ALGOMA CENTRAL CORPORATION

INTERIM REPORT TO SHAREHOLDERS

For the Three and Nine Months Ended September 30, 2019 and 2018

Table of Contents

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 nine months ended September 30, 2019 and 2018 and related notes thereto and has been prepared as at November 5, 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.

Ocean Self-Unloaders

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.

Global Short Sea Shipping

Revenue from the Global Short Sea segment, in which we participate via joint ventures, is not included in the consolidated revenue figure. 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.

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 September 30	Three Months Ended 2019	2018	Nine Months Ended 2019	2018
Revenue	**$ 167,901**	$ 158,729	**$ 398,923**	$ 358,658
Net earnings	**$ 21,049**	$ 19,639	**$ 20,362**	$ 24,941
Basic earnings per common share	**$ 0.55**	$ 0.51	**$ 0.53**	$ 0.65
As at September 30				
Common shares outstanding			**38,162,515**	38,460,615
Total assets			**$ 1,210,954**	$ 1,123,573
Total long-term financial liabilities			**$ 388,284**	$ 258,588

Consolidated revenue for the 2019 third quarter was $167,901, an increase of 6% compared to $158,729 in the third quarter 2018 and for the nine months ended September 30, 2019 consolidated revenue was $398,923, an increase of 11% compared to $358,658 reported for the same period in 2018. The increase in revenue for both periods was primarily a result of having additional vessels in operation and improved rates and strong customer demand in both the Product Tanker and Ocean Self-Unloader segments. In the Domestic Dry-Bulk segment, revenue decreased in both periods as a result of the smaller fleet size and vessel out of service time, although this was partially offset by higher freight rates and improved contract terms.

The Global Short Sea Shipping businesses generated revenues of $65,869 in the 2019 third quarter compared to $59,893 for the same period in 2018. For the nine months ended September 30, 2019 revenue was $190,022 compared to $177,568 for the prior year. The Company has a 50% interest in these businesses.

Net earnings for the 2019 third quarter were $21,049, an increase of $1,410 compared to the same period in 2018. Profit was higher in the quarter as a result of an 18% increase in operating income, higher earnings from joint ventures, and a smaller foreign currency loss compared to 2018. The increase was offset by an increase in interest expense.

For the nine months ended September 30, 2019 net earnings were $20,362 a decrease of $4,579 compared to earnings of $24,941 for the same period in 2018. The decrease was a result of higher interest expense and lower earnings from joint ventures. Year to date earnings also included a foreign currency loss of $976 compared to a gain of $1,521 for the same period in 2018. These factors offset improved operating income, which increased 15% over the period.

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 comparable IFRS measure. EBITDA for the 2019 third quarter was $58,448 compared to $49,057 for the same period in 2018. EBITDA for the nine months ended September 30, 2019 was $104,219 compared to $87,922 for the same period in 2018. EBITDA is determined as follows:

For the periods ended September 30	Three Months Ended 2019	2018	Nine Months Ended 2019	2018
Net earnings	**$ 21,049**	$ 19,639	**$ 20,362**	$ 24,941
Adjustments to net earnings:				
Depreciation and amortization	**19,227**	14,243	**50,827**	40,927
Interest, net	**5,557**	2,733	**13,382**	7,217
Foreign currency loss (gain)	**372**	1,819	**976**	(1,521)
Income tax expense	**7,758**	5,050	**1,528**	4,148
Joint ventures				
Interest expense	**1,500**	1,586	**4,849**	3,284
Foreign exchange loss (gain)	**(130)**	60	**487**	(411)
Depreciation	**3,138**	4,092	**11,658**	9,232
Income tax expense	**(23)**	(165)	**150**	105
EBITDA	**$ 58,448**	$ 49,057	**$ 104,219**	$ 87,922

Outlook

The Domestic Dry-Bulk segment is continuing to experience steady improvement in freight rates and improved contract terms and we expect full vessel utilization during the fourth quarter. Two vessels were out of service for an extended period during the third quarter but have since returned to operations.

In the Product Tanker segment, demand is expected to stay strong for the remainder of the year as a result of upcoming refinery turnarounds. To meet this demand our owned fleet is scheduled to be in full utilization and the need to hire outside charters will remain in order to meet customer demand.

In the Ocean Self-Unloaders segment, Pool performance remains strong with steady customer demand and improved rates. The fleet is expected to be in full utilization with the return of the Algoma Integrity from dry-dock.

In the Global Short Sea Shipping segment we expect to see gradual improvements in the mini-bulker fleet and steady demand in the cement and handy-size fleets.

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 3	$ 167,901	$ 21,049	$ 0.55
	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

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 3	$ 548,465	$ 46,364	$ 1.21	$ (0.28)	$ 0.93
	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

* 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.

	2017				2018				2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Gain (loss) on shipbuilding contracts	$ —	$ —	$ —	$ —	$ —	$ —	$ (0.02)	$ 0.15	$ —	$ —	$ —
Impairment (provisions) reversals	—	—	—	—	—	—	—	0.13	—	—	—
Sale of real estate properties	—	0.35	0.28	(0.01)	—	—	—	—	—	—	—
	$ —	$ 0.35	$ 0.28	$ (0.01)	$ —	$ —	$ (0.02)	$ 0.28	$ —	$ —	$ —
Trailing adjustment to EPS				$ 0.62	$ 0.62	$ 0.27	$ (0.03)	$ 0.26	$ 0.26	$ 0.26	$ 0.28

Business Segment Discussion

Domestic Dry-Bulk

Financial Results Overview

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2019**	2018	**2019**	2018
Revenue	**$ 91,716**	$ 100,128	**$ 196,543**	$ 208,272
Operating expenses	**(59,728)**	(67,651)	**(154,334)**	(160,344)
Selling, general and administrative	**(2,751)**	(2,658)	**(8,504)**	(8,292)
	29,237	29,819	**33,705**	39,636
Depreciation and amortization	**(6,398)**	(5,999)	**(17,903)**	(16,785)
Interest, net	**—**	196	**—**	196
Loss on foreign currency forward contracts	**—**	(1,984)	**—**	(228)
Income tax expense	**(6,524)**	(6,183)	**(4,434)**	(6,387)
Net earnings	**$ 16,315**	$ 15,849	**$ 11,368**	$ 16,432

Revenues for the Domestic Dry-Bulk segment decreased by $8,412 in the 2019 third quarter and by $11,729 for the nine months ended September 30, 2019 compared to the same periods in 2018. The decrease for the quarter was due to a 10% decrease in revenue days as a result of having fewer ships operating in the fleet and out of service time on two vessels, offset by 14% higher freight rates on improved contract terms. Additionally, in the 2018 third quarter, the segment experienced significantly higher outside charter freight revenue due to an increase in export ore voyages.

