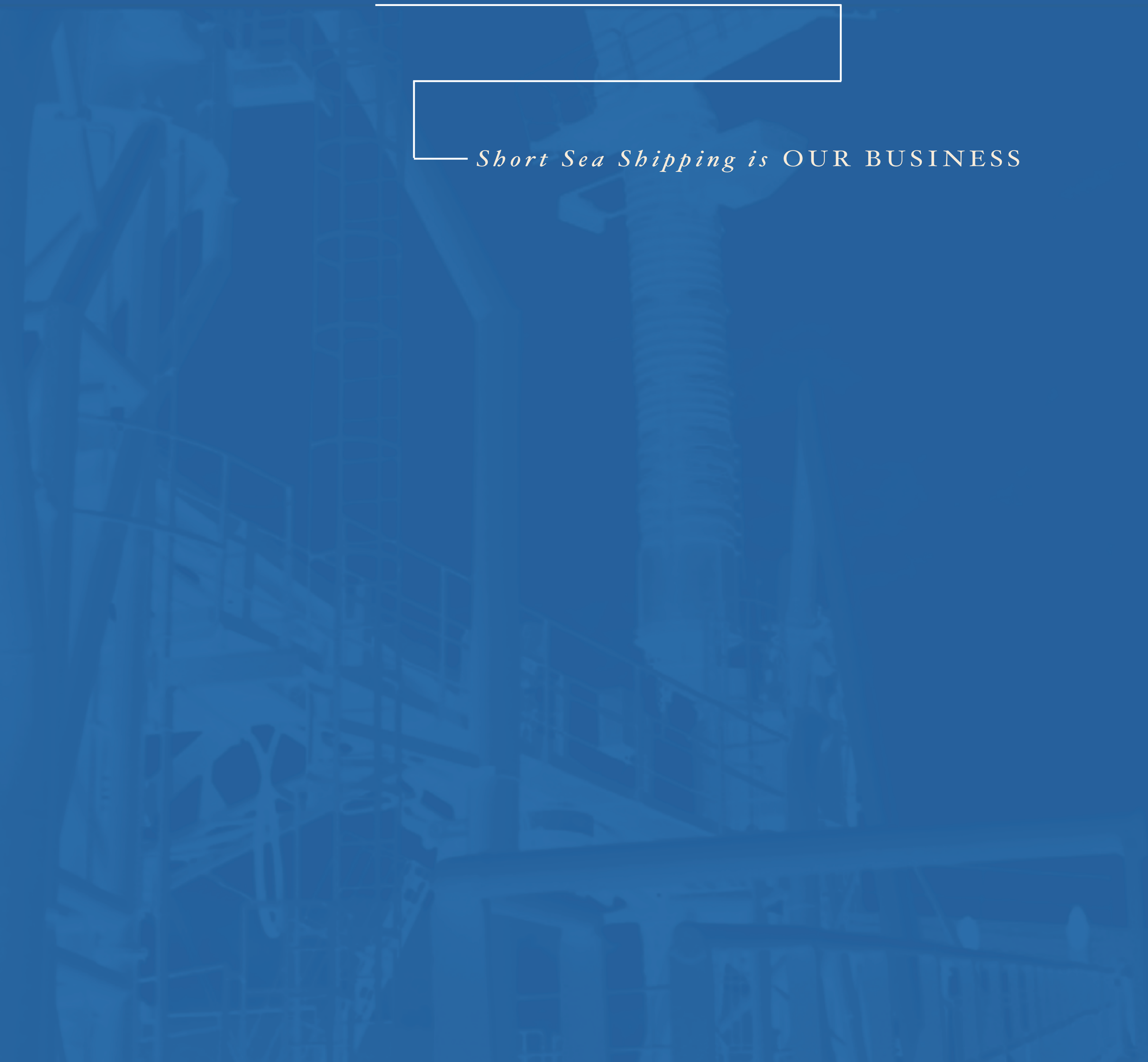
Interim Report to Shareholders
For the Three and Six Months Ended June 30, 2017

Short Sea Shipping is OUR BUSINESS



Algoma Central Corporation

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General

Algoma Central Corporation ("Algoma" or the "Company" or the "Corporation") operates through four segments, Domestic Dry-Bulk, Product Tankers, Ocean Self-Unloaders and Global Short Sea Shipping.

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 ending June 30, 2017 and 2016 and related notes thereto and the consolidated financial statements for the years ending December 31, 2016 and 2015 has been prepared as at August 3, 2017.

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 2016 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 and all amounts are reported in thousands of Canadian dollars, except for per share data, unless otherwise noted.

Use of Non-GAAP Measures

The following summarizes non-GAAP financial measures utilized in the MD&A. As there is no generally accepted method of calculating these financial measures, they may not be comparable to similar measures reported by other corporations.

EBITDA
EBITDA refers to earnings before interest, taxes, depreciation, and amortization. We also include EBITDA of discontinued operations and our share of the EBITDA of our equity interest in joint arrangements in this measure. EBITDA is not a recognized measure for financial statement presentation under generally accepted accounting principles as defined by IFRS. EBITDA is not intended to represent cash flow from operations and it should not be considered as an alternative to net earnings, cash flow from operations, or any other measure of performance prescribed by IFRS. The Company's EBITDA may also not be comparable to EBITDA used by other corporations, which may be calculated differently. The Company considers EBITDA to be a meaningful measure to assess its operating performance in addition to other IFRS measures. It is included because the Company believes it can be useful in measuring its ability to service debt, fund capital expenditures, and expand its business, and it is used by credit providers in the financial covenants of the Company's long-term debt.

Adjusted Measures
Management assesses results on a reported and adjusted basis and considers both as useful measures of performance. Adjusted results remove items of note from reported results and are used to calculate our adjusted measure noted below. Items of note include certain items of significance that arise from time to time which management believes are not reflective of underlying business performance. We believe that adjusted measure provides the reader with a better understanding of how management assesses underlying business performance and facilitate a more informed analysis of trends.

Adjusted Basic Earnings per Share
We adjust our reported Basic Earnings per Share to remove the impact of items of note, net of income taxes, and any other items specified to calculate the Adjusted Basic Earnings per Share.

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 2017 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, U.S. and international 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; 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 of risks in the Company’s Annual Information Form for the year ended December 31, 2016, 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.

Overall Performance

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Revenues	**$ 123,918**	$ 99,037	**$ 175,745**	$ 142,600
Net Earnings	**$ 29,164**	$ 13,261	**$ 10,059**	$ 6,566
Basic earnings per common share	**$ 0.75**	$ 0.34	**$ 0.26**	$ 0.17
Continuing operations				
Net earnings (loss)	**$ 15,382**	$ 12,736	**$ (4,048)**	$ 5,391
Basic earnings (loss) per common share	**$ 0.40**	$ 0.33	**$ (0.10)**	$ 0.14
Net earnings from discontinued operations	**$ 13,782**	$ 525	**$ 14,107**	$ 1,175
EBITDA	**$ 27,875**	$ 28,422	**$ 17,150**	$ 6,889
At June 30				
Common shares outstanding			**38,913,733**	38,913,733
Total assets			**$ 1,098,575**	$ 973,156
Total long-term financial liabilities			**$ 343,717**	$ 239,971

The Company is reporting 2017 second quarter revenues of $123,918 compared to $99,037 for the same period in 2016. The increase in revenue occurred mainly in the Domestic Dry-Bulk segment and was due to increased customer demand in salt, and iron and steel commodities and the impact of higher fuel costs that are passed on directly to customers as part of the freight rate. Revenues in the Product Tanker segment increased due to increased customer demand.

Revenues for the six months ended June 30, 2017 of $175,745 were $33,145 higher than revenues for the same period in the prior year. Domestic Dry-Bulk revenues increased by $23,609, Product Tanker revenues experienced an increase of $9,774 and the Ocean Shipping segment decreased $180.

The net earnings from continuing operations for the 2017 second quarter of $15,382 is an improvement of $2,646 over the same period in 2016, mainly due to the net earnings increase in the Domestic Dry-Bulk segment.

The net earnings from continuing operations for the 2016 six-month period of $5,391 includes net gains on shipbuilding contracts in the amount of $16,196. Excluding this item from the net earnings from continuing operations, the earnings for the six months ended 2016 would have been a loss of $10,805 which compares to a loss for the 2017 six-month period of $4,048. Improvements in earnings in the Domestic Dry-Bulk segment were more than sufficient to offset decreases in the Ocean Self-unloaders and Product Tanker segments.

Net earnings from discontinued operations for the 2017 second quarter were $13,782 compared to $525 for the same period last year. During the second quarter, the Company completed the sale of four properties resulting in a net gain of $13,920.

