ALGOMA CENTRAL CORPORATION INTERIM REPORT TO SHAREHOLDERS

For the Three and Nine Months Ended September 30, 2020 and 2019

Table of Contents

General

This Management's Discussion and Analysis ("MD&A") of the Company should be read in conjunction with its interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019 and related notes thereto and has been prepared as at November 3, 2020.

This 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 2019 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Company's website at *www.algonet.com*.

Important Information About This MD&A

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.

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 2020 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:

- the economic impact of COVID-19 in Canada, the US, and other global markets;
- general economic and market conditions in the countries in which we operate;
- our ability to attract and retain quality employees;
- 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;
- on-time and on-budget delivery of new ships from shipbuilders;
- 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;
- the seasonal nature of our business; and
- risks associated with the lease and ownership of real estate.

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.

For more information, please see the discussion of risks in the Company's Annual Information Form for the year ended December 31, 2019, 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.

Impact of COVID-19

The outbreak of the COVID-19 pandemic was first felt in a material way in North American markets during March this year and began to affect our businesses more significantly during the second quarter. The impacts included reductions in demand from customers in certain sectors, restrictions on trade channels, including port access, and travel limitations affecting crew changes. Demand reductions in some sectors has been offset to some extent by increased volumes in other sectors. Financially, the Company has experienced reduced revenues and incurred higher operating costs in certain sectors because of the pandemic. Although we have not been made aware of any significant customer experiencing financial distress, we are actively monitoring accounts receivable collections, alert for any indication that increased controls over the granting of credit or increased provisions for uncollectible receivables may be warranted.

Doubt about the future path of the pandemic has added uncertainty to the outlook for the balance of fiscal 2020 and into fiscal 2021. Ultimately, our businesses are dependent on demand from six key sectors of the economy, which have been impacted differently to date by the pandemic and are likely to experience different rates of recovery. Based on discussions with customers and our experience for the year to date, we continue to expect construction activities and the iron and steel industry to be the slowest to recover. Despite the more positive demand outlook in certain sectors, overall our volumes for 2020 are expected to be down compared to the prior year.

The duration of the pandemic and its overall effect on the economy is very uncertain and depends on factors outside of the control of the Company, including government policy and medical science. Government policy initiatives to date have been effective in maintaining the generally smooth operation of financial markets, which is important for Algoma as our senior debt matures in 2021. We are in the process of arranging refinancing of the maturing debt and, while markets are currently presenting financing alternative on reasonable terms, our ability to refinance that debt on such terms could be should financial market conditions worsen.

We regularly consider the value of our assets and the exposure of these assets to potential impairment. Such assessments are, by their nature, dependent on forecasts of future financial performance. Such forecasting is subject to uncertainty in normal times and the pandemic adds significant complexity and uncertainty to these forecasts. One such asset owned through a joint venture has been impacted by the current market conditions and, accordingly, we recorded an impairment on this asset in the third quarter. Meaningful declines in our expectations for future financial performance could result in further impairment provisions in future periods.

Impact of Seasonality on the Company

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. The costs incurred to operate these ships are also 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 this 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 and the Company includes 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 metric that is based on it is used by credit providers in the financial covenants of the Company's senior secured 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.

Return on Equity

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

Financial Highlights

Consolidated revenue for the three months ended September 30, 2020 was $155,002 a decrease of 8% compared to $167,901 reported for the same period in 2019. There was a reduction in revenue across all segments in the 2020 third quarter; however, the majority of the reduction was a result of lower fuel costs and less use of outside charters. Revenues related to both of these items results from the pass-through of costs to customers and there is minimal impact on operating income of EBITDA when these passed through costs go up or down. In the Domestic Dry-Bulk segment, higher volumes in agriculture products and salt demand offset reduced volumes in iron and steel and construction materials. In the Product Tanker segment, revenue days and associated time charter revenue increased slightly, although an overall reduction in customer demand reduced our need to use outside charters. The Ocean Self-Unloader segment has been impacted by volume reductions in all sectors as a result of the pandemic.

Consolidated revenue for the nine months ended September 30, 2020 was $391,369, a decrease of 2% compared to $398,923 reported for the same period in the prior year. For the nine months, Domestic Dry-Bulk revenues were lower solely due to reduced fuel recovery pass throughs, as improved rates more than offset the decrease in volumes in some sectors. Product Tanker segment revenues were lower due to the decline in outside charter use. These decreases were partially offset by higher revenues in the Ocean Self-Unloader segment as a result of having eight vessels in operation compared to five for the majority of 2019.

The Global Short Sea Shipping businesses generated revenues in the 2020 third quarter of $64,918 compared to $65,869 for the same period in 2019. For the nine months ended September 30, 2020 revenue was $181,031 compared to $190,022 for the same period in the prior year. The Company has a 50% interest in these businesses and does not include these revenues in its consolidated revenue figure.

Net earnings for the 2020 third quarter were $22,235, an increase of $1,186 compared to the same period in 2019. The increase was driven by higher operating earnings, partially offset by an impairment charge recorded in a joint venture, resulting in joint venture losses of $7,870 compared to earnings of $3,142 in 2019. Net earnings for the nine months ended September 30, 2020 were $16,351 compared to $20,362 in the prior year. Improved operating earnings were offset by net losses from investments in joint ventures of $9,038 compared to earnings of $3,162 in the prior year.

Subsequent to the quarter end, the Company sold a residential apartment building located in Sault Ste. Marie. The proceeds from the sale of the property were $6,250.

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Revenue	**$ 155,002**	$ 167,901	**$ 391,369**	$ 398,923
Operating earnings	**$ 40,542**	$ 31,594	**$ 42,109**	$ 33,086
Net earnings	**$ 22,235**	$ 21,049	**$ 16,351**	$ 20,362
Basic earnings per common share	**$ 0.59**	$ 0.55	**$ 0.43**	$ 0.53

	September 30 2020	December 31 2019
Common shares outstanding	**37,800,943**	37,824,543
Total assets	**$ 1,151,431**	$ 1,147,377
Total long-term financial liabilities	**$ 349,310**	$ 334,853

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 is determined as follows:

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Net earnings	**$ 22,235**	$ 21,049	**$ 16,351**	$ 20,362
Adjustments to net earnings:				
Depreciation and amortization	**18,256**	19,227	**55,711**	50,827
Interest, net	**4,584**	5,557	**14,534**	13,382
Foreign currency (gain) loss	**(259)**	372	**(432)**	976
Income tax expense	**6,112**	7,758	**2,618**	1,528
Joint ventures				
Interest expense	**677**	1,500	**2,928**	4,849
Foreign exchange (gain) loss	**(126)**	(130)	**(17)**	487
Depreciation	**4,464**	3,138	**12,547**	11,659
Impairment provision	**9,789**	—	**9,789**	—
Income tax expense (recovery)	**65**	(23)	**110**	149
EBITDA	**$ 65,797**	$ 58,448	**$ 114,139**	$ 104,219

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
2020	Quarter 3	$ 155,002	$ 22,235	$ 0.59
	Quarter 2	$ 151,270	$ 17,742	$ 0.47
	Quarter 1	$ 85,097	$ (23,626)	$ (0.62)
2019	Quarter 4	$ 168,985	$ 3,796	$ 0.10
	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

The impact of seasonality on the domestic businesses in the first quarter limits the usefulness of year-to-date earnings figures. Trailing twelve month figures can be useful to neutralize the seasonality effect. 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
2020	Quarter 3	$ 560,354	$ 20,147	$ 0.53	$ 0.68	$ 1.21
	Quarter 2	$ 573,253	$ 18,961	$ 0.50	$ 0.42	$ 0.92
	Quarter 1	$ 581,152	$ 23,333	$ 0.61	$ 0.42	$ 1.03
2019	Quarter 4	$ 567,908	$ 24,159	$ 0.63	$ 0.42	$ 1.05
	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

* 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.

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
(Loss) gain on shipbuilding contracts	$ —	$ —	$ (0.02)	$ 0.15	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Impairment reversals (provisions)	—	—	—	0.13	—	—	—	(0.42)	—	—	(0.26)
	$ —	$ —	$ (0.02)	$ 0.28	$ —	$ —	$ —	$ (0.42)	$ —	$ —	$ (0.26)
Trailing impact on EPS				$ 0.26	$ 0.26	$ 0.26	$ 0.28	$ (0.42)	$ (0.42)	$ (0.42)	$ (0.68)

Business Segment Discussion

Domestic Dry-Bulk

Financial Results Overview

Revenues for the Domestic Dry-Bulk segment decreased in the 2020 third quarter by $3,572 and by $8,346 for the nine months ended September 30, 2020 compared to the same periods in 2019. The reduced revenue in both periods is a result of substantially lower fuel prices that impacts the level of fuel recovery charges to customers but which has no impact on segment operating income. Volumes in the quarter were up slightly, as strong salt and agriculture volumes offset declines in iron and steel and construction materials. For the year to date, a decline in the iron and steel and construction sectors was partially offset by an increase in salt and agricultural cargoes. This mix of trades, combined with improved contracts rates that have been negotiated over the past two years, resulted in increased revenues in both periods this year when the impact of fuel recovery charges is factored out.

