ALGOMA CENTRAL CORPORATION INTERIM REPORT TO SHAREHOLDERS

For the Three and Six Months Ended June 30, 2021 and 2020

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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 six months ended June 30, 2021 and 2020 and related notes thereto and has been prepared as at August 5, 2021.

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 2020 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 2021 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 success in securing contract renewals and maintaining existing freight rates with existing customers;
- our success in securing contracts with new customers at acceptable freight rates;
- 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, 2020, 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 of 2020 and began to affect our businesses during subsequent quarters. 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 were offset to some extent by increased volumes in other sectors and in some cases, the increased demand also led to improved pricing.

Since the beginning of the pandemic, the Company experienced reduced revenues and incurred higher operating costs in certain sectors, while in other sectors, there was no material impact. Although we have not been made aware of any significant customer experiencing financial distress, we continue to actively monitor accounts receivable collections, alert for any indication that increased controls over the granting of credit or increased provisions for uncollectible receivables may be warranted.

The continued unpredictability of the future path of the pandemic, including but not limited to the efforts by governments in the markets that we serve to limit community spread and the availability and uptake of vaccinations, has added uncertainty to the outlook for 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 experiencing different rates of recovery. Construction activities and the iron and steel industry are recovering and volumes in the agricultural sector are returning to more normal levels. Product Tanker utilization, however, has fallen compared to the unusual and unexpected demand experienced in 2020 during the height of the pandemic's initial phase.

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 generally smooth operation of financial markets, although this is of lesser importance to Algoma in the short term as we completed a refinancing of our senior debt during the fourth quarter of 2020.

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. Meaningful declines in our expectations for future financial performance could result in 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 recorded in operating expenses. Earnings from partially owned ships operating in this sector 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 consolidated 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.

Business Highlights

On April 5, 2021 Algoma announced that it had taken delivery of the Captain Henry Jackman, the fifth Equinox Class gearless dry-bulk carrier and the tenth Equinox Class vessel to join the fleet. The ship began her voyage to Canada from the Jiangsu Yangzi-Mitsui Shipbuilding Company in China in mid-April and began trading on the Great Lakes in early July.

On May 31, 2021 the Company announced that it had entered into a contract with Yangzijiang Shipyard in Taicang City, China to build a new Seaway-Max self-unloading vessel for its domestic dry-bulk fleet. The as-yet unnamed vessel will be the first of the new Equinox 2.0 Class, a design that builds on the original Equinox Class standards to achieve better fuel efficiency, improved speed at lower engine power, and enhanced deadweight capacity. The new Equinox 2.0 incorporates a number of design changes, including various weight-saving innovations and a reconfigured stern that will increase the vessel's capacity by approximately 1,440 metric tonnes.

Financial Highlights

Consolidated revenues for the three months ended June 30, 2021 were $167,687, an increase of 11% compared to $151,270 reported for the prior year. Domestic Dry-Bulk revenues increased 23% compared to 2020 as a result of a 14% increase in volumes, driven by higher iron and steel, construction and salt cargoes, and an increase in freight rates. Revenues for the Ocean Self-Unloader segment increased 19% driven by improved Pool performance and an increase in revenue days, reflecting reduced time off-hire for dry-dockings compared to last year. Revenues for Product Tankers decreased 20% compared to 2020, as the reduced customer demand caused by lower wholesale gasoline volumes impacted fleet utilization, with no outside charters being required in 2020. Higher fuel cost recoveries resulting from the increase in global fuel prices contributed revenue growth in all three segments.

Consolidated revenues for the six months ended June 30, 2021 were $245,286, an increase of 4% compared to $236,367 reported for the prior year. Revenues in the Domestic Dry-Bulk segment increased 21% as a result of a 5% increase in revenue days driven by a 13% increase in volumes, higher fuel cost recoveries and increased freight rates. Revenues in the Ocean Self-Unloader segment increased by 4% due to improved Pool performance as customer demand has strengthened. Revenues in the Product Tanker segment decreased by 22% driven by the drop in customer demand and the segment did not utilize any outside charters this year compared to hiring some chartered capacity in 2020. Higher fuel cost recoveries resulting from the increase in global fuel prices contributed revenue growth in all three segments.

The Global Short Sea Shipping businesses generated revenues of $66,537 in the second quarter of 2021 compared to $60,741 in the previous year period. For the six months ended June 30, 2021 revenue was $126,281 compared to $116,113 for the same period in 2020. Higher freight rates in the mini-bulker fleet and strong performance in the domestic cement business drove the increase for both periods. The Company has a 50% interest in these businesses and does not include these revenues in its consolidated revenue figure.

Second quarter earnings for 2021 were $32,315, an improvement of $14,573 compared to the 2020 second quarter. Higher operating earnings driven by improved performance in the Domestic Dry-Bulk and Ocean Self-Unloader fleets and strong earnings from Global Short Sea Shipping generated positive results for the period, partially offset by weak demand in the Product Tanker segment. For the six months ended June 30, 2021 earnings were $9,899 compared to a loss of $5,884 for the same period in 2020. The $15,783 increase was largely due to significantly higher earnings from joint ventures compared to a loss in 2020 and strong earnings in the Domestic Dry-Bulk segment as overall base freight rates improved in addition to increased volumes.