The decrease in revenue for the nine months ended September 30, 2019 was a result of an 10% decrease in revenue days due to the smaller fleet size compared to last year and mechanical issues on other vessels affected availability. The decrease was offset by higher freight rates and an increase in fuel recoveries. Overall volumes were down slightly primarily due to a decrease in volume in the construction and iron and steel sectors.

Operating expenses for the 2019 third quarter decreased by $7,923 and by $6,010 for the nine months ended September 30, 2019 compared to the same periods in 2018. The decrease in the quarter was a result of an 8% decrease in operating days reflecting the smaller fleet size and lower fuel costs and less outside chartering compared to last year. The decrease was partially offset by an increase in per day crew costs and incidents. The year to date decrease in operating expenses was primarily due to having fewer vessels operating in the fleet compared to last year and lower crew costs, offset by higher lay-up spending.

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

In September, 2019 the Company announced an agreement reached with a Croatian shipyard under which Algoma will acquire a new Equinox Class 650' self-unloading bulk carrier for an estimated cost of $36,000 US upon completion of the vessel by the shipyard. The vessel, to be named the Algoma Intrepid, is contracted to join the fleet in the fall of 2020.

EBITDA for Domestic Dry-Bulk for the third quarter 2019 was $29,237 a decrease of 2% compared to the same period in 2018 reflecting the smaller fleet size and vessel out of service time. For the nine months ended September 30, 2019 EBITDA was $33,705 compared to $39,636 for the prior year primarily as a result of higher lay-up costs. EBITDA is determined as follows:

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2019**	2018	**2019**	2018
Net earnings	**$ 16,315**	$ 15,849	**$ 11,368**	$ 16,432
Adjustments to net earnings:				
Depreciation and amortization	**6,398**	5,999	**17,903**	16,785
Interest, net	**—**	(196)	**—**	(196)
Loss on foreign currency forward contracts	**—**	1,984	**—**	228
Income tax expense	**6,524**	6,183	**4,434**	6,387
EBITDA	**$ 29,237**	$ 29,819	**$ 33,705**	$ 39,636

Product Tankers

Financial Results Overview

For the periods ended September 30	Three Months Ended		Nine Months Ended	
	2019	2018	**2019**	2018
Revenue	**$ 36,169**	$ 31,233	**$ 103,184**	$ 74,081
Operating expenses	**(24,950)**	(25,911)	**(74,763)**	(59,294)
Selling, general and administrative	**(958)**	(666)	**(3,015)**	(2,109)
	10,261	4,656	**25,406**	12,678
Depreciation and amortization	**(3,584)**	(2,356)	**(9,951)**	(7,040)
Income tax expense	**(2,307)**	(631)	**(4,094)**	(1,494)
Net earnings	**$ 4,370**	$ 1,669	**$ 11,361**	$ 4,144

Revenues for Product Tankers increased by $4,936 in the 2019 third quarter and by $29,103 for the nine months ended September 30, 2019 compared to the same periods last year. The increase during the quarter was driven by the two new ships operating in the fleet at higher rates. Furthermore, the two additional ships enabled us to meet customer demand with our own vessels, replacing chartered capacity used in prior periods. With upcoming refinery turnarounds customer demand is expected to remain strong for the remainder of the year; however, in order to supply the demand the Company is expecting a rise in the use of outside charters during the fourth quarter.

The significant increase in revenue for the nine months ended September 30, 2019 was due to the additional vessels and high customer demand as a result of refinery turnarounds. There was also a 3% increase in year to date outside charter days; even with the added capacity, the use of outside charters continues to be required in order to meet the demand.

Operating expenses decreased by $961 during the quarter as a result of hiring fewer outside charters, which are typically more expensive to operate than our owned fleet, offset by a 33% increase in operating days reflecting the additional vessels operating in the fleet. Operating expenses for the year to date increased by $15,469 as a result of a 30% increase in operating days due to the larger fleet size and higher crew costs, partially offset by lower lay-up spending.

The increase in depreciation and amortization increased during the 2019 third quarter and the nine months ended September 30, 2019 was a result of the addition of the Algonorth and Algoterra to operations.

EBITDA for Product Tankers was $10,261 in the 2019 third quarter, an increase of $5,605 compared to the same period in 2018. For the nine months ended September 30, 2019 EBITDA was $25,406, an increase of $12,728 compared to the prior year. The increase in both periods reflects less reliance on chartered vessels due to the two new tanker acquisitions and high customer demand. EBITDA is determined as follows:

For the periods ended September 30	Three Months Ended		Nine Months Ended	
	2019	2018	**2019**	2018
Net earnings	**$ 4,370**	$ 1,669	**$ 11,361**	$ 4,144
Adjustments to net earnings:				
Depreciation and amortization	**3,584**	2,356	**9,951**	7,040
Income taxes	**2,307**	631	**4,094**	1,494
EBITDA	**$ 10,261**	$ 4,656	**$ 25,406**	$ 12,678

Ocean Self-Unloaders

Financial Results Overview

For the periods ended September 30	Three Months Ended				Nine Months Ended			
	2019		2018		**2019**		2018	
Revenue	**$**	**36,939**	$	24,262	**$**	**89,508**	$	66,263
Operating expenses		**(23,051)**		(14,361)		**(57,029)**		(42,237)
General and administrative		**(418)**		(214)		**(1,349)**		(1,295)
		13,470		9,687		**31,130**		22,731
Depreciation and amortization		**(8,346)**		(5,022)		**(20,262)**		(14,282)
Foreign currency loss		**(2)**		—		**(2)**		—
Income tax recovery		**2**		3		**7**		7
Earnings (loss) from joint venture - Marbulk		**111**		(314)		**248**		166
Net earnings	**$**	**5,235**	$	4,354	**$**	**11,121**	$	8,622

Revenues in the Ocean Self-Unloader segment increased by $12,677 in the 2019 third quarter and by $23,245 for the nine months ended September 30, 2019 compared to the same periods in the prior year. The segment continues to experience strong Pool performance with growing customer demand and steady freight rates. The increase in revenue in the 2019 third quarter was driven by a 50% increase in revenue days as a result of having three additional vessels operating for the full quarter, offset by the Algoma Integrity being on dry-dock for the first half of the quarter and delays caused by hurricane Dorian in September. The year to date increase in revenue reflects a 28% increase in revenue days due to fewer dry-dock days and the additional vessels in operations compared to last year.

Operating expenses increased by $8,690 in the 2019 third quarter and by $14,792 for the nine months ended September 30, 2019 compared the same periods in 2018. The increase in the quarter was due to a 49% increase in operating days as a result of the additional vessels operating in the fleet, partially offset by the Algoma Integrity being on dry-dock for the first half of the quarter. The year to date increase in operating expenses was due to a 37% increase in operating days as a result of the larger fleet size, partially offset by the Algoma Integrity being on dry-dock from late in the first quarter until July.

