ALGOMA CENTRAL CORPORATION

INTERIM REPORT TO SHAREHOLDERS
For the Three and Six Months Ended June 30, 2019 and 2018

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General

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

This Management's Discussion and Analysis ("MD&A") of the Company should be read in conjunction with its interim consolidated financial statements for the three and six months ended June 30, 2019 and 2018 and related notes thereto and has been prepared as at August 7, 2019.

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 2018 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, and unless otherwise noted.

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 on 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.

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 refers to earnings before interest, taxes, depreciation, and amortization, including its share of the EBITDA of its 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 a version of 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 the 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 measures 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
The Company adjusts 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 (page 4).

Return on equity is net earnings as a percent of average shareholders' equity.

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 2019 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 global 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, 2018, which outlines in detail certain key factors that may affect the Company's future results. The Annual Information Form can be found on the Company's website at www.algonet.com and on SEDAR at www.sedar.com. 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.

Highlights

For the periods ended June 30	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Revenue	**$ 159,169**	$ 139,442	**$ 231,022**	$ 199,930
Net earnings (loss)	**$ 22,114**	$ 14,445	**$ (687)**	$ 5,303
Basic earnings (loss) per common share	**$ 0.58**	$ 0.38	**$ (0.02)**	$ 0.14
As at June 30				
Common shares outstanding			**38,193,715**	38,499,915
Total assets			**$ 1,225,971**	$ 1,128,986
Total long-term financial liabilities			**$ 410,932**	$ 311,744

Consolidated revenue for the 2019 second quarter was $159,169, an increase of 14% compared to $139,442 reported for the same period in 2018. The increase in revenue during the second quarter was driven by having two additional tankers in operation and high customer demand resulting in an increase in outside charters in the Product Tankers segment and the acquisition of three vessels and strong Pool performance in the Ocean Self-Unloader segment. Revenue in the Domestic Dry-Bulk segment decreased slightly as a result of having one fewer vessel operating in the fleet compared to last year and lower fuel recoveries, partially offset by higher freight rates.

Consolidated revenue for the six months ended June 30, 2019 was $231,022 an increase of 16% compared to $199,930 reported for the same period in 2018. The year to date increase was due to the additional vessels in operation and sustained customer demand in both the Product Tanker and Ocean Self-Unloader segments. Revenue in the Domestic Dry-Bulk segment decreased as a result of lower revenue days mainly due to the smaller fleet size and vessel out of service time, partially offset by higher rates.

Revenue from the Global Short Sea segment, in which we participate in via joint ventures, is not included in the consolidated revenue figure. The Global Short Sea Shipping businesses generated revenues of $62,471 in the 2019 second quarter compared to $53,027 for the same period in 2018. For the six months ended June 30, 2019 revenue was $124,153 compared to $117,675 for the prior year. The Company has a 50% interest in these businesses.

Net earnings for the 2019 second quarter were $22,114, an increase of $7,669 compared to the same period in 2018. Profit was higher in the quarter as a result of an increase in operating earnings and a foreign currency gain versus a loss reported in 2018. For the six months ended June 30, 2019 there was a net loss of $687 compared to earnings of $5,303 for the same period in 2018. Despite an increase in operating earnings in 2019, the loss for the year to date was primarily a result of a foreign currency loss compared to a gain reported in 2018 and lower earnings from joint ventures. The amount we have invested in vessels under construction is significantly lower than it was in 2018 and, as a consequence, the amount of interest we can capitalize is reduced, resulting in higher interest expense in both periods in 2019.

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 2019 second quarter was $52,690 compared to $43,066 for the same period in 2018. EBITDA for the six months ended June 30, 2019 was $45,773 compared to $38,869 for the same period in 2018. EBITDA is determined as follows:

For the periods ended June 30	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Net earnings (loss)	**$ 22,114**	$ 14,445	**$ (687)**	$ 5,303
Adjustments to net earnings:				
Depreciation and amortization	**16,636**	13,969	**31,600**	26,684
Interest, net	**4,523**	3,084	**7,825**	4,484
Foreign currency (gain) loss	**(1,534)**	4,952	**604**	(3,339)
Income tax expense (recovery)	**4,203**	2,622	**(6,230)**	(902)
Joint ventures				
Interest expense	**1,686**	1,014	**3,350**	1,698
Foreign exchange loss (gain)	**360**	(207)	**617**	(470)
Depreciation	**4,632**	3,058	**8,521**	5,141
Income tax expense	**70**	129	**173**	270
EBITDA	**$ 52,690**	$ 43,066	**$ 45,773**	$ 38,869

Outlook

Customer demand in the Domestic Dry-Bulk segment remains strong and we expect high utilization for the remainder of the year. One vessel went out of service in the second quarter for mechanical issues but is expected to return to operations during the third quarter.

In the Product Tanker segment, demand is expected to stay strong in the third and fourth quarters. As our owned fleet is scheduled to be in full utilization, we expect we will continue to require the use of outside charters to meet customer demand.

In the Ocean Self-Unloaders segment, the Algoma Integrity is scheduled to return to operations during the third quarter, after having been on dry-dock for the second quarter. The three new vessels are now in full operation, bringing our fleet to eight vessels out of 18 in the Pool.

Although the second quarter was a challenge in the cement and short sea businesses, we are seeing signs of gradual improvement for the balance of the year.

Summary of Quarterly Results

The results for the last eight quarters were as follows:

Year	Quarter	Revenue	Net Earnings (Loss)	Basic Earnings (Loss) per Share
2019	Quarter 2	$ 159,169	$ 22,114	$ 0.58
	Quarter 1	$ 71,853	$ (22,800)	(0.59)
2018	Quarter 4	$ 149,542	$ 26,003	$ 0.68
	Quarter 3	$ 158,729	$ 19,639	$ 0.51
	Quarter 2	$ 139,442	$ 14,445	$ 0.38
	Quarter 1	$ 60,488	$ (9,142)	$ (0.23)
2017	Quarter 4	$ 139,435	$ 15,973	$ 0.34
	Quarter 3	$ 137,200	$ 32,768	$ 0.84

The following summarizes the trailing twelve month results on an adjusted and unadjusted basis in each of the last eight quarters:

		Trailing Twelve Months				
Year	Quarter	Revenue	Net Earnings	Basic Earnings per Share	Adjustment to Basic Earnings per Share *	Adjusted Basic Earnings per Share
2019	Quarter 2	$ 539,566	$ 44,954	$ 1.17	$ (0.26)	$ 0.91
	Quarter 1	$ 519,566	$ 37,285	$ 0.97	$ (0.26)	$ 0.71
2018	Quarter 4	$ 508,201	$ 50,943	$ 1.32	$ (0.26)	$ 1.06
	Quarter 3	$ 498,094	$ 40,915	$ 1.06	$ 0.03	$ 1.09
	Quarter 2	$ 476,565	$ 54,044	$ 1.40	$ (0.27)	$ 1.13
	Quarter 1	$ 461,270	$ 68,763	$ 1.77	$ (0.62)	$ 1.15
2017	Quarter 4	$ 452,874	$ 58,800	$ 1.53	$ (0.62)	$ 0.91
	Quarter 3	$ 444,017	$ 31,074	$ 0.80	$ (0.04)	$ 0.76

* 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.

	2016		2017				2018				2019	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Gain (loss) on shipbuilding contracts	$ 0.16	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (0.02)	$ 0.15	$ —	$ —
Impairment (provisions) reversals	—	(0.81)	—	—	—	—	—	—	—	0.13	—	—
Sale of real estate properties	0.31	0.22	—	0.35	0.28	(0.01)	—	—	—	—	—	—
	$ 0.47	$ (0.59)	$ —	$ 0.35	$ 0.28	$ (0.01)	$ —	$ —	$ (0.02)	$ 0.28	$ —	$ —
Trailing adjustment to EPS			$ (0.12)	$ 0.23	$ 0.04	$ 0.62	$ 0.62	$ 0.27	$ (0.03)	$ 0.26	$ 0.26	$ 0.26

Business Segment Discussion

Domestic Dry-Bulk

Financial Results Overview

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2019**	2018	**2019**	2018
Revenue	**$ 86,974**	$ 89,944	**$ 104,827**	$ 108,145
Operating expenses	**(59,536)**	(60,109)	**(94,606)**	(92,692)
Selling, general and administrative	**(2,849)**	(2,830)	**(5,754)**	(5,634)
	24,589	27,005	**4,467**	9,819
Depreciation and amortization	**(6,019)**	(6,114)	**(11,505)**	(10,785)
(Loss) gain on foreign currency forward contracts	**—**	(2,828)	**—**	1,756
Income tax (expense) recovery	**(4,792)**	(5,391)	**2,090**	(206)
Net earnings (loss)	**$ 13,778**	$ 12,672	**$ (4,948)**	$ 584

Revenues for the Domestic Dry-Bulk segment decreased by $2,970 in the 2019 second quarter and by $3,318 for the six months ended June 30, 2019 compared to the same periods in 2018. The decrease in the quarter was due to an 11% decrease in revenue days as our fleet includes one fewer vessel than in 2018 and mechanical issues affected availability of other vessels during the quarter. This was partially offset by increased freight rates. Overall volumes decreased slightly compared to last year in the construction sector, partially offset by increased volumes at higher rates in the agricultural and salt sectors.