Operating expenses decreased by $8,282 in the 2020 third quarter and by $14,839 for the nine months ended September 30, 2020 compared to the same periods in 2019, mostly as a result of lower fuel expenses. In the 2020 third quarter there was also an 8% decrease in operating days, primarily a result of vessel out of service time related to reduced customer demand, This resulted in lower crew costs and other operating expenses. Year to date operating days were 9% lower, also as a result of reduced customer demand. Reductions in operating costs due to reduced operating day year-to-date were partially offset by higher overhead and layup spending.

The year to date increase in depreciation expense is attributable to the addition of the Algoma Conveyor to the fleet during 2019.

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Revenue	**$ 88,144**	$ 91,716	**$ 188,197**	$ 196,543
Operating expenses	**(51,446)**	(59,728)	**(139,495)**	(154,334)
Selling, general and administrative	**(2,901)**	(2,751)	**(9,242)**	(8,504)
Depreciation and amortization	**(6,353)**	(6,398)	**(18,988)**	(17,903)
Operating earnings	**27,444**	22,839	**20,472**	15,802
Income tax expense	**(7,174)**	(6,524)	**(5,355)**	(4,434)
Net earnings	**$ 20,270**	$ 16,315	**$ 15,117**	$ 11,368

EBITDA for Domestic Dry-Bulk for the three months ended September 30, 2020 increased $4,560 compared to the same period in 2019 and by $5,755 compared to the prior year. EBITDA is determined as follows:

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Net earnings	**$ 20,270**	$ 16,315	**$ 15,117**	$ 11,368
Adjustments to net earnings:				
Depreciation and amortization	**6,353**	6,398	**18,988**	17,903
Income tax expense	**7,174**	6,524	**5,355**	4,434
EBITDA	**$ 33,797**	$ 29,237	**$ 39,460**	$ 33,705

Outlook

We are expecting higher utilization for the remainder of the year with increased demand for grain and salt leading up to the winter months. The Domestic Dry-Bulk fleet is also expected to be in full operation during the fourth quarter; one of the two vessels that was laid up during the third quarter has entered back into service and the return of the second vessel is expected in the coming days. The Algoma Intrepid, our newest Equinox 650' Class self-unloader, is expected to arrive and begin operation in November, bringing the fleet up to 20 vessels compared to 19 during the same period last year. Utilization should also be positively impacted by the decision to keep the St. Lawrence Seaway open into the beginning of January; this comes after the approval of a five year pilot project to extend the navigation season. Volumes are anticipated to remain strong in the grain and salt sectors and although volumes in the construction sector and in the iron and steel industry have continued to improve, volumes will remain below normal for the balance of 2020.

Product Tankers

Financial Results Overview

Revenues for Product Tankers decreased in the 2020 third quarter by $6,371 and by $12,939 for the nine months ended September 30, 2020 compared to the same periods in 2019. For both periods the decrease was driven by a significant reduction in the use of outside charters and lower fuel recoveries compared to last year. In 2019, customer demand was extraordinarily high and in order to meet this demand the use of outside chartered vessels was required. We experienced a slight increase in revenue days on our own ships in the third quarter and revenue days for the year to date are higher due primarily to the addition of the Algoterra to the fleet in the second quarter of 2019, although this was partially offset as we had two vessels in layup during the first quarter.

Operating expenses decreased by $8,645 in the 2020 third quarter and by $14,609 for the nine months ended September 30, 2020. The decrease in operating costs for both periods was primarily driven by the significant reduction in outside charter usage.

The increase in depreciation and amortization in both periods reflects the larger fleet size this year.

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Revenue	**$ 29,798**	$ 36,169	**$ 90,245**	$ 103,184
Operating expenses	**(16,305)**	(24,950)	**(60,154)**	(74,763)
Selling, general and administrative	**(1,150)**	(958)	**(3,826)**	(3,015)
Depreciation and amortization	**(3,654)**	(3,584)	**(10,998)**	(9,951)
Operating earnings	**8,689**	6,677	**15,267**	15,455
Income tax expense	**(2,353)**	(2,307)	**(4,142)**	(4,094)
Net earnings	**$ 6,336**	$ 4,370	**$ 11,125**	$ 11,361

EBITDA for Product Tankers for the three months ended September 30, 2020 increased $2,082 compared to the same period in 2019 and by $859 for the nine months compared to the prior year. EBITDA is determined as follows:

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Net earnings	**$ 6,336**	$ 4,370	**$ 11,125**	$ 11,361
Adjustments to net earnings:				
Depreciation and amortization	**3,654**	3,584	**10,998**	9,951
Income tax expense	**2,353**	2,307	**4,142**	4,094
EBITDA	**$ 12,343**	$ 10,261	**$ 26,265**	$ 25,406

Outlook

Demand is expected to be reduced for the product tanker fleet for the balance of 2020 with the economic impact of the COVID-19 pandemic on automobile and air travel still being felt throughout the industry. This reduced demand is expected to result in reduced revenue days and three vessels are scheduled for temporary lay-up during the fourth quarter.

Ocean Self-Unloaders

Financial Results Overview

Revenues in the Ocean Self-Unloader segment decreased by $2,704 in the 2020 third quarter but increased by $14,622 for the nine months ended September 30, 2020 compared to the same periods in 2019. During the third quarter, the Pool in which our vessels operate experienced a 12% decrease in overall volumes and Pool performance is still being impacted by the COVID-19 pandemic with reductions across all sectors. Coal was the greatest contributor this quarter with a 17% decrease in volume, mostly as a result of difficulty obtaining materials in certain jurisdictions that has caused Pool customers to temporarily seek out other sources of supply. Partially offsetting the decline in volumes was a 9% increase in revenue days as a result of our vessels being in full utilization; in 2019 the Algoma Integrity was on dry-dock for the first half of the third quarter and the segment experienced delays caused by hurricane Dorian in September.

The increase in revenue for the nine months ended September 30, 2020 was driven by the addition of three vessels in June of 2019. These additional vessel days more than offset a 15% decrease in Pool volumes, which was primarily driven by a 24% decrease in aggregate volumes. Three of our five planned 2020 dry-dockings occurred in the first half of 2020, restricting our ability to benefit fully from the increase in the size of our fleet.

Operating expenses in the third quarter of 2020 decreased by $2,818 and increased by $9,271 for the nine months ended September 30, 2020 compared to the same periods in 2019. The decrease in the quarter reflects lower dry-docks costs, partially offset by a 9% increase in operating days as a result of the fleet being in full utilization compared to the same period last year. The increase for the year to date was a result of the larger fleet size, which correspondingly drove operating costs up, and higher dry-dock spending.

Unlike the Domestic Dry-Bulk segment, taking vessels out of service when there is lower demand is not a viable short-term option in the Ocean Self-Unloader segment. Although we are able to partially mitigate the impact of the volume reductions by implementing slow steaming and reducing fuel costs, any decrease in revenues substantially falls through to impact operating earnings.

Earlier this year, a vessel owned by our joint venture Marbulk was returned to the company by its charterer. In light of the existing bulk shipping environment, this vessel currently has limited redeployment opportunities unless significant capital is spent to improve the vessel's operating flexibility and efficiency. Marbulk has determined that it may not be possible to earn a satisfactory rate of return on such capital if invested in the vessel and is therefore considering sending the vessel for recycling. As a result, Marbulk management has determined that the carrying value of the vessel should be written down to its net scrap value and accordingly an impairment provision of $9,789 was recorded and is reflected in equity earnings from joint ventures in the quarter.

Year to date depreciation and amortization increased due to the larger fleet size this year.

