ALGOMA CENTRAL CORPORATION

Interim Report to Shareholders

For the Three and Six Months Ended
June 30, 2014 and 2013

ALGOMA CENTRAL CORPORATION

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 2014 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: on-time and on-budget delivery of new ships from shipbuilders; 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; 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 if 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 15 to 20 in the Corporation's Annual Information Form for the year ended December 31, 2013, 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.

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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 three and six months ended June 30 , 2014 and 2013 and related notes thereto and for the years ending December 31, 2013 and 2012 and it has been prepared as of August 6, 2014.

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 2013 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.

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
2014	Quarter 2	$ 138,333	$ 14,946	0.38
	Quarter 1	$ 51,738	$ (21,866)	(0.56)
2013	Quarter 4	$ 148,864	$ 22,849	$ 0.59
	Quarter 3	$ 146,948	$ 28,328	$ 0.73
	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

Impact of Seasonality on the Business

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 the 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 most 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 significantly lower than those of the remaining quarters in the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The winter of 2013/2014 in the Great Lakes and St. Lawrence basin was more severe than normal and ice coverage on the Great Lakes was at levels not experienced in several decades. The extent of the ice coverage resulted in a later than normal opening of the St. Lawrence Seaway, the Welland Canal, and the Soo Locks. As a result, winter operations extended into the second quarter in 2014, resulting in lower revenues and earnings for our Domestic Dry-Bulk and Product Tanker business segments.

Overall Performance

	Three Months Ended June 30		Six Months Ended June 30	
Consolidated Results	**2014**	2013	**2014**	2013
Revenues	**$ 138,333**	$ 144,930	**$ 190,071**	$ 195,687
Segment earnings (loss) after income tax	**$ 16,641**	$ 20,953	**$ (3,670)**	$ (5,258)
Net earnings (loss)	**$ 14,946**	$ 19,381	**$ (6,920)**	$ (9,254)
Basic earnings (loss) per share	**$ 0.38**	$ 0.50	**$ (0.18)**	$ (0.24)

Second Quarter Results

The Corporation is reporting second quarter revenues of $138,333 compared to $144,930 for the same period in 2013. Increases in the Ocean Shipping and Real Estate segments were more than offset by reductions in the Domestic Dry-Bulk and Product Tankers segments related to the delayed start and difficult operating conditions of the 2014 navigation season.

Segment earnings after income taxes were $16,641 compared to $20,953 for the second quarter in 2013. All segments are reporting decreased second quarter earnings, most significantly in the Domestic Dry-Bulk segment. The harsh winter conditions and extensive ice coverage lasting into May affected the start of the 2014 navigation season, causing significant schedule disruptions, delays, and extended trip times.

Net earnings and basic earnings per share were $14,946 and $0.38, respectively, compared to $19,381 and $0.50, respectively, for the same period last year. The lower net earnings were driven by the lower segment earnings.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Six Month Results

The Corporation is reporting revenues for the 2014 six month period of $190,071 compared to $195,687 for the first six months of 2013. The decrease was driven by the domestic fleets as a result of fewer domestic dry-bulk and domestic tanker operating days during the winter months in 2014, and a slower start to their respective seasons this year.

The segment loss after income taxes was $3,670 for the 2014 six month period compared to a loss of $5,258 for the first six months of 2013. Improved earnings for the Domestic Dry-Bulk segment as a result of reduced spending on winter maintenance more than offset lower earnings in the Product Tankers, Ocean Shipping and Real Estate segments year-over-year.

The net loss and basic loss per share were $6,920 and $0.18, respectively, compared to $9,254 and $0.24, respectively, for the same period last year. The net loss for 2014 includes a lower net gain on foreign currency translation of $1,705 compared to $2,797 for the same period in 2013. A reduction in the number of currency contracts outstanding and less volatility in the value of the Canadian dollar compared to the US dollar drove the reduction. More than offsetting this is favourable tax recovery for the first six months of 2014 relative to the same period in 2013 due primarily to an additional tax provision in 2013 relating to a tax dispute that was settled late in 2013.

Business Segment Results

Domestic Dry- Bulk

	Three Months Ended June 30		Favourable	Six Months Ended June 30		Favourable
	2014	2013	(Unfavourable)	**2014**	2013	(Unfavourable)
Revenue	**$ 96,173**	$ 100,097	$ (3,924)	**$ 109,971**	$ 115,178	$ (5,207)
Operating expenses	**(73,062)**	(71,555)	(1,507)	**(111,711)**	(119,117)	7,406
General and administrative	**(2,772)**	(3,813)	1,041	**(7,348)**	(8,257)	909
	20,339	24,729	(4,390)	**(9,088)**	(12,196)	3,108
Depreciation	**(6,420)**	(6,424)	4	**(12,367)**	(12,937)	570
Income taxes (expense) recovery	**(3,940)**	(5,186)	1,246	**5,497**	6,397	(900)
Net earnings (loss)	**$ 9,979**	$ 13,119	$ (3,140)	**$ (15,958)**	$ (18,736)	$ 2,778
Operating ratio	**85.5%**	81.7%		**119.5%**	121.8%	
Additions to property, plant and equipment	**$ 8,563**	$ 3,609		**$ 21,364**	$ 13,180	

	June 30 2014	December 31 2013
Total assets	**$ 429,171**	$ 409,772

Revenues for the second quarter were down by 3.9% when compared to the prior-year quarter. Following a later than normal opening date for the navigation season, ice conditions, particularly on the upper Great Lakes, caused significant disruption and delays during April. Although some of the costs of the delays are recoverable from customers, the combined effect was a reduction in revenues for the quarter. Although April was heavily impacted by this, the remaining months of the quarter were slightly higher than 2013 and we currently expect continued strong demand and high fleet utilization for the balance of the year.