The decrease in revenue for the six months ended June 30, 2019 was a result of a 9% decrease in revenue days partially offset by higher rates. The decrease in revenue days was mainly a result of the smaller fleet size and vessel out of service time. Overall volumes were higher primarily due to a 42% increase in salt volumes compared to last year.

Operating expenses for the 2019 second quarter decreased by $573 and increased by $1,914 for the six months ended June 30, 2019 compared to the same periods in 2018. The decrease in the quarter was primarily a result of a 13% decrease in operating days due to out of service time on two vessels and operating one less vessel in the fleet compared to last year. The decrease was partially offset by higher lay-up costs due to a life extension dry-docking on one of our oldest vessels and higher crew costs. Although there were lower operating days in the quarter, crew wages have increased as a result of new labour agreements signed last year. Operating expenses were higher for the year to date as a result of an increase in lay-up costs.

The increase in depreciation and amortization for the six months ended June 30, 2019 compared to the same period last year was a result of the addition of the Algoma Conveyor to operations.

EBITDA for Domestic Dry-Bulk for the second quarter 2019 was $24,589 a decrease of 9% compared to the same period in 2018 reflecting the smaller fleet size and winter lay-up costs which extended into April. For the six months ended June 30, 2019 EBITDA was $4,467 compared to $9,819 for the prior year primarily as a result of higher lay-up spending. EBITDA is determined as follows:

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2019**	2018	**2019**	2018
Net earnings (loss)	**$ 13,778**	$ 12,672	**$ (4,948)**	$ 584
Adjustments to net earnings:				
Depreciation and amortization	**6,019**	6,114	**11,505**	10,785
Loss (gain) on foreign currency forward contracts	**—**	2,828	**—**	(1,756)
Income tax expense (recovery)	**4,792**	5,391	**(2,090)**	206
EBITDA	**$ 24,589**	$ 27,005	**$ 4,467**	$ 9,819

Product Tankers

Financial Results Overview

For the periods ended June 30	Three Months Ended		Six Months Ended	
	2019	2018	**2019**	2018
Revenue	**$ 39,943**	$ 23,513	**$ 67,015**	$ 42,848
Operating expenses	**(28,586)**	(18,175)	**(49,814)**	(33,383)
Selling, general and administrative	**(1,000)**	(706)	**(2,056)**	(1,443)
	10,357	4,632	**15,145**	8,022
Depreciation and amortization	**(3,226)**	(2,221)	**(6,366)**	(4,684)
Income tax expense	**(1,350)**	(617)	**(1,787)**	(863)
Net earnings	**$ 5,781**	$ 1,794	**$ 6,992**	$ 2,475

Revenues for Product Tankers increased by $16,430 in the 2019 second quarter and by $24,167 for the six months ended June 30, 2019 when compared to the same periods last year. The increase for both periods was a result of sustained customer demand which led us to add two vessels to the fleet compared to last year; the Algonorth entered operations in December, 2018 and the Algoterra in April of this year. Both vessels have proven to be strong contributors to the fleet, generating high earnings. Although we added capacity in our owned fleet, the use of outside charters continues to be required to meet the high customer demand.

Operating expenses increased by $10,411 in the 2019 second quarter and by $16,431 for the six months ended June 30, 2019 when compared to the same periods last year. The increase for both periods was a result of the two additional vessels operating in the fleet and higher crew costs. The increase was also a result of the higher use of outside charters which are more expensive to operate than our owned fleet, resulting in minimal earnings from these vessels. The year to date increase was partially offset by lower lay-up expenses.

The increase in depreciation and amortization for the 2019 second quarter and for the six months ended June 30, 2019 was a result of the addition of the Algonorth and the Algoterra to operations.

EBITDA for Product Tankers was $10,357 in the 2019 second quarter, an increase of $5,725 compared to the same period in 2018. For the six months ended June 30, 2019 EBITDA was $15,145, an increase of $7,123 compared to the prior year. EBITDA is determined as follows:

For the periods ended June 30	Three Months Ended		Six Months Ended	
	2019	2018	**2019**	2018
Net earnings	**$ 5,781**	$ 1,794	**$ 6,992**	$ 2,475
Adjustments to net earnings:				
Depreciation and amortization	**3,226**	2,221	**6,366**	4,684
Income taxes	**1,350**	617	**1,787**	863
EBITDA	**$ 10,357**	$ 4,632	**$ 15,145**	$ 8,022

Ocean Self-Unloaders

Financial Results Overview

For the periods ended June 30	Three Months Ended 2019	2018	Six Months Ended 2019	2018
Revenue	**$ 29,130**	$ 23,097	**$ 52,569**	$ 42,001
Operating expenses	**(17,848)**	(15,701)	**(33,978)**	(27,876)
General and administrative	**(472)**	(348)	**(931)**	(1,081)
	10,810	7,048	**17,660**	13,044
Depreciation and amortization	**(6,494)**	(4,735)	**(11,915)**	(9,260)
Income tax recovery	**2**	5	**4**	4
Earnings from joint venture - Marbulk	**865**	484	**137**	480
Net earnings	**$ 5,183**	$ 2,802	**$ 5,886**	$ 4,268

Algoma participates in the world's largest pool of ocean-going self-unloaders (the "Pool"). The Pool's commercial results reflect a pro-rata share of Pool revenue and voyage costs (in operating expenses) for eight 100% owned ships. Vessel operating expenses for these ships are recorded in operating expenses. Earnings from partially owned ships are included in the Company's joint venture, Marbulk. Algoma does not incur selling expenses on ocean self-unloader business, but instead pays a commercial fee to the Pool manager, which is reflected as an operating expense.

Revenues in the Ocean Self-Unloader segment increased by $6,033 in the 2019 second quarter and by $10,568 for the six months ended June 30, 2019 compared to the same periods in the prior year. Pool performance continues to be strong with growing customer demand. Despite having one vessel on dry-dock during the second quarter in both 2019 and 2018, revenue days increased 19% as a result of the acquisition of three vessels that entered into operation in June. Although these vessels did not operate for the full quarter, they have already proven to be strong additions to the fleet. The increase was partially offset by the costs associated with the Algoma Integrity being on dry-dock for the full quarter resulting in a lower share of earnings from the Pool. The year to date increase in revenue reflects a 15% increase in revenue days as a result of the additional three vessels in operations compared to last year and higher fuel recoveries.

Operating expenses increased by $2,147 in the 2019 second quarter and by $6,102 in the six months ended June 30, 2019 compared the same periods in 2018. Although dry-dockings were undertaken in both the second quarter of 2019 and 2018, operating days increased by 15% compared to last year as a result of the acquisition of the three vessels.

During the second quarter the Company's Marbulk joint venture formally withdrew its remaining vessel from the Pool. As a result of the withdrawal there was a compensation payment of $2,989 made to the joint venture. This vessel currently operates under a time charter in Indonesia.

The increase in depreciation and amortization in the 2019 second quarter and the six months ended June 30, 2019 reflects the addition of the three vessels to operations.

During the second quarter, the Company acquired three vessels from Oldendorff Carriers GmbH & Co. for $133,363. These three vessels were operating in the CSLI Pool at the time of acquisition and it is the Company's intention to leave the vessels in the Pool. The Company is currently reviewing the accounting treatment of these acquisitions and has accounted for these acquisitions as vessel additions on a preliminary basis.

EBITDA for Ocean Self-Unloaders was $13,303 in the 2019 second quarter, an increase of 68% when compared to the same period in 2018. EBITDA for the six months ended June 30, 2019 was $20,143, an increase of 42% compared to the prior year. EBITDA is determined as follows:

For the periods ended June 30	Three Months Ended 2019	2018	Six Months Ended 2019	2018
Net earnings	**$ 5,183**	$ 2,802	**$ 5,886**	$ 4,268
Adjustments to net earnings:				
Depreciation and amortization	**6,494**	4,735	**11,915**	9,260
Income tax recovery	**(2)**	(5)	**(4)**	(4)
Joint Venture:				
Depreciation and amortization	**741**	461	**1,259**	920
Interest expense	**175**	177	**348**	351
Foreign exchange (gain) loss	**298**	(307)	**599**	(698)
Income tax expense	**65**	75	**140**	112
EBITDA	**$ 13,303**	$ 7,938	**$ 20,143**	$ 14,209

Global Short Sea Shipping

Financial Results Overview

For the periods ended June 30	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Revenue	**$ 62,471**	$ 53,027	**$ 124,153**	$ 117,675
Operating expenses	**(51,604)**	(39,505)	**(104,215)**	(94,988)
Selling, general and administrative	**(2,254)**	(3,495)	**(4,569)**	(4,592)
	8,613	10,027	**15,369**	18,095
Depreciation and amortization	**(7,530)**	(4,951)	**(14,023)**	(7,660)
Gain on sale of vessels	**2,021**	—	**3,195**	—
Interest expense	**(3,022)**	(1,675)	**(6,003)**	(2,694)
Foreign exchange loss	**(124)**	(199)	**(36)**	(455)
Other income	**—**	107	**—**	107
(Loss) earnings before undernoted	**(42)**	3,309	**(1,498)**	7,393
Income tax expense	**(11)**	(108)	**(66)**	(315)
Net earnings of joint ventures	**516**	1,209	**975**	1,636
Net earnings attributable to non-controlling interest	**505**	—	**859**	—
Net earnings	**$ 968**	$ 4,410	**$ 270**	$ 8,714
Company share of net earnings above	**$ 484**	$ 2,205	**$ 135**	$ 4,357
Amortization of vessel purchase price allocation and intangibles	**(126)**	(121)	**(251)**	(391)
Company share included in net earnings (loss) of joint ventures	**$ 358**	$ 2,084	**$ (116)**	$ 3,966

The figures above reflect 100% of the joint ventures in the Global Short Sea Shipping segment. The Company's 50% share of net earnings, adjusted for amortization arising from vessel purchase price allocation and intangibles, is included in net earnings of joint ventures in our Interim Condensed Consolidated Statement of Earnings.

