ALGOMA CENTRAL CORPORATION

Interim Report to Shareholders

For the Three and Six Months Ended June 30, 2015 and 2014

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 2015 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 from 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 12 to 16 in the Company's Annual Information Form for the year ended December 31, 2014, which outlines in detail certain key factors that may affect the Company's future results. This should not be considered a complete list of all risks to which the Company may be subject from time to time. When relying on forward looking statements to make decisions with respect to the Company, 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 Company 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.

ALGOMA CENTRAL CORPORATION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

General

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

This Management's Discussion and Analysis ("MD&A") of the Company should be read in conjunction with its interim condensed consolidated financial statements for the three and six months ended June 30, 2015 and 2014 and related notes thereto and the consolidated financial statements for the years ending December 31, 2014 and 2013 and has been prepared as of August 5, 2015.

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 Company, including its 2014 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Company'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
2015	Quarter 2	$ 132,809	$ 23,330	$ 0.60
	Quarter 1	$ 51,628	$ (22,992)	$ (0.59)
2014	Quarter 4	$ 149,662	$ 35,318	$ 0.91
	Quarter 3	$ 163,950	$ 24,367	$ 0.63
	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

Impact of Seasonality on the Business

The nature of the Company'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

Overall Performance

Consolidated Results	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Revenues	**$ 132,809**	$ 138,333	**$ 184,437**	$ 190,071
Segment earnings after income tax	**$ 23,409**	$ 16,641	**$ 2,263**	$ (3,670)
Net earnings (loss)	**$ 23,330**	$ 14,946	**$ 338**	$ (6,920)
Basic earnings (loss) per share	**$ 0.60**	$ 0.38	**$ 0.01**	$ (0.18)
Net earnings (loss) excluding gain on cancellation of shipbuilding contracts	**$ 13,118**	$ 14,946	**$ (9,874)**	$ (6,920)
Basic earnings (loss) per share excluding gain on cancellation of shipbuilding contracts	**$ 0.34**	$ 0.38	**$ (0.25)**	$ (0.18)

The Company is reporting second quarter revenues of $132,809 compared to $138,333 for the same period in 2014. The decrease in revenue was mainly in the Product Tankers segment due to reduced customer demand. In addition, revenues for both Domestic Dry-Bulk and Product Tankers reflect the impact of lower fuel prices compared to 2014. The revenues in the other business units for the 2015 second quarter remained at approximately the same levels as the comparable 2014 period.

Revenues for the six months ended June 30 2015 of $184,437 were $5,634 lower than the revenues for the same period in the prior year. Domestic Dry-Bulk revenues increased by $4,392 and Real Estate revenues increased by $ 948. The Product Tanker segment experienced a decrease of $6,605 and the Ocean Shipping segment had a decrease of $5,567.

The segment earnings after income taxes excluding the impact of the after-tax gain on the contract cancellation of $10,212 for the 2015 second quarter and for the six month period in 2015 were lower when compared to similar periods in 2014. The decreases in both periods were due primarily to lower earnings in the Domestic Dry-Bulk segment.

Net earnings for the 2015 second quarter and six months reflect a one time gain on the cancellation of shipbuilding contracts of $10,212. Excluding this gain from the 2015 results, net earnings for the second quarter would have been $13,118 compared to net earnings of $14,946 for the 2014 second quarter, and for the six month period, the 2015 net loss would have been $9,874 compared to a net loss of $6,920 for the same period in the prior year.

Equinox Project

The Company entered into contracts in 2010 with Nantong Mingde Heavy Industry Co., Ltd. ("Mingde" or the "Shipyard") in China to construct a total of six Equinox Class dry-bulk vessels, continuing the fleet renewal initiative begun with the arrival of the *Radcliffe R Latimer* in 2009 and the *Algoma Mariner* in 2011.

By June 2014, the Company had taken delivery of two bulkers, the *Algoma Equinox* and the *Algoma Harvester.* The remaining four vessels, all self unloaders, were expected to be delivered in 2015 and 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On December 26, 2014, Mingde entered a court supervised restructuring process. This process was initiated by Sainty Marine Co. Ltd. which is both the largest creditor to the Shipyard and also the seller of record under one of the shipbuilding contracts held by Algoma. All monies paid by the Company against these shipbuilding contracts are supported by refund guarantees issued by Chinese state banks.

During the second quarter of 2015, after consultation with counsel and meeting with the restructuring administrator of the Shipyard, the Company concluded it is unlikely the restructuring process is going to succeed and therefore advised the Shipyard it no longer intended to take delivery of the four vessels. The Company had previously issued formal cancellation notices on three of the four contracts and issued the fourth cancellation notice subsequent to the period end.

As a result the Company is recognizing a net gain in the second quarter of $10,212 which is further described later in this report.

Cancellation of the Mingde contracts on their terms entitles the Company to demand repayment of construction instalments paid to date, along with accrued interest. The Company is currently enforcing its rights with respect to these recoveries and these amounts are supported by bank refund guarantees. The shipyard has exercised its right to request arbitration on this claim..

While delayed, the overall fleet renewal program, of which these Equinox Class ships were a part, remains a priority for the Company. In addition to the two new 650' self-unloaders announced in the first quarter, the Company is currently in negotiations with shipyards for a total of five Equinox Class 740' self-unloaders in place of the four cancelled Mingde-built vessels. Management expects the two 650' Equinox self-unloaders to be delivered in 2017 and is targeting late 2017 through 2018 for delivery of the five 740' Equinox self-unloaders.

Business Segment Results

Domestic Dry-Bulk

	Three Months Ended June 30		Favourable	Six Months Ended June 30		Favourable
	2015	2014	(Unfavourable)	**2015**	2014	(Unfavourable)
Revenue	**$ 95,440**	$ 96,173	$ (733)	**$ 114,363**	$ 109,971	$ 4,392
Operating expenses	**(77,657)**	(73,062)	(4,595)	**(119,884)**	(111,711)	(8,173)
General and administrative	**(4,424)**	(2,772)	(1,652)	**(9,758)**	(7,348)	(2,410)
	13,359	20,339	(6,980)	**(15,279)**	(9,088)	(6,191)
Depreciation	**(6,792)**	(6,420)	(372)	**(12,618)**	(12,367)	(251)
Gain on cancellation of shipbuilding contracts	**13,894**	-	13,894	**13,894**	-	13,894
Income taxes	**(5,561)**	(3,940)	(1,621)	**3,434**	5,497	(2,063)
Net earnings (loss)	**$ 14,900**	$ 9,979	$ 4,921	**$ (10,569)**	$ (15,958)	$ 5,389
Operating ratio	**93.1%**	85.5%		**124.4%**	119.5%	
Additions to property, plant and equipment	**$ 38,932**	$ 14,363		**$ 51,048**	$ 25,024	

	June 30 2015	December 31 2014
Total assets	**$ 450,006**	$ 410,856

Revenues for the second quarter of 2015 are down slightly when compared to the prior year quarter. Increases in revenue due to increased operating days to meet customer demand were offset by reduced revenues due to lower fuel prices and a reduction in freight rates in some markets. Fuel costs incurred by the Domestic Dry-Bulk segment are passed on directly to the customers as part of the freight rate.