Revenues for the six months ended June 30, 2014 were down by 4.5% when compared to the first six months of 2013 for the same reasons.

Operating expenses for the second quarter were higher than the same period in 2013. As a result of the lost days in the early part of the quarter and the expectation that demand would remain strong for the balance of the year, we are operating vessels that were originally expected not to operate. The operating costs for the second quarter of 2014 reflect maintenance costs associated with these vessels and therefore spending on maintenance in the quarter was higher than would normally be the case.

Operating expenses for the year to date in 2014 were lower by 6.2%, primarily due to lower overall spending on maintenance, the majority of which is incurred in the first quarter.

Depreciation expense in the second quarter and for the year to date is not significantly different than the same period in the prior year. Depreciation decreased due to the end of service lives of certain vessels; however, this decrease was offset by depreciation expense for the *Algoma Equinox*, which joined the fleet late in 2013.

Product Tankers

	Three Months Ended June 30		Favourable	Six Months Ended June 30		Favourable
	2014	2013	(Unfavourable)	**2014**	2013	(Unfavourable)
Revenue	**$ 24,423**	$ 27,902	$ (3,479)	**$ 44,763**	$ 47,335	$ (2,572)
Operating expenses	**(17,361)**	(19,429)	2,068	**(31,628)**	(33,141)	1,513
General and administrative	**(1,104)**	(1,132)	28	**(2,320)**	(2,279)	(41)
	5,958	7,341	(1,383)	**10,815**	11,915	(1,100)
Depreciation	**(2,424)**	(2,426)	2	**(4,845)**	(4,718)	(127)
Income taxes	**(970)**	(1,440)	470	**(1,672)**	(2,280)	608
Net earnings	**$ 2,564**	$ 3,475	$ (911)	**$ 4,298**	$ 4,917	$ (619)
Operating ratio	**85.5%**	82.4%		**86.7%**	84.8%	
Additions to property, plant and equipment	**$ 577**	$ 169		**$ 577**	$ 477	

	June 30 2014	December 31 2013
Total assets	**$ 147,971**	$ 146,597

Revenue for domestic product tankers decreased in the second quarter and for the year to date compared to very strong results in 2013. Results for both periods were impacted by vessel out-of-service days resulting from mechanical issues. Customer demand was met using outside charters in both periods. Revenue for our ocean tanker increased as a result of more operating days in both the second quarter and the year to date. Our ocean tanker was in regulatory dry-dock in the second quarter of 2013.

Operating costs for the 2014 second quarter and year to date were lower than the same periods in the prior year due to the domestic tanker decreased operating days. Domestic and ocean tankers incurred decreased maintenance expenses.

Depreciation expense for the quarter was substantially unchanged from the prior-year period. The increase in depreciation expense for the first six months of 2014 when compared to 2013 is a result of increased regulatory dry-docking costs incurred last year.

Ocean Shipping

	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Favourable (Unfavourable)	Six Months Ended June 30 2014	Six Months Ended June 30 2013	Favourable (Unfavourable)
Corporation's share of Pool revenue	**$ 16,626**	$ 16,036	$ 590	**$ 33,325**	$ 31,525	$ 1,800
Less revenues included in earnings of joint arrangements	**6,135**	6,093	42	**12,270**	12,132	138
Consolidated segment revenue	**10,491**	9,943	548	**21,055**	19,393	1,662
Operating expenses	**(6,490)**	(5,907)	(583)	**(12,978)**	(11,550)	(1,428)
General and administrative	**(751)**	(724)	(27)	**(1,502)**	(1,494)	(8)
	3,250	3,312	(62)	**6,575**	6,349	226
Depreciation	**(1,160)**	(1,117)	(43)	**(2,335)**	(2,218)	(117)
Earnings from joint venture	**1,469**	1,576	(107)	**3,003**	3,425	(422)
Net earnings	**$ 3,559**	$ 3,771	$ (212)	**$ 7,243**	$ 7,556	$ (313)
Operating ratio	**80.1%**	77.9%		**79.9%**	78.7%	
Additions to property, plant and equipment	**$ -**	$ -		**$ -**	$ 2,107	

	June 30 2014	December 31 2013
Total assets	**$ 66,156**	$ 64,541

The Corporation's share of Pool revenues were up 3.7% for the second quarter ended June 30, 2014 and up 5.7% for the year to date period ending June 30, 2014 when compared to the same periods in 2013. The increase in revenue for both periods is due to strong customer demand and a weaker Canadian dollar.

Operating costs, reflecting only our 100% owned vessels, were up for both the second quarter and the year to date due to an increase in supplies and repair costs.

Depreciation expense was up marginally for the second quarter and for the first six months of 2014 compared to the same prior-year periods. The increase was a result of regulatory dry-docking costs incurred in 2013.

The joint venture generated lower earnings in both the second quarter and first six months of 2014 relative to the same periods in the prior year. Lower earnings in 2014 were a result of lower operating days compared to the prior period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Real Estate

	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Favourable (Unfavourable)	Six Months Ended June 30 2014	Six Months Ended June 30 2013	Favourable (Unfavourable)
Revenue	**$ 7,246**	$ 6,988	$ 258	**$ 14,282**	$ 13,781	$ 501
Add revenue with related parties eliminated on consolidation	**129**	179	(50)	**258**	358	(100)
	7,375	7,167	208	**14,540**	14,139	401
Operating expenses	**(4,392)**	(4,325)	(67)	**(9,139)**	(8,719)	(420)
General and administrative	**(1,013)**	(1,022)	9	**(2,017)**	(2,042)	25
	1,970	1,820	150	**3,384**	3,378	6
Depreciation	**(1,315)**	(1,118)	(197)	**(2,532)**	(2,211)	(321)
Income taxes	**(182)**	(195)	13	**(243)**	(331)	88
Earnings from joint venture	**66**	81	(15)	**138**	169	(31)
Net earnings	**$ 539**	$ 588	$ (49)	**$ 747**	$ 1,005	$ (258)
Operating ratio	**92.7%**	92.5%		**95.8%**	94.1%	
Average occupancy				**86.8%**	87.8%	
Additions to investment properties	**$ 5,028**	$ 1,262		**$ 7,303**	$ 2,249	