The Company uses EBITDA as a measure of the cash generating capacity of its businesses. The following table reconciles EBITDA to net earnings, the most nearly comparable IFRS measure. EBITDA for the six months ended June 30, 2017 was $17,150, an increase of 149% compared to the prior year. EBITDA is determined as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Net earnings	**$ 29,164**	$ 13,261	**$ 10,059**	$ 6,566
Adjustments to net earnings:				
Depreciation	**10,411**	11,072	**21,062**	20,789
Gain on foreign currency forward contracts	**(4,126)**	—	**(2,761)**	—
Gain on cancellation of shipbuilding contracts	**—**	—	**—**	(19,222)
Net interest expense	**735**	2,589	**1,625**	5,038
Foreign exchange gains	**(2,536)**	(2,468)	**(1,243)**	(2,443)
Income tax expense (recovery)	**4,431**	3,041	**(3,520)**	(5,626)
Discontinued operations				
Gain on sale of real estate	**(16,302)**	—	**(16,302)**	—
Depreciation in discontinued operations	**735**	443	**1,120**	1,103
Income tax expense	**2,350**	204	**2,460**	292
Joint Ventures				
Depreciation	**1,906**	919	**3,039**	1,876
Interest expense	**871**	327	**1,284**	619
Foreign exchange loss (gain)	**217**	(142)	**370**	(1,191)
Gain on withdrawal of vessel from Pool	**—**	(2,041)	**—**	(2,041)
Net loss on sale of assets	**—**	1,312	**—**	1,312
Income tax expense (recovery)	**19**	(95)	**(43)**	(183)
EBITDA	**$ 27,875**	$ 28,422	**$ 17,150**	$ 6,889

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
2017	Quarter 2	$ 123,918	$ 29,164	$ 0.75
	Quarter 1	$ 51,827	$ (19,105)	$ (0.49)
2016	Quarter 4	$ 130,578	$ (11,753)	$ (0.30)
	Quarter 3	$ 118,228	$ 38,502	$ 0.99
	Quarter 2	$ 99,037	$ 13,261	$ 0.34
	Quarter 1	$ 43,563	$ (6,695)	$ (0.17)
2015	Quarter 4	$ 119,171	$ 10,591	$ 0.27
	Quarter 3	$ 125,077	$ 14,842	$ 0.38

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.

The following summarizes the trailing twelve month results in each of the last six quarters:

Year	Quarter	Revenue	Net Earnings	Basic Earnings per Share	Adjustment to Basic Earnings per Share *	Adjusted Basic Earnings per Share
2017	Quarter 2	$ 424,551	$ 36,811	$ 0.95	$ (0.22)	$ 0.73
	Quarter 1	$ 399,671	$ 20,908	$ 0.54	$ 0.13	$ 0.67
2016	Quarter 4	$ 391,406	$ 33,315	$ 0.86	$ (0.29)	$ 0.57
	Quarter 3	$ 379,999	$ 55,659	$ 1.43	$ (0.85)	$ 0.58
	Quarter 2	$ 386,848	$ 31,999	$ 0.82	$ (0.39)	$ 0.43
	Quarter 1	$ 413,147	$ 42,068	$ 1.08	$ (0.65)	$ 0.43

* - The following table summarizes the adjustment to Basic Earnings per Share, by quarter, for certain items management believes are not reflective of underlying business performance.

	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
Gain on shipbuilding cancellations	$ (0.26)	$ —	$ —	$ (0.42)	$ —	$ (0.16)	$ —	$ —	$ —
Impairment provisions	—	—	0.03	—	—	—	0.81	—	—
Gain on sale of real estate properties	—	—	—	—	—	(0.31)	(0.22)	—	(0.35)
	$ (0.26)	$ —	$ 0.03	$ (0.42)	$ —	$ (0.47)	$ 0.59	$ —	$ (0.35)

Business Segment Discussion

Domestic Dry-Bulk

Domestic Dry-Bulk Financial Review	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Revenue	**$ 80,979**	$ 64,112	**$ 99,380**	$ 75,771
Operating expenses	**(56,516)**	(44,483)	**(87,605)**	(83,669)
General and administrative	**(2,679)**	(2,747)	**(5,425)**	(5,540)
	21,784	16,882	**6,350**	(13,438)
Depreciation	**(4,422)**	(5,618)	**(9,407)**	(10,593)
Gain on foreign currency forward contracts	**4,125**	—	**2,760**	—
Gain on cancellation of shipbuilding contracts	**—**	—	**—**	19,222
Income tax (expense) recovery	**(5,329)**	(3,280)	**444**	1,274
Net earnings (loss)	**$ 16,158**	$ 7,984	**$ 147**	$ (3,535)
EBITDA	**$ 21,784**	$ 16,882	**$ 6,350**	$ (13,438)
Additions to property, plant, and equipment	**26,202**	39,673	**69,700**	65,089

	June 30, 2017	December 31, 2016
Total assets	**$ 495,130**	$ 468,401

Revenue increased in the 2017 second quarter by $16,867 and for the six months ended June 30, 2017 by $23,609 when compared to the previous year periods. The increases for both periods were due primarily to volume increases in the salt, and iron and steel sectors and the impact of higher fuel costs that are passed on directly to customers as part of the freight rate. Partially offsetting the volume increases were lower freight rates in certain sectors.

Operating expenses for the 2017 second quarter were higher than the comparable period in 2016 by $12,033 and for the six months ended June 30, 2017 by $3,936 when compared to 2016. The increases in expenses for both periods were driven by higher operating days, although this was partially offset by lower repair and winter lay-up expenses and continuing efforts by management to reduce costs in targeted areas.

The Company transacts in foreign currency forward contracts in an effort to hedge its shipbuilding construction instalments that are denominated in U.S. dollars and Euro currencies. During the fourth quarter of 2016, hedge accounting for the foreign currency forward contracts ceased to be effective as the hedged forecasted transactions were no longer expected to occur within the original time period, therefore, gains and losses on the foreign currency forward contracts are being recognized in consolidated earnings on a monthly basis.

The gain on shipbuilding contracts of $19,222 in 2016 resulted from the favourable ruling received by the Company involving three cancelled shipbuilding contracts. As a result of the favourable ruling, the Company recognized a net gain consisting of a foreign exchange gain on the deposits made and accrued interest, net of capitalized costs written-off.

Segment earnings were $16,158 for the second quarter of 2017 compared to $7,984 for the prior year as a result of the above items. For the year to date, earnings of $147 compare to a loss of $3,535, for an increase of $3,682. Adjusting for the after-tax gain on cancellation of shipbuilding contracts in the prior year, the 2017 year to date earnings would reflect a $19,878 improvement in earnings over the prior year for the business segment.

Product Tankers

Product Tankers Financial Review	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Revenue	**$ 22,649**	$ 16,041	**$ 34,330**	$ 24,556
Operating expenses	**(18,707)**	(10,994)	**(30,699)**	(18,593)
General and administrative	**(710)**	(705)	**(1,415)**	(1,399)
	3,232	4,342	**2,216**	4,564
Depreciation	**(2,204)**	(2,384)	**(4,377)**	(4,250)
Income tax (expense) recovery	**(361)**	(322)	**397**	(186)
Net earnings (loss)	**$ 667**	$ 1,636	**$ (1,764)**	$ 128
EBITDA	**$ 3,232**	$ 4,342	**$ 2,216**	$ 4,564
Additions to property, plant, and equipment	**1**	173	**244**	1,799

	June 30, 2017	December 31, 2016
Total assets	**$ 104,655**	$ 110,110

Revenue for the Product Tankers segment for the 2017 second quarter increased by $6,608 and by $9,774 for the six-month period in 2017 when compared to the same periods in 2016. The increase in revenue is a result of increased customer demand from our major customer. The increase was partially offset by a reduction in gross freight rates, in addition to having one vessel out of service due to mechanical issues.

Operating costs for the second quarter in 2017 were $7,713 higher than the previous year comparable period and $12,106 higher for the six months ended June 30, 2017 primarily due to the need to hire outside charters to meet the increased demand of the customer. Additionally, the fleet incurred an increase in winter maintenance spending and repair costs to one vessel.

Segment operating earnings net of income tax for the Product Tankers segment decreased by $969 in the 2017 second quarter when compared to the same 2016 quarter and decreased by $1,892 for the six-months ended June 30, 2017 when compared to 2016. The year to date shortfall is principally a result of vessel out-of-service time in the first quarter.

Ocean Self-Unloaders

Ocean Self-Unloaders Financial Review	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Revenue	**$ 17,515**	$ 16,049	**$ 36,172**	$ 36,352
Operating expenses	**(11,672)**	(10,441)	**(24,112)**	(22,364)
General and administrative	**(230)**	(260)	**(439)**	(487)
	5,613	5,348	**11,621**	13,501
Depreciation	**(3,664)**	(3,070)	**(7,076)**	(5,946)
Income tax recovery	**2**	2	**4**	4
(Loss) earnings from joint venture	**(127)**	1,482	**(1,002)**	3,471
Net earnings	**$ 1,824**	$ 3,762	**$ 3,547**	$ 11,030
EBITDA	**$ 5,486**	$ 6,830	**$ 10,619**	$ 16,972
Additions to property, plant, and equipment	**$ 2,389**	$ 2,283	**$ 2,507**	$ 122,144
Additions to property, plant, and equipment by joint venture	**$ 28**	$ 267	**$ 1,136**	$ 15,883
			June 30, 2017	December 31, 2016
Total assets			**$ 206,513**	$ 182,997

The Company's share of Pool revenues for the second quarter of 2017 increased by $1,466, however decreased by $180 for the six months ended June 30, 2017 when compared to the same periods in 2016. The 2017 second quarter results reflect the return of the *Algoma Integrity* to the Pool following her deployment in the Domestic Dry-Bulk business, offset by the dry-docking of another vessel during the second quarter. The return of this vessel to the Ocean Self-Unloaders segment is also reflected in the increase in segment assets.

Operating costs increased in the 2017 second quarter by $1,231 and in the six-month period ending June 30, 2017 by $1,748 when compared to the previous year's comparable periods. The increases were due mainly to increased dry-docking expenditures and the addition of the *Algoma Integrity* back into the Pool.

Earnings from joint venture reflect Algoma's 50% interest in the Marbulk joint venture. During the first quarter of 2016, Marbulk's results reflected the ownership of two vessels. Subsequent to the first quarter of 2016, one vessel was sold. Results from 2017 reflect ownership of one vessel that generated less revenue as it was in dry-dock during the first quarter.