Revenue increased in the 2019 second quarter by 18% and by 6% for the six months ended June 30, 2019 compared to the same periods in 2018. The increase for the quarter was a result of the addition of six vessels to the cement fleet and five owned mini-bulkers in the short sea fleet. This was partially offset by a decrease in managed vessels in the short sea fleet compared to last year. There was no revenue in 2018 from the handy-size fleet as the business did not commence until the third quarter. In the 2019 second quarter there were five vessels operating in this fleet. The year to date increase was due to the larger cement fleet and the addition of the handy-size fleet offset by lower revenue in the short sea fleet as a result of the decline in commercially managed vessels compared to last year.

Operating expenses increased in the 2019 second quarter by 31% and by 10% for the six months ended June 30, 2019. During the quarter the increase was a result of a dry-docking for five vessels and the re-positioning of one vessel in the cement carrier fleet, the addition of the five handy-size vessels and an increase in chartered vessels in the short sea carrier fleet. The year to date increase was primarily a result of the higher number of vessels operating in both the cement and handy-size fleet, offset by fewer managed vessels in the short sea carrier fleet.

Depreciation and amortization for the second quarter of 2019 was $7,530 and was $14,023 for the six months ended June 30, 2019, increases of 52% and 83%, respectively, compared to the same periods in 2018. The increase for both periods was a result of the additional vessels in the cement carrier fleet, the increase in owned vessel in the short sea carrier fleet plus the addition of the handy-size fleet. The addition of these ships also resulted in increased interest expense on related vessel financings.

The short sea carrier fleet recorded a gain of $2,021 on the sale of two vessels in late June, 2019.

Investment Properties

The Company owns a shopping centre and an apartment building located in Sault Ste. Marie, Ontario.

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2019**	2018	**2019**	2018
Revenue	**$ 2,293**	$ 2,501	**$ 4,947**	$ 5,804
Operating expenses	**(1,539)**	(1,712)	**(3,485)**	(3,674)
	754	789	**1,462**	2,130
Depreciation	**(657)**	(676)	**(1,333)**	(1,472)
Income tax recovery (expense)	**31**	(22)	**22**	(166)
Net earnings	**$ 128**	$ 91	**$ 151**	$ 492

Corporate

The Corporate segment consists of revenue from management services to third parties, head office expenditures and other administrative expenses of the Company. Revenues are also generated from rental income provided by third party tenants in the Company's head office building. Operating expenses include the operating costs of that office building.

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2019**	2018	**2019**	2018
Revenue	**$ 829**	$ 387	**$ 1,664**	$ 1,132
Operating expenses	**(230)**	(118)	**(467)**	(245)
Selling, general and administrative	**(2,390)**	(3,239)	**(6,840)**	(6,118)
	(1,791)	(2,970)	**(5,643)**	(5,231)
Depreciation	**(240)**	(223)	**(481)**	(483)
Foreign currency gain (loss)	**1,534**	(2,124)	**(604)**	1,583
Interest, net	**(4,523)**	(3,084)	**(7,825)**	(4,484)
Income tax recovery	**1,906**	3,403	**5,901**	2,133
Net loss	**$ (3,114)**	$ (4,998)	**$ (8,652)**	$ (6,482)

Consolidated

For the periods ended June 30	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Revenue	**$ 159,169**	$ 139,442	**$ 231,022**	$ 199,930
Operating expenses	**(107,739)**	(95,815)	**(182,350)**	(157,870)
Selling, general and administrative	**(6,711)**	(7,123)	**(15,581)**	(14,276)
	44,719	36,504	**33,091**	27,784
Depreciation and amortization	**(16,636)**	(13,969)	**(31,600)**	(26,684)
Interest expense	**(4,859)**	(3,353)	**(8,584)**	(5,034)
Interest income	**336**	269	**759**	550
Foreign currency gain (loss)	**1,534**	(4,952)	**(604)**	3,339
Income tax (expense) recovery	**(4,203)**	(2,622)	**6,230**	902
Earnings of joint ventures	**1,223**	2,568	**21**	4,446
Net earnings (loss)	**$ 22,114**	$ 14,445	**$ (687)**	$ 5,303

Interest Expense

For the periods ended June 30	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Interest expense on borrowings	**$ 4,606**	$ 4,595	**$ 8,334**	$ 8,886
Amortization of financing costs	**278**	287	**559**	573
Interest on employee future benefits, net	**195**	71	**390**	143
Interest capitalized on vessels under construction	**(220)**	(1,600)	**(699)**	(4,568)
	$ 4,859	$ 3,353	**$ 8,584**	$ 5,034

Net interest expense increased by $1,506 in the 2019 second quarter and by $3,550 for the six months ended June 30, 2019 compared to the same periods in 2018. Capitalized interest in 2019 relates to the construction of one vessel. Capitalized interest for 2018 relates to the construction of five vessels, subsequently cancelled.

Foreign Currency Gain (Loss)

For the periods ended June 30	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Gain (loss) on foreign denominated cash	**$ 1,534**	$ (2,254)	**$ 1,171**	$ 1,453
Gain on return of capital from foreign subsidiary	**—**	130	**—**	130
Foreign exchange loss on contract cancellation receivable	**—**	—	**(1,775)**	—
Unrealized (loss) gain on foreign exchange forward contracts	**—**	(2,828)	**—**	1,756
	$ 1,534	$ (4,952)	**$ (604)**	$ 3,339

Income Tax Provision

For the periods ended June 30	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Loss before income tax and net loss of joint ventures	**$ 25,094**	$ 14,499	**$ (6,938)**	$ (45)
Expected income tax (expense) recovery	**$ (6,650)**	$ (3,842)	**$ 1,839**	$ 12
(Increase) decrease in expense resulting from:				
Effect of items that are not (deductible) taxable	**10**	(112)	**241**	321
Foreign tax rates different from Canadian statutory rate	**1,118**	770	**1,499**	1,007
Adjustments to prior period provision	**1,301**	—	**2,720**	(554)
Other	**18**	562	**(69)**	116
Actual tax (expense) recovery	**$ (4,203)**	$ (2,622)	**$ 6,230**	$ 902

Earnings from the Company's foreign subsidiaries are taxed in jurisdictions which have nil income tax rates. The Canadian statutory rate for the Company for both 2019 and 2018 was 26.5%. Any variation in the effective income tax rate from the statutory income tax rate is due mainly to the lower income tax rates applicable to foreign subsidiaries, the effect of taxable and non-taxable items that may or may not be included in earnings and changes to income tax provisions related to prior periods.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

Net inflow (outflow) of cash related to the following activities:

	Six Months Ended	
For the periods ended June 30	**2019**	2018
Net (loss) earnings	**$ (687)**	$ 5,303
Operating activities	**$ 36,596**	$ 19,415
Investing activities	**$ (143,660)**	$ (74,209)
Financing activities	**$ 110,769**	$ (5,328)

Operating Activities

Net cash generated from operating activities for the six months ended June 30, 2019 was $36,596 compared to cash generated of $19,415 in the same period in 2018. This was mainly as a result of a significantly higher net change in non-cash working capital.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2019 was primarily used for issuing a special dividend to shareholders, the purchase of five vessels and investments in Global Short Sea Shipping.

Financing Activities

Net cash from financing activities relates to increased proceeds on long-term debt used for capital purchases.

Capital Resources

The Company has cash on hand of $26,670 at June 30, 2019. Available credit facilities along with projected cash from operations for 2019 are expected to be more than sufficient to meet the Company's planned operating and capital requirements and other contractual obligations for the year.

The Company maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. The Company's bank credit facility (the "Facility") expires June 21, 2021 and comprises a $50 million Canadian dollar and a $100 million U.S. dollar senior secured revolving bank credit facility provided by a syndicate of seven banks. The Facility bears interest at rates that are based on the Company's ratio of senior debt to earnings before interest, taxes, depreciation and amortization and ranges from 150 to 275 basis points above bankers' acceptance or LIBOR rates. The Company has granted a general security agreement in favour of the senior secured lenders and has granted specific collateral mortgages covering its wholly owned vessels. The Company's real estate assets and vessels that are not wholly owned are not directly encumbered under this Facility.

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 Notes. As at June 30, 2019, the Company was in compliance with all of its covenants.

Normal Course Issuer Bid

During the second quarter of 2019 and during the six months ended June 30, 2019, 212,500 and 227,900 shares, respectively, were purchased for cancellation.

