contractual arrangement and other relevant facts and circumstances, to assess whether the venture is entitled to only the net assets of the joint arrangement (a “joint venture”) or to its share of the assets and liabilities of the joint arrangement (a “joint operation”). Joint ventures must be accounted for using the equity method, whereas joint operations must be accounted for by recognizing the venturer’s right to assets and obligations for liabilities (i.e. proportionate consolidation). The standard is required to be applied retrospectively to the prior periods presented.

The Corporation has certain interests in joint arrangements which will be accounted for on the equity basis under the new standard. The Corporation’s wholly owned subsidiary, Algoma Central Properties Inc., has an interest in Seventy-Five Corporate Park Drive Ltd. with an unrelated corporation. This joint arrangement owns an office building. The Corporation also has an interest in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement.

Previously, the Corporation accounted for these two joint arrangements on a proportionately consolidated basis. There is no impact on net earnings for the adoption of this standard; however, revenues and expenses, and assets and liabilities which were previously proportionately consolidated will be presented as Earnings of Joint Arrangements and as Investment in Joint Arrangements, respectively.

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

The effect of the change to the Unaudited Condensed Consolidated Statement of Earnings (Loss) is as follows:

	Three Months Ended June 30 2012	Six Months Ended June 30 2012
Decrease in revenues	$ 8,415	$ 17,595
Decrease in operating expenses	(5,641)	(11,934)
Decrease in other expenses	(842)	(1,969)
Earnings of joint arrangements	$ 1,932	$ 3,692

The effect of the change to the Unaudited Condensed Consolidated Balance Sheets is as follows:

	December 31 2012	January 1 2012
Decrease in cash and cash equivalents	$ 4,429	$ 4,984
Decrease in accounts receivables	1,979	2,839
Decrease in material and supplies	1,043	1,164
Decrease in prepaid expenses	104	257
Decrease in property, plant and equipment	9,162	12,590
Decrease in investment properties	1,627	1,684
Decrease in accounts payable and accrued charges	(3,197)	(2,459)
Decrease in deferred income taxes	(4,764)	(4,472)
Investment in joint arrangements	$ 10,383	$ 16,587

The effect of the change to the Unaudited Condensed Consolidated Statement of Cash Flows is as follows:

	Three Months Ended June 30 2012	Six Months Ended June 30 2012
Decrease in net cash used in operating activities	$ 1,547	$ 2,439
Decrease in cash and cash equivalents, beginning of period	(4,092)	(4,984)
Decrease in cash and cash equivalents, end of period	(2,545)	(2,545)

(In thousands of dollars except per share figures)

4. FINANCIAL EXPENSE

The components of financial expense are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
Interest expense on borrowings	**$ 3,439**	$ 3,721	**$ 7,294**	$ 7,472
Interest income on cash and cash equivalents	**(55)**	(84)	**(199)**	(227)
Interest on employee future benefits	**797**	-	**1,010**	-
Amortization of financing costs	**301**	312	**603**	623
Interest capitalized on vessel construction	**(1,934)**	(1,262)	**(3,793)**	(2,127)
	$ 2,548	$ 2,687	**$ 4,915**	$ 5,741

5. NET GAIN (LOSS) ON FOREIGN CURRENCY TRANSLATION

The net gain (loss) on foreign currency translation consists of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
Loss on long-term debt	**$ (2,684)**	$ (1,853)	**$ (4,267)**	$ (84)
Gain (loss) on U.S. cash	**2,859**	73	**4,683**	(489)
Realized gain (loss) on return of capital from foreign subsidiaries	**58**	(1,453)	**(325)**	(1,425)
Mark-to-market for derivatives that are not eligible for hedge accounting	**478**	1,694	**2,706**	424
	$ 711	$ (1,539)	**$ 2,797**	$ (1,574)

6. RECOVERABLE VESSEL DEPOSITS

In 2007, the Corporation entered into contracts to build three product tankers at the Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. in China. The Corporation made instalments to the shipyard totalling U.S. $35,370. Each contract contained provisions that allowed for cancellation in the event of excessive delivery delays, which delays have occurred. Because of the excessive non-permissible delays, in 2010, the Corporation issued formal notices of rescission of the three shipbuilding contracts.