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Revenue	**$ 34,235**	$ 36,939	**$ 104,130**	$ 89,508
Operating expenses	**(20,233)**	(23,051)	**(66,300)**	(57,029)
General and administrative	**(353)**	(418)	**(1,135)**	(1,349)
Depreciation and amortization	**(7,330)**	(8,346)	**(22,978)**	(20,262)
Operating earnings	**6,319**	5,124	**13,717**	10,868
Foreign currency loss	**—**	(2)	**—**	(2)
Income tax recovery	**2**	2	**7**	7
Net (loss) earnings from investments in joint ventures	**(10,239)**	111	**(10,213)**	248
Net (loss) earnings	**$ (3,918)**	$ 5,235	**$ 3,511**	$ 11,121

EBITDA for Ocean Self-Unloaders decreased $10,267 for the three months ended September 30 2020 compared to the same period last year, while EBITDA for the nine months ended September 30, 2020 increased $3,686. EBITDA is determined as follows:

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Net earnings	**$ (3,918)**	$ 5,235	**$ 3,511**	$ 11,121
Adjustments to net earnings:				
Depreciation and amortization	**7,330**	8,346	**22,978**	20,262
Foreign currency loss	**—**	2	**—**	2
Income tax recovery	**(2)**	(2)	**(7)**	(7)
Joint Venture:				
Depreciation and amortization	**413**	477	**1,339**	1,736
Impairment provision	**9,789**	—	**9,789**	—
Interest expense	**—**	142	**138**	490
Foreign exchange (gain) loss	**(1)**	(119)	**70**	480
Income tax expense	**57**	75	**167**	214
EBITDA	**$ 13,668**	$ 14,156	**$ 37,985**	$ 34,298

Outlook

The pace of recovery remains uncertain with U.S market recovery still unknown. While house construction appears to be holding up, continued softness in other construction and infrastructure related markets that drive demand for aggregates and gypsum is expected to have an on-going impact in the fourth quarter and into next year. As two vessels are also scheduled for dry-dock in the fourth quarter, we will have reduced revenue days compared to last year.

Global Short Sea Shipping

Financial Results Overview

Global Short Sea Shipping revenues decreased by $951 during the 2020 third quarter and by $8,991 for the nine months ended September 30, 2020. Strong performance in the cement vessel fleet operating in Canadian trade did not fully offset a tough COVID-19 related rate environment in the mini-bulker fleet. Additionally, there were four handy-size vessels operating this quarter versus five last year.

Operating costs improved by 6% for both the 2020 third quarter and for the nine months ended September 30, 2020. In order to limit the impact of the pandemic on operations, management has been focusing on reducing controllable costs which has resulted in a small increase in earnings before taxes.

The segment reported gains in the third quarter of 2019 from the sale of one mini-bulker which was not repeated in the quarter this year. Excluding this gain, year-over-year results for the quarter improved over 2019 despite continued weakness in the mini-bulker rate environment.

Depreciation and amortization increased for both periods due to increased depreciation charges associated with dry-dockings.

In September, the Sider Ibiza, was added to the mini-bulker fleet bringing the total fleet size to 17. The Sider Ibiza is the second of six new-build vessels to be delivered since the Sider Buffalo was added in April, 2020. At the end of the quarter, the segment controlled four ocean bulkers, 17 mini-bulkers, and 17 cement ships and held a 25% share of eight additional cement ships through its interest in the JT Cement joint venture.

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Revenue	**$ 64,918**	$ 65,869	**$ 181,031**	$ 190,022
Operating expenses	**(50,311)**	(53,619)	**(148,827)**	(157,838)
Selling, general and administrative	**(1,870)**	(2,136)	**(5,943)**	(6,706)
Depreciation and amortization	**(7,792)**	(4,522)	**(21,467)**	(18,545)
Operating earnings	**4,945**	5,592	**4,794**	6,933
(Loss) gain on sale of vessels	**(6)**	2,554	**626**	5,749
Interest expense	**(1,353)**	(2,715)	**(5,579)**	(8,718)
Foreign exchange gain (loss)	**250**	22	**173**	(14)
Earnings before undernoted	**3,836**	5,453	**14**	3,950
Income tax (expense) recovery	**(15)**	195	**113**	129
Net earnings of joint ventures	**466**	872	**1,204**	1,847
Net earnings attributable to non-controlling interest	**761**	342	**1,967**	1,201
Net earnings	**$ 5,048**	$ 6,862	**$ 3,298**	$ 7,127
Company share of net earnings above	**$ 2,524**	$ 3,431	**$ 1,649**	$ 3,564
Amortization of vessel purchase price allocation and intangibles	**(155)**	(400)	**(474)**	(650)
Company share included in net earnings of joint ventures	**$ 2,369**	$ 3,031	**$ 1,175**	$ 2,914

EBITDA for Global Short Sea was $6,980 for the three months ended September 30 2020 compared to $6,941 for the same period in 2019. EBITDA for the nine months ended September 30, 2020 was $15,029, a decrease of $2,109 compared to the prior year.

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Company share of net earnings from investments in joint ventures	**$ 2,369**	$ 3,031	**$ 1,175**	$ 2,914
Adjustments to net earnings:				
Depreciation and amortization	**4,051**	2,661	**11,208**	9,923
Foreign currency (gain) loss	**(125)**	(11)	**(87)**	7
Interest expense	**677**	1,358	**2,790**	4,359
Income tax expense (recovery)	**8**	(98)	**(57)**	(65)
Company share of EBITDA	**$ 6,980**	$ 6,941	**$ 15,029**	$ 17,138

Investment Properties

The Company owns a shopping centre and an apartment building located in Sault Ste. Marie, Ontario. The operating loss for both periods in 2020 is a result of the impact of the COVID-19 pandemic on the shopping centre. Subsequent to the quarter end, the Company sold a residential apartment building located in Sault Ste. Marie. The gross proceeds from the sale of the property were $6,250.

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Revenue	**$ 2,119**	$ 2,358	**$ 6,561**	$ 7,305
Operating expenses	**(1,897)**	(1,609)	**(5,129)**	(5,094)
Depreciation	**(667)**	(659)	**(1,998)**	(1,991)
Operating (loss) earnings	**(445)**	90	**(566)**	220
Income tax recovery (expense)	**118**	(26)	**207**	(3)
Net (loss) earnings	**$ (327)**	$ 64	**$ (359)**	$ 217

Corporate

The Corporate segment consists of revenue from management services provided 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. As a result of COVID-19 related activity, the Company has taken numerous initiatives to reduce overhead expenditures.

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
Revenue	**$ 706**	$ 719	**$ 2,236**	$ 2,383
Operating expenses	**(237)**	(251)	**(712)**	(718)
Selling, general and administrative	**(1,682)**	(3,364)	**(7,556)**	(10,204)
Depreciation	**(252)**	(240)	**(749)**	(720)
Operating loss	**(1,465)**	(3,136)	**(6,781)**	(9,259)
Foreign currency gain (loss)	**259**	(370)	**432**	(974)
Interest, net	**(4,584)**	(5,557)	**(14,534)**	(13,382)
Income tax recovery	**3,295**	1,097	**6,665**	6,996
Net loss	**$ (2,495)**	$ (7,966)	**$ (14,218)**	$ (16,619)

Consolidated

For the periods ended September 30	Three Months Ended				Nine Months Ended			
	2020		2019		**2020**		2019	
Revenue	**$**	**155,002**	$	167,901	**$**	**391,369**	$	398,923
Operating expenses		**(90,118)**		(109,589)		**(271,790)**		(291,938)
Selling, general and administrative		**(6,086)**		(7,491)		**(21,759)**		(23,072)
Depreciation and amortization		**(18,256)**		(19,227)		**(55,711)**		(50,827)
Operating earnings		**40,542**		31,594		**42,109**		33,086
Interest expense		**(4,655)**		(5,777)		**(14,831)**		(14,361)
Interest income		**71**		220		**297**		979
Foreign currency gain (loss)		**259**		(372)		**432**		(976)
Income tax expense		**(6,112)**		(7,758)		**(2,618)**		(1,528)
Net (loss) earnings from investments in joint ventures		**(7,870)**		3,142		**(9,038)**		3,162
Net earnings	**$**	**22,235**	$	21,049	**$**	**16,351**	$	20,362

Interest Expense

Interest expense decreased by $1,122 for the three months ended September 30, 2020 and increased by $470 for the nine months ended September 30, 2020 compared to the same periods in 2019. Interest expense on borrowings decreased by $1,096 in the 2020 third quarter as a result of lower average debt compared to the same period last year. Interest capitalized on vessels under construction in 2020 relates to one vessel currently under construction.

For the periods ended September 30	Three Months Ended				Nine Months Ended			
	2020		2019		**2020**		2019	
Interest expense on borrowings	**$**	**(4,346)**	$	(5,442)	**$**	**(13,775)**	$	(13,776)
Amortization of financing costs		**(272)**		(267)		**(816)**		(826)
Interest on employee future benefits, net		**(229)**		(196)		**(687)**		(586)
Interest capitalized on vessels under construction		**192**		128		**447**		827
	$	**(4,655)**	$	(5,777)	**$**	**(14,831)**	$	(14,361)

Foreign Currency Gain (Loss)

There was a foreign currency gain of $259 for the three months ended September 30, 2020 compared to a loss of $372 for the same period in 2019. For the nine months ended September 30, 2020 there was a foreign currency gain of $432 compared to a loss of $976 for the same period in the prior year.