Contingencies

For information on contingencies, please refer to Note 30 of the consolidated financial statements for the years ending December 31, 2018 and 2017. There have been no significant changes in the items presented since December 31, 2018.

Transactions with Related Parties

The Company's ultimate controlling party is The Honourable Henry N. R. Jackman, together with a trust created in 1969 by his father, Henry R. Jackman.

There were no transactions with related parties for the three months ended June 30, 2019.

New Accounting Standards Applied

Leases

Effective January 1, 2019, the Company adopted *IFRS 16 - Leases* (IFRS 16), which supersedes *IAS 17 - Leases* (IAS 17) and its interpretive guidance.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Right-of-use assets and lease liabilities will be amortized and accreted with a different pattern of expense being recognized in the statement of earnings.

The Company applied this standard using a modified retrospective approach using the following practical expedients:

- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- For contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4 - Determining Whether an Arrangement Contains a Lease

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate of 5.95% as of January 1, 2019.

The associated right-of-use asset was measured at an amount equal to the lease liability. There were no onerous lease contracts requiring an adjustment to the right-of-use assets at the date of initial application.

The Company's leasing activities

The Company leases property in the form of offices and warehouses. Rental contracts are typically for fixed periods from 5 years, but may have extension options. Where the Company is reasonably certain to extend the option, it is included in the term of the lease. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

The Company may from time to time enter into short term leases of vessels or tankers which are limited to a maximum of 12 months. Payments associated with short term leases are recognized on a straight-line basis as an expense in the interim condensed consolidated statement of earnings, in line with the practical expedient in the standard.

Prior to adoption of IFRS 16, all leases were classified as operating leases, which were charged to the interim condensed consolidated statement of earnings on a straight-line basis over the period of the lease. From January 1, 2019, leases are recognized in full on the interim condensed consolidated balance sheet with a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period producing a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Lease liabilities include the net present value of fixed payments and any variable payments which are based on an index, discounted using the Company's incremental borrowing rate. Right-of-use assets are measured at the amount of the initial lease liability and adjusted for prepaid lease payments, initial direct costs and restoration costs, if applicable.

Some property leases contain variable payment terms for the Common Area Maintenance which is recorded directly to the interim condensed consolidated statement of earnings.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

In accordance with the requirements of National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2019. Under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, management has concluded that the Company's disclosure controls and procedures were effective as of June 30, 2019.

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.

Management has used the criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's internal controls over financial reporting. Based on this assessment, management has concluded that the Company's internal controls over financial reporting are operating effectively as of June 30, 2019.

Changes in Internal Controls over Financial Reporting

During the three months ended June 30, 2019, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Contractual Obligations

The table below provides aggregate information about the Company's contractual obligations as at June 30, 2019 that affect the Company's liquidity and capital resource needs.

	2019	2020	2021	2022	2023 and Beyond
Long-term debt including equity component	$ 155,971	$ 136	$ 173,295	$ 150	$ 87,697
Capital asset commitments	10,509	25,467	21,044	—	—
Interest payments on long-term debt	8,034	13,751	9,580	4,581	6,557
	$ 174,514	$ 39,354	$ 203,919	$ 4,731	$ 94,254

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2019 and 2018

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, 2019 and 2018 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 Statement of Earnings

For the periods ended June 30	Notes	Three Months Ended 2019		Three Months Ended 2018		Six Months Ended 2019		Six Months Ended 2018
(unaudited, in thousands of dollars, except per share data)								
Revenue	4	**$**	**159,169**	$	139,442	**$**	**231,022**	$ 199,930
Expenses								
Operations			**(107,739)**		(95,815)		**(182,350)**	(157,870)
Selling, general and administrative			**(6,711)**		(7,123)		**(15,581)**	(14,276)
			(114,450)		(102,938)		**(197,931)**	(172,146)
			44,719		36,504		**33,091**	27,784
Depreciation and amortization			**(16,636)**		(13,969)		**(31,600)**	(26,684)
Interest expense	6		**(4,859)**		(3,353)		**(8,584)**	(5,034)
Interest income			**336**		269		**759**	550
Foreign currency gain (loss)	7		**1,534**		(4,952)		**(604)**	3,339
			25,094		14,499		**(6,938)**	(45)
Income Tax (Expense) Recovery	8		**(4,203)**		(2,622)		**6,230**	902
Net Earnings of Joint Ventures	5		**1,223**		2,568		**21**	4,446
Net Earnings (Loss)		**$**	**22,114**	$	14,445	**$**	**(687)**	$ 5,303
Basic earnings (loss) per share	16	**$**	**0.58**	$	0.38	**$**	**(0.02)**	$ 0.14
Diluted earnings (loss) per share	16	**$**	**0.55**	$	0.36	**$**	**(0.02)**	$ 0.14

Interim Condensed Consolidated Statement of Comprehensive Earnings

For the periods ended June 30 (unaudited, in thousands of dollars)	Three Months Ended 2019		Three Months Ended 2018		Six Months Ended 2019		Six Months Ended 2018
Net Earnings (Loss)	**$**	**22,114**	$	14,445	**$**	**(687)**	$ 5,303
Other Comprehensive (Loss) Earnings							
Items that may be subsequently reclassified to net earnings:							
Unrealized (loss) gain on translation of financial statements of foreign operations		**(10,569)**		6,831		**(17,860)**	14,875
Unrealized gain (loss) on hedging instruments, net of income tax		**2,590**		(2,835)		**4,405**	(3,649)
Foreign exchange gain on purchase commitment hedge reserve, net of income tax, transferred to:							
Net loss		**—**		—		**—**	(2,852)
Property, plant, and equipment		**—**		(30)		**—**	(63)
Items that will not be subsequently reclassified to net earnings:							
Employee future benefits actuarial (loss) earnings, net of income tax		**(6,190)**		1,912		**(8,865)**	675
		(14,169)		5,878		**(22,320)**	8,986
Comprehensive Earnings (Loss)	**$**	**7,945**	$	20,323	**$**	**(23,007)**	$ 14,289

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheet

As at (unaudited, in thousands of dollars)	Notes	June 30 2019	December 31 2018
Assets			
Current			
Cash		**$ 26,670**	$ 25,539
Accounts receivable		**82,089**	72,714
Income taxes recoverable		**24,550**	18,826
Other current assets	9	**19,188**	82,908
		152,497	199,987
Employee future benefits		**—**	2,452
Property, plant, and equipment	10	**892,207**	726,251
Goodwill and intangible assets	11	**13,754**	15,653
Investment in joint ventures	5	**152,867**	153,289
Other assets	12	**14,646**	14,261
		$ 1,225,971	$ 1,111,893
Liabilities			
Current			
Accounts payable and accrued charges		**$ 84,682**	$ 67,032
Current portion of long-term debt	15	**156,038**	130
Income taxes payable		**4,795**	7,343
Other current liabilities	13	**4,897**	796
		250,412	75,301
Other long-term liabilities	14	**337**	3,296
Deferred income taxes		**46,499**	48,430
Employee future benefits		**33,794**	23,853
Long-term debt	15	**254,894**	258,458
		335,524	334,037
Commitments	19		
Shareholders' Equity			
Share capital	16	**8,193**	8,240
Contributed surplus		**5,845**	8,839
Convertible debentures		**2,309**	2,309
Accumulated other comprehensive loss	17	**(24,300)**	(10,845)
Retained earnings		**647,988**	694,012
		640,035	702,555
		$ 1,225,971	$ 1,111,893

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

(unaudited, in thousands of dollars)	Share Capital	Contributed Surplus and Convertible Debentures	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	(Note 16)		(Note 17)		
Balance at December 31, 2017	$ 8,268	$ 13,012	$ (23,507)	$ 665,293	$ 663,066
Net earnings	—	—	—	5,303	5,303
Dividends	—	—	—	(7,322)	(7,322)
Repurchase and cancellation of common shares	(11)	(822)	—	—	(833)
Other comprehensive earnings	—	—	8,311	675	8,986
Balance at June 30, 2018	$ 8,257	$ 12,190	$ (15,196)	$ 663,949	$ 669,200
Balance at December 31, 2018	$ 8,240	$ 11,148	$ (10,845)	$ 694,012	$ 702,555
Net loss	—	—	—	(687)	(687)
Dividends	—	—	—	(36,472)	(36,472)
Repurchase and cancellation of common shares	(47)	(2,994)	—	—	(3,041)
Other comprehensive loss	—	—	(13,455)	(8,865)	(22,320)
Balance at June 30, 2019	**$ 8,193**	**$ 8,154**	**$ (24,300)**	**$ 647,988**	**$ 640,035**

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30 (unaudited, in thousands of dollars)	Notes	2019	2018
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net (loss) earnings		**$ (687)**	$ 5,303
Earnings of joint ventures	5	**(21)**	(4,446)
Items not affecting cash			
Depreciation and amortization		**31,600**	26,684
Gain on sale of assets		**(1,917)**	(3,784)
Other		**2,199**	247
Net change in non-cash operating working capital		**7,976**	982
Income taxes paid		**(1,436)**	(3,690)
Employee future benefits paid		**(1,118)**	(1,881)
Net cash generated from operating activities		**36,596**	19,415
Investing			
Additions to property, plant, and equipment	18	**(202,190)**	(32,031)
Cancellation refunds received		**66,242**	—
Distributions received from joint ventures	5	**2,078**	8,876
Investment in joint ventures	5	**(7,487)**	(52,322)
Compensation payments to other pool members for retired vessels		**(5,382)**	(3,239)
Interest received		**1,111**	198
Proceeds on sale of property, plant, and equipment		**1,968**	4,309
Net cash used in investing activities		**(143,660)**	(74,209)
Financing			
Interest paid		**(7,898)**	(9,005)
Proceeds of long-term debt		**163,907**	83,090
Repayments on long-term debt		**(6,620)**	(71,450)
Repurchase of common shares		**(3,042)**	(820)
Dividends paid		**(35,578)**	(7,143)
Net cash generated from (used in) financing activities		**110,769**	(5,328)
Net Change in Cash		**3,705**	(60,122)
Effects of Exchange Rate Changes on Cash Held in Foreign Currencies		**(2,574)**	1,227
Cash, Beginning of Period		**25,539**	68,860
Cash, End of Period		**$ 26,670**	$ 9,965

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 months ended June 30, 2019 and 2018 comprise the Company, its subsidiaries and the Company's interest in associated and jointly controlled entities.