The increase in depreciation and amortization in the 2019 third quarter and for the nine months ended September 30, 2019 reflects the added capacity in the fleet compared to the same periods last year.

EBITDA for Ocean Self-Unloaders was $14,156 in the 2019 third quarter, an increase of 37% when compared to the same period in 2018. EBITDA for the nine months ended September 30, 2019 was $34,298, an increase of 40% compared to the prior year. EBITDA is determined as follows:

For the periods ended September 30	Three Months Ended				Nine Months Ended			
	2019		2018		**2019**		2018	
Net earnings	**$**	**5,235**	$	4,354	**$**	**11,121**	$	8,622
Adjustments to net earnings:								
Depreciation and amortization		**8,346**		5,022		**20,262**		14,282
Foreign currency loss		**2**		—		**2**		—
Income tax recovery		**(2)**		(3)		**(7)**		(7)
Joint Venture:								
Depreciation and amortization		**477**		467		**1,736**		1,386
Interest expense		**142**		178		**490**		529
Foreign exchange (gain) loss		**(119)**		249		**480**		(449)
Income tax expense		**75**		87		**214**		199
EBITDA	**$**	**14,156**	$	10,354	**$**	**34,298**	$	24,562

Global Short Sea Shipping

Financial Results Overview

For the periods ended September 30	Three Months Ended 2019	2018	Nine Months Ended 2019	2018
Revenue	**$ 65,869**	$ 59,893	**$ 190,022**	$ 177,568
Operating expenses	**(53,619)**	(43,978)	**(157,838)**	(138,966)
Selling, general and administrative	**(2,136)**	(765)	**(6,706)**	(5,357)
	10,114	15,150	**25,478**	33,245
Depreciation and amortization	**(4,522)**	(7,005)	**(18,545)**	(14,665)
Gain on sale of vessels	**2,554**	—	**5,749**	—
Interest expense	**(2,715)**	(2,816)	**(8,718)**	(5,510)
Foreign exchange loss	**22**	379	**(14)**	(76)
Other income	**—**	(107)	**—**	—
(Loss) earnings before undernoted	**5,453**	5,601	**3,950**	12,994
Income tax expense	**195**	504	**129**	189
Net earnings of joint ventures	**872**	(406)	**1,847**	1,230
Net earnings attributable to non-controlling interest	**342**	(1,479)	**1,201**	(1,479)
Net earnings	**$ 6,862**	$ 4,220	**$ 7,127**	$ 12,934
Company share of net earnings above	**$ 3,431**	$ 2,110	**$ 3,564**	$ 6,467
Amortization of vessel purchase price allocation and intangibles	**(400)**	(122)	**(650)**	(513)
Company share included in net earnings (loss) of joint ventures	**$ 3,031**	$ 1,988	**$ 2,914**	$ 5,954

Revenue increased in the 2019 third quarter by 10% and by 7% for the nine months ended September 30, 2019 compared to the same periods in 2018. The increase in both periods was due to larger cement and handy-size fleets, offset by declining revenue for the mini-bulker fleet. During the quarter the cement fleet experienced improved performance with certain vessels commencing service under new employment contracts subsequent to having incurred earlier modification and positioning costs.

Operating expenses increased in the 2019 third quarter by 22% and by 13% for the nine months ended September 30, 2019, offsetting the revenue improvement. The increase was primarily a result of the higher number of vessels, dry-dockings in the cement fleet and vessel incidents.

The segment recorded a gain of $2,554 on the sale of one mini-bulker in the quarter.

Investment Properties

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

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2019**	2018	**2019**	2018
Revenue	**$ 2,358**	$ 2,597	**$ 7,305**	$ 8,401
Operating expenses	**(1,609)**	(1,816)	**(5,094)**	(5,490)
	749	781	**2,211**	2,911
Depreciation	**(659)**	(653)	**(1,991)**	(2,124)
Income tax expense	**(26)**	(34)	**(3)**	(201)
Net earnings	**$ 64**	$ 94	**$ 217**	$ 586

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		Nine Months Ended	
For the periods ended September 30	**2019**	2018	**2019**	2018
Revenue	**$ 719**	$ 509	**$ 2,383**	$ 1,641
Operating expenses	**(251)**	(429)	**(718)**	(674)
Selling, general and administrative	**(3,364)**	(3,213)	**(10,204)**	(9,331)
	(2,896)	(3,133)	**(8,539)**	(8,364)
Depreciation	**(240)**	(213)	**(720)**	(696)
Foreign currency (loss) gain	**(370)**	165	**(974)**	1,749
Interest, net	**(5,557)**	(2,929)	**(13,382)**	(7,413)
Income tax (expense) recovery	**1,097**	1,795	**6,996**	3,927
Net loss	**$ (7,966)**	$ (4,315)	**$ (16,619)**	$ (10,797)

Consolidated

For the periods ended September 30	Three Months Ended 2019	2018	Nine Months Ended 2019	2018
Revenue	**$ 167,901**	$ 158,729	**$ 398,923**	$ 358,658
Operating expenses	**(109,589)**	(110,168)	**(291,938)**	(268,039)
Selling, general and administrative	**(7,491)**	(6,751)	**(23,072)**	(21,027)
	50,821	41,810	**83,913**	69,592
Depreciation and amortization	**(19,227)**	(14,243)	**(50,827)**	(40,927)
Interest expense	**(5,777)**	(4,624)	**(14,361)**	(9,658)
Interest income	**220**	1,891	**979**	2,441
Foreign currency (loss) gain	**(372)**	(1,819)	**(976)**	1,521
Income tax expense	**(7,758)**	(5,050)	**(1,528)**	(4,148)
Earnings of joint ventures	**3,142**	1,674	**3,162**	6,120
Net earnings	**$ 21,049**	$ 19,639	**$ 20,362**	$ 24,941

Interest Expense

For the periods ended September 30	Three Months Ended 2019	2018	Nine Months Ended 2019	2018
Interest expense on borrowings	**$ 5,442**	$ 4,469	**$ 13,776**	$ 13,355
Amortization of financing costs	**267**	288	**826**	861
Interest on employee future benefits, net	**196**	72	**586**	215
Interest capitalized on vessels under construction	**(128)**	(1,666)	**(827)**	(6,234)
Reversal of interest previously capitalized on shipbuilding contracts	**—**	1,461	**—**	1,461
	$ 5,777	$ 4,624	**$ 14,361**	$ 9,658

Net interest expense increased by $1,153 in the 2019 third quarter and by $4,703 for the nine months ended September 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 September 30	Three Months Ended 2019	2018	Nine Months Ended 2019	2018
(Loss) gain on foreign denominated cash	**$ (372)**	$ 42	**$ 799**	$ 1,495
Gain on return of capital from foreign subsidiary	**—**	124	**—**	254
Foreign exchange loss on contract cancellation receivable	**—**	(815)	**(1,775)**	(815)
Unrealized (loss) gain on foreign exchange forward contracts	**—**	(1,170)	**—**	587
	$ (372)	$ (1,819)	**$ (976)**	$ 1,521