For the periods ended September 30	Three Months Ended				Nine Months Ended			
	2020		2019		**2020**		2019	
Gain (loss) on foreign denominated cash	**$**	**603**	$	(372)	**$**	**776**	$	799
Foreign exchange loss on contract cancellation receivable		**—**		—		**—**		(1,775)
Unrealized loss on foreign exchange forward contracts		**(344)**		—		**(344)**		—
	$	**259**	$	(372)	**$**	**432**	$	(976)

Income Taxes

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 2020 and 2019 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.

	Three Months Ended		Nine Months Ended	
For the periods ended September 30	**2020**	2019	**2020**	2019
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	**$ 36,217**	$ 25,665	**$ 28,007**	$ 18,728
Expected income tax expense	**$ (9,598)**	$ (6,801)	**$ (7,422)**	$ (4,963)
(Increase) decrease in expense resulting from:				
Effect of items that are not (deductible) taxable	**16**	(11)	**(21)**	230
Foreign tax rates different from Canadian statutory rate	**1,670**	1,400	**3,626**	2,899
Adjustments to prior period provision	**1,554**	(2,202)	**968**	518
Other	**246**	(144)	**231**	(212)
Actual tax expense	**$ (6,112)**	$ (7,758)	**$ (2,618)**	$ (1,528)

Normal Course Issuer Bid

On March 19, 2020, the Company renewed its normal course issuer bid with the intention to purchase, through the facilities of the TSX, up to 1,890,457 of its Common Shares ("Shares") representing approximately 5% of the 37,809,143 Shares which were issued and outstanding as at the close of business on March 4, 2020 (the "NCIB").

Subject to prescribed exceptions, the Company is allowed to purchase up to 1,726 Common Shares on the TSX during any trading day, representing approximately 25% of the average daily trading volume of the shares on the TSX for the past six calendar months, being 6,906 Shares. Any Shares purchased under the NCIB will be cancelled. No shares were purchased under the new bid during the quarter due to market conditions; however, 24,600 shares were bought under the expired bid and the current bid in the first quarter in 2020.

In conjunction with the renewal of the NCIB, Algoma entered into a new automatic share purchase plan (the "ASPP") with a designated broker to allow for the purchase of its Shares under the NCIB at times when Algoma normally would not be active in the market due to applicable regulatory restrictions or internal trading black-out periods.

Before the commencement of any particular internal trading black-out period, Algoma may, but is not required to, instruct its designated broker to make purchases of Shares under the NCIB during the ensuing black-out period in accordance with the terms of the ASPP. Such purchases will be determined by the broker in its sole discretion based on parameters established by Algoma prior to commencement of the applicable black-out period in accordance with the terms of the ASPP and applicable TSX rules. Outside of these black-out periods, Shares will continue to be purchasable by Algoma at its discretion under its NCIB.

The ASPP will commence on the Company's behalf during any quarterly blackout period of the Company and will terminate on the earliest of the date on which: (a) the maximum annual purchase limit under the NCIB has been reached; (b) Algoma terminates the ASPP in accordance with its terms; or (c) the NCIB expires. The ASPP constitutes an "automatic securities purchase plan" under applicable Canadian securities laws.

Contingencies

For information on contingencies, please refer to Note 27 of the consolidated financial statements for the years ending December 31, 2019 and 2018. There have been no significant changes in the items presented since December 31, 2019.

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, 2020.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

Operating Activities

The net cash generated from operating activities for the nine months ended September 30, 2020 was $94,310 compared to cash generated of $76,089 for the same period in 2019. The significant contributor was an increase in cash from working capital.

Investing Activities

Net cash used in investing activities decreased by $69,925 for the nine months ended September 30, 2020. Fiscal 2019 included final delivery payments on two domestic vessels and the purchase of three additional ocean self-unloaders. This was offset by $66,242 received in cancellation refunds.

Financing Activities

Net cash from financing activities in 2019 relates to an increase in long-term debt used for capital purchases. 2020 mainly reflects repayments of that long-term debt.

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

	Nine Months Ended	
For the periods ended September 30	**2020**	2019
Net earnings	**$ 16,351**	$ 20,362
Operating activities	**$ 94,310**	$ 76,089
Investing activities	**$ (78,631)**	$ (148,556)
Financing activities	**$ (19,959)**	$ 75,002

Capital Resources

The Company has cash on hand of $13,508 at September 30, 2020. Available credit facilities along with projected cash from operations for 2020 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 under the terms of the Bank Facility and the Notes, including ones with respect to maintaining defined financial ratios and other conditions. As at September 30, 2020, the Company was in compliance with all of its covenants.

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, 2020. 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, 2020.

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, 2020.

Changes in Internal Controls over Financial Reporting

During the year ended September 30, 2020, 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, 2020 that affect the Company's liquidity and capital resource needs.

		2020		2021		2022		2023		2024 and Beyond
Long-term debt including equity component	$	82,997	$	182,929	$	150	$	5,196	$	80,528
Capital asset commitments		7,150		37,082		—		—		—
Interest payments on long-term debt		2,621		13,898		4,581		4,391		2,166
	$	92,768	$	233,909	$	4,731	$	9,587	$	82,694

Long-term debt payments for 2020 in the table above includes $82,962 of borrowings under the Company's revolving credit facility that Management expects will be refinanced using similar short-term borrowing instruments available under that facility.

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2020 and 2019

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, 2020 and 2019 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 (unaudited, in thousands of dollars, except per share data)	Notes	Three Months Ended 2020	Three Months Ended 2019	Nine Months Ended 2020	Nine Months Ended 2019
Revenue	4	**$ 155,002**	$ 167,901	**$ 391,369**	$ 398,923
Operating expenses		**(90,118)**	(109,589)	**(271,790)**	(291,938)
Selling, general and administrative		**(6,086)**	(7,491)	**(21,759)**	(23,072)
Depreciation and amortization		**(18,256)**	(19,227)	**(55,711)**	(50,827)
Operating earnings		**40,542**	31,594	**42,109**	33,086
Interest expense	6	**(4,655)**	(5,777)	**(14,831)**	(14,361)
Interest income		**71**	220	**297**	979
Foreign currency gain (loss)	7	**259**	(372)	**432**	(976)
		36,217	25,665	**28,007**	18,728
Income tax expense	8	**(6,112)**	(7,758)	**(2,618)**	(1,528)
Net (loss) earnings from investments in joint ventures	5	**(7,870)**	3,142	**(9,038)**	3,162
Net Earnings		**$ 22,235**	$ 21,049	**$ 16,351**	$ 20,362
Basic earnings per share	18	**$ 0.59**	$ 0.55	**$ 0.43**	$ 0.53
Diluted earnings per share	18	**$ 0.55**	$ 0.52	**$ 0.43**	$ 0.53

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Earnings

For the periods ended September 30 (unaudited, in thousands of dollars)	Notes	Three Months Ended 2020	Three Months Ended 2019	Nine Months Ended 2020	Nine Months Ended 2019
Net Earnings		**$ 22,235**	$ 21,049	**$ 16,351**	$ 20,362
Other Comprehensive (Loss) Earnings					
Items that may be subsequently reclassified to net earnings:					
Unrealized (loss) gain on translation of financial statements of foreign operations		**(10,090)**	5,487	**12,275**	(12,372)
Unrealized gain (loss) on hedging instruments, net of income tax		**2,289**	(1,692)	**(5,251)**	2,713
Foreign exchange gain on purchase commitment hedge reserve, net of income tax, transferred to:					
Net earnings		**(298)**	—	**(298)**	—
Property, plant, and equipment		**1,005**	—	**1,005**	—
Items that will not be subsequently reclassified to net earnings:					
Employee future benefits actuarial gain (loss), net of income tax	16	**2,163**	(948)	**(24,414)**	(9,813)
		(4,931)	2,847	**(16,683)**	(19,472)
Comprehensive Earnings (Loss)		**$ 17,304**	$ 23,896	**$ (332)**	$ 890

See accompanying notes to the interim condensed consolidated financial statements.