During 2012, the Corporation was a party in an arbitration with the shipyard related to the refund of these deposits. The Corporation announced on April 30, 2013 that the London, UK Arbitration Tribunal ruled in favour of the Corporation and the Corporation will proceed to make a formal demand for re-imbursement of the instalments. In May, 2013 the shipyard filed notices requesting leave to appeal the Tribunal's decision.

(In thousands of dollars except per share figures)

The Corporation does not believe there is a material credit risk associated with refund of the payments made to the shipyard. The payments are backed by refund guarantees issued by major Chinese banks.

7. EMPLOYEE FUTURE BENEFITS

The Corporation maintains two funded and one unfunded defined benefit pension plans and three defined contribution pension plans covering certain employees. The majority of shipboard employees belong to pension plans not sponsored by the Corporation.

The defined benefit plans provide retirement income based on length of service and final average earnings or an amount per month for each year of credited service. The Corporation also provides other unfunded post-retirement benefits including life insurance and health care to certain employees.

The decrease in the net liability from employee future benefit obligations during the three and six months ended June 30, 2013 was due primarily to gains from strong investment results on pension fund assets of $1,521 and $5,398, respectively, and decreases of $7,577 and $9,477, respectively, due to increases in the discount rate from 4.0% to 4.1% in the first quarter and to 4.5% in the second quarter in valuing the liabilities of the post-employment plans.

8. LONG-TERM DEBT

	June 30 2013	December 31 2012	January 1 2012
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.0%	**$ 64,226**	$ 63,818	$ 63,044
Senior secured notes, due July 19, 2021			
U.S. $75,000, interest fixed at 5.11%	**78,885**	74,617	76,275
Canadian $75,000, interest fixed at 5.52%	**75,000**	75,000	75,000
Senior secured non-revolving term loan, due October 20, 2014, interest fixed at 5.90%	**3,000**	4,000	6,000
Senior secured non-revolving term loan, due October 20, 2016, interest floating at 2.07%	**13,500**	15,500	19,500
	234,611	232,935	239,819
Less unamortized financing expenses	**6,604**	7,209	7,837
	228,007	225,726	231,982
Current portion	**4,773**	4,773	4,754
	$ 223,234	$ 220,953	$ 227,228

(In thousands of dollars except per share figures)

The Corporation is subject to covenants with respect to maintaining certain financial ratios and other restrictions under the terms of the Bank Facility and the Notes.

At June 30, 2013, December 31, 2012 and January 1, 2012, the Corporation was in compliance with all of the covenants.

9. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common and preferred shares with no par value.

At June 30, 2013, December 31, 2012 and January 1, 2012 there were 38,912,110 common shares and no preferred shares issued and outstanding.

Basic and diluted net earnings (loss)

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
Net earnings (loss) for basic earnings per share	**$ 19,381**	$ 20,250	**$ (9,254)**	$ (11,716)
Dilutive effect of debentures	**1,053**	1,053	**-**	-
Net earnings (loss) for diluted earnings per share	**$ 20,434**	$ 21,303	**$ (9,254)**	$ (11,716)
Diluted weighted average common shares	**43,391**	43,391	**43,391**	43,391
Basic net earnings (loss) per common share	**$ 0.50**	$ 0.52	**$ (0.24)**	$ (0.30)
Diluted net earnings (loss) per common share	**$ 0.47**	$ 0.50	**$ (0.24)**	$ (0.30)

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

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

Cash Flow Hedging Reserve	**June 30 2013**	December 31 2012	January 1 2012
Balance, beginning of year	**$ (566)**	$ (418)	$ (1,294)
Gain (loss) arising on change in fair value of hedging instruments entered into for cash flow hedges	**1,394**	(188)	1,237
Income tax (expense) recovery recognized in other comprehensive earnings	**(370)**	40	(361)
	$ 458	$ (566)	$ (418)
Foreign Exchange Translation Reserve			
Balance, beginning of year	**(10,036)**	(5,817)	(10,369)
Unrealized gain (loss) on translation of financial statements of foreign operations	**9,198**	(4,219)	4,552
	$ (838)	$ (10,036)	$ (5,817)
	$ (380)	(10,602)	$ (6,235)

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 (ROCE) 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 Corporation’s Board of Directors reviews the ROCE target on an annual basis and it reviews the level of dividends to be paid to the Corporation’s shareholders on a quarterly basis.

Included in capital employed are shareholders’ equity and long term-debt. The returns on capital employed over the last five years ending December 31, 2012 of the Corporation ranged from 5.9% to 9.9%.