Income Taxes

For the periods ended September 30	Three Months Ended 2019	2018	Nine Months Ended 2019	2018
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Net earnings before income tax and net earnings of joint ventures	**$ 25,665**	$ 23,015	**$ 18,728**	$ 22,969
Expected income tax expense	**$ (6,801)**	$ (6,099)	**$ (4,963)**	$ (6,087)
(Increase) decrease in expense resulting from:				
Effect of items that are not (deductible) taxable	**(11)**	(265)	**230**	56
Foreign tax rates different from Canadian statutory rate	**1,400**	1,128	**2,899**	2,135
Adjustments to prior period provision	**(2,202)**	—	**518**	(554)
Other	**(144)**	186	**(212)**	302
Actual tax expense	**$ (7,758)**	$ (5,050)	**$ (1,528)**	$ (4,148)

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:

For the periods ended September 30	Nine Months Ended	
	2019	2018
Net earnings	**$ 20,362**	$ 24,941
Operating activities	**$ 76,089**	$ 55,274
Investing activities	**$ (148,556)**	$ (69,570)
Financing activities	**$ 75,002**	$ (33,131)

Operating Activities

Net cash generated from operating activities for the nine months ended September 30, 2019 was $76,089 compared to cash generated of $55,274 in the same period in 2018. This was mainly a result of improved operating earnings from our Ocean Self-Unloader and Product Tanker units.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2019 was primarily used for the purchase of five vessels and investments in Global Short Sea Shipping, less the recovery of the final receivables relating to the contract cancellations.

Financing Activities

Net cash from financing activities relates to increased proceeds on long-term debt used for capital purchases, less the payment of special dividends.

Capital Resources

The Company has cash on hand of $25,396 at September 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 $100 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 September 30, 2019, the Company was in compliance with all of its covenants.

Normal Course Issuer Bid

During the third quarter of 2019 and during the nine months ended September 30, 2019, 31,200 and 259,100 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 September 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 September 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 September 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 September 30, 2019.

Changes in Internal Controls over Financial Reporting

During the nine months ended September 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 September 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	$ 131,844	$ 136	$ 174,466	$ 150	$ 87,695
Capital asset commitments	497	38,007	21,295	—	—
Interest payments on long-term debt	2,782	13,811	9,613	4,581	6,557
	$ 135,123	$ 51,954	$ 205,374	$ 4,731	$ 94,252

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 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 nine months ended September 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 September 30	Notes	Three Months Ended 2019	Three Months Ended 2018	Nine Months Ended 2019	Nine Months Ended 2018
(unaudited, in thousands of dollars, except per share data)					
Revenue	4	**$ 167,901**	$ 158,729	**$ 398,923**	$ 358,658
Expenses					
Operations		**(109,589)**	(110,168)	**(291,938)**	(268,039)
Selling, general and administrative		**(7,491)**	(6,751)	**(23,072)**	(21,027)
		(117,080)	(116,919)	**(315,010)**	(289,066)
		50,821	41,810	**83,913**	69,592
Depreciation and amortization		**(19,227)**	(14,243)	**(50,827)**	(40,927)
Interest expense	6	**(5,777)**	(4,624)	**(14,361)**	(9,658)
Interest income		**220**	1,891	**979**	2,441
Foreign currency (loss) gain	7	**(372)**	(1,819)	**(976)**	1,521
		25,665	23,015	**18,728**	22,969
Income Tax Expense	8	**(7,758)**	(5,050)	**(1,528)**	(4,148)
Net Earnings of Joint Ventures	5	**3,142**	1,674	**3,162**	6,120
Net Earnings		**$ 21,049**	$ 19,639	**$ 20,362**	$ 24,941
Basic earnings per share	16	**$ 0.55**	$ 0.51	**$ 0.53**	$ 0.65
Diluted earnings per share	16	**$ 0.52**	$ 0.49	**$ 0.53**	$ 0.65

Interim Condensed Consolidated Statement of Comprehensive Earnings

For the periods ended September 30 (unaudited, in thousands of dollars)	Three Months Ended 2019	Three Months Ended 2018	Nine Months Ended 2019	Nine Months Ended 2018
Net Earnings	**$ 21,049**	$ 19,639	**$ 20,362**	$ 24,941
Other Comprehensive Earnings (Loss)				
Items that may be subsequently reclassified to net earnings:				
Unrealized gain (loss) on translation of financial statements of foreign operations	**5,487**	(6,026)	**(12,372)**	8,848
Unrealized (loss) gain on hedging instruments, net of income tax	**(1,692)**	2,108	**2,713**	(1,541)
Foreign exchange gain on purchase commitment hedge reserve, net of income tax, transferred to:				
Net loss	**—**	—	**—**	(2,852)
Property, plant, and equipment	**—**	—	**—**	(63)
Items that will not be subsequently reclassified to net earnings:				
Employee future benefits actuarial (loss) earnings, net of income tax	**(948)**	4,230	**(9,813)**	4,905
	2,847	312	**(19,472)**	9,297
Comprehensive Earnings (Loss)	**$ 23,896**	$ 19,951	**$ 890**	$ 34,238

See accompanying notes to the interim condensed consolidated financial statements.

As at (unaudited, in thousands of dollars)	Notes	**September 30 2019**	December 31 2018
Assets			
Current			
Cash		**$ 25,396**	$ 25,539
Accounts receivable		**79,483**	72,714
Income taxes recoverable		**16,077**	18,826
Other current assets	9	**22,345**	82,908
		143,301	199,987
Employee future benefits		**—**	2,452
Property, plant, and equipment	10	**881,855**	726,251
Goodwill and intangible assets	11	**12,527**	15,653
Investment in joint ventures	5	**158,352**	153,289
Other assets	12	**14,919**	14,261
		$ 1,210,954	$ 1,111,893
Liabilities			
Current			
Accounts payable and accrued charges		**$ 70,278**	$ 67,032
Current portion of long-term debt	15	**131,943**	130
Income taxes payable		**5,636**	7,343
Other current liabilities	13	**5,079**	796
		212,936	75,301
Other long-term liabilities	14	**332**	3,296
Deferred income taxes		**46,309**	48,430
Employee future benefits		**35,096**	23,853
Long-term debt	15	**256,341**	258,458
		338,078	334,037
Commitments	19		
Shareholders' Equity			
Share capital	16	**8,186**	8,240
Contributed surplus		**5,678**	8,839
Convertible debentures		**2,309**	2,309
Accumulated other comprehensive loss	17	**(20,504)**	(10,845)
Retained earnings		**664,271**	694,012
		659,940	702,555
		$ 1,210,954	$ 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	—	—	—	24,941	24,941
Dividends	—	—	—	(11,170)	(11,170)
Repurchase and cancellation of common shares	(20)	(1,395)	—	—	(1,415)
Other comprehensive earnings	—	—	4,392	4,905	9,297
Balance at September 30, 2018	$ 8,248	$ 11,617	$ (19,115)	$ 683,969	$ 684,719
Balance at December 31, 2018	$ 8,240	$ 11,148	$ (10,845)	$ 694,012	$ 702,555
Net earnings	—	—	—	20,362	20,362
Dividends	—	—	—	(40,290)	(40,290)
Repurchase and cancellation of common shares	(54)	(3,290)	—	—	(3,344)
Share-based compensation	—	129	—	—	129
Other comprehensive loss	—	—	(9,659)	(9,813)	(19,472)
Balance at September 30, 2019	**$ 8,186**	**$ 7,987**	**$ (20,504)**	**$ 664,271**	**$ 659,940**