As at (unaudited, in thousands of dollars)	Notes	September 30 2020	December 31 2019
Assets			
Current			
Cash		**$ 13,508**	$ 18,865
Accounts receivable		**60,366**	67,612
Income taxes recoverable		**7,667**	7,311
Other current assets	10	**18,197**	20,641
		99,738	114,429
Property, plant, and equipment	11	**878,204**	856,387
Investments in joint ventures	5	**148,835**	142,794
Goodwill and intangible assets	12	**8,629**	11,194
Employee future benefits	16	**—**	4,610
Other assets	13	**16,025**	17,963
		$ 1,151,431	$ 1,147,377
Liabilities			
Current			
Accounts payable and accrued charges		**$ 55,171**	$ 63,441
Current portion of long-term debt	17	**265,473**	80,076
Income taxes payable		**1,250**	3,975
Other current liabilities	14	**5,431**	9,353
		327,325	156,845
Long-term debt	17	**83,837**	254,777
Employee future benefits	16	**53,819**	24,856
Deferred income taxes		**38,581**	48,480
Other long-term liabilities	15	**1,960**	1,998
		178,197	330,111
Commitments	21		
Shareholders' Equity			
Share capital	18	**8,110**	8,115
Contributed surplus		**996**	1,184
Convertible debentures		**2,309**	2,309
Accumulated other comprehensive loss	19	**(18,219)**	(25,950)
Retained earnings		**652,713**	674,763
		645,909	660,421
		$ 1,151,431	$ 1,147,377

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 18)		(Note 19)		
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
Balance at December 31, 2019	$ 8,115	$ 3,493	$ (25,950)	$ 674,763	$ 660,421
Net earnings	—	—	—	16,351	16,351
Dividends	—	—	—	(13,987)	(13,987)
Repurchase and cancellation of common shares	(5)	(299)	—	—	(304)
Share-based compensation	—	111	—	—	111
Other comprehensive earnings (loss)	—	—	7,731	(24,414)	(16,683)
Balance at September 30, 2020	**$ 8,110**	**$ 3,305**	**$ (18,219)**	**$ 652,713**	**$ 645,909**

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	**2020**	2019
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net earnings		**$ 16,351**	$ 20,362
Net loss (earnings) from investments in joint ventures	5	**9,038**	(3,162)
Items not affecting cash			
Depreciation and amortization		**55,711**	50,827
Gain on sale of assets		**—**	(1,896)
Other		**18,565**	17,795
Net change in non-cash working capital		**3,151**	(6,268)
Income taxes paid, net of amounts received		**(6,442)**	246
Employee future benefits paid		**(2,064)**	(1,815)
Net cash generated from operating activities		**94,310**	76,089
Investing			
Additions to property, plant, and equipment	20	**(64,930)**	(206,350)
Cancellation refunds received		**—**	66,242
Distributions received from joint ventures	5	**—**	2,078
Investment in joint ventures	5	**—**	(8,011)
Compensation payments to other pool members for retired vessels		**(3,473)**	(5,382)
Progress payments for shipbuilding contracts		**(11,161)**	(3,553)
Interest received		**933**	1,192
Proceeds on sale of property, plant, and equipment		**—**	1,968
Net cash used in investing activities		**(78,631)**	(148,556)
Financing			
Interest paid		**(14,746)**	(14,496)
Proceeds of long-term debt		**119,501**	163,907
Repayments on long-term debt		**(110,798)**	(31,653)
Repurchase of common shares	18	**(277)**	(3,454)
Dividends paid		**(13,639)**	(39,302)
Net cash (used in) generated from financing activities		**(19,959)**	75,002
Net change in cash		**(4,280)**	2,535
Effects of exchange rate changes on cash held in foreign currencies		**(1,077)**	(2,678)
Cash, beginning of period		**18,865**	25,539
Cash, end of period		**$ 13,508**	$ 25,396

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, 2020 and 2019 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 an agreed formula representing 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 interests in ocean-going self-unloading vessels. 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 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, 2019 and 2018 . The financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2019 and 2018.

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 3, 2020.

3. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In light of the COVID-19 pandemic and the related global economic downturn, the Company continues to monitor the critical accounting estimates and judgments utilized in the preparation of the interim condensed consolidated financial statements. As of the authorization date, accounting estimates for employee future benefits have been impacted as a result of the uncertainty in financial markets caused by the pandemic. See Note 16 for further information.

4. REVENUE

Disaggregated revenue by segment is as follows:

For the three months ended September 30	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
(unaudited, in thousand of dollars)						
2020						
Contract of Affreightment	$ 87,866	$ —	$ —	$ —	$ —	$ 87,866
Time Charter	—	29,798	—	—	—	29,798
Pool Revenue Share	—	—	34,235	—	—	34,235
Other	278	—	—	2,119	706	3,103
	$ 88,144	**$ 29,798**	**$ 34,235**	**$ 2,119**	**$ 706**	**$ 155,002**
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

For the nine months ended September 30	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
(unaudited, in thousand of dollars)						
2020						
Contract of Affreightment	$ 177,028	$ 1,356	$ —	$ —	$ —	$ 178,384
Time Charter	10,481	88,889	—	—	—	99,370
Pool Revenue Share	—	—	104,130	—	—	104,130
Other	688	—	—	6,561	2,236	9,485
	$ 188,197	**$ 90,245**	**$ 104,130**	**$ 6,561**	**$ 2,236**	**$ 391,369**
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

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

As at (unaudited, in thousands of dollars)	**September 30 2020**	December 31 2019
Contract assets		
Unbilled revenue	**$ 4,934**	$ 8,525

As at (unaudited, in thousands of dollars)	**September 30 2020**	December 31 2019
Contract liabilities		
Deferred revenue	**$ 461**	$ 1,712

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. In the tables below, Marbulk results are presented in "Ocean Self-Unloaders" and all NovaAlgoma joint ventures are presented in "Global Short Sea Shipping".

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

For the three months ended September 30 (unaudited, in thousands of dollars)	**2020**		2019	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 1,514**	**$ 64,918**	$ 2,663	$ 65,869
Operating expenses	**(1,021)**	**(50,311)**	(1,157)	(53,619)
Gain on sale of vessels	**—**	**(6)**	—	2,554
General and administrative	**(457)**	**(1,870)**	(134)	(2,136)
Depreciation and amortization	**(825)**	**(7,792)**	(954)	(4,522)
Impairment provision	**(19,577)**	**—**	—	—
Interest expense	**—**	**(1,353)**	(284)	(2,715)
Foreign exchange loss	**2**	**250**	237	22
Compensation for pool vessel retirement	**—**	**—**	—	—
Other expenses	**—**	**—**	—	—
(Loss) earnings before undernoted	**(20,364)**	**3,836**	371	5,453
Net earnings of joint ventures	**—**	**466**	—	872
Net earnings attributable to non-controlling interest	**—**	**761**	—	342
Income tax (expense) recovery	**(113)**	**(15)**	(149)	195
Net (loss) earnings	**$ (20,477)**	**$ 5,048**	$ 222	$ 6,862
Company share of net (loss) earnings	**$ (10,239)**	**$ 2,524**	$ 111	$ 3,431
Amortization of vessel purchase price allocation and intangibles	**—**	**(155)**	—	(400)
Company share included in net (loss) earnings of joint ventures	**$ (10,239)**	**$ 2,369**	$ 111	$ 3,031

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

For the three months ended September 30 (unaudited, in thousands of dollars)	**2020**	2019
Ocean Self-Unloaders	**$ (10,239)**	$ 111
Global Short Sea Shipping	**2,369**	3,031
	$ (7,870)	$ 3,142

For the nine months ended September 30 (unaudited, in thousands of dollars)	**2020**		2019	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 7,097**	**$ 181,031**	$ 7,845	$ 190,022
Operating expenses	**(3,562)**	**(148,827)**	(4,053)	(157,838)
Gain on sale of vessels	**—**	**626**	—	5,749
General and administrative	**(752)**	**(5,943)**	(446)	(6,706)
Depreciation and amortization	**(2,677)**	**(21,467)**	(3,471)	(18,545)
Impairment provision	**(19,577)**	**—**	—	—
Interest expense	**(275)**	**(5,579)**	(980)	(8,718)
Foreign exchange loss	**(140)**	**173**	(960)	(14)
Compensation for pool vessel retirement	**—**	**—**	2,989	—
Other expenses	**(206)**	**—**	—	—
Earnings (loss) before undernoted	**(20,092)**	**14**	924	3,950
Net earnings of joint ventures	**—**	**1,204**	—	1,847
Net earnings attributable to non-controlling interest	**—**	**1,967**	—	1,201
Income tax (expense) recovery	**(334)**	**113**	(428)	129
Net earnings (loss)	**$ (20,426)**	**$ 3,298**	$ 496	$ 7,127
Company share of net earnings (loss)	**$ (10,213)**	**$ 1,649**	$ 248	$ 3,564
Amortization of vessel purchase price allocation and intangibles	**—**	**(474)**	—	(650)
Company share included in net earnings (loss) from investments in joint ventures	**$ (10,213)**	**$ 1,175**	$ 248	$ 2,914

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

For the nine months ended September 30 (unaudited, in thousands of dollars)	**2020**	2019
Ocean Self-Unloaders	**$ (10,213)**	$ 248
Global Short Sea Shipping	**1,175**	2,914
	$ (9,038)	$ 3,162

Impairment provision

Earlier this year, a vessel owned by Marbulk was returned to the joint venture by its charterer. In light of the existing bulk shipping environment, this vessel currently has limited redeployment opportunities unless significant capital is spent to improve the vessel's operating flexibility and efficiency. During the quarter, Marbulk management completed a review of the events and circumstances to determine if the carrying value of the vessel was greater than the recoverable amount.