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Revenue	**$ 167,687**	$ 151,270	**$ 245,286**	$ 236,367
Operating earnings	**$ 40,881**	$ 28,999	**$ 11,488**	$ 1,566
Net earnings (loss)	**$ 32,315**	$ 17,742	**$ 9,899**	$ (5,884)
Basic earnings (loss) per share	**$ 0.85**	$ 0.47	**$ 0.26**	$ (0.16)

As at	**June 30 2021**	December 31 2020
Common shares outstanding	**37,800,943**	37,800,943
Total assets	**$ 1,164,794**	$ 1,223,096
Total long-term financial liabilities	**$ 445,063**	$ 390,633

The Company uses EBITDA as a measure of the cash generating capacity of its businesses. The following table reconciles EBITDA to Net Earnings (Loss), the most comparable IFRS measure. EBITDA is determined as follows:

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Net Earnings (Loss)	**$ 32,315**	$ 17,742	**$ 9,899**	$ (5,884)
Adjustments to net earnings (loss):				
Depreciation and amortization	**16,992**	18,642	**34,485**	37,456
Interest expense, net	**4,916**	5,145	**10,206**	9,950
Foreign currency (gain) loss	**(527)**	68	**(580)**	(174)
Income tax expense (recovery)	**8,752**	6,139	**(1,990)**	(3,494)
Other items	**(4,316)**	—	**(4,316)**	—
Joint ventures				
Interest expense	**546**	987	**1,136**	2,251
Foreign exchange (gain) loss	**(80)**	1,151	**(237)**	110
Depreciation and amortization	**4,126**	4,054	**7,903**	8,083
Income tax expense	**275**	23	**350**	47
Gain on disposal of vessels	**(1,139)**	(44)	**(1,347)**	(317)
EBITDA	**$ 61,860**	$ 53,907	**$ 55,509**	$ 48,028

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
2021	Quarter 2	$ 167,687	$ 32,315	$ 0.85
	Quarter 1	$ 77,599	$ (22,416)	$ (0.59)
2020	Quarter 4	$ 154,291	$ 29,499	$ 0.78
	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

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
2021	Quarter 2	$ 554.579	$ 61,633	$ 1.63	$ 0.14	$ 1.77
	Quarter 1	$ 538.162	$ 47,060	$ 1.24	$ 0.14	$ 1.38
2020	Quarter 4	$ 545,660	$ 45,850	$ 1.21	$ 0.14	$ 1.35
	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

* 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				2021	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Loss (gain) on shipbuilding contracts	$ 0.02	$ (0.15)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Impairment (reversals) losses	—	(0.13)	—	—	—	0.42	—	—	0.26	—	—	—
Sale of investment properties	—	—	—	—	—	—	—	—	—	(0.12)	—	—
	$ 0.02	$ (0.28)	$ —	$ —	$ —	$ 0.42	$ —	$ —	$ 0.26	$ (0.12)	$ —	$ —
Trailing impact on EPS				$ (0.26)	$ (0.28)	$ 0.42	$ 0.42	$ 0.42	$ 0.68	$ 0.14	$ 0.14	$ 0.14

Business Segment Discussion

Domestic Dry-Bulk

Financial Results Overview

Revenues for the Domestic Dry-Bulk segment increased by $17,898 or 23% in the second quarter of 2021 and by $21,356 or 21% for the six months ended June 30, 2021 compared to the same periods in 2020. The increase in the quarter was driven by a 14% increase in overall volumes, higher fuel cost recoveries, and an increase in freight rates. Volumes in the construction industries are recovering with a 31% increase in cargoes and higher iron ore shipments resulted in a 20% increase in volumes in the iron and steel sector. Salt volumes continue to be strong as the Company's major customer in this sector has been experiencing record mining volumes. Volumes in agriculture returned to more normal levels in the quarter; volumes in 2020 were extraordinarily high reflecting the increased demand as a result of global stay-at-home orders. Revenue days were up 2% during the quarter as a result of the increased demand.

The year to date increase in revenue was a result of a 5% increase in revenue days driven by a 13% increase in volumes. Revenues also reflect higher fuel cost recoveries and an increase in freight rates. The iron and steel, construction and salt sectors all had significantly higher volumes compared to 2020. Volumes in the agriculture sector decreased by 10% as a result of a decline in COVID-19 related demand from 2020.

The global rise in fuel prices drove a increase in fuel recovery charges in both the second quarter and the six months ended June 30, 2021. Average fuel price in the second quarter increased 58% and by 16% for the year to date compared to 2020. This increase in costs also impacts operating expenses. Fuel costs are passed on to customers through the fuel component of freight rates.

Operating expenses increased by $6,411 or 13% in the 2021 second quarter and by $12,970 or 15% for the six months ended June 30, 2021. In the second quarter, the increase was mainly attributable to a significant increase in fuel expense as a result of higher fuel prices and a 2% increase in operating days. The year to date increase reflects 4% higher operating days driven by higher customer demand this year and higher fuel expense. Additionally, operating costs, crew and supply costs in particular, were higher which reflects the increase in operating days. The increase for both periods was partially offset by lower insurance expenses.