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the nine months ended September 30 (unaudited, in thousands of dollars)	Notes	2019	2018
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net earnings		**$ 20,362**	$ 24,941
Earnings of joint ventures	5	**(3,162)**	(6,120)
Items not affecting cash			
Depreciation and amortization		**50,827**	40,927
Gain on sale of assets		**(1,896)**	(4,587)
Other		**15,886**	9,848
Net change in non-cash operating working capital		**(4,359)**	(11,402)
Income taxes received, net		**246**	4,038
Employee future benefits paid		**(1,815)**	(2,371)
Net cash generated from operating activities		**76,089**	55,274
Investing			
Additions to property, plant, and equipment	18	**(206,350)**	(42,146)
Cancellation refunds received		**66,242**	—
Distributions received from joint ventures	5	**2,078**	26,545
Investment in joint ventures	5	**(8,011)**	(56,219)
Compensation payments to other pool members for retired vessels		**(5,382)**	(3,239)
Loan repayment from joint ventures		**3,260**	—
Progress payments for shipbuilding contracts		**(3,553)**	—
Interest received		**1,192**	228
Proceeds on sale of property, plant, and equipment		**1,968**	5,261
Net cash used in investing activities		**(148,556)**	(69,570)
Financing			
Interest paid		**(14,496)**	(14,681)
Proceeds of long-term debt		**163,907**	98,090
Repayments on long-term debt		**(31,653)**	(104,250)
Repurchase of common shares		**(3,454)**	(1,393)
Dividends paid		**(39,302)**	(10,897)
Net cash generated from (used in) financing activities		**75,002**	(33,131)
Net Change in Cash		**2,535**	(47,427)
Effects of Exchange Rate Changes on Cash Held in Foreign Currencies		**(2,678)**	1,057
Cash, Beginning of Period		**25,539**	68,860
Cash, End of Period		**$ 25,396**	$ 22,490

See accompanying notes to the interim condensed consolidated financial statements.

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 nine months ended September 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 November 5, 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		(56)
Effect of foreign currency exchange differences		(10)
Right-of-use asset at September 30	**$**	**387**

(unaudited, in thousands of dollars)		2019
Lease liability at January 1	$	429
Additions		24
Interest accretion		18
Payments		(51)
Effect of foreign currency exchange differences		(25)
Lease liability at September 30	**$**	**395**

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 nine months ended September 30, 2019, these amounts correspond to the depreciation of $56 and the interest accretion of $18 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 September 30 (unaudited, in thousands of dollars)		2019
Payments - short term leases	$	21,877
Payments per IFRS 16		51
Non-lease components per IFRS 16		43
Total cash payments	**$**	**21,971**

Shown below is a maturity analysis of the lease liabilities:

As at September 30 (unaudited, in thousands of dollars)		2019
Within 1 year	$	63
Within 1 to 5 years		172
Over 5 years		160
Total lease liabilities	**$**	**395**

4. REVENUE

Disaggregated revenue by segment is as follows:

For the three months ended September 30 (unaudited, in thousand of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
2019						
Contract of Affreightment	$ 91,173	$ —	$ —	$ —	$ —	$ 91,173
Time Charter	55	36,169	—	—	—	36,224
Pool Revenue Share	—	—	36,939	—	—	36,939
Other	488	—	—	2,358	719	3,565
	$ 91,716	**$ 36,169**	**$ 36,939**	**$ 2,358**	**$ 719**	**$ 167,901**
2018						
Contract of Affreightment	$ 98,827	$ 862	$ —	$ —	$ —	$ 99,689
Time Charter	1,010	30,371	—	—	—	31,381
Pool Revenue Share	—	—	24,262	—	—	24,262
Other	291	—	—	2,597	509	3,397
	$ 100,128	$ 31,233	$ 24,262	$ 2,597	$ 509	$ 158,729

For the nine months ended September 30 (unaudited, in thousand of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
2019						
Contract of Affreightment	$ 183,893	$ 10	$ —	$ —	$ —	$ 183,903
Time Charter	11,908	103,172	—	—	—	115,080
Pool Revenue Share	—	—	89,508	—	—	89,508
Other	742	2	—	7,305	2,383	10,432
	$ 196,543	**$ 103,184**	**$ 89,508**	**$ 7,305**	**$ 2,383**	**$ 398,923**
2018						
Contract of Affreightment	$ 195,107	$ 1,677	$ —	$ —	$ —	$ 196,784
Time Charter	11,526	72,404	—	—	—	83,930
Pool Revenue Share	—	—	66,263	—	—	66,263
Other	1,639	—	—	8,401	1,641	11,681
	$ 208,272	$ 74,081	$ 66,263	$ 8,401	$ 1,641	$ 358,658

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

As at (unaudited, in thousands of dollars)	**September 30 2019**	December 31 2018
Contract assets		
Unbilled revenue	**$ 8,012**	$ 4,475

As at (unaudited, in thousands of dollars)	**September 30 2019**	December 31 2018
Contract liabilities		
Deferred revenue	**$ 1,727**	$ 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 September 30 (unaudited, in thousands of dollars)	**2019**		2018	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 2,663**	**$ 65,869**	$ 2,700	$ 59,893
Operating expenses	**(1,157)**	**(53,619)**	(1,228)	(43,978)
Gain on sale of vessels	**—**	**2,554**	—	—
General and administrative	**(134)**	**(2,136)**	(138)	(765)
Depreciation and amortization	**(954)**	**(4,522)**	(934)	(7,005)
Interest expense	**(284)**	**(2,715)**	(356)	(2,816)
Foreign exchange gain (loss)	**237**	**22**	(498)	379
Other income (expenses)	**—**	**—**	—	(107)
Earnings before undernoted	**371**	**5,453**	(454)	5,601
Net earnings of joint ventures	**—**	**872**	—	(406)
Net earnings attributable to non-controlling interest	**—**	**342**	—	(1,479)
Income tax (expense) recovery	**(149)**	**195**	(174)	504
Net earnings	**$ 222**	**$ 6,862**	$ (628)	$ 4,220
Company share of net earnings	**$ 111**	**$ 3,431**	$ (314)	$ 2,110
Amortization of vessel purchase price allocation and intangibles	**—**	**(400)**	—	(122)
Company share included in net earnings of joint ventures	**$ 111**	**$ 3,031**	$ (314)	$ 1,988