As a result of the review, Marbulk management concluded the carrying value of the vessel was impaired and recognized an impairment provision of $19,577 in its net loss. The impairment loss was calculated as the amount by which the carrying value of the vessel exceeded the net recoverable amount. The net recoverable amount was based on fair value, less costs of disposal, of the vessel. Level 2 inputs were used in determining the fair value.

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

As at (unaudited, in thousands of dollars)	September 30 2020		December 31 2019	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Cash	**$ 3,744**	**$ 10,459**	$ 4,670	$ 9,130
Other current assets	**888**	**50,569**	628	50,350
Income taxes recoverable	**51**	**57**	49	41
Property, plant, and equipment	**5,548**	**438,507**	27,177	430,180
Investment in joint ventures	**—**	**21,701**	—	19,600
Intangible assets	**—**	**37**	—	72
Other assets	**—**	**12,983**	—	12,367
Current liabilities	**(431)**	**(53,768)**	(1,543)	(59,283)
Due to owners	**—**	**—**	(23,235)	—
Long-term debt	**—**	**(188,330)**	—	(185,615)
Other long-term liabilities	**—**	**(19,380)**	(244)	(11,903)
Deferred income taxes	**—**	**(506)**	—	(493)
Non-controlling interest	**—**	**1,241**	—	(672)
Net assets of jointly controlled operations	**$ 9,800**	**$ 273,570**	$ 7,502	$ 263,774
Company share of net assets	**$ 4,900**	**$ 136,785**	$ 3,751	$ 131,887
Goodwill and other purchase price adjustments	**—**	**7,150**	—	7,156
Company share of joint venture	**$ 4,900**	**$ 143,935**	$ 3,751	$ 139,043

In April 2020, the shareholder debt in Marbulk Canada Inc. was converted to share capital resulting in an increase to the joint venture's net assets.

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

As at (unaudited, in thousands of dollars)	September 30 2020	December 31 2019
Ocean Self-Unloaders	**$ 4,900**	$ 3,751
Global Short Sea Shipping	**143,935**	139,043
	$ 148,835	$ 142,794

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

For the nine months ended September 30 (unaudited, in thousand of dollars)	2020		2019	
	Distributions received	**Investment in joint ventures**	Distributions received	Investment in joint ventures
Ocean Self-Unloaders	**$ —**	**$ —**	$ —	$ —
Global Short Sea Shipping	**—**	**—**	2,078	(8,011)
	$ —	**$ —**	$ 2,078	$ (8,011)

The Company has related party relationships with its joint ventures with respect to management services, technical management services, vessel operations, and a loan receivable. The Company also guarantees loans of the joint ventures. Amounts relating to transactions with joint ventures are as follows:

For the periods ended September 30 (unaudited, in thousands of dollars)	Three Months Ended 2020	Three Months Ended 2019	Nine Months Ended 2020	Nine Months Ended 2019
Revenue	**$ 462**	$ 429	**$ 1,413**	$ 1,442

For the period ended (unaudited, in thousands of dollars)	September 30 2020	December 31 2019
Accounts receivable	**$ 11,470**	$ 5,515
Loan and interest receivable	**—**	11,618
Loans guaranteed by the Company	**27,271**	30,941

6. INTEREST EXPENSE

The components of interest expense are as follows:

For the periods ended September 30 (unaudited, in thousands of dollars)	Three Months Ended 2020	Three Months Ended 2019	Nine Months Ended 2020	Nine Months Ended 2019
Interest expense on borrowings	**$ (4,346)**	$ (5,442)	**$ (13,775)**	$ (13,776)
Amortization of financing costs	**(272)**	(267)	**(816)**	(826)
Interest on employee future benefits, net	**(229)**	(196)	**(687)**	(586)
Interest capitalized on vessels under construction	**192**	128	**447**	827
	$ (4,655)	$ (5,777)	**$ (14,831)**	$ (14,361)

7. FOREIGN CURRENCY GAIN (LOSS)

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

For the periods ended September 30 (unaudited, in thousands of dollars)	Three Months Ended 2020	Three Months Ended 2019	Nine Months Ended 2020	Nine Months Ended 2019
Gain (loss) on foreign denominated cash and debt	**$ 603**	$ (372)	**$ 776**	$ 799
Unrealized loss on foreign exchange forward contracts	**(344)**	—	**(344)**	—
Foreign exchange loss on contract cancellation receivable	**—**	—	**—**	(1,775)
	$ 259	$ (372)	**$ 432**	$ (976)

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:

For the periods ended September 30 (unaudited, in thousands of dollars)	Three Months Ended 2020	Three Months Ended 2019	Nine Months Ended 2020	Nine Months Ended 2019
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Net earnings (loss) before income tax and loss from investments in joint ventures	**$ 36,217**	$ 25,665	**$ 28,007**	$ 18,728
Expected income tax (expense) recovery	**$ (9,598)**	$ (6,801)	**$ (7,422)**	$ (4,963)
(Increase) decrease in expense resulting from:				
Effect of items that are not taxable (deductible)	**16**	(11)	**(21)**	230
Foreign tax rates different from Canadian statutory rate	**1,670**	1,400	**3,626**	2,899
Adjustments to prior period provision	**1,554**	(2,202)	**968**	518
Other	**246**	(144)	**231**	(212)
	$ (6,112)	$ (7,758)	**$ (2,618)**	$ (1,528)

9. LEASES

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

	Right-of-use assets		Lease liabilities	
(unaudited, in thousands of dollars)	**September 30 2020**	December 31 2019	**September 30 2020**	December 31 2019
Opening balance	**$ 360**	$ 429	$ 376	$ 429
Additions	**265**	24	265	24
Depreciation	**(82)**	(76)	—	—
Interest accretion	**—**	—	23	24
Payments	**—**	—	(67)	(84)
Effect of foreign currency exchange differences	**10**	(17)	(8)	(17)
Closing balance	**$ 553**	$ 360	**$ 589**	$ 376

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 consolidated statement of earnings. For the nine months ended September 30, 2020, these amounts correspond to the depreciation of $82 (2019 - $56) and the interest accretion of $23 (2019 - $18) reported in the table above.

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

For the periods ended September 30 (unaudited, in thousands of dollars)	**2020**	2019
Payments - short term leases	**$ 5,639**	$ 21,877
Payments per IFRS 16	**67**	51
Non-lease components per IFRS 16	**55**	43
Total cash payments	**$ 5,761**	$ 21,971

10. OTHER CURRENT ASSETS

The components of other current assets are as follows:

As at (unaudited, in thousands of dollars)	**September 30 2020**	December 31 2019
Materials and supplies	**$ 8,190**	$ 10,583
Prepaid expenses	**9,051**	9,415
Derivative asset	**956**	—
Loan interest receivable	**—**	634
Right-of-use assets (Note 9)	**—**	9
	$ 18,197	$ 20,641

11. 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, 2019	$ 18,426	$ 597,562	$ 241,289	$ 382,691	$ 55,851	$ 1,295,819
Additions	1,558	53,743	1,485	8,307	633	65,726
Transfer from progress payments for shipbuilding contracts	—	1,268	—	—	—	1,268
Fully depreciated assets no longer in use	—	(1,072)	(33)	(7,983)	—	(9,088)
Effect of foreign currency exchange differences and other adjustments	1	—	—	10,590	—	10,591
Balance at September 30, 2020	**$ 19,985**	**$ 651,501**	**$ 242,741**	**$ 393,605**	**$ 56,484**	**$ 1,364,316**

Accumulated depreciation (unaudited, in thousands of dollars)	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Total
Balance at December 31, 2019	$ 11,758	$ 167,017	$ 120,534	$ 100,980	$ 39,143	$ 439,432
Depreciation expense	677	18,978	10,998	20,264	1,998	52,915
Fully depreciated assets no longer in use	—	(1,072)	(33)	(7,983)	—	(9,088)
Effect of foreign currency exchange differences and other adjustments	1	—	—	2,852	—	2,853
Balance at September 30, 2020	**$ 12,436**	**$ 184,923**	**$ 131,499**	**$ 116,113**	**$ 41,141**	**$ 486,112**

Net Book Value (unaudited, in thousands of dollars)	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Total
September 30, 2020						
Cost	$ 19,985	$ 651,501	$ 242,741	$ 393,605	$ 56,484	$ 1,364,316
Accumulated depreciation	12,436	184,923	131,499	116,113	41,141	486,112
	$ 7,549	**$ 466,578**	**$ 111,242**	**$ 277,492**	**$ 15,343**	**$ 878,204**
December 31, 2019						
Cost	$ 18,426	$ 597,562	$ 241,289	$ 382,691	$ 55,851	$ 1,295,819
Accumulated depreciation	11,758	167,017	120,534	100,980	39,143	439,432
	$ 6,668	$ 430,545	$ 120,755	$ 281,711	$ 16,708	$ 856,387

Subsequent to the quarter end, the Company sold a residential apartment building located in Sault Ste. Marie. The gross proceeds from the sale of the property were $6,250.