Global Short Sea Shipping

Global Short Sea Shipping Financial Review	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Revenue	**$ 77,023**	$ 4,590	**$ 83,749**	$ 7,106
Operating expenses	**(69,808)**	(1,594)	**(73,140)**	(2,136)
General and administrative	**(2,344)**	(18)	**(2,525)**	(186)
	4,871	2,978	**8,084**	4,784
Depreciation	**(2,740)**	(868)	**(4,013)**	(1,462)
Interest expense	**(1,387)**	(306)	**(1,863)**	(538)
Foreign exchange gain	**346**	—	**346**	—
Income tax expense	**(176)**	—	**(176)**	—
Net earnings	**$ 914**	$ 1,804	**$ 2,378**	$ 2,784
Company share of earnings	**$ 457**	$ 902	**$ 1,189**	$ 1,392
Amortization of vessel purchase price allocation	**(67)**	—	**(133)**	—
	$ 390	$ 902	**$ 1,056**	$ 1,392
Company share of EBITDA	**$ 2,436**	$ 1,489	**$ 4,042**	$ 2,392

	June 30, 2017	December 31, 2016
Total assets	**$ 96,396**	$ 68,656

In the second quarter of 2017, the Company expanded its Global Short Sea Shipping segment with the creation of a new joint venture operating as NovaAlgoma Short-Sea Carriers, or NASC, with Nova Marine Carriers SA that will focus on short-sea dry-bulk shipping. The total consideration of the investment in the joint venture totalled $28,721 USD. At closing, the Company acquired an interest in the NASC commercial platform and its book of business, and an interest in a fleet of 15 short-sea mini-bulkers ranging in size from 5,750dwt to 14,700dwt.

We report our interests in NACC and NASC as joint ventures and 50% of the earnings of the business, net of certain purchase accounting adjustments, is included with earnings from joint ventures in our statement of earnings.

Revenue for the second quarter of 2017 was $77,023, compared to $4,590 generated by NACC alone during the second quarter of 2016. NACC results for the second quarter of 2017 also reflect the growth of the fleet over the same period in 2016.

Operating expenses amounted to $69,808 for the second quarter of 2017 compared to $1,594 for the second quarter of 2016, mainly as a result of a growing number of vessels in the NACC fleet as well as the addition of the NASC business. Operating expenses include only those costs incurred after the ships enter operation in the case of the ships acquired during the period.

General and administrative expenses also increased quarter-over-quarter as a result of the growth in the NACC fleet and the addition of the NASC business venture. Certain support activities are provided by the two partners.

Generally, it is NACC and NASC's practice to acquire vessels using bank financing to fund a portion of the purchase price resulting in interest charges each quarter.

Our share of earnings from the joint ventures in the second quarter of 2017 was $457, from which we deducted amortization of purchase price increments totaling $67, for net earnings of $390.

Real Estate - Discontinued Operations

Real Estate Financial Review	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Revenue	**$ 1,261**	$ 5,084	**$ 4,352**	$ 9,752
Operating expenses	**(361)**	(2,951)	**(2,182)**	(5,389)
General and administrative	**(335)**	(961)	**(785)**	(1,793)
	565	1,172	**1,385**	2,570
Depreciation	**(735)**	(443)	**(1,120)**	(1,103)
Gain on sale of properties	**16,302**	—	**16,302**	—
Income tax expense	**(2,350)**	(204)	**(2,460)**	(292)
Net earnings	**$ 13,782**	$ 525	**$ 14,107**	$ 1,175
Average occupancy	**90.2%**	92.1%	**91.0%**	91.6%
			June 30, 2017	December 31, 2016
Total assets			**$ 14,280**	$ 61,023

Operating results for Real Estate decline as expected as properties are sold. The Real Estate segment is presented as discontinued operations in light of the Company's decision to liquidate the portfolio and exit the business.

Depreciation expense is limited to the amortization of costs relating to tenant leasing costs, improvements and allowances that are amortized over the term of each respective tenant's lease.

During the second quarter, the Company announced the sale of two office buildings, along with a joint interest in a third office building, all collectively known as Henley Corporate Park for net proceeds of $26,400. The Company also sold the Delta Sault Ste. Marie Waterfront hotel for net proceeds of $7,500.

On February 1, 2017, the Board of Directors made a decision to retain 63 Church Street which houses the Company's head office. As a result of this decision, the carrying cost of the building was reclassified from discontinued operations to property, plant and equipment effective that date.

On June 26, 2017 the Company suspended ongoing sales discussions on a shopping centre and apartment building located in Sault Ste. Marie. Sears Canada, which has been an anchor tenant of the shopping centre since it opened in 1973, announced on June 22, 2017 that it has filed for protection under the Companies' Creditors Arrangements Act. Sears has subsequently indicated its intention to close the shopping centre store. These properties have been reclassified from discontinued operations into continuing operations as Investment Properties. Under IFRS 5, the historical operating results of these properties have been reclassified to continuing operations on a retroactive basis. In addition to the retroactive reclassification, depreciation in the amount of $2,800 that had not been recorded since classification as an asset held for sale has been recorded in the second quarter of 2017 as though the asset had not been originally classified as held for sale.

Consolidated

Financial Review	**Three Months Ended June 30**		**Six Months Ended June 30**	
	2017	2016	**2017**	2016
Revenue	**$ 123,918**	$ 99,037	**$ 175,745**	$ 142,600
Operating expenses	**(92,105)**	(67,838)	**(149,767)**	(128,902)
General and administrative	**(7,779)**	(6,613)	**(14,917)**	(14,634)
	24,034	24,586	**11,061**	(936)
Depreciation of property, plant, and equipment	**(10,411)**	(11,072)	**(21,062)**	(20,789)
Gain on shipbuilding contracts	**—**	—	**—**	19,222
Interest expense	**(1,009)**	(3,023)	**(2,176)**	(5,959)
Interest income	**274**	434	**551**	921
Foreign currency gain	**6,662**	2,468	**4,004**	2,443
Income tax (expense) recovery	**(4,431)**	(3,041)	**3,520**	5,626
Earnings of joint ventures	**263**	2,384	**54**	4,863
Net earnings (loss) from continuing operations	**$ 15,382**	$ 12,736	**$ (4,048)**	$ 5,391

General and Administrative Expenses

General and administrative expenses in the 2017 second quarter were $1,166 higher than the same period in 2016, mainly due to the provision of retirement allowances. Expenses for the six-month period were comparable to 2016. A portion of general and administrative costs that excludes costs associated with the Corporate office is allocated to the Domestic Dry-Bulk and the Product Tanker segments.

Gain on Shipbuilding Contracts

In 2016, the Company recognized gains relating to a dispute involving three shipbuilding contracts. Refunds of all instalments and related interest were received in 2016 which resulted in the recognition of foreign exchange gains, interest income and the write off of capitalized interest on the construction in process.

Investment Properties

On June 26, 2017 the Company suspended sales discussions on a shopping centre and apartment building located in Sault Ste. Marie. As such, these properties and have been reclassified from discontinued operations and included in continuing operations. Prior year balances have been restated for comparative purposes.

Restructuring

During the quarter, the Company instituted steps to reduce the overall head count at its head office. In the third quarter, we expect to record an additional provision similar to the retirement allowance posted in the second quarter. A 13% reduction in administrative head count is expected as a result of these initiatives.

Interest Expense

Interest expense consists of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Interest expense on borrowings	**$ 4,084**	$ 4,222	**$ 7,887**	$ 7,948
Interest on employee future benefits, net	**201**	221	**435**	769
Amortization of financing costs	**63**	171	**176**	65
Interest capitalized	**(3,339)**	(1,591)	**(6,322)**	(2,823)
	$ 1,009	$ 3,023	**$ 2,176**	$ 5,959

Total interest paid on borrowings remained approximately the same in 2017 when compared to 2016 as the average borrowings remained approximately the same in both years. Net interest expense decreased in 2017 when compared to 2016 due to an increase in the amount of interest capitalized on shipbuilding projects.

The interest capitalized on vessels under construction relates to interest incurred on deposit payments made to various shipyards for the construction of Equinox vessels. The increase for 2017 relates to additional instalments made on these shipbuilding contracts.

Foreign Currency Translation and Unrealized Gain on Foreign Currency Exchange Contracts

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Gain on long-term debt	**$ —**	$ 2,398	**$ —**	$ 7,768
Gain (loss) on return of capital from foreign subsidiary	**850**	151	**251**	(316)
Gain on foreign currency	**1,686**	—	**992**	—
Gain (loss) on shipbuilding contracts receivable	**—**	3	**—**	(3,876)
Loss on loan to joint venture	**—**	(84)	**—**	(1,133)
Gain on foreign currency exchange contracts	**4,126**	—	**2,761**	—
	$ 6,662	$ 2,468	**$ 4,004**	$ 2,443

The gain on long-term debt relates to a U.S. dollar borrowing in early 2016 that was repaid later in the year. During the period of the borrowing, the Canadian dollar strengthened against the U.S. dollar resulting in a gain on the repayment.

The gain on the return of capital from a foreign subsidiary for the second quarter in 2017 and 2016 reflects the gains on U.S. dollar cash returned from the Company's non-controlled foreign investee.

The loss on the shipbuilding contract receivable relates to the translation loss on the amount due from the dispute with the shipyard from the date the receivable was designated as a financial asset to the date the amounts were collected.