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

For the three months ended September 30 (unaudited, in thousands of dollars)	**2019**	2018
Ocean Self-Unloaders	**$ 111**	$ (314)
Global Short Sea Shipping	**3,031**	1,988
	$ 3,142	$ 1,674

For the nine months ended September 30 (unaudited, in thousands of dollars)	2019		2018	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 7,845**	**$ 190,022**	$ 8,090	$ 177,568
Operating expenses	**(4,053)**	**(157,838)**	(3,930)	(138,966)
Gain on sale of vessels	**—**	**5,749**	—	—
General and administrative	**(446)**	**(6,706)**	(498)	(5,357)
Depreciation and amortization	**(3,471)**	**(18,545)**	(2,772)	(14,665)
Interest expense	**(980)**	**(8,718)**	(1,058)	(5,510)
Foreign exchange (loss) gain	**(960)**	**(14)**	898	(76)
Compensation for pool vessel retirement	**2,989**	**—**	—	—
Earnings before undernoted	**924**	**3,950**	730	12,994
Net earnings of joint ventures	**—**	**1,847**	—	1,230
Net earnings attributable to non-controlling interest	**—**	**1,201**	—	(1,479)
Income tax (expense) recovery	**(428)**	**129**	(398)	189
Net earnings	**$ 496**	**$ 7,127**	$ 332	$ 12,934
Company share of net earnings	**$ 248**	**$ 3,564**	$ 166	$ 6,467
Amortization of vessel purchase price allocation and intangibles	**—**	**(650)**	—	(513)
Company share included in net earnings of joint ventures	**$ 248**	**$ 2,914**	$ 166	$ 5,954

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

For the nine months ended September 30 (unaudited, in thousands of dollars)	2019	2018
Ocean Self-Unloaders	**$ 248**	$ 166
Global Short Sea Shipping	**2,914**	5,954
	$ 3,162	$ 6,120

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

As at (unaudited, in thousands of dollars)	September 30, 2019		December 31, 2018	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Cash	**$ 5,269**	**$ 13,702**	$ 6,472	$ 18,171
Other current assets	**1,106**	**42,109**	1,518	53,524
Income taxes recoverable	**50**	**42**	52	25
Assets held for sale	**—**	**16,158**	—	—
Property, plant, and equipment	**28,874**	**436,777**	32,666	439,741
Investment in joint ventures	**—**	**19,427**	—	17,974
Intangible assets	**—**	**2,448**	624	61
Other assets	**—**	**12,954**	—	18,046
Current liabilities	**(1,779)**	**(65,918)**	(2,410)	(57,851)
Income taxes payable	**(604)**	**—**	—	—
Due to owners	**(23,205)**	**—**	(30,588)	—
Long-term debt	**—**	**(202,596)**	—	(226,061)
Other long-term liabilities	**—**	**(12,396)**	—	(11,141)
Deferred income taxes	**—**	**(610)**	—	(598)
Non-controlling interest	**—**	**(1,081)**	—	(2,345)
Net assets of jointly controlled operations	**$ 9,711**	**$ 261,016**	$ 8,334	$ 249,546
Company share of net assets	**$ 4,856**	**$ 130,508**	$ 4,167	$ 124,773
Goodwill and other purchase price adjustments	**—**	**22,988**	—	24,349
Company share of joint venture	**$ 4,856**	**$ 153,496**	$ 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)	September 30 2019	December 31 2018
Ocean Self-Unloaders	$ 4,856	$ 4,167
Global Short Sea Shipping	153,496	149,122
	$ 158,352	$ 153,289

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

For the nine months ended September 30 (unaudited, in thousands of dollars)	2019		2018	
	Distributions received	Investment in joint ventures	Distributions received	Investment in joint ventures
Ocean Self-Unloaders	$ —	$ —	$ 2,512	$ (5)
Global Short Sea Shipping	2,078	(8,011)	24,033	(56,214)
	$ 2,078	$ (8,011)	$ 26,545	$ (56,219)

6. INTEREST EXPENSE

The components of interest expense are as follows:

	Three Months Ended		Nine Months Ended	
For the periods ended September 30 (unaudited, in thousands of dollars)	2019	2018	2019	2018
Interest expense on borrowings	$ 5,442	$ 4,469	$ 13,776	$ 13,355
Amortization of financing costs	267	288	826	861
Interest on employee future benefits, net	196	72	586	215
Interest capitalized on vessels under construction	(128)	(1,666)	(827)	(6,234)
Reversal of interest previously capitalized on cancelled shipbuilding contracts	—	1,461	—	1,461
	$ 5,777	$ 4,624	$ 14,361	$ 9,658

7. FOREIGN CURRENCY (LOSS) GAIN

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

	Three Months Ended		Nine Months Ended	
For the periods ended September 30 (unaudited, in thousands of dollars)	2019	2018	2019	2018
(Loss) gain on foreign denominated cash and debt	$ (372)	$ 42	$ 799	$ 1,495
Gain on return of capital from foreign subsidiary	—	124	—	254
Foreign exchange loss on contract cancellation receivable	—	(815)	(1,775)	(815)
Unrealized (loss) gain on foreign exchange forward contracts	—	(1,170)	—	587
	$ (372)	$ (1,819)	$ (976)	$ 1,521

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		Nine Months Ended	
For the periods ended September 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 before income tax and earnings of joint ventures	$ 25,665	$ 23,015	$ 18,728	$ 22,969
Expected income tax expense	$ (6,801)	$ (6,099)	$ (4,963)	$ (6,087)
(Increase) decrease in expense resulting from:				
Effect of items that are not (deductible) taxable	(11)	(265)	230	56
Foreign tax rates different from Canadian statutory rate	1,400	1,128	2,899	2,135
Adjustments to prior period provision	(2,202)	—	518	(554)
Other	(144)	186	(212)	302
	$ (7,758)	$ (5,050)	$ (1,528)	$ (4,148)

9. OTHER CURRENT ASSETS

The components of other current assets are as follows:

As at (unaudited, in thousands of dollars)	September 30 2019	December 31 2018
Materials and supplies	**$ 11,374**	$ 8,187
Prepaid expenses	**10,461**	4,401
Loan interest receivable	**496**	709
Right-of-use assets (Note 3)	**14**	—
Derivative asset	**—**	1,571
Contract cancellation receivable	**—**	68,040
	$ 22,345	$ 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	53	43,484	23,597	140,221	306	207,661
Disposals	—	(71,935)	—	—	—	(71,935)
Fully depreciated assets no longer in use	—	(4,377)	(533)	(3,786)	(1,409)	(10,105)
Transfer between segments	—	(467)	467	—	—	—
Effect of foreign currency exchange differences	(1)	—	—	(7,646)	—	(7,647)
Balance at September 30, 2019	**$ 17,768**	**$ 600,953**	**$ 241,128**	**$ 389,496**	**$ 56,730**	**$ 1,306,075**

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	687	17,881	9,951	16,456	1,991	46,966
Disposals	—	(71,935)	—	—	—	(71,935)
Fully depreciated assets no longer in use	—	(4,377)	(533)	(3,786)	(1,409)	(10,105)
Effect of foreign currency exchange differences and other adjustments	—	—	—	(2,638)	82	(2,556)
Balance at September 30, 2019	**$ 11,543**	**$ 160,800**	**$ 116,930**	**$ 95,915**	**$ 39,032**	**$ 424,220**

Net Book Value (unaudited, in thousands of dollars)	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Total
September 30, 2019						
Cost	$ 17,768	$ 600,953	$ 241,128	$ 389,496	$ 56,730	$ 1,306,075
Accumulated depreciation	11,543	160,800	116,930	95,915	39,032	424,220
	$ 6,225	**$ 440,153**	**$ 124,198**	**$ 293,581**	**$ 17,698**	**$ 881,855**
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

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	—	(3,639)	(3,639)
Effect of foreign currency exchange differences	—	(233)	(233)
Balance at September 30, 2019	**$ 7,910**	**$ 4,617**	**$ 12,527**

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)	**September 30 2019**	December 31 2018
Loan receivable from joint venture, interest at 4.98%	**$ 10,984**	$ 14,244
Progress payments for shipbuilding contracts	**3,553**	—
Right-of-use assets (Note 3)	**373**	—
Other	**9**	17
	$ 14,919	$ 14,261

13. OTHER CURRENT LIABILITIES

The components of other current liabilities are as follows:

As at (unaudited, in thousands of dollars)	**September 30 2019**	December 31 2018
Dividends payable	**$ 1,656**	$ 668
Lease obligations (Note 3)	**63**	—
Compensation payable to Pool members	**3,360**	128
	$ 5,079	$ 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)	**September 30 2019**	December 31 2018
Lease obligations (Note 3)	**$ 332**	$ —
Compensation payable to Pool members	**—**	3,296
	$ 332	$ 3,296

15. LONG-TERM DEBT

As at (unaudited, in thousands of dollars)	September 30 2019	December 31 2018
Convertible unsecured subordinated debentures, due June 30, 2024, interest at 5.25%	**$ 80,072**	$ 79,749
Senior Secured Notes, due July 19, 2021		
U.S. $75,000, interest fixed at 5.11%	**99,323**	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 5.20%, payable on demand	**55,000**	—
Base rate loan, U.S. $8,000, interest at 6.75%, payable on demand	**10,594**	—
LIBOR, U.S. $50,000, interest at 4.66%, due December 4, 2019	**66,215**	—
Mortgage payable, due March 8, 2023, interest at 4.73%	**5,659**	5,756
	391,863	262,820
Less: unamortized financing expenses	**3,579**	4,232
	388,284	258,588
Less: current portion of long-term debt	**131,943**	130
	$ 256,341	$ 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 September 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 38,162,515 common shares outstanding as at September 30, 2019 (December 31, 2018 - 38,421,615).

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

The Company's Board of Directors on November 5, 2019 authorized payment of a quarterly dividend to shareholders of $0.11 per common share. The dividend is payable on December 2, 2019 to shareholders of record on November 18, 2019.

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

	Three Months Ended		Nine Months Ended	
For the periods ended September 30 (unaudited, in thousands of dollars)	**2019**	2018	**2019**	2018
Net earnings	**$ 21,049**	$ 19,639	**$ 20,362**	$ 24,941
Interest expense on debentures, net of tax	**997**	992	**2,959**	2,945
Net earnings for diluted earnings per share	**$ 22,046**	$ 20,631	**$ 23,321**	$ 27,886
Basic weighted average common shares	**38,174,515**	38,472,782	**38,303,715**	38,513,259
Shares due to dilutive effect of debentures	**4,125,000**	3,900,709	**4,000,394**	3,900,709
Diluted weighted average common shares	**42,299,515**	42,373,491	**42,304,109**	42,413,968
Basic earnings per common share	**$ 0.55**	$ 0.51	**$ 0.53**	$ 0.65
Diluted earnings per common share	**$ 0.52**	$ 0.49	**$ 0.53**	$ 0.65

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)	3,128	—	(12,372)	(9,244)
Income tax expense	(415)	—	—	(415)
Net gain (loss)	2,713	—	(12,372)	(9,659)
Balance at September 30, 2019	**$ (24,004)**	**$ —**	**$ 3,500**	**$ (20,504)**

18. SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

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

For the nine months ended September 30 (unaudited, in thousands of dollars)	Notes	**2019**	2018
Additions to property, plant, and equipment	10	**$ (207,661)**	$ (51,514)
Capitalized interest	6	**827**	4,773
Amounts included in working capital		**484**	4,595
		$ (206,350)	$ (42,146)

19. COMMITMENTS

The Company has commitments to construct one gearless bulk carrier, one self-unloading bulk carrier, and, through its interest in a joint venture, an additional six bulk carriers. Payments for the gearless bulk carrier are $11,614 ($8,770 US) in 2020 and $21,295 ($16,080 US) in 2021. The Company will acquire the self-unloading bulk carrier for an estimated cost of $47,675 ($36,000 US) upon completion of the vessel by the shipyard in 2020. The Company's share of payments for the other bulk carriers are $497 ($375 US) in 2019 and $26,393 ($19,930 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, 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)		**September 30 2019**		December 31 2018
Financial assets carrying and fair value:				
Cash	**$**	**25,396**	$	25,539
Accounts receivable	**$**	**79,483**	$	72,714
Derivative asset	**$**	**—**	$	1,571
Contract cancellation receivable	**$**	**—**	$	68,040
Loan interest receivable	**$**	**496**	$	709
Other assets	**$**	**14,546**	$	14,261
Financial liabilities carrying and fair value:				
Accounts payable and accrued charges	**$**	**70,278**	$	67,032
Dividends payable	**$**	**1,656**	$	668
Compensation payable to Pool members	**$**	**3,360**	$	3,424
Carrying value of long-term debt	**$**	**391,863**	$	262,820
Fair value of long-term debt	**$**	**401,208**	$	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	$	131,844	$	136	$	174,466	$	150	$	87,695	$	394,291
Capital asset commitments		497		38,007		21,295		—		—		59,799
Interest payments on long-term debt		2,782		13,811		9,613		4,581		6,557		37,344
	$	135,123	$	51,954	$	205,374	$	4,731	$	94,252	$	491,434