12. 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, 2019	$ 7,910	$ 7,743	$ 15,653
Additions	—	746	746
Amortization	—	(4,903)	(4,903)
Effect of foreign currency exchange differences	—	(302)	(302)
Balance at December 31, 2019	$ 7,910	$ 3,284	$ 11,194
Amortization	—	(2,421)	(2,421)
Effect of foreign currency exchange differences	—	(144)	(144)
Balance at September 30, 2020	**$ 7,910**	**$ 719**	**$ 8,629**

Goodwill

As part of a business acquisition in 2011, the Company recognized goodwill of $7,910 within the Domestic Dry-Bulk segment 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.

13. OTHER ASSETS

Other assets consist of the following:

As at (unaudited, in thousands of dollars)	**September 30 2020**	December 31 2019
Loan receivable from joint venture, interest at 4.98%	**$ —**	$ 10,984
Progress payments for shipbuilding contracts	**15,463**	6,618
Right-of-use assets (Note 9)	**553**	351
Other	**9**	10
	$ 16,025	$ 17,963

14. OTHER CURRENT LIABILITIES

The components of other current liabilities are as follows:

As at (unaudited, in thousands of dollars)	**September 30 2020**	December 31 2019
Accrued interest on long-term debt	**$ 3,155**	$ 4,488
Dividends payable	**1,807**	1,459
Lease obligations (Note 9)	**195**	59
Derivative liability	**274**	—
Compensation payable to Pool members	**—**	3,347
	$ 5,431	$ 9,353

15. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

As at (unaudited, in thousands of dollars)	**September 30 2020**	December 31 2019
Deferred compensation	**$ 1,566**	$ 1,681
Lease obligations (Note 9)	**394**	317
	$ 1,960	$ 1,998

16. EMPLOYEE FUTURE BENEFITS

The COVID-19 pandemic has caused instability in global market conditions. This led to a decline in the fair value of the pension assets as well a decline in the discount rate applied to the defined benefit obligations, which resulted in the elimination of the surplus position of the defined benefit plans and an increase in employee future benefit liabilities. Pension assets have been measured as of September 30, 2020 as reported by the plan custodian and reflect the fair market value of the assets to that date. The actuarial gain/loss is recognized in other comprehensive income.

Defined benefit obligations have been determined in accordance with IAS19 standards including the determination of discount rates. The Canadian Institute of Actuaries provides guidance to actuaries, which includes a yield curve based on duration of liabilities. The September 30, 2020 guidance provided by the Canadian Institute of Actuaries incorporated adjustments to their yield curve to account for the impact of COVID-19.

17. LONG-TERM DEBT

As at (unaudited, in thousands of dollars)	**September 30 2020**	December 31 2019
Convertible unsecured subordinated debentures, due June 30, 2024, interest at 5.25%	**$ 80,528**	$ 80,184
Senior Secured Notes, due July 19, 2021		
U.S. $75,000, interest fixed at 5.11%	**100,043**	97,410
Canadian $75,000, interest fixed at 5.52%	**75,000**	75,000
Bank Facility, due June 21, 2021		
Prime rate loan, interest at 4.95%, payable on demand	**—**	15,000
Base rate loan, U.S. $22,195, interest at 4.45%, payable on demand	**29,606**	—
LIBOR, U.S. $45,805, interest at 2.28%, due within 1 year	**61,099**	—
LIBOR, U.S. $50,000, interest at 3.91%, due within 1 year	**—**	64,940
Mortgage payable, due March 8, 2023, interest at 4.73%	**5,524**	5,625
	351,800	338,159
Less: unamortized financing expenses	**2,490**	3,306
	349,310	334,853
Less: current portion of long-term debt	**265,473**	80,076
	$ 83,837	$ 254,777

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, 2020 and December 31, 2019 the Company was in compliance with all of its covenants.

18. SHARE CAPITAL

Share capital

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

The Company had 37,800,943 common shares outstanding as at September 30, 2020 (December 31, 2019 - 37,824,543).

At September 30, 2020 and December 31, 2019 there were no preferred shares issued and outstanding.

The Company's Board of Directors have authorized payment of a quarterly dividend to shareholders of $0.13 per common share. The dividend will be paid on December 1, 2020 to shareholders of record on November 17, 2020.

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

	Three Months Ended		Nine Months Ended	
For the periods ended September 30 (unaudited, in thousands of dollars)	**2020**	2019	**2020**	2019
Net earnings	**$ 22,235**	$ 21,049	**$ 16,351**	$ 20,362
Interest expense on debentures, net of tax	**1,000**	997	**2,976**	2,959
Net earnings for diluted earnings per share	**$ 23,235**	$ 22,046	**$ 19,327**	$ 23,321
Basic weighted average common shares	**37,800,943**	38,174,515	**37,803,266**	38,303,715
Shares due to dilutive effect of debentures	**4,125,000**	4,125,000	**4,125,000**	4,000,394
Diluted weighted average common shares	**41,925,943**	42,299,515	**41,928,266**	42,304,109
Basic earnings per common share	**$ 0.59**	$ 0.55	**$ 0.43**	$ 0.53
Diluted earnings per common share	**$ 0.55**	$ 0.52	**$ 0.43**	$ 0.53

Normal Course Issuer Bid

On March 19, 2020, the Company renewed its normal course issuer bid ("NCIB") to purchase up to 1,890,457 of its common shares, representing approximately 5% of the common shares issued and outstanding as of the close of business on March 4, 2020.

Under the NCIB, the Company may purchase up to 1,726 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, 2020 and ending on March 18, 2021. 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 March 19, 2019 and concluded on March 18, 2020, resulted in the repurchase and cancellation of 612,572 common shares.

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Hedges			
(unaudited, in thousands of dollars)	Net investment	Purchase Commitment	Foreign exchange translation	Total
Balance at December 31, 2018	$ (26,717)	$ —	$ 15,872	$ (10,845)
Gain (loss)	5,232	—	(20,142)	(14,910)
Income tax expense	(195)	—	—	(195)
Net gain (loss)	5,037	—	(20,142)	(15,105)
Balance at December 31, 2019	$ (21,680)	$ —	$ (4,270)	$ (25,950)
(Loss) gain	(4,830)	(947)	12,275	6,498
Reclassified to earnings	—	(344)	—	(344)
Reclassified to property, plant, and equipment	—	1,159	—	1,159
Income tax recovery (expense)	400	18	—	418
Net (loss) gain	(4,430)	(114)	12,275	7,731
Balance at September 30, 2020	**$ (26,110)**	**$ (114)**	**$ 8,005**	**$ (18,219)**

20. 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		2020		2019
Additions to property, plant, and equipment	11	$	(65,726)	$	(207,661)
Capitalized interest			—		827
Amounts included in working capital			796		484
		$	(64,930)	$	(206,350)

21. COMMITMENTS

The Company has commitments to construct one gearless bulk carrier and, through its interest in a joint venture, an additional four bulk carriers. Payments for the gearless bulk carrier are $7,150 ($5,360 USD) in 2020 and $18,321 ($13,735 USD) in 2021. The Company's share of payments for the other bulk carriers are $18,761 ($14,065 USD) in 2021.