Revenues for the six months ended June 30 increased by $4,392 for 2015 compared to 2014. Revenue increases were realized as a result of increased operating days to meet higher demand from customers in the construction, agricultural and salt markets. Partially offsetting this increase in revenue was lower revenue from the iron ore business and lower revenue from the fuel component, reflecting reduced fuel prices.

Operating expenses for both the second quarter and the six months ended June 30, 2015 were higher than the same periods in 2014. The primary reasons for the increases are the costs associated with the increased number of operating days, higher claims costs related to incidents and an increase in overhead costs. Also in the 2015, a portion of the winter lay-up work normally completed in the first quarter was deferred until the second quarter to enable certain ships to meet higher than normal winter demand. Partially offsetting these increases in operating expenses was reduced fuel costs due to lower prices.

Net segment earnings, excluding the impact of the after-tax gain on the contract cancellation of $10,212, for the 2015 second quarter were $4,688 compared to $9,979 for the 2014 second quarter and for the six months ended June 30, 2014, the net segment loss would have been $20,781 compared to $15,958 for the same 2014 period.

Product Tankers

	Three Months Ended June 30		Favourable	Six Months Ended June 30		Favourable
	2015	2014	(Unfavourable)	**2015**	2014	(Unfavourable)
Revenue	**$ 19,513**	$ 24,423	$ (4,910)	**$ 38,158**	$ 44,763	$ (6,605)
Operating expenses	**(12,851)**	(17,361)	4,510	**(23,603)**	(31,628)	8,025
General and administrative	**(1,131)**	(1,104)	(27)	**(2,356)**	(2,320)	(36)
	5,531	5,958	(427)	**12,199**	10,815	1,384
Depreciation	**(2,368)**	(2,424)	56	**(4,957)**	(4,845)	(112)
Income taxes	**(760)**	(970)	210	**(1,611)**	(1,672)	61
Net earnings	**$ 2,403**	$ 2,564	$ (161)	**$ 5,631**	$ 4,298	$ 1,333
Operating ratio	**83.8%**	85.5%		**81.0%**	86.7%	
Additions to property, plant and equipment	**$ -**	$ 577		**$ -**	$ 577	

	June 30 2015	December 31 2014
Total assets	$ 143,853	$ 151,596

Revenue for the second quarter of 2015 and for the six months ended June 30, 2015 was significantly lower than the comparable periods in 2014. Revenue for Product Tankers for both 2014 periods reflected stronger customer demand than the similar periods in 2015; however, the majority of this increased demand was met using chartered vessel capacity on which we earn only a limited margin.

Operating costs for the 2015 second quarter and six month period were lower than the prior year quarter due primarily to the decreases in vessel chartering expenses and lower fuel costs.

The decreases in operating expenses for the second quarter this year did not fully offset the reduction in revenue and as a result, the operating income from Product Tankers decreased marginally. For the year-to-date, the decrease in operating costs was more significant and as a result, earnings for the six month period are higher than that reported for 2014.

Ocean Shipping

	Three Months Ended June 30		Favourable	Six Months Ended June 30		Favourable
	2015	2014	(Unfavourable)	**2015**	2014	(Unfavourable)
Corporation's share of Pool revenue	**$ 17,053**	$ 16,626	$ 427	**$ 27,758**	$ 33,325	$ (5,567)
Less revenues included in earnings of joint arrangements	**6,671**	6,135	536	**11,034**	12,270	(1,236)
Consolidated segment revenue	**10,382**	10,491	(109)	**16,724**	21,055	(4,331)
Operating expenses	**(5,662)**	(6,490)	828	**(10,843)**	(12,978)	2,135
General and administrative	**(782)**	(751)	(31)	**(1,613)**	(1,502)	(111)
	3,938	3,250	688	**4,268**	6,575	(2,307)
Depreciation	**(1,377)**	(1,160)	(217)	**(2,533)**	(2,335)	(198)
Income taxes	**2**	-	2	**4**	-	4
Earnings from joint venture	**2,966**	1,469	1,497	**4,448**	3,003	1,445
Net earnings	**$ 5,529**	$ 3,559	$ 1,970	**$ 6,187**	$ 7,243	$ (1,056)
Operating ratio	**85.5%**	80.1%		**85.5%**	79.9%	
Additions to property, plant and equipment	**$ 351**	$ -		**$ 4,184**	$ -	

	June 30 2015	December 31 2014
Total assets	**$ 73,987**	$ 69,082

The Company's share of Pool revenues for the second quarter ended June 30, 2015 was approximately the same as the comparable period in 2014. Reduced revenue from fewer operating days in the 2015 quarter due to a regulatory dry-docking was more than offset by an increase in reported revenue resulting from a weaker Canadian exchange rate used in converting U.S. dollars to Canadian dollars. In addition, the sale of a joint venture vessel in April 2014 has reduced the Company's share of the overall Pool revenue.

Revenues for the six months ended June 30, 2015 were $5,567 lower than the comparable 2014 period. The Company's vessel the *Bahama Spirit* underwent a regulatory dry-docking that took essentially all of the 2015 first quarter, resulting in fewer revenue days. Partially offsetting these decreases in revenue were increases resulting from a weaker Canadian exchange rate used in converting U.S. dollars to Canadian dollars.

Operating costs, reflecting only the 100% owned vessels, were down for the 2015 second quarter when compared to 2014 due to a reduction in outside charters by the Pool and lower fuel expense. For the six months ended June 30, 2015 operating expenses were lower by $2,135 due primarily to lower fuel costs and outside charters. Partially offsetting these decreases in expenses are increases due to the regulatory dry-docking and the weakening Canadian dollar exchange rate.