In January 2016, the Company provided U.S. financing to a joint venture for the purpose of purchasing a vessel. The U.S. dollar loan was converted to Canadian dollars later in the year resulting in a foreign exchange loss caused by strengthening of the Canadian dollar.

Foreign exchange forward contracts are utilized by the Company on purchase commitments to assist in managing its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join our Canadian flag domestic dry-bulk fleet. The gain on the foreign currency exchange contracts relates to the contracts being marked to market as a result of the fluctuation in the period of their fair value. The contracts were deemed to be ineffective for hedge accounting purposes as the maturity dates of the contracts ceased to coincide with the expected date of the payments to the shipyard as production schedules provided by the shipyards changed.

Income Tax Provision

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**	
	2017	2016	**2017**	2016
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Earnings (loss) before income tax from continuing operations and net earnings of joint ventures	**$ 19,550**	$ 13,393	**$ (7,622)**	$ (5,098)
Expected income tax (expense) recovery	**$ (5,181)**	$ (3,549)	**$ 2,020**	$ 1,351
Change resulting from:				
Effect of items that are not (taxable) deductible	**(172)**	108	**(352)**	2,175
Foreign tax rates different from statutory rate	**208**	398	**1,033**	1,895
Other	**714**	2	**819**	205
Actual tax (expense) recovery	**$ (4,431)**	$ (3,041)	**$ 3,520**	$ 5,626

Comprehensive Earnings (Loss)

The comprehensive earnings for the three months ended June 30, 2017 were $17,632 compared to earnings of $3,710 for the comparable 2016 period, and for the six months ended June 30, 2017 the comprehensive loss was $8,593 compared to $25,760 for the comparable period in 2016.

The net increase in comprehensive earnings for the quarter was due to an increase in net earnings which more than offset a net comprehensive loss of $1,981. The net comprehensive loss for the six months ending in 2017 was less than 2016 primarily as a result of a decrease in loss on the translation of foreign operations of $10,098. This was due to a weaker Canadian dollar year-to-date 2017 relative to year-to-date 2016.

Also included in the comprehensive earnings (loss) for the three months ended June 30, 2017 and 2016 are employee future benefit net actuarial losses after income tax of $6,497 and $2,225, respectively. The loss in 2017 was due to a decrease in the discount rate. The loss for the six months ended June 30, 2017 was flat when compared to year-to-date 2016.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

The Company has established and maintained disclosure controls and procedures designed to provide reasonable assurance that: (a) material information required to be disclosed by us is accumulated and communicated to management to allow timely decisions regarding required disclosure; and (b) information required to be disclosed by us is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

Internal Controls over Financial Reporting

The Company's management is responsible for designing, establishing and maintaining an adequate system of internal controls over financial reporting. The internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS. Because of inherent limitations, internal controls over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Changes in Internal Controls over Financial Reporting

Under the supervision and with the participation of the Company's management, including the President and Chief Financial Officer, the Company has evaluated changes in internal controls over financial reporting that occurred during the quarter ended June 30, 2017 and found no change that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

	Six Months Ended June 30		Favourable
	2017	2016	(Unfavourable)
Net cash generated from (used in) operating activities	**$ 5,043**	$ (6,802)	$ 11,845
Net cash used in investing activities	**$ (123,149)**	$ (179,475)	$ 56,326
Net cash provided from financing activities	**$ 94,140**	$ 3,722	$ 90,418
Net cash generated from discontinued operations	**$ 27,757**	$ 386	$ 27,371

Operating Activities

Net cash generated from operating activities in 2017 increased by $11,845 when compared to 2016. The increase in cash generated from operating activities in 2017 resulted primarily from an increase in net earnings from continuing operations after excluding the $16,196 net gain realized on the shipbuilding contracts in 2016, the cash impact of which is treated as an investing activity.

Investing Activities

Net cash used in investing activities of $123,149 was primarily for instalments due on the Equinox vessels that are under construction, the purchase of the *Algoma Stongfield*, and the investment NovaAlgoma Short-Sea Carriers.

Net cash used in investing activities of $179,475 in the prior year was primarily for the purchase of two ocean self-unloading bulkers, an investment to acquire a 50% interest in the ocean self-unloading bulker, instalments on new Equinox Class self unloaders, investments in NovaAlgoma Cement Carriers and costs related to capitalized dry-docking costs on certain vessels, net of refunds of construction instalments previously paid.

Financing Activities

Included in both periods are payment of interest on borrowings and the payment of dividends to shareholders. Also included in the net cash generated from financing activities in 2016 is interest received from the settlement of certain shipbuilding contracts. Net cash provided by financing activities in 2017 include net proceeds from the issuance of the 5.25% convertible unsecured debentures.

Dividends were $0.08 per common share in 2017 and $0.07 per common share in 2016.

Capital Resources

The Company has cash on hand of $131,330 at June 30, 2017. Available credit facilities along with projected cash from operations for 2017 are expected to be more than sufficient to meet the Company's planned operating and capital requirements and other contractual obligations for the year, including the redemption of the 6.00% convertible debentures that was completed on July 24, 2017.

The Company maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. The current facilities comprises a $50,000 Canadian dollar and a $100,000 U.S. dollar senior secured revolving bank credit facility provided by a syndicate of seven banks. At June 30, 2017, the Company had $38,829 Canadian dollar and $90,000 U.S. dollar undrawn and available under existing credit facilities.

The Company is subject to certain covenants including ones with respect to maintaining defined financial ratios and other conditions under the terms of the Bank Facility and the Senior Secured Notes. As at June 30, 2017, the Company was in compliance with all of its covenants.

Contingencies

For information on contingencies, please refer to Note 29 of the consolidated financial statements for the years ending December 31, 2016 and 2015. There have been no significant changes since December 31, 2016.

Transactions with Related Parties

There were no transactions with related parties for the three and six months ended June 30, 2017 and 2016.

Contractual Obligations

The table below provides aggregate information about the Company's contractual obligations at June 30, 2017 that affect the Company's liquidity and capital resource needs.

	Within one year	1-3 years	3-5 years	Over 5 years	Total
Long-term debt including equity component	$ 92,261	$ —	$ 172,316	$ 79,140	$ 343,717
Capital asset commitments	76,734	148,859	—	—	225,593
Dividends payable	668	—	—	—	668
Other long-term liabilities	1,903	3,132	—	—	5,035
Interest payments on long-term debt	9,113	18,227	9,493	—	36,833
Employee future benefit payments	419	133	—	—	552
	$ 181,098	$ 170,351	$ 181,809	$ 79,140	$ 612,398

The capital asset commitments relate to the contracts in place for the construction of two new Equinox Class 650' self-unloaders, and five Equinox Class 740' self-unloaders. Two Equinox self-unloaders are expected to be delivered in 2017.

Algoma Central Corporation
Interim Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2017 and 2016

Notice of disclosure of no auditor review of interim condensed consolidated financial statements pursuant to National Instrument 51-02, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying interim condensed consolidated financial statements of Algoma Central Corporation for the three and six months ended June 30, 2017 and 2016 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Earnings
For the Three and Six Months ended June 30, 2017 and 2016
(Unaudited, in thousands of dollars, except per share data)

		Three Months Ended June 30		Six Months Ended June 30	
	Notes	**2017**	2016	**2017**	2016
			Note 7		Note 7
Revenue	**25**	**$ 123,918**	$ 99,037	**$ 175,745**	$ 142,600
Expenses					
Operations	**25**	**92,105**	67,838	**149,767**	128,902
General and administrative		**7,779**	6,613	**14,917**	14,634
		99,884	74,451	**164,684**	143,536
		24,034	24,586	**11,061**	(936)
Depreciation of property, plant, and equipment	**14**	**(10,411)**	(11,072)	**(21,062)**	(20,789)
Gain on shipbuilding contracts	**8**	**—**	—	**—**	19,222
Interest expense	**9**	**(1,009)**	(3,023)	**(2,176)**	(5,959)
Interest income		**274**	434	**551**	921
Foreign currency gain	**10**	**6,662**	2,468	**4,004**	2,443
		19,550	13,393	**(7,622)**	(5,098)
Income Tax (Expense) Recovery	**11**	**(4,431)**	(3,041)	**3,520**	5,626
Net Earnings of Joint Ventures	**6**	**263**	2,384	**54**	4,863
Net Earnings (Loss) from Continuing Operations		**15,382**	12,736	**(4,048)**	5,391
Net Earnings from Discontinued Operations	**12**	**13,782**	525	**14,107**	1,175
Net Earnings		**$ 29,164**	$ 13,261	**$ 10,059**	$ 6,566
Basic Earnings (Loss) per Share					
Continuing operations	**21**	**$ 0.40**	$ 0.33	**$ (0.10)**	$ 0.14
Discontinued operations		**$ 0.35**	$ 0.01	**$ 0.36**	$ 0.03
		$ 0.75	$ 0.34	**$ 0.26**	$ 0.17
Diluted Earnings (Loss) per Share					
Continuing operations	**21**	**$ 0.37**	$ 0.32	**$ (0.13)**	$ 0.13
Discontinued operations		**$ 0.31**	$ 0.01	**$ 0.32**	$ 0.03
		$ 0.68	$ 0.33	**$ 0.19**	$ 0.16

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Earnings (Loss)

For the Three and Six Months ended June 30, 2017 and 2016
(Unaudited, in thousands of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Net Earnings	**$ 29,164**	$ 13,261	**$ 10,059**	$ 6,566
Other Comprehensive Loss				
Items that may be subsequently reclassified to net earnings:				
Unrealized loss on translation of financial statements of foreign operations	**(5,254)**	(1,287)	**(10,863)**	(20,961)
Unrealized gain (loss) on hedging instruments, net of income tax	**717**	(5,850)	**972**	(1,917)
Foreign exchange gains on purchase commitment hedge reserve, net of income tax, transferred to:				
Property, plant, and equipment	**(498)**	(189)	**(1,379)**	(1,528)
Items that will not be subsequently reclassified to net earnings:				
Employee future benefits actuarial loss, net of income tax	**(6,497)**	(2,225)	**(7,382)**	(7,920)
	(11,532)	(9,551)	**(18,652)**	(32,326)
Comprehensive Earnings (Loss)	**$ 17,632**	$ 3,710	**$ (8,593)**	$ (25,760)

See accompanying notes to the interim consolidated financial statements.