	June 30 2014	December 31 2013
Total assets	**$ 83,615**	$ 76,342

Revenue in the Real Estate segment increased by 3.7% in the second quarter and 3.6% in the first six months compared to the same periods in 2013 primarily due to increased recovery of operating expenses as a result of higher occupancy in certain buildings.

Operating expenses were up slightly for the second quarter and more significantly year to date in 2014, reflecting general inflation and the impact of the harsh 2014 winter conditions that resulted in significantly higher utility and snow removal costs.

Depreciation expense was up for the second quarter and for the first six months of 2014 relative to the same period in the prior year, reflecting improvements relating to the Station Mall.

The earnings from our joint venture were down $15 in the second quarter, and $31 year to date 2014 relative to the same periods in 2013, contributing to the overall lower net earnings for the segment quarter over quarter and year over year.

Consolidated Results

	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Favourable (Unfavourable)	Six Months Ended June 30 2014	Six Months Ended June 30 2013	Favourable (Unfavourable)
Revenue	**$ 138,333**	$ 144,930	$ (6,597)	**$ 190,071**	$ 195,687	$ (5,616)
Operating expenses	**(101,305)**	(101,216)	(89)	**(165,456)**	(172,527)	7,071
General and administrative	**(5,854)**	(6,994)	1,140	**(13,187)**	(14,072)	885
	31,174	36,720	(5,546)	**11,428**	9,088	2,340
Depreciation	**(11,319)**	(11,085)	(234)	**(22,079)**	(22,084)	5
Interest expense, net	**(1,961)**	(2,603)	642	**(5,181)**	(5,114)	(67)
Interest income	**(392)**	55	(447)	**(100)**	199	(299)
Foreign currency translation gain	**985**	711	274	**1,705**	2,797	(1,092)
Income tax expense (recovery)	**(5,076)**	(6,074)	998	**4,166**	2,266	1,900
Earnings from joint ventures	**1,535**	1,657	(122)	**3,141**	3,594	(453)
Net earnings (loss)	**$ 14,946**	$ 19,381	$ (4,435)	**$ (6,920)**	$ (9,254)	$ 2,334

General and Administrative

General and administrative expenses for the three and six months ended June 30, 2014 were down relative to the respective periods in the previous year primarily due to a reduction in professional fees.

Interest Expense, net

Interest expense consists of the following:

	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Six Months Ended June 30 2014	Six Months Ended June 30 2013
Interest expense on borrowings	**$ 3,502**	$ 3,439	**$ 7,042**	$ 7,294
Interest on employee future benefits	**132**	797	**264**	1,010
Amortization of deferred financing costs	**225**	301	**1,535**	603
Interest capitalized on vessels under construction	**(1,898)**	(1,934)	**(3,660)**	(3,793)
	$ 1,961	$ 2,603	**$ 5,181**	$ 5,114

In 2014, the Corporation prepaid certain non- revolving debt and accordingly accelerated the amortization of deferred financing costs associated with these debt facilities. This resulted in an increase of $932 in amortization of deferred financing costs incurred during the first six months of 2014. This was almost entirely offset by lower interest on employee future benefits resulting from a reduced net liability for employee future benefit plans. The lower interest on employee future benefits accounted for the majority of the decrease in interest expense in the second quarter.

Interest income reported for the quarter reflects an adjustment to reduce an accrual booked in a prior period for interest on a tax recovery to reflect the amount actually received.

Foreign Currency Translation Gain

The foreign currency translation gain consists of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	**2014**	2013
Loss on long-term debt	**$ -**	$ (2,684)	**$ -**	$ (4,267)
Gain on U.S. cash	**-**	2,859	**-**	4,683
Realized gain (loss) on return of capital from foreign operations	**-**	58	**-**	(325)
Gain on derivatives	**731**	478	**1,451**	2,706
Other	**254**	-	**254**	-
	$ 985	$ 711	**$ 1,705**	$ 2,797

The gains on 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.

As of July 13, 2013 the Corporation designated a portion of its investment in foreign subsidiaries as a hedge against its U.S. dollar denominated debt. As of October 1, 2013 the Corporation designated a portion of its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments relating to the Equinox Class project. Gains and losses on the translation of the U.S. dollar debt and cash from the date on which the respective hedges were designated to the end of the financial reporting period are being recorded in Other Comprehensive Income.

Income Tax Expense and Recovery

Income tax expense of $5,076 for the three months ended June 30, 2014 was $998 lower than the $6,074 for the second quarter of 2013. The decrease in the expense is due mainly to reduced earnings before income taxes and earnings of joint ventures and the effect of non taxable items included in earnings.

The income tax recovery for the six months ended June 30, 2014 was $4,166 when compared to $2,266 for the similar period in 2013. Although the year to date loss was lower in 2014 relative to the same period in 2013, the recovery for the prior year was reduced by additional provisions of $1,313 related primarily to a tax dispute that was settled later in the year.

The Canadian statutory rate for the Corporation for both 2014 and 2013 was 26.5%. 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 2014 second quarter were $6,945 compared to $32,188 for the comparable period in 2013. The comprehensive loss for the six months ended June 30, 2014 was $10,460 when compared to earnings of $11,573 for the similar period in 2013.