Following a vessel grounding incident in late December 2020, it was determined that the nature and extent of the repairs required to bring the vessel back into service were too great and, in the second quarter of 2021, the Company reached a settlement agreement with its insurance company and the vessel was sold for recycling on July 15, 2021. The Company has recorded a $2,730 net gain under other items resulting from the insurance settlement and the pending disposal of the vessel. We do not expect any material changes to the proceeds or any further gains to be recorded in the third quarter. The remaining $1,586 gain in other items relates to the sale of the building belonging to Algoma Ship Repair.

The year to date increase in depreciation expense is attributable to the addition of the Algoma Intrepid to the fleet during the fourth quarter of 2020 and depreciation of capital expenditures on prior year dry-dockings.

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Revenue	**$ 96,855**	$ 78,957	**$ 121,408**	$ 100,052
Operating expenses	**(56,411)**	(50,000)	**(101,019)**	(88,049)
Selling, general and administrative	**(3,101)**	(3,191)	**(6,045)**	(6,341)
Other items	**4,316**	—	**4,316**	—
Depreciation and amortization	**(6,519)**	(6,337)	**(13,203)**	(12,642)
Operating earnings (loss)	**35,140**	19,429	**5,457**	(6,980)
Income tax (expense)	**(9,218)**	(5,103)	**(1,340)**	1,819
Net earnings (loss)	**$ 25,922**	$ 14,326	**$ 4,117**	$ (5,161)

EBITDA for Domestic Dry-Bulk for the three months ended June 30, 2021 increased by $11,577 and by $8,682 for the year to date compared to the same periods 2020, primarily driven by higher overall base freight rates and increased volumes. EBITDA is determined as follows:

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Net earnings (loss)	**$ 25,922**	$ 14,326	**$ 4,117**	$ (5,161)
Adjustments to net earnings (loss):				
Depreciation and amortization	**6,519**	6,337	**13,203**	12,642
Other items	**(4,316)**	—	**(4,316)**	—
Income tax expense (recovery)	**9,218**	5,103	**1,340**	(1,819)
EBITDA	**$ 37,343**	$ 25,766	**$ 14,344**	$ 5,662

Outlook

As restrictions ease and global supply chains improve, we are expecting volumes in the iron and steel and construction sectors to continue to improve compared to last year's volumes while salt volumes are expected to return to more normal levels in the third quarter. Agriculture is also expected to hold steady at normal levels as a result of customer demand levelling off after having extraordinarily high volumes in 2020. We are preparing for potentially lower volumes going into 2022 as Western Canada has been impacted by an extremely dry summer and this type of climate will likely affect the upcoming crop. Higher fuel prices are expected to support high fuel cost recoveries in the second half of 2021.

Product Tankers

Financial Results Overview

Revenues for Product Tankers decreased by $7,333 or 20% in the 2021 second quarter and by $13,541 or 22% for the six months ended June 30, 2021 compared to the same periods in the prior year. The decrease for both periods was attributable to significant reductions in demand from our major customer and having our smaller bunkering vessel laid up as a result of a contract expiry at the end of 2020. A second vessel was laid up due to lack of business for part of the second quarter. Customer requirements in the first half of 2020 favourably impacted earnings last year as the fleet was in full utilization; this trend has not been repeated in 2021 with travel restrictions still playing a key role in reduced demand for petroleum products. Additionally, as a result of the decrease in customer demand, we did not utilize any outside charters compared to hiring some chartered capacity in 2020. The decrease in outside charter revenue compared to 2020 has a minor impact on earnings, as the cost we incur to charter capacity is passed through to our customers.

Operating expenses decreased by $3,701 or 16% in the 2021 second quarter and by $11,120 or 25% for the six months ended June 30, 2021 compared to the same periods in 2020. Both periods experienced a significant reduction in operating days with a 17% decrease during the quarter and a 21% decrease for the year to date versus the prior year, primarily driven by reduced customer demand and consequently reduced vessel utilization. The decrease was also a result of the lower use of outside charters compared to 2020. Partially offsetting the decrease in the second quarter was higher layup expenditures on two vessels.

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Revenue	**$ 28,688**	$ 36,021	**$ 46,905**	$ 60,446
Operating expenses	**(19,276)**	(22,977)	**(32,728)**	(43,848)
Selling, general and administrative	**(1,081)**	(1,250)	**(2,128)**	(2,677)
Depreciation and amortization	**(3,510)**	(3,670)	**(7,005)**	(7,344)
Operating earnings	**4,821**	8,124	**5,044**	6,577
Income tax expense	**(1,618)**	(2,198)	**(1,678)**	(1,789)
Net earnings	**$ 3,203**	$ 5,926	**$ 3,366**	$ 4,788

EBITDA for Product Tankers for the three and six months ended June 30, 2021 decreased by $3,463 or 29% and $1,872 or 13%, respectively, compared to the same periods in 2020, largely as a result of reduced customer demand, partially offset by a decrease in lay-up spending during the second quarter. EBITDA is determined as follows:

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Net earnings	**$ 3,203**	$ 5,926	**$ 3,366**	$ 4,788
Adjustments to Net earnings:				
Depreciation and amortization	**3,510**	3,670	**7,005**	7,344
Income tax expense	**1,618**	2,198	**1,678**	1,789
EBITDA	**$ 8,331**	$ 11,794	**$ 12,049**	$ 13,921

Outlook

As we noted in our 2020 financial reports, Product Tanker utilization was not immediately impacted by the onset of the pandemic as our vessels were utilized to move product between major markets, absorbing available days that were not required to service the Ontario market. This trade pattern ceased in late 2020 and tanker utilization is now being impacted by weak demand in wholesale petroleum product markets in central Canada. The end of the lock-downs or a change in our customers' requirements driven by other factors could result in an increase in utilization for which we have available capacity.

Ocean Self-Unloaders

Financial Results Overview

Revenues in the Ocean Self-Unloader segment increased by $6,488, or 19%, in the 2021 second quarter and by $2,606 or 4% for the six months ended June 30, 2021 compared to the prior year. The increase for both periods was driven by improved Pool performance and increased revenue days as a result of reduced dry-docking days in 2021 compared to 2020. Volumes in the segment are beginning to recover with gypsum cargoes being the largest contributor as volumes in this sector have significantly improved compared to 2020.

Operating expenses in the second quarter of 2021 increased by $2,496 or 12% and decreased by $515 or 1% for the six months ended June 30, 2021 compared to the same periods in 2020. The increase for the quarter reflects a 7% increase in operating days as the Algoma Verity spent the majority of the 2020 second quarter on dry-dock and an increase in fuel expense as a result of higher global fuel prices, partially offset by lower dry-dock spending. The year to date decrease was a result of reduced dry-dock spending, offset by the effect of a 3% increase in operating days and higher fuel costs.

Other items relates to a one-time compensation payment of $5,513 related to the retirement of two older vessels by our Pool partner.

In the second quarter of 2020, a vessel owned by our Marbulk joint venture was returned to the company by its charterer. In light of the conditions in the market in which this vessel operates, the ship currently has limited redeployment opportunities unless significant capital is spent to improve the vessel's operating flexibility and efficiency. The vessel has remained in cold lay-up.

Depreciation and amortization decreased in 2021 as the Pool compensation arrangement for prior years was fully amortized after 2020.

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Revenue	**$ 40,006**	$ 33,518	**$ 72,501**	$ 69,895
Operating expenses	**(24,133)**	(21,637)	**(45,551)**	(46,067)
General and administrative	**(299)**	(406)	**(605)**	(782)
Other items	**(5,513)**	—	**(5,513)**	—
Depreciation and amortization	**(6,196)**	(7,726)	**(12,599)**	(15,648)
Operating earnings	**3,865**	3,749	**8,233**	7,398
Foreign currency loss	**—**	(7)	**—**	(7)
Net earnings (loss) from investments in joint ventures	**31**	(899)	**59**	25
Net earnings	**$ 3,896**	$ 2,843	**$ 8,292**	$ 7,416

EBITDA for Ocean Self-Unloaders decreased by $1,830 for the 2021 second quarter and by $3,074 for the six months ended June 30, 2021. EBITDA is determined as follows:

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Net earnings	**$ 3,896**	$ 2,843	**$ 8,292**	$ 7,416
Adjustments to Net earnings:				
Depreciation and amortization	**6,196**	7,726	**12,599**	15,648
Foreign currency loss	**—**	7	**—**	7
Joint Venture:				
Depreciation and amortization	**174**	423	**354**	926
Interest expense	**—**	3	**—**	138
Foreign exchange (gain) loss	**(1)**	1,034	**(2)**	71
Income tax expense	**—**	59	**—**	111
EBITDA	**$ 10,265**	$ 12,095	**$ 21,243**	$ 24,317

Outlook

Pool performance has not recovered as quickly as hoped; however, we are expecting a positive third and fourth quarter compared to 2020. Gypsum volumes are expected to remain high as residential construction demand is continuing to show strength; however, aggregate and coal volumes are expected to remain weaker than normal in the latter half of 2021. Infrastructure projects are not recovering as quickly as expected and coal has been impacted by supply issues and weak demand in some markets. There are no dry-dockings planned for the remainder of 2021 and the fleet is set to be fully utilized.

Global Short Sea Shipping

Financial Results Overview

Global Short Sea Shipping revenues for the 2021 second quarter increased by $5,796 or 10% and by $10,168 or 9% for the six months ended June 30, 2021 compared to the previous year. The increase in the second quarter was largely due to a strong rate environment in the mini-bulker fleet and continued strength in the domestic cement business, partially offset by lower revenue in the handy-size fleet due to a smaller fleet size this year. For the year to date increase the major driver was a 14% increase in revenue in the mini-bulker fleet as a result of strong performance in the sector and a significantly improved rate environment compared to last year; in 2020 COVID-19 related reductions in customer demand and pressure on charter rates largely impacted results.