The principal subsidiaries are Algoma Shipping Ltd., 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%), NovaAlgoma Short-Sea Holdings Ltd. (50%) and NovaAlgoma Bulk 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 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 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 iron ore, grain, 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 eight ocean-going self-unloading vessels, a 50% interest in a ninth self-unloader and a 25% interest in a specialized ocean vessel. 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, NovaAlgoma Short-Sea Holdings Ltd. and NovaAlgoma Bulk Holdings Ltd.

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, 2018 and 2017, except as described in Note 3. The financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2018 and 2017.

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

The interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on August 7, 2019.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

APPLIED

Leases

Effective January 1, 2019, the Company adopted *IFRS 16 - Leases* (IFRS 16), which supersedes *IAS 17 - Leases* (IAS 17) and its interpretive guidance.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Right-of-use assets and lease liabilities will be amortized and accreted with a different pattern of expense being recognized in the statement of earnings.

The Company applied this standard using a modified retrospective approach using the following practical expedients:

- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- For contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4 - Determining Whether an Arrangement Contains a Lease

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate of 5.95% as of January 1, 2019.

The associated right-of-use asset was measured at an amount equal to the lease liability. There were no onerous lease contracts requiring an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- Right-of-use asset - increase by $429
- Lease liability - increase by $429

The Company's leasing activities

The Company leases property in the form of offices and warehouses. Rental contracts are typically for fixed periods from 5 years, but may have extension options. Where the Company is reasonably certain to extend the option, it is included in the term of the lease. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

The Company may from time to time enter into short term leases of vessels or tankers which are limited to a maximum of 12 months. Payments associated with short term leases are recognized on a straight-line basis as an expense in the interim condensed consolidated statement of earnings, in line with the practical expedient in the standard.

Prior to adoption of IFRS 16, all leases were classified as operating leases, which were charged to the interim condensed consolidated statement of earnings on a straight-line basis over the period of the lease. From January 1, 2019, leases are recognized in full on the interim condensed consolidated balance sheet with a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period producing a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Lease liabilities include the net present value of fixed payments and any variable payments which are based on an index, discounted using the Company's incremental borrowing rate. Right-of-use assets are measured at the amount of the initial lease liability and adjusted for prepaid lease payments, initial direct costs and restoration costs, if applicable.

Some property leases contain variable payment terms for the Common Area Maintenance which is recorded directly to the interim condensed consolidated statement of earnings.

The Company reports its right-of-use asset and lease liability as part of other assets and liabilities on the interim condensed consolidated balance sheet. The tables below show continuity schedules of the right-of-use asset and lease liability:

(unaudited, in thousands of dollars)		2019
Right-of-use asset at January 1	$	429
Additions		24
Depreciation		(36)
Effect of foreign currency exchange differences		(14)
Right-of-use asset at June 30	**$**	**403**

(unaudited, in thousands of dollars)		2019
Lease liability at January 1	$	429
Additions		24
Interest accretion		12
Payments		(32)
Effect of foreign currency exchange differences		(29)
Lease liability at June 30	**$**	**404**

Depreciation expense for the right-of-use assets is recognized within depreciation and amortization expenses while interest expense for the lease liabilities is recognized within interest expense in the interim condensed consolidated statement of earnings. For the six months ended June 30, 2019, these amounts correspond to the depreciation of $36 and the interest accretion of $12 reported in the tables above.

Shown below is a table detailing the components of all cash payments relating to leases following the adoption of IFRS 16:

For the period ended June 30 (unaudited, in thousands of dollars)		2019
Payments - short term leases	$	15,100
Payments per IFRS 16		32
Non-lease components per IFRS 16		30
Total cash payments	**$**	**15,162**

Shown below is a maturity analysis of the lease liabilities:

As at June 30 (unaudited, in thousands of dollars)		2019
Within 1 year	$	67
Within 1 to 5 years		168
Over 5 years		169
Total lease liabilities	**$**	**404**

4. REVENUE

Disaggregated revenue by segment is as follows:

For the three months ended June 30 (unaudited, in thousand of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
2019						
Contract of Affreightment	$ 83,918	$ 10	$ —	$ —	$ —	$ 83,928
Time Charter	2,905	39,933	—	—	—	42,838
Pool Revenue Share	—	—	29,130	—	—	29,130
Other	151	—	—	2,293	829	3,273
	$ 86,974	**$ 39,943**	**$ 29,130**	**$ 2,293**	**$ 829**	**$ 159,169**
2018						
Contract of Affreightment	$ 87,853	$ 815	$ —	$ —	$ —	$ 88,668
Time Charter	1,652	22,698	—	—	—	24,350
Pool Revenue Share	—	—	23,097	—	—	23,097
Other	439	—	—	2,501	387	3,327
	$ 89,944	$ 23,513	$ 23,097	$ 2,501	$ 387	$ 139,442

For the six months ended June 30 (unaudited, in thousand of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
2019						
Contract of Affreightment	$ 92,720	$ 10	$ —	$ —	$ —	$ 92,730
Time Charter	11,853	67,003	—	—	—	78,856
Pool Revenue Share	—	—	52,569	—	—	52,569
Other	254	2	—	4,947	1,664	6,867
	$ 104,827	**$ 67,015**	**$ 52,569**	**$ 4,947**	**$ 1,664**	**$ 231,022**
2018						
Contract of Affreightment	$ 96,823	$ 815	$ —	$ —	$ —	$ 97,638
Time Charter	9,967	42,033	—	—	—	52,000
Pool Revenue Share	—	—	42,001	—	—	42,001
Other	1,355	—	—	5,804	1,132	8,291
	$ 108,145	$ 42,848	$ 42,001	$ 5,804	$ 1,132	$ 199,930

The Company's contract assets and liabilities are as follows:

As at (unaudited, in thousands of dollars)	**June 30 2019**	December 31 2018
Contract assets		
Unbilled revenue	**$ 13,006**	$ 4,475

As at (unaudited, in thousands of dollars)	**June 30 2019**	December 31 2018
Contract liabilities		
Deferred revenue	**$ 948**	$ 1,045

5. JOINT VENTURES

The Company has a 50% interest in Marbulk Canada Inc. ("Marbulk"), which owns and operates ocean-going vessels, a 50% interest in NovaAlgoma Cement Carriers Limited ("NACC"), which owns and operates pneumatic cement carriers to support infrastructure projects worldwide, a 50% interest in NovaAlgoma Short-Sea Holdings Ltd. ("NASH"), which owns and manages a fleet of short sea mini-bulkers operating in global markets, and a 50% interest in NovaAlgoma Bulk Holdings Ltd. ("NABH"), which owns and operates a small fleet of handy-size mini-bulkers.