The second quarter of 2014 experienced an unrealized loss on the translation of financial statements of foreign operations of $4,249 whereas the second quarter of 2013 saw an unrealized gain of $5,633. In the second quarter of 2014, the Canadian dollar strengthened, largely reversing a gain on our US-dollar denominated net investment in foreign subsidiaries caused by Canadian dollar weakening in the first quarter. During 2013, the Canadian dollar weakened in both the first and second quarters.

Employee future benefits for the six months ended June 30, 2014 experienced an actuarial loss, net of income tax, of $2,814 compared to a net actuarial gain of $10,605 for the same period in 2013. The net loss in 2014 includes an actuarial loss related to the discount rate dropping from 4.7% to 4.1% year to date. Partially offsetting this loss was investment returns on pension fund assets and an adjustment on implementing the new Canadian mortality table. The discount rate, which is based on long-term interest rates, is used to value the liabilities of the post-employment plans. Included in 2013 are actuarial gains resulting from investment returns and an increase in the discount rate.

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, 2014 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		Six Months Ended June 30	
	2014	2013	**2014**	2013
Net earnings (loss)	**$ 14,946**	$ 19,381	**$ (6,920)**	$ (9,254)
Net cash generated from (used in) operating activities	**$ 6,847**	$ 9,581	**$ (6,587)**	$ 23,903
Net cash used in investing activities	**(25,189)**	(1,725)	**$ (34,040)**	$ (14,493)
Net cash used in financing activities	**(13,569)**	(4,696)	**$ (21,729)**	$ (12,417)

Net Cash Generated From (Used In) Operating Activities

The decrease in cash from operating activities for the three months ended June 30 is attributable to the reduction in net earnings for the quarter. For the six months ended June 30 the decrease in cash related to operating activities is largely caused by a drop in cash from working capital in the first quarter. In 2013, the Corporation realized higher than normal cash from the collection of amounts outstanding from customers and the timing of payments to suppliers.

Net Cash Used In Investing Activities

Cash used in investing activities for the three and six months ended June 30, 2014 was primarily for costs related to the Equinox Class vessels, life extensions and capitalized dry-dockings costs on certain vessels, and capital improvements on the Sault Ste. Marie Station Mall. In May, 2014, we took delivery of the *Algoma Harvester*, resulting in the payment of final instalments due on the ship, which accounts for the majority of the increase in the quarter compared to last year.

Net Cash Used In Financing Activities

Included in the net cash used in financing activities in both periods are the repayments of debt, including the prepayment of certain non-revolving debt, and the payment of dividends to shareholders. Dividends were paid to shareholders at $0.14 per common share for each of the six months ended June 30, 2014 and 2013, respectively. The repayments of long-term debt in 2014 include the pre-payment of certain term loans.

Capital Resources

Management expects that cash and cash equivalents on hand at June 30, 2014 of $153,525, existing credit facilities and projected cash from operations for the remainder of 2014 will be more than sufficient to meet the Corporation's planned operating and capital requirements and other contractual obligations for the balance of 2014.

The Corporation maintains credit facilities and these facilities are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. At June 30 2014, the Corporation had $149,754 undrawn and available under existing credit facilities.

Contingencies

For information on contingencies, please refer to Note 27 of the consolidated financial statements for the years ending December 31, 2013 and 2012. There have been no significant changes in the items presented since December 31, 2013.

Transactions with Related Parties

There were no transactions with related parties for the three and six month periods ended June 30, 2014 and 2013.

Contractual Obligations

The table below provides aggregate information about the Corporation's contractual obligations at June 30, 2014 that affect the Corporation's liquidity and capital resource needs.

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 59,835	$ -	$ -	$ -	$ 59,835
Dividends payable	1,271	-	-	-	1,271
Long-term debt including equity portion	-	-	69,000	155,025	224,025
Total	$ 61,106	$ -	$ 69,000	$ 155,025	$ 285,131

New Accounting Standards Applied

Financial Assets and Financial Liabilities

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* (IAS 32). The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retrospectively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements.

Levies

In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies.* IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

Disclosure of Recoverable Amounts

In May 2013, the IASB issued amendments to IAS 36 *Impairment of Assets* (IAS 36). The amendments in IAS 36 are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively. The amendments reverse the unintended requirement in IFRS 13 to disclose the recoverable amount for every cash generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under these amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed.

The Corporation has applied these new standards in the financial statements for the annual period beginning January 1, 2014. The amendments did not have a material impact on the financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Earnings (Loss)
For the Three and Six Months Ended June 30, 2014 and 2013
(In thousands of dollars except per share figures)

		Three Months Ended June 30		Six Months Ended June 30	
	Notes	**2014**	2013 (Note 3)	**2014**	2013
REVENUE		**$ 138,333**	$ 144,930	**$ 190,071**	$ 195,687
EXPENSES					
Operations		**101,305**	101,216	**165,456**	172,527
General and administrative		**5,854**	6,994	**13,187**	14,072
		107,159	108,210	**178,643**	186,599
EARNINGS BEFORE UNDERNOTED ITEMS		**31,174**	36,720	**11,428**	9,088
Depreciation of property, plant and equipment and investment properties	**7, 8**	**(11,319)**	(11,085)	**(22,079)**	(22,084)
Interest expense	**5**	**(1,961)**	(2,603)	**(5,181)**	(5,114)
Interest income		**(392)**	55	**(100)**	199
Net gain on foreign currency translation	**6**	**985**	711	**1,705**	2,797
EARNINGS (LOSS) BEFORE INCOME TAX (EXPENSE) RECOVERY AND EARNINGS OF JOINT VENTURES		**18,487**	23,798	**(14,227)**	(15,114)
INCOME TAX (EXPENSE) RECOVERY		**(5,076)**	(6,074)	**4,166**	2,266
EARNINGS OF JOINT VENTURES	**4**	**1,535**	1,657	**3,141**	3,594
NET EARNINGS (LOSS)		**$ 14,946**	$ 19,381	**$ (6,920)**	$ (9,254)
BASIC EARNINGS (LOSS) PER SHARE		**$ 0.38**	$ 0.50	**$ (0.18)**	$ (0.24)
DILUTED EARNINGS (LOSS) PER SHARE		**$ 0.37**	$ 0.47	**$ (0.18)**	$ (0.24)