Interim Condensed Consolidated Balance Sheets
June 30, 2017 and 2016
(Unaudited, in thousands of dollars)

	Notes	June 30 2017	December 2016
Assets			
Current			
Cash		$ 131,330	$ 130,039
Accounts receivable		47,926	52,172
Income taxes recoverable		16,250	612
Assets of discontinued operations held for sale	12	14,280	61,023
Other current assets	13	13,878	13,159
		223,664	257,005
Employee Future Benefits		5,145	13,517
Property, Plant, and Equipment	14	713,281	660,251
Investment Properties	7	21,794	—
Goodwill and Intangible Asset	15	17,618	11,591
Investment in Joint Ventures	6	102,823	79,405
Other Assets	16	14,250	14,244
		$ 1,098,575	$ 1,036,013
Liabilities			
Current			
Accounts payable and accrued charges		$ 54,152	$ 76,416
Current portion of long-term debt	19	92,261	—
Income taxes payable		—	515
Liabilities of discontinued operations held for sale	12	7,211	15,830
Other current liabilities	17	6,035	1,297
		159,659	94,058
Other Long-Term Liabilities	18	7,351	11,275
Deferred Income Taxes		30,587	25,435
Employee Future Benefits		25,343	23,140
Long-Term Debt	19	245,145	240,555
		308,426	300,405
Commitments	23		
Shareholders' Equity			
Share Capital	21	8,344	8,344
Contributed Surplus		11,917	11,917
Convertible Debentures	20	8,000	4,630
Accumulated Other Comprehensive Loss	22	(15,115)	(3,845)
Retained Earnings		617,344	620,504
		630,490	641,550
		$ 1,098,575	$ 1,036,013

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity
June 30, 2017 and 2016
(Unaudited, in thousands of dollars)

	Share Capital	Contributed Surplus and Convertible Debentures	Accumulated Other Comprehensive Earnings (Loss) (Note 22)	Retained Earnings	Total Equity
Balance at December 31, 2015	$ 8,344	$ 16,547	$ 4,685	$ 589,034	$ 618,610
Net earnings	—	—	—	6,566	6,566
Dividends	—	—	—	(5,446)	(5,446)
Other comprehensive loss	—	—	(24,406)	(7,920)	(32,326)
Refundable dividend tax on hand	—	—	—	(168)	(168)
Balance at June 30, 2016	$ 8,344	$ 16,547	$ (19,721)	$ 582,066	$ 587,236
Balance at December 31, 2016	$ 8,344	$ 16,547	$ (3,845)	$ 620,504	$ 641,550
Net earnings	—	—	—	10,059	10,059
Dividends	—	—	—	(5,837)	(5,837)
Debenture issue	—	3,370	—	—	3,370
Other comprehensive loss	—	—	(11,270)	(7,382)	(18,652)
Balance at June 30, 2017	$ 8,344	$ 19,917	$ (15,115)	$ 617,344	$ 630,490

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

For the Six Months ended June 30, 2017 and 2016
(Unaudited, in thousands of dollars)

	Notes	2017	2016 Note 7
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net (loss) earnings from continuing operations		**$ (4,048)**	$ 5,391
Earnings of joint ventures	**6**	**(54)**	(4,863)
Distributions from joint ventures		**3,096**	—
Items not affecting cash			
Depreciation of property, plant, and equipment	**14**	**21,062**	20,789
Depreciation of intangible asset		**1,506**	—
Gain on cancellation of shipbuilding contracts	**8**	**—**	(19,222)
Other		**(5,878)**	(371)
Net change in non-cash operating working capital		**(2,672)**	(5,613)
Income taxes		**(7,012)**	(2,004)
Employee future benefits paid		**(957)**	(909)
Net cash generated from (used in) operating activities		**5,043**	(6,802)
Investing			
Additions to property, plant, and equipment	**25**	**(85,484)**	(186,991)
Investment in joint ventures		**(38,195)**	(49,103)
Proceeds from shipbuilding contracts	**8**	**—**	56,216
Proceeds from sale of property, plant, and equipment		**530**	403
Net cash used in investing activities		**(123,149)**	(179,475)
Financing			
Interest paid		**(7,238)**	(7,718)
Interest received		**—**	13,877
Proceeds of long-term debt		**153,820**	70,305
Repayments on long-term debt		**(46,605)**	(67,296)
Dividends paid		**(5,837)**	(5,446)
Net cash provided from financing activities		**94,140**	3,722
Net Change in Cash from Continuing Operations		**(23,966)**	(182,555)
Cash Generated from Discontinued Operations	**12**	**27,757**	386
Net Change in Cash		**3,791**	(182,169)
Effects of Exchange Rate Changes on Cash Held in Foreign Currencies		**(2,500)**	(6,113)
Cash, Beginning of Period		**130,039**	210,562
Cash, End of Period		**$ 131,330**	$ 22,280

See accompanying notes to the 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 consolidated financial statements of the Company for the three and six months ended June 30, 2017 and 2016 comprise the Company, its subsidiaries and the Company's interest in associated and jointly controlled entities.

The principal subsidiaries are Algoma Shipping Ltd., Algoma Tankers International Inc., Algoma International Shipholdings Ltd., Algoma Tankers Limited and Algoma Central Properties Inc. The principal jointly controlled entities are Marbulk Canada Inc. (50%), NovaAlgoma Cement Carriers Limited (50%) and NovaAlgoma Short-Sea Holdings Ltd. (50%). In addition, Algoma Shipping Ltd. and Marbulk Canada Inc. are members of an international pool arrangement (the "Pool"), whereby revenues and related voyage expenses are distributed to each Pool member based on the earnings capacity of the vessels.

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 self-unloading dry-bulk carriers, gearless dry-bulk carriers and product tankers. The Company also has seven construction contracts for Equinox Class vessels for domestic dry-bulk service.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Company's vessel fleet. The dry-bulk vessels carry cargoes of raw materials such as 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 the operational management of vessels owned by other ship owners.

The Product Tankers marine transportation segment includes ownership and management of the operational and commercial activities of Canadian flag tanker vessels operating on the Great Lakes, the St. Lawrence Seaway and the east coast of North America.

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

The Global Short Sea Shipping segment includes the Company's 50% interests, through joint ventures, in NovaAlgoma Cement Carriers Limited and NovaAlgoma Short-Sea Holdings Ltd..

In addition to the marine businesses, the Company also owns and manages commercial real estate in Sault Ste. Marie 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 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 for the remaining three quarters of 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, 2016 and 2015. The financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2016 and 2015.

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

The consolidated financial statements were approved by the Board of Directors and authorized for issue on August 3, 2017.

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

APPLIED

Disclosure Initiative

IAS 7 Statement of Cash Flows has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments were effective for annual periods beginning on or after January 1, 2017.

The Company has applied this new standard in the financial statements for the annual period beginning January 1, 2017. The new standard did not have a material impact on the financial statements.

4. NEW ACCOUNTING STANDARDS NOT YET APPLIED

Revenue Recognition

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities.

Additional disclosure is required under the standard including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgements and estimates. The standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning in the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard.

IFRS 15 will principally affect the timing of revenue recognition for transactions involving multiple-element arrangements (distinct goods or services in a bundled price or deliveries of multiple services that occur at different points in time and/or over different periods of time). Similarly, the measurement of total contract acquisition costs to be recognized in operating expenses over time and contract fulfillment costs recognized over the life of the contract.

The Company is currently evaluating the additional disclosure requirements and will provide sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers.

Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement. This final version of IFRS 9 represents the completion of the IASB's project on financial instruments and it includes the requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This final version of IFRS 9 supercedes all prior versions of IFRS 9 and is mandatorily effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently evaluating the impact on the financial statements.

Leases

In January 2016, the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Adoption of the new standard will be required effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively. The Company is currently evaluating the impact on the financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures have been revised to incorporate amendments issued by the IASB in September 2014 and December 2015. The amendments include requiring a full gain or loss to be recognized when a transaction between an investor and its associate or joint venture involves assets that constitute a business. The amendments also require that a partial gain or loss be recognized when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business. The effective date of the amendments has been deferred indefinitely. The Company is currently evaluating the impact on the financial statements.

5. BUSINESS ACQUISITION

On April 18, 2017, Algoma and Nova Marine Holdings SA formed a new joint venture that will focus on short-sea dry-bulk shipping. Algoma has acquired a 50% interest in the entity which will operate as NovaAlgoma Short-Sea Carriers (NASC). Under the terms of this agreement, Algoma has invested US $28.7 million to acquire an interest in an owned fleet of 15 mini-bulkers and an ownership interest in a commercial platform managing those ships and approximately 55 ships belonging to other shipowners. In addition, the Company will undertake to guarantee its share of bank loans in place on the owned vessels totalling US$16.1 million.