Operating results of the Company's joint ventures are as follows:

For the three months ended June 30 (unaudited, in thousands of dollars)	**2019**		2018	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 2,652**	**$ 62,471**	$ 3,126	$ 53,027
Operating expenses	**(1,158)**	**(51,604)**	(1,220)	(39,505)
Gain on sale of vessels	**—**	**2,021**	—	—
General and administrative	**(198)**	**(2,254)**	(127)	(3,495)
Depreciation and amortization	**(1,481)**	**(7,530)**	(922)	(4,951)
Interest expense	**(350)**	**(3,022)**	(353)	(1,675)
Foreign exchange gain (loss)	**(595)**	**(124)**	613	(199)
Compensation for pool vessel retirement	**2,989**	**—**	—	—
Other income (expenses)	**—**	**—**	—	107
Earnings (loss) before undernoted	**1,859**	**(42)**	1,117	3,309
Net earnings of joint ventures	**—**	**516**	—	1,209
Net earnings attributable to non-controlling interest	**—**	**505**	—	—
Income tax (expense) recovery	**(129)**	**(11)**	(150)	(108)
Net earnings	**$ 1,730**	**$ 968**	$ 967	$ 4,410
Company share of net earnings	**$ 865**	**$ 484**	$ 484	$ 2,205
Amortization of vessel purchase price allocation and intangibles	**—**	**(126)**	—	(121)
Company share included in net earnings of joint ventures	**$ 865**	**$ 358**	$ 484	$ 2,084

The Company's total share of net earnings of the jointly controlled operations by segment are as follows:

For the three months ended June 30 (unaudited, in thousands of dollars)	**2019**	2018
Ocean Self-Unloaders	**$ 865**	$ 484
Global Short Sea Shipping	**358**	2,084
	$ 1,223	$ 2,568

For the six months ended June 30 (unaudited, in thousands of dollars)	2019		2018	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 5,182**	**$ 124,153**	$ 5,390	$ 117,675
Operating expenses	**(2,896)**	**(104,215)**	(2,700)	(94,988)
Gain on sale of vessels	**—**	**3,195**	—	—
General and administrative	**(312)**	**(4,569)**	(360)	(4,592)
Depreciation and amortization	**(2,517)**	**(14,023)**	(1,839)	(7,660)
Interest expense	**(696)**	**(6,003)**	(702)	(2,694)
Foreign exchange (loss) gain	**(1,197)**	**(36)**	1,395	(455)
Compensation for pool vessel retirement	**2,989**	**—**	—	—
Other (expenses) income	**—**	**—**	—	107
(Loss) earnings before undernoted	**553**	**(1,498)**	1,184	7,393
Net earnings of joint ventures	**—**	**975**	—	1,636
Net earnings attributable to non-controlling interest	**—**	**859**	—	—
Income tax (expense) recovery	**(279)**	**(66)**	(224)	(315)
Net (loss) earnings	**$ 274**	**$ 270**	$ 960	$ 8,714
Company share of net (loss) earnings	**$ 137**	**$ 135**	$ 480	$ 4,357
Amortization of vessel purchase price allocation and intangibles	**—**	**(251)**	—	(391)
Company share included in net (loss) earnings of joint ventures	**$ 137**	**$ (116)**	$ 480	$ 3,966

The Company's total share of net (loss) earnings of the jointly controlled operations by segment are as follows:

For the six months ended June 30 (unaudited, in thousands of dollars)	2019	2018
Ocean Self-Unloaders	**$ 137**	$ 480
Global Short Sea Shipping	**(116)**	3,966
	$ 21	$ 4,446

The assets and liabilities of the joint ventures by segment are as follows:

As at (unaudited, in thousands of dollars)	June 30, 2019		December 31, 2018	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Cash	**$ 10,323**	**$ 6,319**	$ 6,472	$ 18,171
Other current assets	**830**	**45,284**	1,518	53,524
Income taxes recoverable	**50**	**24**	52	25
Property, plant, and equipment	**29,481**	**431,938**	32,666	439,741
Investment in joint ventures	**—**	**18,319**	—	17,974
Intangible assets	**—**	**1,146**	624	61
Other assets	**—**	**30,393**	—	18,046
Current liabilities	**(1,768)**	**(62,003)**	(2,410)	(57,851)
Due to owners	**(29,192)**	**—**	(30,588)	—
Long-term debt	**—**	**(201,638)**	—	(226,061)
Other long-term liabilities	**(236)**	**(18,622)**	—	(11,141)
Deferred income taxes	**—**	**(602)**	—	(598)
Non-controlling interest	**—**	**(1,406)**	—	(2,345)
Net assets of jointly controlled operations	**$ 9,488**	**$ 249,152**	$ 8,334	$ 249,546
Company share of net assets	**$ 4,689**	**$ 124,576**	$ 4,167	$ 124,773
Goodwill and other purchase price adjustments	**—**	**23,602**	—	24,349
Company share of joint venture	**$ 4,689**	**$ 148,178**	$ 4,167	$ 149,122

The Company's net investment in the jointly controlled operations by segment are as follows:

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Ocean Self-Unloaders	**$ 4,689**	$ 4,167
Global Short Sea Shipping	**148,178**	149,122
	$ 152,867	$ 153,289

The Company's cash flows from joint ventures by segment are as follows:

For the six months ended June 30 (unaudited, in thousands of dollars)	2019		2018	
	Distributions received	**Investment in joint ventures**	Distributions received	Investment in joint ventures
Ocean Self-Unloaders	**$ —**	**$ —**	$ 1,290	$ (5)
Global Short Sea Shipping	**2,078**	**(7,487)**	7,586	(52,317)
	$ 2,078	**$ (7,487)**	$ 8,876	$ (52,322)

6. INTEREST EXPENSE

The components of interest expense are as follows:

	Three Months Ended		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	**2019**	2018	**2019**	2018
Interest expense on borrowings	**$ 4,606**	$ 4,595	**$ 8,334**	$ 8,886
Amortization of financing costs	**278**	287	**559**	573
Interest on employee future benefits, net	**195**	71	**390**	143
Interest capitalized on vessels under construction	**(220)**	(1,600)	**(699)**	(4,568)
	$ 4,859	$ 3,353	**$ 8,584**	$ 5,034

7. FOREIGN CURRENCY GAIN (LOSS)

The components of net gain (loss) on foreign currency are as follows:

	Three Months Ended		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	**2019**	2018	**2019**	2018
Gain (loss) on foreign denominated cash and debt	**$ 1,534**	$ (2,254)	**$ 1,171**	$ 1,453
Gain on return of capital from foreign subsidiary	**—**	130	**—**	130
Foreign exchange loss on contract cancellation receivable	**—**	—	**(1,775)**	—
Unrealized (loss) gain on foreign exchange forward contracts	**—**	(2,828)	**—**	1,756
	$ 1,534	$ (4,952)	**$ (604)**	$ 3,339

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		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	**2019**	2018	**2019**	2018
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Net earnings (loss) before income tax and earnings of joint ventures	**$ 25,094**	$ 14,499	**$ (6,938)**	$ (45)
Expected income tax (expense) recovery	**$ (6,650)**	$ (3,842)	**$ 1,839**	$ 12
(Increase) decrease in expense resulting from:				
Effect of items that are not (deductible) taxable	**10**	(112)	**241**	321
Foreign tax rates different from Canadian statutory rate	**1,118**	770	**1,499**	1,007
Adjustments to prior period provision	**1,301**	—	**2,720**	(554)
Other	**18**	562	**(69)**	116
	$ (4,203)	$ (2,622)	**$ 6,230**	$ 902

9. OTHER CURRENT ASSETS

The components of other current assets are as follows:

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Materials and supplies	$ 9,506	$ 8,187
Prepaid expenses	9,306	4,401
Loan interest receivable	357	709
Right-of-use assets (Note 3)	19	—
Derivative asset	—	1,571
Contract cancellation receivable	—	68,040
	$ 19,188	$ 82,908

10. PROPERTY, PLANT, AND EQUIPMENT

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

Cost (unaudited, in thousands of dollars)	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Total
Balance at December 31, 2018	$ 17,716	$ 634,248	$ 217,597	$ 260,707	$ 57,833	$ 1,188,101
Additions	43	44,021	23,510	135,872	118	203,564
Disposals	—	(71,935)	—	—	—	(71,935)
Fully depreciated assets no longer in use	—	(2,254)	(533)	—	—	(2,787)
Transfer between segments	—	(407)	407	—	—	—
Effect of foreign currency exchange differences	(2)	—	—	(13,093)	—	(13,095)
Balance at June 30, 2019	**$ 17,757**	**$ 603,673**	**$ 240,981**	**$ 383,486**	**$ 57,951**	**$ 1,303,848**

Accumulated depreciation (unaudited, in thousands of dollars)	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Total
Balance at December 31, 2018	$ 10,856	$ 219,231	$ 107,512	$ 85,883	$ 38,368	$ 461,850
Depreciation expense	455	11,493	6,368	9,456	1,332	29,104
Disposals	—	(71,935)	—	—	—	(71,935)
Fully depreciated assets no longer in use	—	(2,254)	(533)	—	—	(2,787)
Effect of foreign currency exchange differences	—	—	—	(4,591)	—	(4,591)
Balance at June 30, 2019	**$ 11,311**	**$ 156,535**	**$ 113,347**	**$ 90,748**	**$ 39,700**	**$ 411,641**

Net Book Value (unaudited, in thousands of dollars)	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Total
June 30, 2019						
Cost	$ 17,757	$ 603,673	$ 240,981	$ 383,486	$ 57,951	$ 1,303,848
Accumulated depreciation	11,311	156,535	113,347	90,748	39,700	411,641
	$ 6,446	**$ 447,138**	**$ 127,634**	**$ 292,738**	**$ 18,251**	**$ 892,207**
December 31, 2018						
Cost	$ 17,716	$ 634,248	$ 217,597	$ 260,707	$ 57,833	$ 1,188,101
Accumulated depreciation	10,856	219,231	107,512	85,883	38,368	461,850
	$ 6,860	$ 415,017	$ 110,085	$ 174,824	$ 19,465	$ 726,251

During the second quarter, the Company acquired three vessels from Oldendorff Carriers GmbH & Co. for $133,363. These three vessels were operating in the CSLI Pool at the time of acquisition and it is the Company's intention to leave the vessels in the Pool. The Company is currently reviewing the accounting treatment of these acquisitions and has accounted for these acquisitions as vessel additions on a preliminary basis.