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, 2014 and 2013
(In thousands of dollars except per share figures)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	**2014**	2013
NET EARNINGS (LOSS)	**$ 14,946**	$ 19,381	**$ (6,920)**	$ (9,254)
OTHER COMPREHENSIVE (LOSS) EARNINGS				
Items that may be subsequently reclassified to net earnings:				
Unrealized (loss) gain on translation of financial statements of foreign operations	**(4,249)**	5,633	**483**	9,198
Unrealized (loss) gain on hedging instruments, net of income tax	**(1,374)**	487	**(391)**	1,024
Reclass to property, plant and equipment	**(819)**	-	**(819)**	-
Items that will not be subsequently reclassified to net earnings:				
Employee future benefits				
Actuarial (loss) gain, net of income tax	**(1,559)**	6,687	**(2,814)**	10,605
	(8,001)	12,807	**(3,541)**	20,827
COMPREHENSIVE EARNINGS (LOSS)	**$ 6,945**	$ 32,188	**$ (10,461)**	$ 11,573

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Balance Sheets
June 30, 2014 and December 31, 2013
(In thousands of dollars)

	Notes	June 30 2014	December 31 2013
ASSETS			
CURRENT			
Cash and cash equivalents		**$ 153,525**	$ 216,057
Accounts receivable		**75,403**	61,820
Derivative assets		**365**	1,055
Materials and supplies		**11,869**	10,437
Prepaid expenses		**7,077**	3,305
Income taxes recoverable		**16,101**	10,530
		264,340	303,204
EMPLOYEE FUTURE BENEFITS		**7,136**	7,458
PROPERTY, PLANT AND EQUIPMENT	**7**	**536,319**	533,703
GOODWILL		**7,910**	7,910
INVESTMENT PROPERTIES	**8**	**76,845**	72,074
INVESTMENT IN JOINT VENTURES	**4**	**11,125**	8,005
		$ 903,675	$ 932,354
LIABILITIES			
CURRENT			
Accounts payable and accrued charges		**$ 59,835**	$ 63,093
Dividends payable		**1,271**	1,139
Current portion of long-term debt	**9**	**-**	4,576
		61,106	68,808
DEFERRED INCOME TAXES		**58,878**	59,535
EMPLOYEE FUTURE BENEFITS		**22,515**	20,373
LONG-TERM DEBT	**9**	**215,861**	222,552
COMMITMENTS	**13**	**-**	-
		297,254	302,460
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	**10**	**8,319**	8,319
CONTRIBUTED SURPLUS		**11,917**	11,917
CONVERTIBLE DEBENTURES		**4,632**	4,632
ACCUMULATED OTHER COMPREHENSIVE EARNINGS	**11**	**1,064**	1,791
RETAINED EARNINGS		**519,383**	534,427
		545,315	561,086
		$ 903,675	$ 932,354

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Changes in Equity
For Three and Six Months Ended June 30, 2014 and 2013
(In thousands of dollars)

	Share capital	Contributed Surplus and Convertible debentures	Accumulated Other Comprehensive Earnings (Loss) (Note 11)	Retained Earnings	Total Equity
BALANCE AT DECEMBER 31, 2012	$ 8,319	$ 16,549	$ (10,602)	$ 484,188	$ 498,454
Net loss	-	-	-	(9,254)	(9,254)
Dividends declared	-	-	-	(5,446)	(5,446)
Other comprehensive earnings	-	-	10,222	10,605	20,827
BALANCE AT JUNE 30, 2013	$ 8,319	$ 16,549	$ (380)	$ 480,093	$ 504,581
BALANCE AT DECEMBER 31, 2013	$ 8,319	$ 16,549	$ 1,791	$ 534,427	$ 561,086
Net loss	-	-	-	(6,920)	(6,920)
Dividends declared	-	-	-	(5,446)	(5,446)
Other comprehensive loss	-	-	(727)	(2,814)	(3,541)
Refundable dividend tax on hand	-	-	-	136	136
BALANCE AT JUNE 30, 2014	$ 8,319	$ 16,549	$ 1,064	$ 519,383	$ 545,315

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, 2014 and 2013
(In thousands of dollars except per share figures)