The increase in earnings from the joint venture in both the 2015 second quarter and six months period when compared to the previous year was due primarily to the gain on sale of a vessel in April 2015.

Real Estate

	Three Months Ended June 30		Favourable	Six Months Ended June 30		Favourable
	2015	2014	(Unfavourable)	**2015**	2014	(Unfavourable)
Revenue	**$ 7,474**	$ 7,246	$ 228	**$ 15,192**	$ 14,282	$ 910
Add revenue with related parties eliminated on consolidation	**188**	129	59	**376**	258	118
	7,662	7,375	287	**15,568**	14,540	1,028
Operating expenses	**(4,295)**	(4,392)	97	**(9,223)**	(9,139)	(84)
General and administrative	**(1,083)**	(1,013)	(70)	**(2,110)**	(2,017)	(93)
	2,284	1,970	314	**4,235**	3,384	851
Depreciation	**(1,598)**	(1,315)	(283)	**(3,056)**	(2,532)	(524)
Income taxes	**(181)**	(182)	1	**(311)**	(243)	(68)
Earnings from joint venture	**72**	66	6	**146**	138	8
Net earnings	**$ 577**	$ 539	$ 38	**$ 1,014**	$ 747	$ 267
Operating ratio	**93.3%**	92.7%		**94.7%**	95.8%	
Average occupancy				**92.4%**	86.8%	
Additions to investment properties	**$ 2,099**	$ 5,028		**$ 3,452**	$ 7,303	

	June 30 2015	December 31 2014
Total assets	**$ 86,911**	$ 84,429

Revenue in the Real Estate segment increased for both the second quarter of 2015 and for the six months ended June 30, 2015 compared to the same periods in 2014 due primarily to increased occupancy in several of our buildings and an increase in the recoverable share of common area costs. Occupancy levels have increased over the course of the past two years as we were able to fill space in several of our buildings, resulting in an increase in earnings.

Consolidated Results

	Three Months Ended June 30		Favourable	Six Months Ended June 30		Favourable
	2015	2014	(Unfavourable)	**2015**	2014	(Unfavourable)
Revenue	**$ 132,809**	$ 138,333	$ (5,524)	**$ 184,437**	$ 190,071	$ (5,634)
Operating expenses	**(100,466)**	(101,305)	839	**(163,554)**	(165,456)	1,902
General and administrative	**(7,420)**	(5,854)	(1,566)	**(15,837)**	(13,187)	(2,650)
	24,923	31,174	(6,251)	**5,046**	11,428	(6,382)
Depreciation	**(12,134)**	(11,319)	(815)	**(23,164)**	(22,079)	(1,085)
Gain on cancellation of shipbuilding contracts	**13,894**	-	13,894	**13,894**	-	13,894
Interest expense, net	**(2,597)**	(1,961)	(636)	**(5,226)**	(5,181)	(45)
Interest income	**310**	(392)	702	**744**	(100)	844
Foreign currency translation gain	**1,707**	985	722	**2,039**	1,705	334
Income tax (expense) recovery	**(5,811)**	(5,076)	(735)	**2,411**	4,166	(1,755)
Earnings from joint ventures	**3,038**	1,535	1,503	**4,594**	3,141	1,453
Net earnings (loss)	**$ 23,330**	$ 14,946	$ 8,384	**$ 338**	$ (6,920)	$ 7,258

Gain on Cancellation of Shipbuilding Contracts

As previously described in this report, as a result of the cancellation of the shipbuilding contracts, the Company is recognizing a gain in the second quarter of $10,212 consisting of the following items:

Write-off of capitalized costs related to ship construction	$ (4,406)
Gain on conversion of amounts designated as a purchase commitment hedge of future construction payments	18,300
Pre-tax gain	13,894
Income tax	3,682
Net gain	$ 10,212

Interest Expense, net

Interest expense consists of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Interest expense on borrowings	**$ 3,664**	$ 3,502	**$ 7,312**	$ 7,042
Interest on employee future benefits, net	**211**	132	**417**	264
Amortization of financing costs	**226**	225	**452**	1,535
Interest capitalized on vessels under construction	**(1,504)**	(1,898)	**(2,955)**	(3,660)
	$ 2,597	$ 1,961	**$ 5,226**	$ 5,181

During the first half of 2014, the Company prepaid certain non-revolving debt and accordingly accelerated the amortization of deferred financing costs associated with these debt facilities.

Income Taxes

A reconciliation comparing income taxes calculated at the Canadian statutory rate to the amount provided in the interim condensed consolidated financial statements is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Earnings (loss) before income tax expense (recovery) and earnings of joint ventures	**$ 26,103**	$ 18,487	**$ (6,667)**	$ (14,227)
Expected income tax expense (recovery)	**$ 6,917**	$ 4,899	**$ (1,767)**	$ (3,770)
Increase (decrease) resulting from:				
Effect of items that are not taxable	**(417)**	96	**(309)**	192
Foreign tax rates different from statutory rate	**(936)**	(894)	**(831)**	(1,853)
Other	**247**	975	**496**	1,265
	$ 5,811	$ 5,076	**$ (2,411)**	$ (4,166)

Comprehensive Earnings (Loss)

The comprehensive earnings for the 2015 second quarter were $10,112 compared to $6,945 for the comparable period in 2014. For the six months ended June 30, 2015 the comprehensive loss was $1,471 compared to a loss of 10,461 for the same period in 2014.

The increase in comprehensive earnings for the 2015 second quarter compared to the same period in 2014 of $3,167 was due primarily to an increase in net earnings from operations of $8,052, an increase in the actuarial gains on employee future benefits of $5,241, net of foreign exchange gains on a purchase commitments hedge reserve that was transferred to net earnings.

The increase in comprehensive earnings for the 2015 six month period compared to 2014 of $8,990 was due primarily to an increase in net earnings, an increase in the actuarial gains on employee future benefits of $4,370, an increase in the unrealized gains and losses on the translation of financial statements of foreign operations of $8,995. The gains are due to the weakening of the Canadian dollar in both periods when compared to the U.S. dollar.

Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Financial Condition, Liquidity and Capital Resources

Excerpts from the Statement of Cash Flows

	Six Months Ended June 30		Favourable
	2015	2014	(Unfavourable)
Net earnings (loss)	**$ 338**	$ (6,920)	$ 7,258
Net cash used in operating activities	**$ (962)**	$ (1,588)	$ (626)
Net cash used in investing activities	**$ 51,115**	$ 34,040	$ (17,075)
Net cash used in financing activities	**$ 12,398**	$ 26,728	$ 14,330

Net Cash Used In Operating Activities

The net cash from operating activities for the six months ended June 30 remained approximately the same when compared to the same period in 2014. Reduced cash resulting from lower operating income was largely offset with favourable changes in cash provided from working capital.

Net Cash Used In Investing Activities

Net cash used in investing activities for the six months ended June 30, 2015 was primarily for the purchase of a used self-unloading bulker, the *Algoma Integrity*, costs related to life extensions and capitalized dry-dockings costs on certain vessels, and capital improvements on various investment properties.

Net Cash Used In Financing Activities

Included in the net cash used in financing activities are the payment of dividends to shareholders and the payment of interest on debt. Dividends were paid to shareholders at $0.14 per common share for each of the six months ended June 30, 2015 and 2014. Also included in 2014 was the repayment of certain long-term debt.

Capital Resources

Management expects that cash and cash equivalents on hand at June 30, 2015 of $202,591, existing credit facilities and projected cash from operations for the remainder of 2015 will be more than sufficient to meet the Company's planned operating and capital requirements and other contractual obligations for the balance of 2015.

The Company maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. At June 30 31 2015, the Company had $149,754 undrawn and available under existing credit facilities.

Contingencies

For information on contingencies, please refer to Notes 26 and 27 of the consolidated financial statements for the years ending December 31, 2014 and 2013. There have been no significant changes in the items presented since December 31, 2014.

Transactions with Related Parties

There were no transactions with related parties for the three and six month periods ended June 30, 2015 and 2014.

Contractual Obligations

In the second quarter of 2015, the Company concluded it was unlikely the Equinox Class vessels would be completed and therefore advised the Shipyard it no longer intended to take delivery of the vessels. As of June 30, 2015 the Company had a remaining commitment on one of the Equinox Class vessels, for which a cancellation notice was issued in July.

Also, contracts entered into by the Company prior to June 30, 2015 for the construction of two new 650' Equinox Class vessels with a shipyard in Croatia became effective in July.

The table below reflects the aggregate information about the Company's contractual obligations including the items mentioned above that affect the Company'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	$ -	$ -	$ 68,975	$ 168,675	$ 237,650
Capital asset commitments	26,129	89,996	-	-	116,125
Dividends payable	1,374	-	-	-	1,374
Interest payments	13,065	25,096	17,854	11,150	67,165
Defined benefit pension payments	1,150	2,300	1,110	-	4,560
Total	$ 41,717	$ 117,392	$ 87,939	$ 179,825	$ 426,874

New Accounting Standards Not Yet Applied

Joint Arrangements

The amendments to IFRS 11 *Joint Arrangements* (IFRS 11), provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3, *Business Combinations* (IFRS 3). The amendment is effective for annual periods beginning on or after January 1, 2016. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The Company is currently evaluating the impact of this new amendment.

Interim Condensed Consolidated Financial Statements
Statements of Earnings (Loss)
For the Three and Six Months Ended June 30, 2015 and 2014
(Unaudited and in thousands of dollars except per share figures)

	Notes	Three Months Ended June 30 **2015**	Three Months Ended June 30 2014	Six Months Ended June 30 **2015**	Six Months Ended June 30 2014
REVENUE	**18**	**$ 132,809**	$ 138,333	**$ 184,437**	$ 190,071
EXPENSES					
Operations	**18**	**100,466**	101,305	**163,554**	165,456
General and administrative		**7,420**	5,854	**15,837**	13,187
		107,886	107,159	**179,391**	178,643
EARNINGS BEFORE UNDERNOTED ITEMS		**24,923**	31,174	**5,046**	11,428
Depreciation of property, plant, and equipment and investment properties	**9, 10**	**(12,134)**	(11,319)	**(23,164)**	(22,079)
Net gain on cancellation of shipbuilding contracts	**5**	**13,894**	-	**13,894**	-
Interest expense	**6**	**(2,597)**	(1,961)	**(5,226)**	(5,181)
Interest income		**310**	(392)	**744**	(100)
Net gain on foreign currency translation	**7**	**1,707**	985	**2,039**	1,705
EARNINGS (LOSS) BEFORE INCOME TAX (EXPENSE) RECOVERY AND EARNINGS OF JOINT VENTURES		**26,103**	18,487	**(6,667)**	(14,227)
INCOME TAX (EXPENSE) RECOVERY	**8**	**(5,811)**	(5,076)	**2,411**	4,166
EARNINGS OF JOINT VENTURES	**4**	**3,038**	1,535	**4,594**	3,141
NET EARNINGS (LOSS)		**$ 23,330**	$ 14,946	**$ 338**	$ (6,920)
BASIC EARNINGS (LOSS) PER SHARE		**$ 0.60**	$ 0.38	**$ 0.01**	$ (0.18)
DILUTED EARNINGS (LOSS) PER SHARE		**$ 0.56**	$ 0.37	**$ 0.01**	$ (0.18)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Financial Statements
Statements of Comprehensive Earnings (Loss)
For the Three and Six Months Ended June 30, 2015 and 2014
(Unaudited and in thousands of dollars)

	Notes	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
NET EARNINGS (LOSS)		**$ 23,330**	$ 14,946	**$ 338**	$ (6,920)
OTHER COMPREHENSIVE LOSS					
Items that may be subsequently reclassified to net earnings:					
Unrealized (loss) gain on translation of financial statements of foreign operations		**(3,336)**	(4,249)	**9,478**	483
Unrealized (loss) gain on hedging instruments, net of income tax		**(120)**	(1,374)	**601**	(391)
Foreign exchange gain on purchase commitment hedge reserve transferred to net earnings	**5**	**(13,444)**	-	**(13,444)**	-
Deferred foreign exchange gain transferred to property, plant, and equipment		**-**	(819)	**-**	(819)
Items that will not be subsequently reclassified to net earnings:					
Employee future benefits Actuarial gain (loss), net of income tax		**3,682**	(1,559)	**1,556**	(2,814)
		(13,218)	(8,001)	**(1,809)**	(3,541)
COMPREHENSIVE EARNINGS (LOSS)		**$ 10,112**	$ 6,945	**$ (1,471)**	$ (10,461)