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

(unaudited, in thousands of dollars)	Goodwill	Intangible Assets	Total
Balance at January 1, 2018	$ 7,910	$ 7,921	$ 15,831
Additions	—	2,414	2,414
Amortization	—	(3,186)	(3,186)
Effect of foreign currency exchange differences	—	594	594
Balance at December 31, 2018	$ 7,910	$ 7,743	$ 15,653
Additions	—	746	746
Amortization	—	(2,345)	(2,345)
Effect of foreign currency exchange differences	—	(300)	(300)
Balance at June 30, 2019	**$ 7,910**	**$ 5,844**	**$ 13,754**

Goodwill

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

Intangible Assets

The Company owns vessels that participate in a self-unloader ocean-going Pool with unrelated parties. From April 2016 to May 2019 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 two to four years.

12. OTHER ASSETS

Other assets consist of the following:

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Loan receivable from joint venture, interest at 4.98%	**$ 14,244**	$ 14,244
Right-of-use assets (Note 3)	**384**	—
Other	**18**	17
	$ 14,646	$ 14,261

13. OTHER CURRENT LIABILITIES

The components of other current liabilities are as follows:

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Dividends payable	**$ 1,562**	$ 668
Lease obligations (Note 3)	**67**	—
Compensation payable to Pool members	**3,268**	128
	$ 4,897	$ 796

The compensation payable to other Pool members relates to the retirement of three vessels.

14. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Lease obligations (Note 3)	**$ 337**	$ —
Compensation payable to Pool members	**—**	3,296
	$ 337	$ 3,296

15. LONG-TERM DEBT

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Convertible unsecured subordinated debentures, due June 30, 2024, interest at 5.25%	**$ 79,961**	$ 79,749
Senior Secured Notes, due July 19, 2021		
U.S. $75,000, interest fixed at 5.11%	**98,152**	102,315
Canadian $75,000, interest fixed at 5.52%	**75,000**	75,000
Bank Facility, due June 21, 2021		
Prime rate loan, interest at 4.65%, payable on demand	**80,000**	—
Base rate loan, U.S. $8,000, interest at 6.20%, payable on demand	**10,470**	—
LIBOR, U.S. $50,000, interest at 4.11%, due December 4, 2019	**65,435**	—
Mortgage payable, due March 8, 2023, interest at 4.73%	**5,692**	5,756
	414,710	262,820
Less: unamortized financing expenses	**3,778**	4,232
	410,932	258,588
Less: current portion of long-term debt	**156,038**	130
	$ 254,894	$ 258,458

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, 2019 and December 31, 2018 the Company was in compliance with all of its covenants.

16. SHARE CAPITAL

Share capital

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

The Company had 38,193,715 common shares outstanding as at June 30, 2019 (December 31, 2018 - 38,421,615).

At June 30, 2019 and December 31, 2018 there were no preferred shares issued and outstanding.

The Company's Board of Directors on August 7, 2019 authorized payment of a quarterly dividend to shareholders of $0.10 per common share. The dividend is payable on September 3, 2019 to shareholders of record on August 20, 2019.

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	**2019**	2018	**2019**	2018
Net earnings (loss)	**$ 22,114**	$ 14,445	**$ (687)**	$ 5,303
Interest expense on debentures, net of tax	**986**	982	**1,962**	1,953
Net earnings for diluted earnings per share	**$ 23,100**	$ 15,427	**$ 1,275**	$ 7,256
Basic weighted average common shares	**38,324,748**	38,516,882	**38,368,315**	38,533,498
Shares due to dilutive effect of debentures	**3,975,473**	3,900,709	**3,938,091**	3,900,709
Diluted weighted average common shares	**42,300,221**	42,417,591	**42,306,406**	42,434,207
Basic earnings (loss) per common share	**$ 0.58**	$ 0.38	**$ (0.02)**	$ 0.14
Diluted earnings (loss) per common share	**$ 0.55**	$ 0.36	**$ (0.02)**	$ 0.14

Convertible Debentures

The Company's Board of Directors authorized the payment of a special dividend in the amount of $0.75 per common share, which was paid on June 3, 2019. The payment of this special dividend triggered an adjustment of $1.15 to the conversion price of the unsecured debentures, reducing the conversion price per share from $21.15 to $20.00. The lower conversion price resulted in an increase in the quantity of issuable shares under conversion from 3,900,709 to 4,125,000.

Normal Course Issuer Bid

On March 15, 2019, the Toronto Stock Exchange accepted Algoma's notice of intention to renew its normal course issuer bid ("NCIB") to purchase up to 1,920,735 of its common shares, representing approximately 5% of the common shares issued and outstanding as of the close of business on March 7, 2019.

Under the NCIB, the Company may purchase up to 1,000 common shares per day, representing 25% of the average daily trading volume for the previous six months. The Company may buy back common shares anytime during the twelve-month period beginning on March 19, 2019 and ending on March 18, 2020. The stated capital of the common shares of $0.21 per share on the balance sheet equals the approximate paid-up capital amount of the common shares for purposes of the Income Tax Act. The purchase results in a reduction to share capital and a reduction to contributed surplus for the balance of the purchase price and expenses. Both items have been identified separately on the Interim Condensed Consolidated Statement of Changes in Equity.

The Company's previous NCIB, which began on January 29, 2018 and concluded on January 28, 2019, resulted in the repurchase and cancellation of 137,600 common shares.

17. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Hedges			
(unaudited, in thousands of dollars)	Net investment	Purchase commitment	Foreign exchange translation	Total
Balance at December 31, 2017	$ (13,179)	$ 665	$ (10,993)	$ (23,507)
(Loss) gain	(11,677)	1,914	26,865	17,102
Reclassified to earnings	—	(3,284)	—	(3,284)
Reclassified to property, plant, and equipment	—	(72)	—	(72)
Income tax (expense) recovery	(1,861)	777	—	(1,084)
Net (loss) gain	(13,538)	(665)	26,865	12,662
Balance at December 31, 2018	$ (26,717)	$ —	$ 15,872	$ (10,845)
Gain (loss)	5,078	—	(17,860)	(12,782)
Income tax expense	(673)	—	—	(673)
Net gain (loss)	4,405	—	(17,860)	(13,455)
Balance at June 30, 2019	**$ (22,312)**	**$ —**	**$ (1,988)**	**$ (24,300)**

18. SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

The change in additions to property, plant and equipment is as follows:

For the six months ended June 30 (unaudited, in thousands of dollars)	Notes	2019	2018
Additions to property, plant, and equipment	10	**$ (203,564)**	$ (42,696)
Capitalized interest	6	**699**	4,568
Amounts included in working capital		**675**	6,097
		$ (202,190)	$ (32,031)

19. COMMITMENTS

The Company has commitments to construct one gearless bulk carrier and, through its interest in a joint venture, additional six bulk carriers. Payments for the gearless bulk carrier are $4,463 ($3,410 US) in 2019, $7,015 ($5,360 USD) in 2020, and $21,044 ($16,080 USD) in 2021. The Company's share of payments for the other bulk carriers are $6,046 ($4,620 US) in 2019 and $18,453 ($14,100 US) in 2020.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

The Company’s financial instruments that are included in the consolidated balance sheets comprise cash and cash equivalents, accounts receivable, derivative assets, accounts payable and accrued charges, derivative liabilities, dividends payable and long-term debt.

Financial instruments that are measured at fair value are classified into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 and that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair Value

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

As at (unaudited, in thousands of dollars)		**June 30 2019**		December 31 2018
Financial assets carrying and fair value:				
Cash and cash equivalents	**$**	**26,670**	$	25,539
Accounts receivable	**$**	**82,089**	$	72,714
Derivative asset	**$**	**—**	$	1,571
Contract cancellation receivable	**$**	**—**	$	68,040
Loan interest receivable	**$**	**357**	$	709
Other assets	**$**	**14,262**	$	14,261
Financial liabilities carrying and fair value:				
Accounts payable and accrued charges	**$**	**84,682**	$	67,032
Dividends payable	**$**	**1,562**	$	668
Compensation payable to Pool members	**$**	**3,268**	$	3,296
Carrying value of long-term debt	**$**	**414,710**	$	262,820
Fair value of long-term debt	**$**	**423,881**	$	267,287

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.

Liquidity risk

The contractual maturities of non-derivative financial liabilities are as follows:

(in thousands of dollars)		2019		2020		2021		2022		2023 and Beyond		Total
Long-term debt including equity component	$	155,971	$	136	$	173,295	$	150	$	87,697	$	417,249
Capital asset commitments		10,509		25,467		21,044		—		—		57,020
Interest payments on long-term debt		8,034		13,751		9,580		4,581		6,557		42,503
	$	174,514	$	39,354	$	203,919	$	4,731	$	94,254	$	516,772

Foreign currency exchange risk

At June 30, 2019 and December 31, 2018, approximately 42% and 38% respectively of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $8,915 and $10,676 at June 30, 2019 and December 31, 2018, respectively.

The Company has significant commitments due for payment in U.S. dollars. For payments due in U.S. dollars, the Company mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt.

As of December 31, 2018 the Company had U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $14,000 and fair value gain of $1,571). As of June 30, 2019 the Company did not have any U.S. dollar denominated foreign exchange forward contracts outstanding.