	Notes	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Six Months Ended June 30 2014	Six Months Ended June 30 2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES					
OPERATING					
Net earnings (loss)		**$ 14,946**	$ 19,381	**$ (6,920)**	$ (9,254)
Earnings of joint ventures	**4**	**(1,535)**	(1,657)	**(3,141)**	(3,594)
Dividends received from joint ventures		**-**	1,542	**-**	5,608
Items not affecting cash					
Depreciation of property, plant and equipment and investment property	**7, 8**	**11,319**	11,085	**22,079**	22,084
Net gain on foreign currency translation	**6**	**(985)**	(711)	**(1,705)**	(2,797)
Income tax expense (recovery)		**5,076**	6,074	**(4,166)**	(2,266)
Interest expense	**5**	**1,961**	2,603	**5,181**	5,114
Other		**86**	(990)	**75**	(999)
		30,868	37,327	**11,403**	13,896
Net change in non-cash operating working capital		**(24,081)**	(23,413)	**(14,802)**	20,715
		6,787	13,914	**(3,399)**	34,611
Income taxes paid		**949**	(1,502)	**(1,108)**	(7,412)
Employee future benefits paid		**(889)**	(2,831)	**(2,080)**	(3,296)
Net cash generated from (used in) operating activities		**6,847**	9,581	**(6,587)**	23,903
INVESTING					
Additions to property, plant and equipment		**(20,161)**	(1,285)	**(26,737)**	(13,066)
Additions to investment properties		**(5,028)**	(1,262)	**(7,303)**	(2,249)
Proceeds on sale of property, plant and equipment		**-**	822	**-**	822
Net cash used in investing activities	**15**	**(25,189)**	(1,725)	**(34,040)**	(14,493)
FINANCING					
Interest paid, net		**(343)**	(602)	**(2,781)**	(4,101)
Repayment of long-term debt		**(10,500)**	(1,500)	**(13,500)**	(3,000)
Dividends paid		**(2,726)**	(2,594)	**(5,448)**	(5,316)
Net cash used in financing activities		**(13,569)**	(4,696)	**(21,729)**	(12,417)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(31,911)**	3,160	**(62,356)**	(3,007)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		**(4,474)**	3,767	**(176)**	5,649
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**189,910**	120,209	**216,057**	124,494
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 153,525**	$ 127,136	**$ 153,525**	$ 127,136

See accompanying notes to the unaudited condensed consolidated financial statements.

Notes to 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, 2014 and 2013 comprise the Corporation, its subsidiaries and the Corporation's interest 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 eighteen self-unloading dry-bulk carriers, seven gearless dry bulk carriers and seven product tankers.

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 and the operational management of certain vessels owned by other ship-owners.

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 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, 2013 and 2012, 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, 2013 and 2012.

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 and authorized for issue on August 6, 2014.

3. NEW ACCOUNTING STANDARDS APPLIED

Financial Assets and Financial Liabilities

In December 2011, the IASB issued amendments to IAS 32, Financial Instruments: Presentation (IAS 32). The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retrospectively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements.

Levies

In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, Levies. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

Disclosure of Recoverable Amounts

In May 2013, the IASB issued amendments to IAS 36 Impairment of Assets (IAS 36). The amendments in IAS 36 are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively. The amendments reverse the unintended requirement in IFRS 13 to disclose the recoverable amount of every cash generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under these amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed.

(In thousands of dollars except per share figures)

The Corporation has applied these new standards in the financial statements for the annual period beginning January 1, 2014. The new standards did not have a material impact on the financial statements.

4. INTERESTS IN JOINT VENTURES

The Corporation has a 50% interest in Seventy-Five Corporate Park Drive Ltd. with an unrelated corporation. This joint venture owns an office building. The Corporation also has a 50% interest in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement.

The Corporation's share in the revenues, expenses and net earnings of the jointly controlled operations, for the three and six months ended June 30, 2014 and 2013 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	**2014**	2013
Revenue	**$ 6,313**	$ 6,300	**$ 12,642**	$ 12,542
Operating expenses	**(4,217)**	(3,912)	**(8,447)**	(7,709)
General and administrative	**(62)**	(63)	**(129)**	(123)
Depreciation	**(353)**	(623)	**(709)**	(1,240)
Earnings before income taxes	**1,681**	1,702	**3,357**	3,470
Income tax expense (recovery)	**146**	45	**216**	(124)
Net earnings	**1,535**	$ 1,657	**$ 3,141**	$ 3,594
Seventy-Five Corporate Park Drive Ltd.	**$ 66**	$ 81	**$ 138**	$ 169
Marbulk Canada Inc	**1,469**	1,576	**3,003**	3,425
	$ 1,535	$ 1,657	**$ 3,141**	$ 3,594

(In thousands of dollars except per share figures)

The Corporation's share in the assets, liabilities and net investment of the jointly controlled operations at June 30, 2014 and December 31, 2013 are as follows:

		June 30 2014		December 31 2013
Cash and cash equivalents	**$**	**5,803**	$	2,698
Accounts receivable		**941**		1,435
Materials and supplies		**966**		967
Prepaid expenses		**200**		163
Income taxes recoverable		**232**		-
Property, plant and equipment		**7,012**		7,513
Investment property		**1,568**		1,609
Accounts payable and accrued charges		**(1,804)**		(1,674)
Income taxes payable		**-**		(860)
Deferred income taxes		**(3,793)**		(3,846)
	$	**11,125**	$	8,005
Seventy-Five Corporate Park Drive Ltd.	**$**	**1,945**	$	1,906
Marbulk Canada Inc		**9,180**		6,099
	$	**11,125**	$	8,005

5. INTEREST EXPENSE

The components of interest expense for the three and six months ended June 30, 2014 and 2013 are as follows:

	Three Months Ended June 30				Six Months Ended June 30			
		2014		2013		**2014**		2013
Interest expense on borrowings	**$**	**3,502**	$	3,439	**$**	**7,042**	$	7,294
Interest on employee future benefits		**132**		797		**264**		1,010
Amortization of deferred financing costs		**225**		301		**1,535**		603
Interest capitalized on vessels under construction		**(1,898)**		(1,934)		**(3,660)**		(3,793)
	$	**1,961**	$	2,603	**$**	**5,181**	$	5,114

(In thousands of dollars except per share figures)

During the first quarter, the Corporation elected to prepay certain non-revolving debt and accordingly accelerated the amortization of deferred financing costs associated with these debt facilities.

Interest income reported for the quarter reflects an adjustment to reduce an accrual booked in a prior period for interest on a tax recovery to reflect the amount actually received.