The agreed purchase price allocation between the parties is US$17.1 million for the vessels and $11.0 million for the interest in the commercial platform. The agreed value of the vessels was validated during due diligence by comparing it to the average of three ship valuations sought for that purpose.

As the 50% investment in NASC does not represent a controlling interest, the Company will account for it as an equity investment. A preliminary purchase price allocation is currently being evaluated.

(Unaudited, in thousands of dollars, except per share data)

6. JOINT VENTURES

The Company has a 50% interest in Marbulk Canada Inc., ("Marbulk") which owns and operates ocean-going vessels and participates in an international commercial arrangement, a 50% interest in NovaAlgoma Cement Carriers Limited, ("NACC") which owns and operates pneumatic cement carriers to support infrastructure projects worldwide, and a 50% interest in NovaAlgoma Short-Sea Carriers, ("NASC") which owns and manages short-sea dry-bulk vessels in global markets.

The revenues, expenses and net earnings of the joint ventures by segment for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	**Ocean Self-Unloaders**	**Global Short Sea Shipping**
Revenue	$ 5,546	$ 77,023	$ 7,194	$ 83,749
Operating expenses	(3,583)	(69,808)	(5,279)	(73,140)
General and administrative	(150)	(2,344)	(326)	(2,525)
Depreciation	(1,071)	(2,740)	(2,065)	(4,013)
Interest expense	(354)	(1,387)	(704)	(1,863)
Foreign exchange (loss) gain	(780)	346	(1,086)	346
(Loss) earnings before income taxes	(392)	1,090	(2,266)	2,554
Income tax recovery (expense)	138	(176)	262	(176)
Net (loss) earnings	$ (254)	$ 914	$ (2,004)	$ 2,378
Company share of net (loss) earnings	$ (127)	$ 457	$ (1,002)	$ 1,189
Amortization of vessel purchase price allocation	—	(67)	—	(133)
	$ (127)	$ 390	$ (1,002)	$ 1,056

(Unaudited, in thousands of dollars, except per share data)

	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
	Ocean Self-Unloaders	Global Short Sea Shipping	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	$ 5,338	$ 4,590	$ 15,374	$ 7,106
Operating expenses	(2,697)	(1,749)	(9,196)	(2,291)
General and administrative	(134)	(18)	(298)	(186)
Depreciation	(970)	(868)	(2,290)	(1,462)
Interest expense	(349)	(305)	(700)	(537)
Gain on withdrawal of vessel from Pool	4,082	—	4,082	—
Net loss on sale of assets	(2,624)	—	(2,624)	—
Foreign exchange gain	130	154	2,228	154
Earnings before income taxes	2,776	1,804	6,576	2,784
Income tax recovery	189	—	366	—
Net earnings	$ 2,965	$ 1,804	$ 6,942	$ 2,784
Company share of net earnings	$ 1,482	$ 902	$ 3,471	$ 1,392

The Company's total share of net earnings of the jointly controlled operations by segment for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2017	2016	**2017**	2016
Ocean Self-Unloaders	**$ (127)**	$ 1,482	**$ (1,002)**	$ 3,471
Global Short Sea Shipping	**390**	902	**1,056**	1,392
	$ 263	$ 2,384	**$ 54**	$ 4,863

(Unaudited, in thousands of dollars, except per share data)

The assets and liabilities of the joint ventures by segment at June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017		December 31, 2016	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Cash	**$ 3,846**	**$ 15,934**	$ 8,828	$ 10,639
Other current assets	**2,726**	**24,075**	5,166	23,331
Property, plant, and equipment	**36,788**	**214,632**	37,888	159,569
Intangible asset	**1,134**	**—**	—	—
Other assets	**24**	**25,618**	—	—
Deferred tax asset	**140**	**—**	140	—
Other current liabilities	**(2,612)**	**(35,189)**	(2,036)	(13,342)
Other long-term liabilities	**—**	**(3,457)**	—	—
Due to owners	**(29,192)**	**—**	(28,488)	—
Long-term debt	**—**	**(92,080)**	—	(47,703)
Net assets of jointly controlled operations	**$ 12,854**	**$ 149,533**	$ 21,498	$ 132,494
Company share of net assets	**$ 6,427**	**$ 74,767**	$ 10,749	$ 66,247
Goodwill and other purchase price adjustments	**—**	**21,629**	—	2,409
Company's investment in joint ventures	**$ 6,427**	**$ 96,396**	$ 10,749	$ 68,656

The Company's net investment in the jointly controlled operations by segment at June 30, 2017 and December 31, 2016 are as follows:

	2017	2016
Ocean Self-Unloaders	**$ 6,427**	$ 10,749
Global Short Sea Shipping	**96,396**	68,656
	$ 102,823	$ 79,405

7. INVESTMENT PROPERTIES

The Company owns a shopping centre and apartment building located in Sault Ste. Marie. Sears Canada, which has been an anchor tenant of the shopping centre since it opened in 1973, announced on June 22, 2017 that it has filed for protection under the Companies' Creditors Arrangements Act. Sears has subsequently indicated its intention to close the shopping centre store.

The Company has decided to suspend on-going discussions regarding the sale of the shopping centre and adjacent apartment building until the uncertainty created by the Sears announcement is resolved. These properties and have been reclassified from discontinued operations into continuing operations as Investment Properties. Under IFRS 5, the historical operating results of these properties have been reclassified to continuing operations on a retroactive basis. In addition to the retroactive reclassification, depreciation in the amount of $2,800 that had not been recorded since classification as an asset held for sale has been recorded in the second quarter of 2017 as though the asset had not been originally classified as held for sale.

(Unaudited, in thousands of dollars, except per share data)

Details of the investment properties are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2016	$ —	$ —	$ —
Transfer from Discontinued Operations, June 26, 2017	57,677	32,255	25,422
Additions	93	3,721	(3,628)
Balance, June 30, 2017	**$ 57,770**	**$ 35,976**	**$ 21,794**

8. GAIN ON CANCELLATION OF SHIPBUILDING CONTRACTS

During 2016, the Company resolved the dispute with Nantong Mingde Heavy Industries Co. Ltd. (the "Shipyard") involving three shipbuilding contracts. All construction instalments made by the Company were refunded with interest resulting in a net gain of $19,222.

9. INTEREST EXPENSE

The components of interest expense are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Interest expense on borrowings	**$ 4,084**	$ 4,222	**$ 7,887**	$ 7,948
Amortization of financing costs	**201**	221	**435**	769
Interest on employee future benefits, net	**63**	171	**176**	65
Interest capitalized on vessels under construction	**(3,339)**	(1,591)	**(6,322)**	(2,823)
	$ 1,009	$ 3,023	**$ 2,176**	$ 5,959

(Unaudited, in thousands of dollars, except per share data)

10. FOREIGN CURRENCY GAIN

The components of net gain on foreign currency translation are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Gain on U.S. loan	**$ —**	$ 2,398	**$ —**	$ 7,768
Unrealized gain on foreign currency exchange contracts	**4,126**	—	**2,761**	—
Gain (loss) on return of capital from foreign subsidiary	**850**	151	**251**	(316)
Gain on foreign currency	**1,686**	—	**992**	—
Gain (loss) on shipbuilding contracts receivable	**—**	3	**—**	(3,876)
Loss on loan to joint venture	**—**	(84)	**—**	(1,133)
	$ 6,662	$ 2,468	**$ 4,004**	$ 2,443

11. INCOME TAXES

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Earnings (loss) before income tax from continuing operations and net earnings of joint ventures	**$ 19,550**	$ 13,393	**$ (7,622)**	$ (5,098)
Expected income tax (expense) recovery	**$ (5,181)**	$ (3,549)	**$ 2,020**	$ 1,351
Increase (decrease) resulting from:				
Effect of items that are not (taxable) deductible	**(172)**	108	**(352)**	2,175
Foreign tax rates different from statutory rate	**208**	398	**1,033**	1,895
Other	**714**	2	**819**	205
	$ (4,431)	$ (3,041)	**$ 3,520**	$ 5,626

(Unaudited, in thousands of dollars, except per share data)

12. DISCONTINUED OPERATIONS

The operating results from discontinued operations for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Revenue	**$ 1,261**	$ 5,084	**$ 4,352**	$ 9,752
Operating expenses	**(361)**	(2,951)	**(2,182)**	(5,389)
General and administrative and depreciation	**(1,070)**	(1,404)	**(1,905)**	(2,896)
Gain on sale of properties	**16,302**	—	**16,302**	—
Earnings before income taxes	**16,132**	729	**16,567**	1,467
Income taxes	**(2,350)**	(204)	**(2,460)**	(292)
Net earnings	**$ 13,782**	$ 525	**$ 14,107**	$ 1,175

The Company owns a shopping centre and apartment building located in Sault Ste. Marie. On June 26, 2017 the Company suspended sales discussions on these properties and has accordingly reclassified them from discontinued operations into Investment Properties (Note 7).