See accompanying notes to the interim condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
Balance Sheets
June 30, 2015 and December 31, 2014
(Unaudited and in thousands of dollars)

	Notes	June 30 2015	December 31 2014
ASSETS			
CURRENT			
Cash and cash equivalents		**$ 202,591**	$ 256,896
Accounts receivable		**67,556**	66,631
Materials and supplies		**9,669**	9,810
Prepaid expenses		**7,183**	5,016
Income taxes recoverable		**19,158**	3,397
		306,157	341,750
EMPLOYEE FUTURE BENEFITS		**4,225**	1,439
PROPERTY, PLANT, AND EQUIPMENT	**9**	**481,899**	530,726
GOODWILL		**7,910**	7,910
INVESTMENT PROPERTIES	**10**	**79,206**	78,493
OTHER ASSETS	**11**	**85,699**	-
INVESTMENT IN JOINT VENTURES	**4**	**12,893**	13,737
		$ 977,989	$ 974,055
LIABILITIES			
CURRENT			
Accounts payable and accrued charges		**$ 69,583**	$ 65,491
Dividends payable		**1,374**	1,242
		70,957	66,733
DEFERRED INCOME TAXES		**51,606**	53,143
EMPLOYEE FUTURE BENEFITS		**23,294**	23,325
LONG-TERM DEBT	**12**	**231,325**	223,755
		306,225	300,223
COMMITMENTS	**16**		
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	**13**	**8,344**	8,319
CONTRIBUTED SURPLUS		**11,917**	11,917
CONVERTIBLE DEBENTURES		**4,630**	4,632
ACCUMULATED OTHER COMPREHENSIVE EARNINGS	**14**	**7,724**	11,089
RETAINED EARNINGS		**568,192**	571,142
		600,807	607,099
		$ 977,989	$ 974,055

See accompanying notes to the interim condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
Statements of Changes in Equity
For the Six Months Ended June 30, 2015 and 2014

(Unaudited and in thousands of dollars)

	Share capital	Contributed Surplus and Convertible debentures	Accumulated Other Comprehensive Earnings	Retained Earnings	Total Equity
	(Note 13)		(Note 14)		
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
BALANCE AT DECEMBER 31, 2014	$ 8,319	$ 16,549	$ 11,089	$ 571,142	$ 607,099
Net earnings	-	-	-	338	338
Dividends declared	-	-	-	(5,446)	(5,446)
Other comprehensive (loss) earnings	-	-	(3,365)	1,556	(1,809)
Conversion of debentures	25	(2)	-	-	23
Refundable dividend tax on hand	-	-	-	602	602
BALANCE AT JUNE 30, 2015	$ 8,344	$ 16,547	$ 7,724	$ 568,192	$ 600,807

See accompanying notes to the interim condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
Statements of Cash Flows
For the Six Months Ended June 30, 2015 and 2014
(Unaudited and in thousands of dollars)

	Notes	2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
OPERATING			
Net earnings (loss)		**$ 338**	$ (6,920)
Earnings of joint ventures	**4**	**(4,594)**	(3,141)
Items not affecting cash			
Depreciation of property, plant, and equipment and investment properties	**9, 10**	**23,164**	22,079
Net gain on foreign currency translation		**(2,039)**	(1,705)
Income tax recovery	**8**	**(2,411)**	(4,166)
Interest expense	**6**	**5,226**	5,181
Gain on cancellation of shipbuilding contracts	**5**	**(13,894)**	-
(Gain) loss on sale of property, plant, and equipment		**(590)**	75
		5,200	11,403
Net change in non-cash operating working capital		**6,829**	(9,803)
		12,029	1,600
Income taxes paid		**(11,011)**	(1,108)
Employee future benefits paid		**(1,980)**	(2,080)
Net cash used in operating activities		**(962)**	(1,588)
INVESTING			
Additions to property, plant, and equipment		**(50,830)**	(26,737)
Additions to investment properties		**(3,440)**	(7,303)
Proceeds on sale of property, plant and equipment		**3,155**	-
Net cash used in investing activities		**(51,115)**	(34,040)
FINANCING			
Interest paid		**(6,952)**	(7,782)
Repayment of long-term debt		**-**	(13,500)
Dividends paid		**(5,446)**	(5,446)
Cash used in financing activities		**(12,398)**	(26,728)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(64,475)**	(62,356)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		**10,170**	(176)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**256,896**	216,057
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 202,591**	$ 153,525

See accompanying notes to the interim condensed consolidated financial statements.

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Algoma Central Corporation (the "Company") is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Company's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The interim condensed consolidated financial statements of the Company for the three and six month periods ended June 30, 2015 and 2014 comprise the Company, its subsidiaries and the Company'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 Company's Canadian flag fleet consists of 18 self-unloading dry-bulk carriers, six 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 Company's 24 – 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 four vessels owned by other shipowners.

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.

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 two ocean-going self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide ocean trades.

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

The nature of the Company'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 those for the remaining quarters in the year.

2. STATEMENT OF COMPLIANCE

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 Company's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2014 and 2013. The financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2014 and 2013.

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 5, 2015.

3. NEW ACCOUNTING STANDARDS NOT YET APPLIED

Joint Arrangements

The amendments to IFRS 11 *Joint Arrangements* (IFRS 11), provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3, *Business Combinations* (IFRS 3). The amendment is effective for annual periods beginning on or after January 1, 2016. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The Company is currently evaluating the impact of this new amendment.