6. NET GAIN ON FOREIGN CURRENCY TRANSLATION

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	**2014**	2013
Loss on long-term debt	**$ -**	$ (2,684)	**$ -**	$ (4,267)
Gain on U.S. cash	**-**	2,859	**-**	4,683
Realized gain (loss) on return of capital from foreign operations	**-**	58	**-**	(325)
Gain on derivatives	**731**	478	**1,451**	2,706
Other	**254**	-	**254**	-
	$ 985	$ 711	**$ 1,705**	$ 2,797

As of July 13, 2013 the Corporation designated a portion of its investment in foreign subsidiaries as a hedge against its U.S. dollar denominated debt. As of October 1, 2013 the Corporation began designating a portion of its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments relating to the Equinox Class project. Gains and losses on the translation of the U.S. dollar debt and cash from the date on which the respective hedges were designated to the end of the financial reporting period are being recorded in Other Comprehensive Income.

The gain on derivatives represents the gain on mark to market that are not eligible for hedge accounting.

(In thousands of dollars except per share figures)

7. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are as follows:

Cost	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at December 31, 2013	$ 726,242	$ 232,157	$ 85,038	$ 1,043,437
Additions	21,124	577	-	21,701
Effect of foreign currency exchange differences	245	53	252	550
Balance June 30, 2014	$ 747,611	$ 232,787	$ 85,290	$ 1,065,688

Accumulated depreciation	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at December 31, 2013	$ 381,959	$ 98,262	$ 29,513	$ 509,734
Depreciation expense	12,367	4,845	2,335	19,547
Effect of foreign currency exchange differences	25	15	48	88
Balance June 30, 2014	$ 394,351	$ 103,122	$ 31,896	$ 529,369

Net Book Value	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
June 30, 2014				
Cost	$ 747,611	$ 232,787	$ 85,290	$ 1,065,688
Accumulated depreciation	394,351	103,122	31,896	529,369
	$ 353,260	$ 129,665	$ 53,394	$ 536,319

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

8. INVESTMENT PROPERTY

Details of investment property are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Balance December 31, 2013	$ 124,256	$ 52,182	$ 72,074
Additions	7,303	2,532	4,771
Balance June 30, 2014	$ 131,559	$ 54,714	$ 76,845

9. LONG-TERM DEBT

	June 30 2014	December 31 2013
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.0%	**$ 65,094**	$ 64,652
Senior secured notes, due July 19, 2021		
U.S. $75,000, interest fixed at 5.11%	**80,025**	79,770
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%	**-**	2,000
Senior secured non-revolving term loan, due October 20, 2016, interest floating at BA rate plus 0.85%	**-**	11,500
	220,119	232,922
Less unamortized deferred financing expenses	**4,258**	5,794
	215,861	227,128
Current portion	**-**	4,576
	$ 215,861	$ 222,552

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, 2014 and December 31, 2013 the Corporation was in compliance with all of the covenants.

(In thousands of dollars except per share figures)

10. SHARE CAPITAL

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

At June 30, 2014, and December 31, 2013 there were 38,912,110 common shares and no preferred shares issued and outstanding.

11. ACCUMULATED OTHER COMPREHENSIVE EARNINGS (LOSS)

The components of accumulated other comprehensive earnings (loss) are as follows:

	Reserves				
	Hedges			Foreign	
	Cash Flow	Net Investment	Purchase Commitment	Exchange Translation	Total
Balance December 31, 2013	$ 489	$ (1,561)	$ 1,138	$ 1,725	$ 1,791
Current year activity:					
(Loss) gain	(299)	(255)	(1,046)	483	(1,117)
Income tax recovery	79	34	277	-	390
Net (loss) gain	(220)	(221)	(769)	483	(727)
Balance June 30, 2014	**$ 269**	**$ (1,782)**	**$ 369**	**$ 2,208**	**$ 1,064**

12. 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.

(In thousands of dollars except per share figures)

Included in capital employed are shareholders' equity and long term-debt. The returns on capital employed over the last five years ended December 31, 2013 of the Corporation ranged from 5.9% to 8.2%.

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 segment 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 has averaged 9.74% over the five years ended December 31, 2013.

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

The debt to shareholders' equity ratio is as follows:

	June 30 2014	December 31 2013
Total long-term debt	**$ 220,119**	$ 232,922
Shareholders' equity	**$ 545,315**	$ 561,086
Debt to shareholders' equity ratio	**0.40 to 1**	0.42 to 1

13. COMMITMENTS

The Corporation has commitments at June 30, 2014 of $141,064.

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

Annual expected payments are as follows:

Due in 2014	**$ 74,495**
Due in 2015	**59,444**
Due in 2016	**2,375**
Due in 2017	**2,375**
Due in 2018	**2,375**
	$ 141,064

(In thousands of dollars except per share figures)

The commitment to the shipyard relating to the purchase of four Equinox Class vessels is U.S. $97,735.

The current production schedule as provided by the shipyard estimates the remaining four Algoma vessels will be delivered in 2015. These deliveries will follow completion of two Equinox Class vessels being constructed for CWB Inc., of which one is scheduled for delivery later in 2014 with the second to follow in early 2015.

At the present time, there is uncertainty regarding the financial condition of a co-seller and this situation has had an impact on the delivery schedule. The shipyard is working to resolve this situation and they are continuing construction work on the vessels in the interim.

Although the Corporation's investment to date in these ships remains secured with refund guarantees, currently there is uncertainty regarding the construction schedule and further delay in the delivery of the remaining vessels is possible.

14. 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 dividends payable.