The assets and liabilities of discontinued operations at June 30, 2017 and December 31, 2016 are as follows:

	2017	2016
Accounts receivable	**$ 623**	$ 2,633
Materials and supplies	**44**	42
Prepaid expenses	**1,199**	170
Income taxes recoverable	**2,736**	—
Land and buildings	**9,678**	58,178
Total assets	**$ 14,280**	$ 61,023
Accounts payable and accrued charges	**$ 2,871**	$ 3,884
Income taxes payable	**3,511**	5,679
Deferred income taxes	**829**	6,267
Total liabilities	**$ 7,211**	$ 15,830

(Unaudited, in thousands of dollars, except per share data)

The cash flows from discontinued operations for the six months ended June 30, 2017 and 2016 are as follows:

	Six Months Ended June 30 2017	2016
Net cash (used in) generated from operating activities	**$ (4,917)**	$ 1,365
Net cash generated from (used in) investing activities	**32,674**	(979)
Cash generated from discontinued operations	**$ 27,757**	$ 386

Subsequent to the quarter ended June 30, 2017, the Company closed the sale on the property known as 289 Bay Street in Sault Ste. Marie. The net proceeds from the sale of the Company's interest in the property was $3,486.

13. OTHER CURRENT ASSETS

The components of other current assets are as follows:

	June 30 2017	December 31 2016
Materials and supplies	**$ 8,286**	$ 8,588
Prepaid expenses	**5,024**	3,913
Loan interest receivable	**351**	—
Derivative asset	**217**	658
	$ 13,878	$ 13,159

(Unaudited, in thousands of dollars, except per share data)

14. PROPERTY, PLANT, AND EQUIPMENT

Details of property, plant, and equipment are as follows:

Cost	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Total
Balance at December 31, 2016	$ —	$ 773,282	$ 192,977	$ 215,870	$ 1,182,129
Transfer between business segments	8,010	(37,245)	—	37,062	7,827
Additions	90	69,700	244	2,507	72,541
Disposals	—	(82,714)	—	—	(82,714)
Fully depreciated assets no longer in use and other	—	15,387	(168)	(1,875)	13,344
Effect of foreign currency exchange differences	—	3,675	—	(8,839)	(5,164)
Balance at June 30, 2017	$ 8,100	$ 742,085	$ 193,053	$ 244,725	$ 1,187,963

Accumulated depreciation	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Total
Balance at December 31, 2016	$ —	$ 375,479	$ 91,154	$ 55,245	$ 521,878
Transfer between business segments	2,911	(4,149)	—	4,057	2,819
Depreciation expense	202	9,407	4,377	7,076	21,062
Disposals	—	(82,714)	—	—	(82,714)
Fully depreciated assets no longer in use and other	—	15,387	(167)	(1,875)	13,345
Effect of foreign currency exchange differences	—	533	—	(2,241)	(1,708)
Balance at June 30, 2017	$ 3,113	$ 313,943	$ 95,364	$ 62,262	$ 474,682

(Unaudited, in thousands of dollars, except per share data)

Net Book Value	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Total
January 1 - December 31, 2016					
Cost	$ —	$ 773,282	$ 192,977	$ 215,870	$ 1,182,129
Accumulated depreciation	—	375,479	91,154	55,245	521,878
	$ —	$ 397,803	$ 101,823	$ 160,625	$ 660,251
June 30, 2017					
Cost	$ 8,100	$ 742,085	$ 193,053	$ 244,725	$ 1,187,963
Accumulated depreciation	3,113	313,943	95,364	62,262	474,682
	$ 4,987	$ 428,142	$ 97,689	$ 182,463	$ 713,281

15. GOODWILL AND INTANGIBLE ASSET

Goodwill and intangible asset consist of the following:

	Goodwill	**Intangible Asset**	**Total**
January 1, 2016	$ 7,910	$ —	$ 7,910
Additions	—	4,225	4,225
Amortization	—	(792)	(792)
Effect of foreign currency exchange differences	—	248	248
Balance, December 31, 2016	$ 7,910	$ 3,681	$ 11,591
Additions	—	7,794	7,794
Amortization	—	(1,609)	(1,609)
Effect of foreign currency exchange differences	—	(158)	(158)
Balance, June 30, 2017	**$ 7,910**	**$ 9,708**	**$ 17,618**

Goodwill

As part of a business acquisition in 2011, the Company recognized goodwill of $7,910 on the allocation of purchase price, determined as the excess of the fair values of the net tangible and identifiable intangible assets acquired.

(Unaudited, in thousands of dollars, except per share data)

Intangible Asset

The Company has vessels that participate in a self-unloader ocean-going Pool with unrelated parties. In April, 2016 and January, 2017, other Pool members withdrew certain vessels due to market overcapacity. These vessel owners were compensated for their loss of future earnings resulting from the withdrawal of the vessels. The Company's interest in the Pool increased as a result and its value, which initially was equal to the Company's share of the compensation payable to the other owners, has been recorded as an intangible asset and is being amortized over four years.

16. OTHER ASSETS

Other assets consist of a loan receivable from a joint venture party. Interest is at 4.98% annually.

17. OTHER CURRENT LIABILITIES

The components of other current liabilities are as follows:

	June 30 2017	December 31 2016
Dividends payable	**$ 668**	$ 527
Derivative liabilities	**5,367**	770
	$ 6,035	$ 1,297

18. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

	June 30 2017	December 31 2016
Derivative liabilities	**$ 2,316**	$ 8,194
Compensation payable to Pool members	**5,035**	3,081
	$ 7,351	$ 11,275

A portion of the compensation payable to other Pool members for the retirement of two vessels in 2016 and two in 2017 is payable in annual instalments in future years and has been recorded as an Other Long-Term Liability. The Company's share of the liability related to this compensation is payable in four equal annual instalments that commenced April 1, 2017.

(Unaudited, in thousands of dollars, except per share data)

19. LONG-TERM DEBT

	June 30 2017	December 31 2016
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.00%	**$ 68,113**	$ 67,555
Convertible unsecured subordinated debentures, due June 30, 2024, interest at 5.25%	**79,140**	—
Senior Secured Notes, due July 19, 2021		
U.S. $75,000, interest fixed at 5.11%	**97,316**	100,705
Canadian $75,000, interest fixed at 5.52%	**75,000**	75,000
LIBOR, U.S. $10,000, due July 19, 2017, interest at 2.96%	**12,977**	—
Revolving loan, interest at 3.7%	**11,171**	—
	343,717	243,260
Less: unamortized financing expenses	**6,311**	2,705
	337,406	240,555
Less: current portion of long-term debt	**(92,261)**	—
	$ 245,145	$ 240,555

The Company is subject to certain covenants including ones with respect to maintaining defined financial ratios and other conditions under the terms of the Bank Facility and the Senior Secured Notes.

As at June 30, 2017, the Company was in compliance with all of its covenants.

20. CONVERTIBLE DEBENTURES

In June 2017, the Company issued $82,500 of convertible unsecured subordinated debentures (the “2017 Debentures”). Each 2017 Debenture may be convertible into common shares of the Company at the option of the holder at any time prior to maturity at a price equal to $21.15 per common share. On redemption at the maturity date, the Company may repay the indebtedness represented by the 2017 Debentures by paying an amount equal to the aggregate principal amount of the outstanding debentures. The Company has the option to repay the principal amount with common shares. The proceeds of the 2017 Debenture issue, net of related costs, were $78,466.

The 2017 Debentures are compound financial instruments and as such have been recorded as a liability and as equity. The liability component was valued first and the difference between the proceeds of the 2017 Debenture and the fair value of the liability was assigned to the equity component. The carrying value of the equity component before income tax and financing costs is $3,370. The carrying value of $3,205, which is net of financing costs and income tax, has been recorded as a separate component in shareholders’ equity.

The present value of the liability, net of expenses, of $75,260 was calculated using a discount rate of 6.0% which approximated the interest rate that would have been applicable to non-convertible debt of the Company at the time the debentures were issued. The liability component will be accreted to the face value of the debentures over the term of the debentures with a resulting charge to interest expense.

(Unaudited, in thousands of dollars, except per share data)

On July 21, 2017, the Company redeemed the convertible unsecured subordinated debentures due March 31, 2018 (the "2011 Debentures"). As the 2011 Debentures were redeemed without conversion, the equity component relating to the 2011 Debentures in the amount of $4,630 was transferred to Contributed Surplus.

21. 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 common shares outstanding as at June 30, 2017 and December 31, 2016. At June 30, 2017 and December 31, 2016 there were no preferred shares issued and outstanding.

The Company's Board of Directors on August 3, 2017 authorized payment of a quarterly dividend to shareholders of $0.08 per common share. The dividend is payable on September 1, 2017 to shareholders of record on August 18, 2017.

The basic and diluted net earnings per share are computed as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2017	2016	**2017**	2016
Net earnings (loss) from continuing operations for basic earnings per share	**$ 15,382**	$ 12,736	**$ (4,048)**	$ 5,391
Interest expense on debentures, net of tax	**1,352**	1,078	**2,430**	2,156
Net earnings from continuing operations for diluted earnings per share	**$ 16,734**	$ 13,814	**$ (1,618)**	$ 7,547
Basic weighted average common shares	**38,913,733**	38,913,733	**38,913,733**	38,913,733
Shares due to dilutive effect of debentures	**5,779,133**	4,478,896	**5,129,014**	4,478,896
Diluted weighted average common shares	**44,692,866**	43,392,629	**44,042,747**	43,392,629
Basic earnings (loss) per common share from continuing operations	**$ 0.40**	$ 0.33	**$ (0.10)**	$ 0.14
Diluted earnings (loss) per common share from continuing operations	**$ 0.37**	$ 0.32	**$ (0.13)**	$ 0.13

(Unaudited, in thousands of dollars, except per share data)

22. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Hedges			
	Net investment	Purchase commitment	Foreign exchange translation	Total
Balance at January 1, 2016	$ (22,409)	$ 7,145	$ 19,949	$ 4,685
Gain (loss) on foreign exchange	4,356	(922)	(9,529)	(6,095)
Reclassified to property, plant, and equipment	—	(2,859)	—	(2,859)
Income tax (expense) recovery	(578)	1,002	—	424
Net gain (loss)	3,778	(2,779)	(9,529)	(8,530)
Balance at December 31, 2016	$ (18,631)	$ 4,366	$ 10,420	$ (3,845)
Gain (loss) on foreign exchange	3,702	(3,175)	(11,135)	(10,608)
Reclassified to property, plant, and equipment	—	(1,379)	—	(1,379)
Income tax (expense) recovery	(490)	1,207	—	717
Net gain (loss)	3,212	(3,347)	(11,135)	(11,270)
Balance at June 30, 2017	**$ (15,419)**	**$ 1,019**	**$ (715)**	**$ (15,115)**

The net investment hedge reserve represents the cumulative exchange differences on translation of long-term debt held in foreign currency. The Company has elected to hedge a portion of its net investment in foreign subsidiaries with its foreign-denominated debt. Exchange differences accumulated will be reclassified to earnings in the event of a disposal of a foreign operation.