(In thousands of dollars except per share figures)

The Corporation also uses Adjusted Return on Capital Employed (AROCE) to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders and, in conjunction with other measures of operating performance, is one of the metrics for purposes of determining incentive compensation

The Corporation defines AROCE as the segment's operating earnings after income tax expressed as a percentage of adjusted average capital employed. Adjusted average capital employed is total long-term debt plus shareholders' equity, less the average cash in excess of $10 million and less the average amount of instalments on shipbuilding contracts reflecting the fact that these assets are currently not generating operating earnings.

The AROCE for 2012 was 12.5% versus 11.3% for 2011 and has averaged 10.1% over the five years ended December 31, 2012

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

The debt to shareholders' equity ratio is as follows:

	June 30 2013	December 31 2012	January 1 2012
Total long-term debt	**$ 234,611**	$ 232,935	$ 239,819
Shareholders' equity	**$ 504,587**	$ 498,460	$ 468,720
Debt to shareholders' equity ratio	**0.46 to 1**	0.47 to 1	0.51 to 1

12. COMMITMENTS

The Corporation has commitments at June 30, 2013 and December 31, 2012 of $193,627 and $194,521, respectively.

The commitments relate primarily to the purchase of six *Equinox Class* vessels and the required payments for its employee future benefit plans.

Annual expected payments are as follows: $46,386 due in 2013, $135,421 due in 2014, $3,940 due each year in 2015, 2016 and 2017.

(In thousands of dollars except per share figures)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Fair value

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

The carrying value and fair value of financial assets and financial liabilities are as follows:

	June 30 2013	December 31 2012	January 1 2012
Financial assets carrying and fair value			
Cash and cash equivalents	**$ 127,136**	$ 124,494	$ 127,332
Accounts receivable	**$ 59,570**	$ 77,752	$ 74,630
Derivative assets	**$ 1,149**	$ -	$ -
Financial liabilities carrying and fair value			
Accounts payable and accrued charges	**$ 66,202**	$ 55,451	$ 74,883
Derivative liabilities	**$ -**	$ 3,212	$ 2,489
Carrying value of long-term debt	**$ 234,611**	$ 232,935	$ 239,819
Fair value of long-term debt	**$ 250,114**	$ 250,573	$ 246,961

Fair value measurements recognized in the consolidated balance sheets

The fair value measurements, as provided by financial institutions, in the balance sheet include a derivative receivable (Level 2) of $1,149 as of June 30, 2013 (Derivative liability as at December 31, 2012 - $3,212, January 1, 2012 -$2,489).

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

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.

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

Credit risk

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

	June 30, 2013		December 31, 2012		January 1, 2012	
	Base currency	**Canadian equivalent**	Base currency	Canadian equivalent	Base currency	Canadian equivalent
Canadian dollar balances	**$ 18,937**	**$ 18,937**	$ 29,088	$ 29,088	$ 61,085	$ 61,085
U.S. dollar balances	**$ 102,871**	**$ 108,199**	$ 95,893	$ 95,406	$ 65,140	$ 66,247
		$ 127,136		$ 124,494		$ 127,332

Liquidity risk

The contractual maturities of non-derivative financial liabilities at June 30, 2013 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 66,202	$ -	$ -	$ -	$ 66,202
Dividends payable	1,139	-	-	-	1,139
Long-term debt including equity portion	6,000	9,000	1,500	222,884	239,384
Total	$ 73,341	$ 9,000	$ 1,500	$ 222,884	$ 306,725

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

Interest rate risk

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

	Average Fixed Rate		Notional Principal		Fair Value Liability	
Maturity	June 30 2013	December 31 2012	June 30 2013	December 31 2012	June 30 2013	December 31 2012
May 30, 2013	-	5.02%	-	$ 17,588	$ -	$ 195
October 20, 2014	5.90%	5.90%	3,402	$ 4,375	$ 106	$ 166
			$ 3,402	$ 21,963	$ 106	$ 361

The interest rate swap outstanding at June 30,, 2013 settles on a monthly basis.

Foreign currency exchange risk

At June 30, 2013, 33%, and at December 31, 2012 and January 1, 2012, 32%, respectively, of the Corporation's total assets were denominated in U.S. dollars.