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

	June 30 2014	December 31 2013
Financial assets carrying and fair value		
Cash and cash equivalents	**$ 153,525**	$ 216,057
Accounts receivable	**$ 75,403**	$ 61,820
Derivative assets	**$ 365**	$ 1,055
Financial liabilities carrying and fair value		
Accounts payable and accrued charges	**$ 59,835**	$ 63,093
Dividends payable	**$ 1,271**	$ 1,139
Carrying value of long-term debt	**$ 220,119**	$ 232,922
Fair value of long-term debt	**$ 237,284**	$ 249,431

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

Fair value measurements recognized in the consolidated balance sheets

The fair value measurements, as provided by financial institutions, in the balance sheet include derivative assets (Level 2) of $365 (December 31, 2013 - $1,055).

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.

Credit risk

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

	June 30, 2014		December 31, 2013	
	Base currency	**Canadian equivalent**	Base currency	Canadian equivalent
Canadian dollar balances				
Cash	**$ 33,425**	**$ 33,425**	$ 25,240	$ 25,240
Cash equivalents	**-**	**-**	90,119	90,119
		$ 33,425		$ 115,359
U.S. cash	**112,558**	**120,100**	94,676	100,698
		$ 153,525		$ 216,057

Liquidity risk

The contractual maturities of non-derivative financial liabilities at June 30, 2014 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 59,835	$ -	$ -	$ -	$ 59,835
Dividends payable	1,271	-	-	-	1,271
Long-term debt including equity portion	-	-	-	224,025	224,025
Total	$ 61,106	$ -	$ -	$ 224,025	$ 285,131

The interest rate swap settled in the second quarter of 2014.

(In thousands of dollars except per share figures)

Foreign currency exchange risk

At June 30, 2014 and December 31, 2013, 29% and 26%, respectively, of the Corporation's total assets were denominated in U.S. dollars.

The U.S. dollar denominated foreign exchange forward contracts are comprised of a notional principal amount of $10,275 and a fair value amount of $365 as of June 30, 2014 (principal amount of $41,263 and fair value amount of $1,110 as at December 31, 2013).

U.S. dollar denominated contract of $10,275 matures during the remainder of 2014.

15. SEGMENT DISCLOSURES

The following presents the Corporation's results from operations by reportable segment for the three and six months ended June 30, 2014 and 2013:

	Three Months Ended June 30		Six Months Ended June 30	
Revenues	**2014**	2013	**2014**	2013
Domestic Dry-Bulk	**$ 96,173**	$ 100,097	**$ 109,971**	$ 115,178
Product Tankers	**24,423**	27,902	**44,763**	47,335
Ocean Shipping	**10,491**	9,943	**21,055**	19,393
Real Estate	**7,246**	6,988	**14,282**	13,781
	$ 138,333	$ 144,930	**$ 190,071**	$ 195,687

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

Net Earnings (Loss)	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Six Months Ended June 30 2014	Six Months Ended June 30 2013
Operating earnings (loss) net of income tax				
Domestic Dry-Bulk	**$ 9,979**	$ 13,119	**$ (15,958)**	$ (18,736)
Product Tankers	**2,564**	3,475	**4,298**	4,917
Ocean Shipping	**3,559**	3,771	**7,243**	7,556
Real Estate	**539**	588	**747**	1,005
	16,641	20,953	**(3,670)**	(5,258)
Not specifically identifiable to segments				
Net gain on translation of foreign-denominated monetary assets and liabilities	**985**	711	**1,705**	2,797
Interest expense	**(1,961)**	(2,603)	**(5,181)**	(5,114)
Interest income	**(392)**	55	**(100)**	199
Income tax (expense) recovery	**(327)**	265	**326**	(1,878)
	$ 14,946	$ 19,381	**$ (6,920)**	$ (9,254)

Operating Expenses	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Six Months Ended June 30 2014	Six Months Ended June 30 2013
Domestic Dry-Bulk	**$ 73,062**	$ 71,555	**$ 111,711**	$ 119,117
Product Tankers	**17,361**	19,429	**31,628**	33,141
Ocean Shipping	**6,490**	5,907	**12,978**	11,550
Real Estate	**4,392**	4,325	**9,139**	8,719
	$ 101,305	$ 101,216	**$ 165,456**	$ 172,527

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

Additions to Property, Plant and Equipment and Investment Property	Three Months Ended June 30 **2014**	2013	Six Months Ended June 30 **2014**	2013
Domestic Dry-Bulk	**$ 8,563**	$ 3,609	**$ 21,364**	$ 13,180
Product Tankers	**577**	169	**577**	477
Ocean Shipping	**-**	-	**-**	2,107
Real Estate	**5,028**	1,262	**7,303**	2,249
	$ 14,168	$ 5,040	**$ 29,244**	$ 18,013
Amounts included in working capital	**11,021**	(2,493)	**4,796**	(2,698)
Total per consolidated statement of cash flows	**$ 25,189**	$ 2,547	**$ 34,040**	$ 15,315

Depreciation of Property, Plant and Equipment and Investment Property	Three Months Ended June 30 **2014**	2013	Six Months Ended June 30 **2014**	2013
Domestic Dry-Bulk	**$ 6,420**	$ 6,424	**$ 12,367**	$ 12,937
Product Tankers	**2,424**	2,426	**4,845**	4,718
Ocean Shipping	**1,160**	1,117	**2,335**	2,218
Real Estate	**1,315**	1,118	**2,532**	2,211
	$ 11,319	$ 11,085	**$ 22,079**	$ 22,084

Assets	June 30 2014	December 31 2013
Domestic Dry-Bulk	$ 429,171	$ 409,772
Product Tankers	147,971	146,597
Ocean Shipping	66,156	64,541
Real Estate	83,615	76,342
	726,913	697,252
Not specifically identifiable to segments		
Current assets	176,762	235,102
	$ 903,675	$ 932,354

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