Foreign currency exchange risk

At September 30, 2019 and December 31, 2018, approximately 41% and 38% respectively of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $12,238 and $10,676 at September 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 September 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 September 30, 2019 (unaudited, in thousands of dollars)							
Revenue	$ 91,716	$ 36,169	$ 36,939	$ 719	$ 2,358	$ —	$ 167,901
Operating expenses	(59,728)	(24,950)	(23,051)	(251)	(1,609)	—	(109,589)
Selling, general and administrative	(2,751)	(958)	(418)	(3,364)	—	—	(7,491)
	29,237	10,261	13,470	(2,896)	749	—	50,821
Depreciation and amortization	(6,398)	(3,584)	(8,346)	(240)	(659)	—	(19,227)
Interest, net	—	—	—	(5,557)	—	—	(5,557)
Foreign currency loss	—	—	(2)	(370)	—	—	(372)
	22,839	6,677	5,122	(9,063)	90	—	25,665
Income tax (expense) recovery	(6,524)	(2,307)	2	1,097	(26)	—	(7,758)
Net earnings of joint ventures	—	—	111	—	—	3,031	3,142
Net earnings (loss)	$ 16,315	$ 4,370	$ 5,235	$ (7,966)	$ 64	$ 3,031	$ 21,049
For the nine months ended September 30, 2019 (unaudited, in thousands of dollars)							
Revenue	$ 196,543	$ 103,184	$ 89,508	$ 2,383	$ 7,305	$ —	$ 398,923
Operating expenses	(154,334)	(74,763)	(57,029)	(718)	(5,094)	—	(291,938)
Selling, general and administrative	(8,504)	(3,015)	(1,349)	(10,204)	—	—	(23,072)
	33,705	25,406	31,130	(8,539)	2,211	—	83,913
Depreciation and amortization	(17,903)	(9,951)	(20,262)	(720)	(1,991)	—	(50,827)
Interest, net	—	—	—	(13,382)	—	—	(13,382)
Foreign currency loss	—	—	(2)	(974)	—	—	(976)
	15,802	15,455	10,866	(23,615)	220	—	18,728
Income tax recovery (expense)	(4,434)	(4,094)	7	6,996	(3)	—	(1,528)
Net earnings (loss) of joint ventures	—	—	248	—	—	2,914	3,162
Net earnings (loss)	$ 11,368	$ 11,361	$ 11,121	$ (16,619)	$ 217	$ 2,914	$ 20,362
As at September 30, 2019 (unaudited, in thousands of dollars)							
Assets							
Current assets	$ 62,003	$ 9,456	$ 26,066	$ 36,167	$ 9,609	$ —	$ 143,301
Property, plant, and equipment	440,153	124,198	293,581	6,225	17,698	—	881,855
Goodwill and intangible assets	7,910	—	4,617	—	—	—	12,527
Investment in joint ventures	—	—	4,856	—	—	153,496	158,352
Other assets	3,570	—	9	11,340	—	—	14,919
	$ 513,636	$ 133,654	$ 329,129	$ 53,732	$ 27,307	$ 153,496	$ 1,210,954
Liabilities							
Current liabilities	$ 39,617	$ 15,126	$ 14,801	$ 10,450	$ 999	$ —	$ 80,993
Current portion of long-term debt	—	—	—	131,943	—	—	131,943
Long-term liabilities	2,782	14,282	72	64,601	—	—	81,737
Long-term debt	—	—	—	256,341	—	—	256,341
	42,399	29,408	14,873	463,335	999	—	551,014
Shareholders' Equity	471,237	104,246	314,256	(409,603)	26,308	153,496	659,940
	$ 513,636	$ 133,654	$ 329,129	$ 53,732	$ 27,307	$ 153,496	$ 1,210,954

	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Corporate	Investment Properties	Global Short Sea Shipping	Total
For the three months ended September 30, 2018 (unaudited, in thousands of dollars)							
Revenue	$ 100,128	$ 31,233	$ 24,262	$ 509	$ 2,597	$ —	$ 158,729
Operating expenses	(67,651)	(25,911)	(14,361)	(429)	(1,816)	—	(110,168)
Selling, general and administrative	(2,658)	(666)	(214)	(3,213)	—	—	(6,751)
	29,819	4,656	9,687	(3,133)	781	—	41,810
Depreciation and amortization	(5,999)	(2,356)	(5,022)	(213)	(653)	—	(14,243)
Interest, net	196	—	—	(2,929)	—	—	(2,733)
Foreign currency (loss) gain	(1,984)	—	—	165	—	—	(1,819)
	22,032	2,300	4,665	(6,110)	128	—	23,015
Income tax (expense) recovery	(6,183)	(631)	3	1,795	(34)	—	(5,050)
Net (loss) earnings of joint ventures	—	—	(314)	—	—	1,988	1,674
Net earnings (loss)	$ 15,849	$ 1,669	$ 4,354	$ (4,315)	$ 94	$ 1,988	$ 19,639
For the nine months ended September 30, 2018 (unaudited, in thousands of dollars)							
Revenue	$ 208,272	$ 74,081	$ 66,263	$ 1,641	$ 8,401	$ —	$ 358,658
Operating expenses	(160,344)	(59,294)	(42,237)	(674)	(5,490)	—	(268,039)
Selling, general and administrative	(8,292)	(2,109)	(1,295)	(9,331)	—	—	(21,027)
	39,636	12,678	22,731	(8,364)	2,911	—	69,592
Depreciation and amortization	(16,785)	(7,040)	(14,282)	(696)	(2,124)	—	(40,927)
Interest, net	196	—	—	(7,413)	—	—	(7,217)
Foreign currency (loss) gain	(228)	—	—	1,749	—	—	1,521
	22,819	5,638	8,449	(14,724)	787	—	22,969
Income tax (expense) recovery	(6,387)	(1,494)	7	3,927	(201)	—	(4,148)
Net earnings of joint ventures	—	—	166	—	—	5,954	6,120
Net earnings (loss)	$ 16,432	$ 4,144	$ 8,622	$ (10,797)	$ 586	$ 5,954	$ 24,941
As at December 31, 2018 (unaudited, in thousands of dollars)							
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 September 30, 2019 and year ended December 31, 2018.

As at (unaudited, in thousands of dollars, except per share data and number of shares)	**September 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 September 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	4.42
$15.06	100,000	3.61

For the period ended September 30, 2019, the Company recognized compensation expense for stock option awards of $8 (December 31, 2018 - $110). For the period ended September 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).

ALGOMA CENTRAL CORPORATION
63 Church Street, Suite 600, St. Catharines, Ontario L2R 3C4
(905) 687-7888
www.algonet.com

2019