4. INTERESTS IN JOINT VENTURES

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

Notes to Interim Condensed Consolidated Financial Statements
(Unaudited) (In thousands of dollars)

The revenues, expenses and net earnings of the jointly controlled operations, for the three and six months ended June 30, 2015 and 2014 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Revenue	**$ 13,740**	$ 12,626	**$ 22,888**	$ 25,284
Operating expenses	**(5,102)**	(8,434)	**(10,708)**	(16,894)
General and administrative	**(156)**	(124)	**(310)**	(258)
Depreciation	**(852)**	(706)	**(1,926)**	(1,418)
Earnings before income taxes	**7,630**	3,362	**9,944**	6,714
Income tax expense	**1,554**	292	**756**	432
Net earnings	**$ 6,076**	$ 3,070	**$ 9,188**	$ 6,282

The Company's share of the jointly controlled operations, for the three and six months ended June 30, 2015 and 2014 are as follows:

	Three Months 2015	Three Months 2014	Six Months 2015	Six Months 2014
Marbulk Canada Inc.	**$ 2,966**	$ 1,469	**$ 4,448**	$ 3,003
Seventy-Five Corporate Park Drive Ltd.	**72**	66	**146**	138
	$ 3,038	$ 1,535	**$ 4,594**	$ 3,141

(Unaudited) (In thousands of dollars)

The assets and liabilities of the jointly controlled operations at June 30, 2015 and December 31, 2014 are as follows:

	June 30 2015	December 31 2014
Cash and cash equivalents	**$ 5,716**	$ 4,390
Other current assets	**2,412**	3,592
Property, plant, and equipment	**19,930**	21,924
Investment property	**3,212**	3,166
Current liabilities	**(3,750)**	(2,818)
Deferred income taxes	**(1,734)**	(4,458)
	$ 25,786	$ 25,796

The Company's net investment of the jointly controlled operations at June 30, 2015 and December 31, 2014 is as follows:

Marbulk Canada Inc.	**$ 11,135**	$ 11,875
Seventy-Five Corporate Park Drive Ltd.	**1,758**	1,862
	$ 12,893	$ 13,737

5. GAIN ON CANCELLATION OF SHIPBUILDING CONTRACTS

The Company entered into contracts in 2010 and 2011 to construct a total of six Equinox Class dry-bulk vessels.

The Company took delivery of two gearless dry-bulk ships, the *Algoma Equinox* in 2013 and the *Algoma Harvester* in 2014. The remaining four ships, all self unloaders, were expected to be delivered in 2015 and 2016. Although progress on this construction project had been slower than anticipated, the Company still intended to take delivery of the vessels, provided the Shipyard, Nantong Mingde Heavy Industry Co., Ltd met its contractual obligations.

On December 26, 2014, the Shipyard entered a court ordered bankruptcy restructuring process. This process was initiated by Sainty Marine Co. Ltd which is both the largest creditor of the Shipyard and also the seller of record under certain of the shipbuilding contracts held by the Company. All monies paid by the Company against these shipbuilding contracts are supported by refund guarantees issued by Chinese state banks.

(Unaudited) (In thousands of dollars)

During the second quarter of 2015, after consultation with counsel and meeting with the restructuring administrator of the Shipyard, Management concluded it is unlikely the restructuring process was going to succeed and therefore advised the shipyard it no longer intended to take delivery of the four vessels. The Company had previously issued formal cancellation notices on three of the four contracts and issued the fourth cancellation notice subsequent to the period end. Deposits made to the shipyard totalling U.S. $65,760 have been re-classified from property, plant, and equipment to other assets.

As a result the Company is recognizing a net gain in the second quarter of $10,212 consisting of the following items:

Write-off of capitalized costs related to ship construction	$ (4,406)
Gain on conversion of amounts designated as a purchase commitment hedge of future construction payments	18,300
Pre-tax gain	13,894
Income tax	3,682
Net gain	$ 10,212

6. INTEREST EXPENSE

The interest expense consists of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Interest expense on borrowings	**$ 3,664**	$ 3,502	**$ 7,312**	$ 7,042
Interest on employee future benefits, net	**211**	132	**417**	264
Amortization of financing costs	**226**	225	**452**	1,535
Interest capitalized on vessels under construction	**(1,504)**	(1,898)	**(2,955)**	(3,660)
	$ 2,597	$ 1,961	**$ 5,226**	$ 5,181

(Unaudited) (In thousands of dollars)

7. NET GAIN ON FOREIGN CURRENCY TRANSLATION

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

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Gain on U.S. cash	**$ 132**	$ -	**$ 464**	$ -
Realized gain on return of capital from foreign subsidiaries	**1,575**	-	**1,575**	-
Mark-to-market for derivatives that are not eligible for hedge accounting	**-**	731	**-**	1,451
Other	**-**	254	**-**	254
	$ 1,707	$ 985	**$ 2,039**	$ 1,705

As of October 1, 2013 the Company 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. In June, 2015, the cash hedge against the U.S. dollar purchase commitments became ineffective as a result of the cancellation of the shipbuilding contracts (see Note 5). 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, or the date on which the hedge ceased to be so designated, are being recorded in other comprehensive earnings.

(Unaudited) (In thousands of dollars)

8. INCOME TAXES

A reconciliation comparing income taxes calculated at the Canadian statutory rate to the amount provided in the interim condensed consolidated financial statements is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Earnings (loss) before income tax expense (recovery) and earnings of joint ventures	**$ 26,103**	$ 18,487	**$ (6,667)**	$ (14,227)
Expected income tax expense (recovery)	**$ 6,917**	$ 4,899	**$ (1,767)**	$ (3,770)
Increase (decrease) resulting from:				
Effect of items that are not taxable	**(417)**	96	**(309)**	192
Foreign tax rates different from statutory rate	**(936)**	(894)	**(831)**	(1,853)
Other	**247**	975	**496**	1,265
	$ 5,811	$ 5,076	**$ (2,411)**	$ (4,166)

(Unaudited) (In thousands of dollars)

9. 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, 2014	$ 754,609	$ 235,127	$ 88,228	$ 1,077,964
Additions	51,048	-	4,184	55,232
Disposals	(8,030)	(11,657)	-	(19,687)
Cancellation of shipbuilding contracts (Note 5)	(90,106)	-	-	(90,106)
Fully depreciated assets no longer in use	(825)	-	(2,149)	(2,974)
Effect of foreign currency exchange differences	5,855	2,590	6,270	14,715
Balance June 30, 2015	$ 712,551	$ 226,060	$ 96,533	$ 1,035,144

Accumulated depreciation	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at December 31, 2014	$ 411,675	$ 97,957	$ 37,606	$ 547,238
Depreciation expense	12,618	4,957	2,533	20,108
Disposals	(5,783)	(10,824)	-	(16,607)
Fully depreciated assets no longer in use	(825)	-	(2,149)	(2,974)
Effect of foreign currency exchange differences	1,506	1,274	2,700	5,480
Balance June 30, 2015	$ 419,191	$ 93,364	$ 40,690	$ 553,245

Net Book Value	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
June 30, 2015				
Cost	$ 712,551	$ 226,060	$ 96,533	$ 1,035,144
Accumulated depreciation	419,191	93,364	40,690	553,245
	$ 293,360	$ 132,696	$ 55,843	$ 481,899

At June 30, 2015, the Company had certain property, plant, and equipment in the Domestic Dry-Bulk segment which were determined to no longer be required and will be sold for their respective scrap values which approximate the carrying value. These assets have a combined net book value of $937 and $1,905 at June 30, 2015 and December 31, 2014, respectively.