The U.S. dollar denominated foreign exchange forward contracts are as follows:

Notional Principal			Fair Value Asset (Liability)		
June 30 2013	December 31 2012	January 1 2012	June 30 2013	December 31 2012	January 1 2012
$ 49,563	$ 102,621	$ 164,037	$ 1,255	$ (2,727)	$ (1,311)

U.S. dollar denominated contracts of $28,851 mature during the remainder of 2013 and $20,712 mature in 2014.

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

14. SEGMENT DISCLOSURES

The following presents the Corporation's results from operations by reportable segment:

	Three Months Ended June 30		Six Months Ended June 30	
Revenues	2013	2012	2013	2012
Domestic Dry-Bulk	$ 100,097	$ 118,048	$ 115,178	$ 140,400
Product Tankers	27,902	24,164	47,335	41,264
Ocean Shipping	9,943	7,902	19,393	18,096
Investment Properties	6,988	7,119	13,781	14,424
	$ 144,930	$ 157,233	$ 195,687	$ 214,184

	Three Months Ended June 30		Six Months Ended June 30	
Net Earnings (Loss)	2013	2012	2013	2012
Operating earnings (loss) net of income tax				
Domestic Dry-Bulk	$ 13,119	$ 20,193	$ (18,736)	$ (14,743)
Product Tankers	3,475	2,972	4,917	3,415
Ocean Shipping	3,711	1,969	7,216	6,473
Investment Properties	588	709	1,005	1,572
	20,893	25,843	(5,598)	(3,283)
Not specifically identifiable to segments				
Net gain (loss) on foreign currency translation	711	(1,539)	2,797	(1,574)
Financial expense	(2,548)	(2,687)	(4,915)	(5,741)
Income tax recovery (expense)	325	(1,367)	(1,538)	(1,118)
	$ 19,381	$ 20,250	$ (9,254)	$ (11,716)

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

Operating Expenses	Three Months Ended June 30 2013	Three Months Ended June 30 2012	Six Months Ended June 30 2013	Six Months Ended June 30 2012
Domestic Dry-Bulk	$ 71,555	$ 79,068	$ 119,117	$ 137,133
Product Tankers	19,429	15,895	33,141	28,246
Ocean Shipping	5,907	5,896	11,550	11,905
Investment Properties	4,325	4,101	8,719	8,308
	$ 101,216	$ 104,960	$ 172,527	$ 185,592

Assets	June 30 2013	December 31 2012	January 1, 2012
Domestic Dry-Bulk	$ 396,634	$ 395,494	$ 372,895
Product Tankers	186,923	193,256	214,458
Ocean Shipping	69,789	74,267	70,840
Real Estate	75,163	73,909	70,286
	728,509	736,926	728,479
Not specifically identifiable to segments			
Current assets	152,587	138,826	138,987
	$ 881,096	$ 875,752	$ 867,466

Additions to Property, Plant and Equipment and Investment Property	Three Months Ended June 30 2013	Three Months Ended June 30 2012	Six Months Ended June 30 2013	Six Months Ended June 30 2012
Domestic Dry-Bulk	$ 5,543	$ 16,497	$ 13,754	$ 30,297
Product Tankers	169	370	477	677
Ocean Shipping	(732)	1,174	2,107	1,174
Real Estate	1,262	-	2,249	367
	$ 6,242	$ 18,041	$ 18,587	$ 32,515
Amounts included in working capital	(1,761)	212	(2,698)	894
Total per statement of cash flows	$ 4,481	$ 18,253	$ 15,889	$ 33,409

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

Depreciation of Property, Plant and Equipment and Investment Property	Three Months Ended June 30 2013	Three Months Ended June 30 2012	Six Months Ended June 30 2013	Six Months Ended June 30 2012
Domestic Dry-Bulk	$ 6,424	$ 6,849	$ 12,937	$ 14,317
Product Tankers	2,426	2,314	4,718	4,591
Ocean Shipping	1,117	887	2,218	1,789
Real Estate	1,118	1,088	2,211	2,189
	$ 11,085	$ 11,138	$ 22,084	$ 22,886

Algoma Central Corporation
63 Church Street, Suite 600, St. Catharines, Ontario L2R 3C4
(905) 687-7888
www.algonet.com

Share Registrar and Transfer Agent:
CIBC Mellon Trust Company
c/o Canadian Stock Transfer Company Inc.
P. O. Box 700, Station B
Montreal, QC H3B 3K3
(416) 682-3860
(800) 387-0825