Operating costs increased by $1,360 or 3% during the second quarter of 2021 and decreased by $1,232 or 1% for the six months ended June 30 2020 compared to the same periods in 2020. The increase in the quarter was a result of higher expenses in the cement fleet due to higher repair costs on one vessel, partially offset by lower costs in the mini bulker and handy size fleets. The year to date decrease was primarily attributable to reductions in operating expenses in the handy-size fleet as a result of the fleet reduction from four vessels to one during the second quarter, partially offset by slightly higher dry-dock costs in the cement and mini-bulker fleets. Additionally, operating costs have remained stable as management continues to focus their efforts on reducing controllable costs in order to limit the impact of the COVID-19 pandemic to operations. Improvements were also made to limit unnecessary spending on general and administrative costs.

The $2,278 gain on the sale of vessels in the second quarter of 2021 primarily relates to the sale of three vessels in the handy-size fleet. At the end of the quarter, the segment controlled one handy-sized vessel.

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Revenue	**$ 66,537**	$ 60,741	**$ 126,281**	$ 116,113
Operating expenses	**(49,941)**	(48,581)	**(97,282)**	(98,514)
Selling, general and administrative	**(1,864)**	(1,876)	**(3,700)**	(4,073)
Depreciation and amortization	**(7,618)**	(6,938)	**(14,513)**	(13,675)
Operating earnings (loss)	**7,114**	3,346	**10,786**	(149)
Gain on sale of vessels	**2,278**	87	**2,693**	633
Interest expense	**(1,092)**	(1,967)	**(2,271)**	(4,226)
Foreign exchange gain (loss)	**158**	(233)	**470**	(78)
Earnings (loss) before undernoted	**8,458**	1,233	**11,678**	(3,820)
Income tax (expense) recovery	**(549)**	71	**(699)**	128
Net earnings of joint ventures	**1,073**	473	**1,340**	738
Net loss attributable to non-controlling interest	**392**	535	**241**	1,206
Net earnings (loss)	**$ 9,374**	$ 2,312	**$ 12,560**	$ (1,748)
Company share of net earnings (loss) above	**$ 4,687**	$ 1,156	**$ 6,280**	$ (874)
Amortization of vessel purchase price allocation and intangibles	**(143)**	(162)	**(292)**	(319)
Company share included in net earnings (loss) from investments in joint ventures	**$ 4,544**	$ 994	**$ 5,988**	$ (1,193)

EBITDA for Global Short Sea increased by $2,453 or 43% and by $5,706 or 73% for the six months ended June 30 2020 compared to the same periods in 2020. The main contributor in both periods was strong performance in both the mini bulker and cement fleets. EBITDA is determined as follows:

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Company share of net earnings (loss) from investments in joint ventures	**$ 4,544**	$ 994	**$ 5,988**	$ (1,193)
Adjustments to net earnings:				
Depreciation and amortization	**3,952**	3,631	**7,549**	7,157
Foreign currency (gain) loss	**(79)**	117	**(235)**	39
Gain on disposal of vessels	**(1,139)**	(44)	**(1,347)**	(317)
Interest expense	**546**	984	**1,136**	2,113
Income tax expense (recovery)	**275**	(36)	**350**	(64)
Company share of EBITDA	**$ 8,099**	$ 5,646	**$ 13,441**	$ 7,735

Outlook

The cement sector is expected to remain steady for the remainder of 2021, and if the substantially improved market rates in the mini-bulker sector remain elevated, the segment is expected to continue to experience strong operating results.

Investment Properties

The Company owns a shopping centre located in Sault Ste. Marie, Ontario and owned an apartment building in the city until it was sold late in 2020. The reduction in revenue and operating expenses in 2021 is largely a result of the impact of the COVID-19 pandemic on the shopping centre, which resulted in the mall being shut down for periods of time.

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Revenue	**$ 1,407**	$ 1,997	**$ 3,000**	$ 4,443
Operating expenses	**(1,262)**	(1,483)	**(2,510)**	(3,233)
Depreciation	**(435)**	(657)	**(1,078)**	(1,331)
Operating loss	**(290)**	(143)	**(588)**	(121)
Income tax recovery	**194**	38	**562**	89
Net loss	**$ (96)**	$ (105)	**$ (26)**	$ (32)

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.

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	2020	**2021**	2020
Revenue	**$ 731**	$ 777	**$ 1,472**	$ 1,531
Operating expenses	**(229)**	(242)	**(492)**	(475)
Selling, general and administrative	**(2,825)**	(2,443)	**(7,038)**	(5,873)
Depreciation	**(332)**	(252)	**(600)**	(491)
Operating loss	**(2,655)**	(2,160)	**(6,658)**	(5,308)
Foreign currency gain (loss)	**527**	(61)	**580**	181
Interest expense, net	**(4,916)**	(5,145)	**(10,206)**	(9,950)
Income tax recovery	**1,890**	1,124	**4,446**	3,375
Net loss	**$ (5,154)**	$ (6,242)	**$ (11,838)**	$ (11,702)