(Unaudited) (In thousands of dollars)

10. INVESTMENT PROPERTIES

Details of investment properties are as follows:

	Cost	Accumulated Depreciation	Net book value
Balance December 31, 2014	$ 139,036	$ 60,543	$ 78,493
Additions	3,452	3,056	396
Disposal	(407)	(724)	317
Balance June 30, 2015	$ 142,081	$ 62,875	$ 79,206

11. OTHER ASSETS

Other assets consist of the following:

Construction payments made to shipyard	$ 67,369
Interest related to construction payments	18,330
	$ 85,699

As at the balance sheet date, the Company has a claim against Nantong Mingde Heavy Industries Co., Ltd. for the return of U.S. $65,760 of instalment payments on cancelled construction contracts. Under IFRS, these claims do not meet the standard for recognition as a financial instrument as a result of the ongoing arbitration, and consequently, the asset is carried at its historic book value as set out above. As at the balance sheet date, the estimated recoverable amount of these claims, which includes the amount of the deposits plus accrued interest and restated to its Canadian dollar equivalent value is $100,464. These instalments and the associated accrued interest are supported by guarantees issued by Chinese national banks.

(Unaudited) (In thousands of dollars)

12. LONG-TERM DEBT

	June 30 2015	December 31 2014
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.0%	**$ 66,006**	$ 65,554
Senior Secured Notes, due July 19, 2021		
U.S. $75,000, interest fixed at 5.11%	**93,675**	87,008
Canadian $75,000, interest fixed at 5.52%	**75,000**	75,000
	234,681	227,562
Less unamortized financing expenses	**3,356**	3,807
	$ 231,325	$ 223,755

The Company is subject to covenants with respect to maintaining certain financial ratios and other restrictions under the terms of the Bank Facility and the Senior Secured Notes. At June 30, 2015 and December 31, 2014 the Company was in compliance with all of the covenants.

13. SHARE CAPITAL

Share capital

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

The Company has 38,913,733 and 38,912,110 common shares outstanding at June 30, 2015 and 2014, respectively.

At June 30, 2015 and 2014 there were no preferred shares issued and outstanding.

The basic and diluted net earnings (loss) are computed as follows:

(Unaudited) (In thousands of dollars)

	Six Months Ended June 30 **2015**	2014
Net earnings (loss) for basic earnings per share	**$ 338**	$ (6,920)
Interest expense on debentures, net of tax	**2,063**	2,037
Net earnings (loss) for diluted earnings per share	**2,401**	(4,883)
Basic weighted average common shares	**38,912,381**	38,912,110
Shares due to dilutive effect of debentures	**4,480,249**	4,480,519
Diluted weighted average common shares	**43,392,630**	43,392,629
Basic earnings (loss) per common share	**$ 0.01**	$ (0.18)
Diluted net earnings (loss) per common share	**$ 0.01**	$ (0.18)

14. ACCUMULATED OTHER COMPREHENSIVE (LOSS) EARNINGS

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

	Reserves			
	Hedges		Foreign	
	Net Investment	Purchase commitment	exchange translation	Total
Balance December 31, 2014	$ (7,840)	$ 7,059	$ 11,870	$ 11,089
Gain (loss)	(6,667)	8,697	9,478	11,508
Reclassified to earnings (Note 5)	-	(18,300)	-	(18,300)
Income tax recovery	883	2,544	-	3,427
Net gain (loss)	(5,784)	(7,059)	9,478	(3,365)
Balance June 30, 2015	**$ (13,624)**	**$ -**	**$ 21,348**	**$ 7,724**

15. CAPITAL DISCLOSURES

The Company'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 Company will target to maintain a long-term debt to equity ratio of no greater than one-to-one. The Company 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 Company's Board of Directors reviews the ROCE target on an annual basis and it reviews the level of dividends to be paid to the Company'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 ended December 31, 2014 of the Company ranged from 5.9% to 8.2%.

The Company 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, as one of the metrics for purposes of determining incentive compensation.

The Company 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 10.4% over the five years ended December 31, 2014.

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

(Unaudited) (In thousands of dollars)

The debt to shareholders' equity ratio is as follows:

	June 30 2015	December 31 2014
Total long-term debt	**$ 234,681**	$ 227,562
Shareholders' equity	**$ 600,807**	$ 607,099
Debt to shareholders' equity ratio	**0.39 to 1**	0.37 to 1

16. COMMITMENTS

Prior to the second quarter of 2015, the Company included as commitments construction instalments due on the Equinox Class vessels, despite having issued formal cancellation notices on three of the four contracts, as the Company intended to take delivery of the vessels.

In the second quarter of 2015, the Company concluded it was unlikely the Equinox Class vessels would be completed and therefore advised the Shipyard it no longer intended to take delivery of the vessels.

Subsequent to June 30, 2015 the Company issued a cancellation notice on the fourth Equinox Class vessel. In addition, the contracts for the construction of two new 650 foot Equinox Class vessels with a shipyard in Croatia became effective.

The table below reflects the commitments, which include the subsequent events explained above, as at June 30, 2015 and as at the reporting date.

Equinox Class vessel	**$ 20,666**
Employee future benefit payments	**4,560**
Commitments at June 30	**25,226**
Less Equinox Class vessel cancelled in July	**(20,666)**
Add new Equinox Class vessel contracts which became effective in July	**116,126**
	$ 120,686

(Unaudited) (In thousands of dollars)

Annual expected payments are as follows:

Due in 2015	**$**	**11,574**
Due in 2016		**41,795**
Due in 2017		**47,600**
Due in 2018		**18,567**
Due in 2019		**1,150**
	$	**120,686**

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

		June 30 2015		December 31 2014
Financial assets carrying and fair value				
Cash and cash equivalents	**$**	**202,591**	$	256,896
Accounts receivable	**$**	**67,556**	$	66,631
Financial liabilities carrying and fair value				
Accounts payable and accrued charges	**$**	**69,583**	$	65,491
Carrying value of long-term debt	**$**	**234,681**	$	227,562
Fair value of long-term debt	**$**	**259,421**	$	247,106

Risk management and financial instruments

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

(Unaudited) (In thousands of dollars)

Liquidity risk

The contractual maturities of non-derivative financial liabilities at June 30, 2015 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 69,583	$ -	$ -	$ -	$ 69,583
Dividends payable	1,374	-	-	-	1,374
Long-term debt including equity portion	-	-	68,975	168,675	237,650
Interest payments	13,065	25,096	17,854	11,150	67,165
Total	$ 84,022	$ 25,096	$ 86,829	$ 179,825	$ 375,772

Foreign currency exchange risk

At June 30, 2015 and December 31, 2014, 43% and 28%, respectively, of the Company’s total assets were denominated in U.S. dollars.