21. SEGMENT DISCLOSURES

The Company operates through six segments; Domestic Dry-Bulk, Product Tankers, Ocean Self-Unloaders, Global Short Sea Shipping, Investment Properties and Corporate. 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 by reportable segment.

	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Corporate	Investment Properties	Global Short Sea Shipping	Total
For the three months ended June 30, 2019 (unaudited, in thousands of dollars)							
Revenue	$ 86,974	$ 39,943	$ 29,130	$ 829	$ 2,293	$ —	$ 159,169
Operating expenses	(59,536)	(28,586)	(17,848)	(230)	(1,539)	—	(107,739)
Selling, general and administrative	(2,849)	(1,000)	(472)	(2,390)	—	—	(6,711)
	24,589	10,357	10,810	(1,791)	754	—	44,719
Depreciation and amortization	(6,019)	(3,226)	(6,494)	(240)	(657)	—	(16,636)
Interest, net	—	—	—	(4,523)	—	—	(4,523)
Foreign currency gain	—	—	—	1,534	—	—	1,534
	18,570	7,131	4,316	(5,020)	97	—	25,094
Income tax (expense) recovery	(4,792)	(1,350)	2	1,906	31	—	(4,203)
Net earnings of joint ventures	—	—	865	—	—	358	1,223
Net earnings (loss)	$ 13,778	$ 5,781	$ 5,183	$ (3,114)	$ 128	$ 358	$ 22,114
For the six months ended June 30, 2019 (unaudited, in thousands of dollars)							
Revenue	$ 104,827	$ 67,015	$ 52,569	$ 1,664	$ 4,947	$ —	$ 231,022
Operating expenses	(94,606)	(49,814)	(33,978)	(467)	(3,485)	—	(182,350)
Selling, general and administrative	(5,754)	(2,056)	(931)	(6,840)	—	—	(15,581)
	4,467	15,145	17,660	(5,643)	1,462	—	33,091
Depreciation and amortization	(11,505)	(6,366)	(11,915)	(481)	(1,333)	—	(31,600)
Interest, net	—	—	—	(7,825)	—	—	(7,825)
Foreign currency loss	—	—	—	(604)	—	—	(604)
	(7,038)	8,779	5,745	(14,553)	129	—	(6,938)
Income tax recovery (expense)	2,090	(1,787)	4	5,901	22	—	6,230
Net earnings (loss) of joint ventures	—	—	137	—	—	(116)	21
Net (loss) earnings	$ (4,948)	$ 6,992	$ 5,886	$ (8,652)	$ 151	$ (116)	$ (687)
As at June 30, 2019 (unaudited, in thousands of dollars)							
Assets							
Current assets	$ 70,702	$ 9,075	$ 16,986	$ 47,022	$ 8,712	$ —	$ 152,497
Property, plant, and equipment	447,138	127,634	292,738	6,446	18,251	—	892,207
Goodwill and intangible assets	7,910	—	5,844	—	—	—	13,754
Investment in joint ventures	—	—	4,689	—	—	148,178	152,867
Other assets	21	—	7	14,618	—	—	14,646
	$ 525,771	$ 136,709	$ 320,264	$ 68,086	$ 26,963	$ 148,178	$ 1,225,971
Liabilities							
Current liabilities	$ 54,616	$ 16,069	$ 11,581	$ 11,210	$ 898	$ —	$ 94,374
Current portion of long-term debt	—	—	—	156,038	—	—	156,038
Long-term liabilities	35,603	14,797	74	27,099	3,057	—	80,630
Long-term debt	—	—	—	254,894	—	—	254,894
	90,219	30,866	11,655	449,241	3,955	—	585,936
Shareholders' Equity	435,552	105,843	308,609	(381,155)	23,008	148,178	640,035
	$ 525,771	$ 136,709	$ 320,264	$ 68,086	$ 26,963	$ 148,178	$ 1,225,971

	Domestic Dry-Bulk		Product Tankers		Ocean Self-Unloaders		Corporate		Investment Properties		Global Short Sea Shipping		Total
For the three months ended June 30, 2018 (unaudited, in thousands of dollars)													
Revenue	$	89,944	$	23,513	$	23,097	$	387	$	2,501	$	—	$ 139,442
Operating expenses		(60,109)		(18,175)		(15,701)		(118)		(1,712)		—	(95,815)
Selling, general and administrative		(2,830)		(706)		(348)		(3,239)		—		—	(7,123)
		27,005		4,632		7,048		(2,970)		789		—	36,504
Depreciation and amortization		(6,114)		(2,221)		(4,735)		(223)		(676)		—	(13,969)
Interest, net		—		—		—		(3,084)		—		—	(3,084)
Foreign currency loss		(2,828)		—		—		(2,124)		—		—	(4,952)
		18,063		2,411		2,313		(8,401)		113		—	14,499
Income tax (expense) recovery		(5,391)		(617)		5		3,403		(22)		—	(2,622)
Net earnings of joint ventures		—		—		484		—		—		2,084	2,568
Net earnings (loss)	$	12,672	$	1,794	$	2,802	$	(4,998)	$	91	$	2,084	$ 14,445
For the six months ended June 30, 2018 (unaudited, in thousands of dollars)													
Revenue	$	108,145	$	42,848	$	42,001	$	1,132	$	5,804	$	—	$ 199,930
Operating expenses		(92,692)		(33,383)		(27,876)		(245)		(3,674)		—	(157,870)
Selling, general and administrative		(5,634)		(1,443)		(1,081)		(6,118)		—		—	(14,276)
		9,819		8,022		13,044		(5,231)		2,130		—	27,784
Depreciation and amortization		(10,785)		(4,684)		(9,260)		(483)		(1,472)		—	(26,684)
Interest, net		—		—		—		(4,484)		—		—	(4,484)
Foreign currency gain		1,756		—		—		1,583		—		—	3,339
		790		3,338		3,784		(8,615)		658		—	(45)
Income tax (expense) recovery		(206)		(863)		4		2,133		(166)		—	902
Net earnings of joint ventures		—		—		480		—		—		3,966	4,446
Net earnings (loss)	$	584	$	2,475	$	4,268	$	(6,482)	$	492	$	3,966	$ 5,303

As at December 31, 2018 (unaudited, in thousands of dollars)		Domestic Dry-Bulk		Product Tankers		Ocean Self-Unloaders		Corporate		Investment Properties		Global Short Sea Shipping	Total
Assets													
Current assets	$	57,247	$	8,224	$	15,599	$	111,622	$	7,295	$	—	$ 199,987
Property, plant, and equipment		415,017		110,085		174,824		6,860		19,465		—	726,251
Goodwill and intangible assets		7,910		—		7,743		—		—		—	15,653
Investment in joint ventures		—		—		4,167		—		—		149,122	153,289
Other assets		—		—		6		16,707		—		—	16,713
	$	480,174	$	118,309	$	202,339	$	135,189	$	26,760	$	149,122	$ 1,111,893
Liabilities													
Current liabilities	$	36,756	$	12,412	$	9,717	$	15,171	$	1,115	$	—	$ 75,171
Current portion of long-term debt		—		—		—		130		—		—	130
Long-term liabilities		33,441		15,722		3,715		19,644		3,057		—	75,579
Long-term debt		—		—		—		258,458		—		—	258,458
		70,197		28,134		13,432		293,403		4,172		—	409,338
Shareholders' Equity		409,977		90,175		188,907		(158,214)		22,588		149,122	702,555
	$	480,174	$	118,309	$	202,339	$	135,189	$	26,760	$	149,122	$ 1,111,893

Certain comparative figures have been reclassified to conform to the current year presentation which reflects the measures reviewed by the chief operating decision maker.

22. SHARE-BASED COMPENSATION

The Company maintains a stock option program for certain key employees. Options on common shares are periodically granted to eligible employees under the plan for terms of 5 years and cliff vest on the third anniversary of the grant date. These options provide holders with the right to purchase common shares of the Company at a fixed price equal to the closing market price of the shares on the day prior to the date the options were issued. Under this plan, 1,920,736 common shares have been reserved for future issuance. The outstanding options expire on various dates to March 1, 2024. The following table summarizes the Company's stock option activity and related information for the period ended June 30, 2019 and year ended December 31, 2018.

As at (unaudited, in thousands of dollars, except per share data and number of shares)	**June 30, 2019**		December 31, 2018	
Stock Option Activity	**Number of shares**	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Number outstanding, beginning of period	**250,000**	**$ 15.06**	—	$ —
Granted	**130,000**	**13.15**	250,000	15.06
Forfeited/cancelled	**(150,000)**	**15.06**	—	—
Number outstanding, end of period	**230,000**	**$ 13.98**	250,000	$ 15.06

The following table summarizes information relating to stock options outstanding as at June 30, 2019.

(unaudited, amounts not stated in thousands)	Options outstanding	
Exercise price per share	Number of shares	Remaining contractual life (years)
$13.15	130,000	4.67
$15.06	100,000	3.86

For the period ended June 30, 2019, the Company recognized compensation expense for stock option awards of ($24) (December 31, 2018 - $110). For the period ended June 30, 2019, 130,000 (December 31, 2018 - 250,000) options were granted by the Company at a weighted average fair value of $1.45 per option (December 31, 2018 - $1.98).

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