22. 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 2020		December 31 2019
Financial assets carrying and fair value:				
Cash	$	13,508	$	18,865
Accounts receivable	$	60,366	$	67,612
Derivative asset	$	956	$	—
Loan interest receivable	$	—	$	634
Other assets	$	—	$	10,994
Financial liabilities carrying and fair value:				
Accounts payable and accrued charges	$	55,171	$	63,441
Dividends payable	$	1,807	$	1,459
Accrued interest on long-term debt	$	3,155	$	4,488
Compensation payable to Pool members	$	—	$	3,347
Carrying value of long-term debt	$	351,800	$	338,159
Fair value of long-term debt	$	353,934	$	346,985

Liquidity risk

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

(in thousands of dollars)		2020		2021		2022		2023		2024 and Beyond		Total
Long-term debt including equity component	$	82,997	$	182,929	$	150	$	5,196	$	80,528	$	351,800
Capital asset commitments		7,150		37,082		—		—		—		44,232
Interest payments on long-term debt		2,621		13,898		4,581		4,391		2,166		27,657
	$	92,768	$	233,909	$	4,731	$	9,587	$	82,694	$	423,689

Foreign Exchange Risk

At September 30, 2020 and December 31, 2019, approximately 39% and 41% respectively of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $6,860 and $9,564 at September 30, 2020 and December 31, 2019, 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. The Company also utilizes foreign exchange forward contracts as a hedge on purchase commitments to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join our Canadian flag domestic dry-bulk fleet.

At September 30, 2020 the Company had U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $54,000 USD and fair value gain of $682. As of December 31, 2019 the Company did not have any foreign exchange forward contracts outstanding.

23. 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, 2020 (unaudited, in thousands of dollars)							
Revenue	$ 88,144	$ 29,798	$ 34,235	$ 706	$ 2,119	$ —	$ 155,002
Operating expenses	(51,446)	(16,305)	(20,233)	(237)	(1,897)	—	(90,118)
Selling, general and administrative	(2,901)	(1,150)	(353)	(1,682)	—	—	(6,086)
Depreciation and amortization	(6,353)	(3,654)	(7,330)	(252)	(667)	—	(18,256)
Operating earnings (loss)	27,444	8,689	6,319	(1,465)	(445)	—	40,542
Interest, net	—	—	—	(4,584)	—	—	(4,584)
Foreign currency loss	—	—	—	259	—	—	259
	27,444	8,689	6,319	(5,790)	(445)	—	36,217
Income tax (expense) recovery	(7,174)	(2,353)	2	3,295	118	—	(6,112)
Net (loss) earnings of joint ventures	—	—	(10,239)	—	—	2,369	(7,870)
Net earnings (loss)	$ 20,270	$ 6,336	$ (3,918)	$ (2,495)	$ (327)	$ 2,369	$ 22,235
For the nine months ended September 30, 2020 (unaudited, in thousands of dollars)							
Revenue	$ 188,197	$ 90,245	$ 104,130	$ 2,236	$ 6,561	$ —	$ 391,369
Operating expenses	(139,495)	(60,154)	(66,300)	(712)	(5,129)	—	(271,790)
Selling, general and administrative	(9,242)	(3,826)	(1,135)	(7,556)	—	—	(21,759)
Depreciation and amortization	(18,988)	(10,998)	(22,978)	(749)	(1,998)	—	(55,711)
Operating earnings (loss)	20,472	15,267	13,717	(6,781)	(566)	—	42,109
Interest, net	—	—	—	(14,534)	—	—	(14,534)
Foreign currency loss	—	—	—	432	—	—	432
	20,472	15,267	13,717	(20,883)	(566)	—	28,007
Income tax (expense) recovery	(5,355)	(4,142)	7	6,665	207	—	(2,618)
Net (loss) earnings from investments in joint ventures	—	—	(10,213)	—	—	1,175	(9,038)
Net earnings (loss)	$ 15,117	$ 11,125	$ 3,511	$ (14,218)	$ (359)	$ 1,175	$ 16,351

Notes to the Interim Condensed Consolidated Financial Statements

		Domestic Dry-Bulk		Product Tankers		Ocean Self-Unloaders		Corporate		Investment Properties		Global Short Sea Shipping		Total
As at September 30, 2020 (unaudited, in thousands of dollars)														
Assets														
Current assets	$	48,943	$	6,846	$	20,593	$	18,605	$	4,751	$	—	$	99,738
Property, plant, and equipment		466,578		111,242		277,492		7,549		15,343		—		878,204
Investments in joint ventures		—		—		4,900		—		—		143,935		148,835
Goodwill and intangible assets		7,910		—		719		—		—		—		8,629
Other assets		15,467		—		9		549		—		—		16,025
	$	538,898	$	118,088	$	303,713	$	26,703	$	20,094	$	143,935	$	1,151,431
Liabilities														
Current liabilities	$	32,913	$	9,634	$	10,291	$	8,877	$	137	$	—	$	61,852
Current portion of long-term debt		—		—		—		265,473		—		—		265,473
Long-term liabilities		4,505		15,799		63		73,993		—		—		94,360
Long-term debt		—		—		—		83,837		—		—		83,837
		37,418		25,433		10,354		432,180		137		—		505,522
Shareholders' Equity		501,480		92,655		293,359		(405,477)		19,957		143,935		645,909
	$	538,898	$	118,088	$	303,713	$	26,703	$	20,094	$	143,935	$	1,151,431

		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)
Depreciation and amortization		(6,398)		(3,584)		(8,346)		(240)		(659)		—		(19,227)
Operating earnings (loss)		22,839		6,677		5,124		(3,136)		90		—		31,594
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)
Depreciation and amortization		(17,903)		(9,951)		(20,262)		(720)		(1,991)		—		(50,827)
Operating earnings (loss)		15,802		15,455		10,868		(9,259)		220		—		33,086
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 (expense) recovery		(4,434)		(4,094)		7		6,996		(3)		—		(1,528)
Net earnings from investments in joint ventures		—		—		248		—		—		2,914		3,162
Net earnings (loss)	$	11,368	$	11,361	$	11,121	$	(16,619)	$	217	$	2,914	$	20,362

		Domestic Dry-Bulk		Product Tankers		Ocean Self-Unloaders		Corporate		Investment Properties		Global Short Sea Shipping		Total
As at December 31, 2019 (unaudited, in thousands of dollars)														
Assets														
Current assets	$	58,989	$	4,916	$	23,965	$	25,046	$	1,513	$	—	$	114,429
Property, plant, and equipment		430,545		120,755		281,711		6,668		16,708		—		856,387
Investments in joint ventures		—		—		3,751		—		—		139,043		142,794
Goodwill and intangible assets		7,910		—		3,284		—		—		—		11,194
Other assets		6,815		—		9		15,749		—		—		22,573
	$	504,259	$	125,671	$	312,720	$	47,463	$	18,221	$	139,043	$	1,147,377
Liabilities														
Current liabilities	$	36,343	$	13,612	$	15,520	$	10,870	$	424	$	—	$	76,769
Current portion of long-term debt		—		—		—		80,076		—		—		80,076
Long-term liabilities		3,036		15,987		70		56,241		—		—		75,334
Long-term debt		—		—		—		254,777		—		—		254,777
		39,379		29,599		15,590		401,964		424		—		486,956
Shareholders' Equity		464,880		96,072		297,130		(354,501)		17,797		139,043		660,421
	$	504,259	$	125,671	$	312,720	$	47,463	$	18,221	$	139,043	$	1,147,377

24. 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, 1,891,227 common shares have been reserved for future issuance. The outstanding options expire on various dates to March 1, 2025. The following table summarizes the Company's stock option activity and related information for the period ended September 30, 2020 and year ended December 31, 2019.

	September 30, 2020			December 31, 2019		
Stock Option Activity As at (unaudited, amounts not stated in thousands)	**Number of shares**		**Weighted average exercise price**	Number of shares		Weighted average exercise price
Number outstanding, beginning of period	**230,000**	**$**	**13.43**	250,000	$	15.06
Granted	**113,542**		**12.52**	130,000		13.15
Forfeited/cancelled	**—**		**—**	(150,000)		(15.06)
Exercise price adjustment	**—**		**—**	—		(0.55)
Number outstanding, end of period	**343,542**	**$**	**13.13**	230,000	$	13.43

The following table summarizes information relating to stock options outstanding as at September 30, 2020.

	Options outstanding	
Exercise price per share (unaudited, amounts not stated in thousands)	Number of shares	Remaining contractual life (years)
$12.52	113,542	4.41
$12.60	130,000	3.42
$14.51	100,000	2.60

For the period ended September 30, 2020, the Company recognized compensation expense for stock option awards of $111 (December 31, 2019 - $41). For the period ended September 30, 2020, 113,542 (December 31, 2019 - 130,000) options were granted by the Company at a weighted average fair value of $1.08 per option (December 31, 2019 - $1.45).

2020

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