The assets include U.S. cash of $108,169 and $113,185 at June 30, 2015 and December 31, 2014, respectively.

Notes to Interim Condensed Consolidated Financial Statements
(Unaudited) (In thousands of dollars)

18. SEGMENT DISCLOSURES

The following presents the Company's results from operations by reportable segment, including joint ventures, for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30		Six Months Ended June 30	
Revenues	**2015**	2014	**2015**	2014
Domestic Dry-Bulk	**$ 95,440**	$ 96,173	**$ 114,363**	$ 109,971
Product Tankers	**19,513**	24,423	**38,158**	44,763
Ocean Shipping	**17,053**	16,625	**27,758**	33,325
Real Estate	**7,673**	7,425	**15,602**	14,654
	$ 139,679	144,646	**$ 195,881**	$ 202,713
Revenues of the joint ventures	**(6,870)**	(6,313)	**(11,444)**	(12,642)
	$ 132,809	$ 138,333	**$ 184,437**	$ 190,071

	Three Months Ended June 30		Six Months Ended June 30	
Net Earnings (Loss)	**2015**	2014	**2015**	2014
Operating income (loss) net of income tax				
Domestic Dry-Bulk	**$ 4,688**	$ 9,979	**$ (20,781)**	$ (15,958)
Gain on cancellation of shipbuilding contracts	**10,212**	-	**10,212**	-
	14,900	9,979	**(10,569)**	(15,958)
Product Tankers	**2,403**	2,564	**5,631**	4,298
Ocean Shipping	**5,529**	3,559	**6,187**	7,243
Real Estate	**577**	539	**1,014**	747
	23,409	16,641	**2,263**	(3,670)
Not specifically identifiable to segments				
Net gain on translation of foreign-denominated monetary assets and liabilities	**1,707**	985	**2,039**	1,705
Interest expense	**(2,597)**	(1,961)	**(5,226)**	(5,181)
Interest income	**310**	(392)	**744**	(100)
Income tax recovery (expense)	**501**	(327)	**518**	326
	$ 23,330	$ 14,946	**$ 338**	$ (6,920)

(Unaudited) (In thousands of dollars)

Operating Expenses	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Domestic Dry-Bulk	**$ 77,657**	$ 73,062	**$ 119,884**	$ 111,711
Product Tankers	**12,851**	17,361	**23,603**	31,628
Ocean Shipping	**8,122**	10,628	**16,003**	21,259
Real Estate	**4,387**	4,471	**9,418**	9,305
	103,017	105,522	**168,908**	173,903
Operating expenses of the joint ventures	**(2,551)**	(4,217)	**(5,354)**	(8,447)
	$ 100,466	$ 101,305	**$ 163,554**	$ 165,456

Assets	June 30 2015	December 31 2014
Domestic Dry-Bulk	$ 450,006	$ 410,856
Product Tankers	143,853	151,596
Ocean Shipping	73,987	69,082
Real Estate	86,911	84,429
Total assets allocated to segments	754,757	715,963
Not specifically identifiable to segments	225,974	261,728
	$ 980,731	$ 977,691
Liabilities in investment in the joint ventures	(2,742)	(3,636)
Total assets	$ 977,989	$ 974,055

Notes to Interim Condensed Consolidated Financial Statements
(Unaudited) (In thousands of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
Additions to Property, Plant, and Equipment	**2015**	2014	**2015**	2014
Domestic Dry-Bulk	**$ 38,932**	$ 14,361	**$ 51,048**	$ 25,024
Product Tankers	**-**	577	**-**	577
Ocean Shipping	**2,359**	-	**6,204**	-
	$ 41,291	$ 14,938	**$ 57,252**	$ 25,601
Less additions by the joint ventures	**(2,008)**	-	**(2,020)**	-
Total additions property, plant, and equipment (Note 9)	**$ 39,283**	$ 14,938	**$ 55,232**	$ 25,601
Capitalized interest			**(2,955)**	(3,660)
Amounts included in working capital			**(1,447)**	4,796
Total per cash flow statement			**$ 50,830**	$ 26,737

	Three Months Ended June 30		Six Months Ended June 30	
Additions to Investment Properties	**2015**	2014	**2015**	2014
Investment properties	**$ 2,156**	$ 5,028	**$ 3,517**	$ 7,303
Less additions by the joint ventures	**(57)**	-	**(65)**	-
Total additions investment properties (Note 10)	**$ 2,099**	$ 5,028	**$ 3,452**	$ 7,303
Amounts included in working capital			**(12)**	-
Total per cash flow statement			**$ 3,440**	$ 7,303

Notes to Interim Condensed Consolidated Financial Statements
(Unaudited) (In thousands of dollars)

Depreciation of Property, Plant, and Equipment and Investment Properties	Three Months Ended June 30 **2015**	Three Months Ended June 30 2014	Six Months Ended June 30 **2015**	Six Months Ended June 30 2014
Domestic Dry-Bulk	**$ 6,791**	$ 6,420	**$ 12,618**	$ 12,367
Product Tankers	**2,368**	2,424	**4,957**	4,845
Ocean Shipping	**1,782**	1,492	**3,454**	3,002
Real Estate	**1,619**	1,336	**3,098**	2,574
	$ 12,560	$ 11,672	**$ 24,127**	$ 22,788
Depreciation of the joint ventures	**(426)**	(353)	**(963)**	(709)
	$ 12,134	$ 11,319	**$ 23,164**	$ 22,079

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

Share Registrar and Transfer Agent:
CST Trust Company
P. O. Box 700, Station B
Montreal, QC, H3B 3K3
(416) 682-3860
(800) 387-0825