Consolidated

For the periods ended June 30	Three Months Ended 2021	Three Months Ended 2020	Six Months Ended 2021	Six Months Ended 2020
Revenue	**$ 167,687**	$ 151,270	**$ 245,286**	$ 236,367
Operating expenses	**(101,311)**	(96,339)	**(182,300)**	(181,672)
Selling, general and administrative	**(7,306)**	(7,290)	**(15,816)**	(15,673)
Other items	**(1,197)**	—	**(1,197)**	—
Depreciation and amortization	**(16,992)**	(18,642)	**(34,485)**	(37,456)
Operating earnings	**40,881**	28,999	**11,488**	1,566
Interest expense	**(4,931)**	(5,185)	**(10,248)**	(10,176)
Interest income	**15**	40	**42**	226
Foreign currency gain (loss)	**527**	(68)	**580**	174
Income tax (expense) recovery	**(8,752)**	(6,139)	**1,990**	3,494
Net earnings (loss) from investments in joint ventures	**4,575**	95	**6,047**	(1,168)
Net Earnings (Loss)	**$ 32,315**	$ 17,742	**$ 9,899**	$ (5,884)

Interest Expense

For the periods ended June 30	Three Months Ended 2021	Three Months Ended 2020	Six Months Ended 2021	Six Months Ended 2020
Interest expense on borrowings	**$ (4,691)**	$ (4,840)	**$ (9,530)**	$ (9,429)
Amortization of financing costs	**(423)**	(272)	**(808)**	(544)
Interest on employee future benefits, net	**(367)**	(229)	**(730)**	(458)
Interest capitalized on vessels under construction	**550**	156	**820**	255
	$ (4,931)	$ (5,185)	**$ (10,248)**	$ (10,176)

Foreign Currency Gain (Loss)

For the periods ended June 30	Three Months Ended 2021	Three Months Ended 2020	Six Months Ended 2021	Six Months Ended 2020
Gain (loss) on foreign denominated cash	**$ 196**	$ (68)	**$ 197**	$ 174
Gain on return of capital from foreign subsidiary	**331**	—	**331**	—
Unrealized gain on foreign exchange forward contracts	**—**	—	**52**	—
	$ 527	$ (68)	**$ 580**	$ 174

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 2021 and 2020 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.

Actual tax expense was $2,613 higher in the 2021 second quarter compared to the previous year as a result of an increase in earnings generated in our domestic segments where earnings are taxed.

For the periods ended June 30	Three Months Ended 2021	Three Months Ended 2020	Six Months Ended 2021	Six Months Ended 2020
Combined federal and provincial statutory income tax rate	**26.5 %**	26.5 %	**26.5 %**	26.5 %
Net earnings (loss) before income tax and earnings (loss) from investments in joint ventures	**$ 36,492**	$ 23,786	**$ 1,862**	$ (8,210)
Expected income tax (expense) recovery	**$ (9,670)**	$ (6,303)	**$ (493)**	$ 2,176
Increase (decrease) in (expense) recovery resulting from:				
Foreign tax rates different from Canadian statutory rate	**936**	999	**2,088**	1,956
Effect of items that are not taxable (deductible)	**183**	31	**192**	(37)
Adjustments to prior period provision	**(148)**	(771)	**262**	(586)
Other	**(53)**	(95)	**(59)**	(15)
Actual tax (expense) recovery	**$ (8,752)**	$ (6,139)	**$ 1,990**	$ 3,494

Normal Course Issuer Bid

On March 19, 2021, the Company renewed its normal course issuer bid (the "2021 NCIB") with the intention to purchase, through the facilities of the TSX, up to 1,890,047 of its Common Shares ("Shares") representing approximately 5% of the 37,800,943 Shares which were issued and outstanding as at the close of business on March 6, 2021 (the "NCIB").

Subject to prescribed exceptions, the Company is allowed to purchase up to 3,163 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 previous six calendar months, being 12,653 Shares. Any Shares purchased under the 2021 NCIB are cancelled. The Company did not purchase any Shares under the 2021 NCIB or under the expired bid in 2021.

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 26 of the consolidated financial statements for the years ending December 31, 2020 and 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 and six months ended June 30, 2021.

Financial Condition, Liquidity and Capital Resources - Statement of Cash Flows

Operating Activities

The net cash generated from operating activities for the period ended June 30, 2021 was $22,205 compared to cash generated of $32,745 for the same period in 2020. The significant contributor was the change in non-cash working capital, a net loss from investments in joint ventures compared to a gain in the previous year, partially offset by higher net earnings.

Investing Activities

Net cash used in investing activities decreased by $8,007 for the period ended June 30, 2021. The decrease was attributable to higher distributions received from joint ventures, a $7,548 insurance proceed payment on the disposal of one vessel and $2,530 proceeds from the sale of property, plant and equipment, partially offset by final delivery payment on one vessel that was under construction.

Financing Activities

Net cash from financing activities increased by $58,720 for the period ended June 30, 2021 compared to 2020. The decrease was driven primarily by the special dividend of $97,679 paid in January 2021, less proceeds from funds borrowed from our credit facility.