The purchase commitment hedge reserve represents the cumulative exchange differences on translation of cash held in foreign currency which the Company has elected to designate as a hedge of future U.S. dollar commitments for the Equinox Class vessels. Exchange differences accumulated in the purchase commitment reserve will be reclassified to property, plant, and equipment when the payments to the supplier are made or to earnings when a hedge is deemed to be ineffective.

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (Canadian dollars) are recognized directly in other comprehensive earnings and accumulated in the foreign exchange translation reserve. Exchange differences accumulated in the reserve are reclassified to earnings on the disposal of the foreign operation or on a pro-rata basis when cash held in the foreign subsidiary is repatriated to Canada as a return of the net investment.

23. COMMITMENTS

The table below reflects the commitments the Company has at June 30, 2017.

(Unaudited, in thousands of dollars, except per share data)

Construction of seven Equinox Class vessels	$	**225,593**
Employee future benefit payments		**552**
	$	**226,145**

Annual expected payments are as follows:

Due in 2017	$	**77,153**
Due in 2018		**94,119**
Due in 2019		**54,873**
	$	**226,145**

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

		June 30 2017		December 31 2016
Financial assets carrying and fair value				
Cash	$	**131,330**	$	130,039
Accounts receivable	$	**47,926**	$	52,172
Derivative asset	$	**217**	$	658
Other assets	$	**14,250**	$	14,244
Financial liabilities carrying and fair value				
Accounts payable and accrued charges	$	**54,152**	$	76,416
Dividends payable	$	**668**	$	527
Derivative liabilities	$	**5,367**	$	770
Other long-term liabilities	$	**7,351**	$	11,275
Carrying value of long-term debt	$	**343,717**	$	243,260
Fair value of long-term debt	$	**357,588**	$	257,454

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, except per share data)

Liquidity risk

The contractual maturities of non-derivative financial liabilities at June 30, 2017 are as follows:

	Within one year	1-3 years	3-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 54,152	$ —	$ —	$ —	$ 54,152
Dividends payable	668	—	—	—	668
Other long-term liabilities	1,903	3,132	—	—	5,035
Long-term debt including equity portion	92,261	—	172,316	79,140	343,717
Interest payments	9,113	18,227	9,493	—	36,833
Total	$ 158,097	$ 21,359	$ 181,809	$ 79,140	$ 440,405

Foreign currency exchange risk

At June 30, 2017 and December 31, 2016, approximately 35% and 17%, respectively, of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $52,920 and $25,254, respectively.

The Company has significant commitments due for payment in U.S. dollars and Euros. The Company utilizes foreign exchange forward contracts and U.S. cash as a hedge on purchase commitments to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join our Canadian flag domestic dry-bulk fleet. For payments due in U.S. dollars for foreign vessels, the Company mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt.

As of June 30, 2017 the Company had Euro denominated foreign exchange forward contracts outstanding with a notional principal of €92,543 and a fair value loss of $7,107 (December 31, 2016 - $12,592), and U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $23,315 and fair value gain of $216 (December 31, 2016 - $5,055). The contract maturities are as follows: 2017 - €23,135, U.S. - $7,635 and 2018 - €69,408, U.S. - $15,680.

25. SEGMENT DISCLOSURES

The Company operates through four segments; Domestic Dry-Bulk, Product Tankers, Ocean Self-Unloaders and Global Short Sea Shipping. The segment operating results include fully consolidated subsidiaries and interests in jointly controlled entities. Segment disclosures are based on how the Chief Executive Officer views operating results and how decisions are made about resources to be allocated to operating segments.

The following presents the Company's results from continuing operations by reportable segment for the three and six months ended June 30, 2017 and 2016.

(Unaudited, in thousands of dollars, except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
Revenues	**2017**	2016	**2017**	2016
Domestic Dry-Bulk	**$ 80,979**	$ 64,112	**$ 99,380**	$ 75,771
Product Tankers	**22,649**	16,041	**34,330**	24,556
Ocean Self-Unloaders	**17,515**	16,049	**36,172**	36,352
	121,143	96,202	**169,882**	136,679
Investment Properties	**2,775**	2,835	**5,863**	5,921
	$ 123,918	$ 99,037	**$ 175,745**	$ 142,600

	Three Months Ended June 30		Six Months Ended June 30	
Operating Expenses	**2017**	2016	**2017**	2016
Domestic Dry-Bulk	**$ 56,516**	$ 44,483	**$ 87,605**	$ 83,669
Product Tankers	**18,707**	10,994	**30,699**	18,593
Ocean Self-Unloaders	**11,672**	10,441	**24,112**	22,364
	86,895	65,918	**142,416**	124,626
Investment Properties	**5,210**	1,920	**7,351**	4,276
	$ 92,105	$ 67,838	**$ 149,767**	$ 128,902

(Unaudited, in thousands of dollars, except per share data)

Net Earnings (Loss) from Continuing Operations	**Three Months Ended June 30** **2017**	2016	**Six Months Ended June 30** **2017**	2016
Operating earnings (loss) net of income tax				
Domestic Dry-Bulk	**$ 12,761**	$ 7,984	**$ (2,247)**	$ (19,731)
Gain on cancellation of shipbuilding contracts	**—**	—	**—**	16,196
Unrealized gain on foreign currency exchange contracts	**3,397**	—	**2,394**	—
	16,158	7,984	**147**	(3,535)
Product Tankers	**667**	1,636	**(1,764)**	128
Ocean Self-Unloaders	**1,824**	3,762	**3,547**	11,030
Global Short Sea Shipping	**391**	902	**1,057**	1,392
Corporate	**(3,179)**	(2,131)	**(5,818)**	(5,297)
Segment earnings (loss)	**15,861**	12,153	**(2,831)**	3,718
Not specifically identifiable to segments				
Investment properties	**(2,436)**	915	**(1,489)**	1,645
Interest expense	**(1,010)**	(3,023)	**(2,177)**	(5,959)
Interest income	**274**	434	**551**	921
Foreign currency gain	**2,537**	2,468	**1,244**	2,443
Income tax (expense) recovery	**156**	(211)	**654**	2,623
	$ 15,382	$ 12,736	**$ (4,048)**	$ 5,391

Assets	**June 30 2017**	December 31 2016
Domestic Dry-Bulk	**$ 495,130**	$ 468,401
Product Tankers	**104,655**	110,110
Ocean Self-Unloaders	**206,513**	182,997
Global Short Sea Shipping	**96,396**	68,656
Assets of discontinued operations held for sale	**14,280**	61,023
Total assets allocated to segments	**916,974**	891,187
Not specifically identifiable to segments	**181,601**	144,826
	$ 1,098,575	$ 1,036,013

(Unaudited, in thousands of dollars, except per share data)

Additions to Property, Plant, and Equipment	Three Months Ended June 30 **2017**	2016	Six Months Ended June 30 **2017**	2016
Domestic Dry-Bulk	**$ 26,202**	$ 39,673	**$ 69,700**	$ 65,089
Product Tankers	**1**	173	**244**	1,799
Ocean Self-Unloaders	**2,389**	2,283	**2,507**	122,144
Corporate	**68**	847	**90**	21
Total per property, plant, and equipment (Note 14)	**28,660**	42,976	**72,541**	189,053
Capitalized interest			**(6,322)**	(2,823)
Amounts included in working capital			**19,265**	761
Total per cash flow statement			**$ 85,484**	$ 186,991

Depreciation of Property, Plant, and Equipment	Three Months Ended June 30 **2017**	2016	Six Months Ended June 30 **2017**	2016
Domestic Dry-Bulk	**$ 4,422**	$ 5,618	**$ 9,407**	$ 10,593
Product Tankers	**2,204**	2,384	**4,377**	4,250
Ocean Self-Unloaders	**3,664**	3,070	**7,076**	5,946
Corporate	**121**	—	**202**	—
	$ 10,411	$ 11,072	**$ 21,062**	$ 20,789

(Unaudited, in thousands of dollars, except per share data)

Liabilities	**June 30 2017**	December 31 2016
Domestic Dry-Bulk	**$ 37,231**	$ 64,993
Product Tankers	**22,408**	22,534
Ocean Self-Unloaders	**15,270**	9,363
Liabilities of discontinued operations held for sale	**7,211**	15,830
Total liabilities allocated to segments	**82,120**	112,720
Not specifically identifiable to segments		
Current liabilities	**5,996**	527
Current portion of long-term debt	**92,261**	—
Other	**287,708**	281,216
Total Liabilities	**$ 468,085**	$ 394,463

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2017

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