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

For the periods ended June 30		**2021**		2020
Net Earnings (Loss)	**$**	**9,899**	$	(5,884)
Operating activities	**$**	**22,205**	$	32,745
Investing activities	**$**	**(20,559)**	$	(28,871)
Financing activities	**$**	**(61,112)**	$	(2,392)

Capital Resources

The Company has cash on hand of $42,992 at June 30, 2021. Available credit facilities along with projected cash from operations for 2021 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 December 10, 2023 and comprises a $75 million Canadian dollar and a $75 million U.S. dollar senior secured revolving bank credit facility provided by a syndicate of four banks. The Facility bears interest at rates that are based on the Company's ratio of senior debt, as defined, to earnings before interest, taxes, depreciation and amortization and ranges from 185 to 315 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 the majority of its wholly owned vessels. The Company's real estate assets and certain vessels, including ones 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 June 30, 2021, 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 June 30, 2021. Under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, management has concluded that the Company's disclosure controls and procedures were effective as of June 30, 2021.

Internal Controls over Financial Reporting

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

Management has used the criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's internal controls over financial reporting. Based on this assessment, management has concluded that the Company's internal controls over financial reporting are operating effectively as of June 30, 2021.

Changes in Internal Controls over Financial Reporting

During the period ended June 30, 2021, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Contractual Obligations

The table below provides aggregate information about the Company's contractual obligations as at June 30, 2021 that affect the Company's liquidity and capital resource needs.

	2021	2022	2023	2024	2025 and Beyond
Long-term debt	$ 72	$ 150	$ 63,697	$ 82,500	$ 310,192
Capital asset commitments	3,402	19,460	43,427	—	—
Interest payments on long-term debt	8,195	16,383	16,193	13,968	108,954
Employee future benefit special payments	726	1,452	—	—	—
	$ 12,395	$ 37,445	$ 123,317	$ 96,468	$ 419,146

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2021 and 2020

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

The accompanying interim condensed consolidated financial statements of Algoma Central Corporation for the three and six months ended June 30, 2021 and 2020 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Earnings

For the periods ended June 30 (unaudited, in thousands of dollars, except per share data)	Notes	Three Months Ended 2021	Three Months Ended 2020	Six Months Ended 2021	Six Months Ended 2020
Revenue	4	**$ 167,687**	$ 151,270	**$ 245,286**	$ 236,367
Operating expenses		**(101,311)**	(96,339)	**(182,300)**	(181,672)
Selling, general and administrative expenses		**(7,306)**	(7,290)	**(15,816)**	(15,673)
Other items	5	**(1,197)**	—	**(1,197)**	—
Depreciation and amortization		**(16,992)**	(18,642)	**(34,485)**	(37,456)
Operating earnings		**40,881**	28,999	**11,488**	1,566
Interest expense	7	**(4,931)**	(5,185)	**(10,248)**	(10,176)
Interest income		**15**	40	**42**	226
Foreign currency gain (loss)	9	**527**	(68)	**580**	174
		36,492	23,786	**1,862**	(8,210)
Income tax (expense) recovery	10	**(8,752)**	(6,139)	**1,990**	3,494
Net earnings (loss) from investments in joint ventures	6	**4,575**	95	**6,047**	(1,168)
Net Earnings (Loss)		**$ 32,315**	$ 17,742	**$ 9,899**	$ (5,884)
Basic earnings (loss) per share	19	**$ 0.85**	$ 0.47	**$ 0.26**	$ (0.16)
Diluted earnings (loss) per share	19	**$ 0.78**	$ 0.45	**$ 0.26**	$ (0.16)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Earnings

For the periods ended June 30 (unaudited, in thousands of dollars)	Notes	Three Months Ended 2021	Three Months Ended 2020	Six Months Ended 2021	Six Months Ended 2020
Net Earnings (Loss)		**$ 32,315**	$ 17,742	**$ 9,899**	$ (5,884)
Other Comprehensive Earnings (Loss)					
Items that may be subsequently reclassified to net earnings (loss):					
Unrealized gain (loss) on translation of financial statements of foreign operations		**(6,225)**	(18,266)	**(11,482)**	22,365
Unrealized gain (loss) on hedging instruments, net of income tax		**2,949**	7,229	**4,435**	(7,540)
Foreign exchange loss on purchase commitment hedge reserve, net of income tax, transferred to:					
Property, plant, and equipment		**1,019**	—	**1,194**	—
Items that will not be subsequently reclassified to net earnings:					
Employee future benefits actuarial gain (loss), net of income tax		**1,056**	(8,934)	**14,536**	(26,577)
		(1,201)	(19,971)	**8,683**	(11,752)
Comprehensive Earnings (Loss)		**$ 31,114**	$ (2,229)	**$ 18,582**	$ (17,636)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheet

As at (unaudited, in thousands of dollars)	Notes	June 30 2021	December 31 2020
Assets			
Current			
Cash		**$ 42,992**	$ 103,910
Accounts receivable		**69,801**	64,373
Income taxes recoverable		**8,313**	5,346
Other current assets	12	**22,596**	15,147
		143,702	188,776
Property, plant, and equipment	13	**843,670**	855,988
Investments in joint ventures	6	**142,452**	145,789
Goodwill	14	**7,910**	7,910
Non-current assets held for sale	13	**19,464**	—
Other assets	15	**7,596**	24,633
		$ 1,164,794	$ 1,223,096
Liabilities			
Current			
Accounts payable and accrued charges		**$ 68,230**	$ 72,621
Current portion of long-term debt	18	**146**	143
Income taxes payable		**17**	2,668
Other current liabilities	16	**5,322**	103,891
		73,715	179,323
Long-term debt	18	**444,917**	390,490
Employee future benefits		**27,814**	47,653
Deferred income taxes		**50,590**	43,513
Other long-term liabilities	17	**1,505**	1,501
		524,826	483,157
Commitments	22		
Shareholders' Equity			
Share capital	19	**8,110**	8,110
Contributed surplus		**936**	1,028
Convertible debentures		**2,309**	2,309
Accumulated other comprehensive loss	20	**(38,640)**	(32,787)
Retained earnings		**593,538**	581,956
		566,253	560,616
		$ 1,164,794	$ 1,223,096

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 19)				(Note 20)				
Balance at January 1, 2020	$	8,115	$	3,493	$	(25,950)	$	674,763	$	660,421
Net loss		—		—		—		(5,884)		(5,884)
Dividends		—		—		—		(9,074)		(9,074)
Repurchase and cancellation of common shares		(5)		(272)		—		—		(277)
Share-based compensation		—		69		—		—		69
Other comprehensive earnings (loss)		—		—		14,825		(26,577)		(11,752)
Balance at June 30, 2020	$	8,110	$	3,290	$	(11,125)	$	633,228	$	633,503
Balance at January 1, 2021	$	8,110	$	3,337	$	(32,787)	$	581,956	$	560,616
Net earnings		—		—		—		9,899		9,899
Dividends		—		—		—		(12,853)		(12,853)
Repurchase and cancellation of common shares		—		(2)		—		—		(2)
Share-based compensation		—		(90)		—		—		(90)
Other comprehensive earnings (loss)		—		—		(5,853)		14,536		8,683
Balance at June 30, 2021	**$**	**8,110**	**$**	**3,245**	**$**	**(38,640)**	**$**	**593,538**	**$**	**566,253**

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30 (unaudited, in thousands of dollars)	Notes	2021	2020
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net earnings (loss)		**$ 9,899**	$ (5,884)
Net (earnings) loss from investments in joint ventures	6	**(6,047)**	1,168
Items not affecting cash			
Depreciation and amortization		**34,485**	37,456
Gain on disposal of assets		**(1,886)**	—
Net gain from insurance settlement	8	**(2,730)**	—
Other		**8,795**	7,489
Net change in non-cash working capital		**(15,024)**	(2,066)
Income taxes paid, net		**(3,252)**	(4,160)
Employee future benefits paid		**(2,035)**	(1,258)
Net cash generated from operating activities		**22,205**	32,745
Investing			
Additions to property, plant, and equipment	21	**(27,816)**	(15,029)
Distributions received from joint ventures	6	**5,576**	—
Compensation payments to other pool members for retired vessels		**—**	(3,473)
Progress payments for shipbuilding contracts		**(8,397)**	(10,369)
Insurance proceeds on vessel disposal		**7,548**	—
Proceeds on sale of property, plant, and equipment		**2,530**	—
Net cash used in investing activities		**(20,559)**	(28,871)
Financing			
Interest paid		**(9,370)**	(9,189)
Interest received		**42**	725
Proceeds of long-term debt		**58,500**	71,214
Repayments of long-term debt		**(71)**	(56,044)
Repurchase of common shares	19	**(2)**	(277)
Dividends paid		**(110,211)**	(8,821)
Net cash used in financing activities		**(61,112)**	(2,392)
Net change in cash		**(59,466)**	1,482
Effects of exchange rate changes on cash held in foreign currencies		**(1,452)**	502
Cash, beginning of period		**103,910**	18,865
Cash, end of period		**$ 42,992**	$ 20,849

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 six months ended June 30, 2021 and 2020 comprise the Company, its subsidiaries and the Company's interests 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. is a member of an international pool arrangement (the "Pool"), under which revenues and related voyage expenses are distributed to each Pool member based on an agreed formula reflecting the earnings capacity of the vessels each Pool member has placed in the Pool.

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 18-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 eight 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 eight ocean-going self-unloading vessels. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide trades in the ocean Pool.

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, 2020 and 2019 . The financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2020 and 2019.

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

The interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on August 5, 2021.

3. Use of Critical Accounting Estimates and Judgements

In light of the COVID-19 pandemic and the related global economic instability, the Company continues to monitor the critical accounting estimates and judgments utilized in the preparation of the interim condensed consolidated financial statements.

4. Revenue

Disaggregated revenue by segment is as follows:

For the three months ended June 30 (unaudited, in thousand of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
2021						
Contract of Affreightment	$ 95,633	$ —	$ —	$ —	$ —	$ 95,633
Time Charter	1,082	28,622	—	—	—	29,704
Pool Revenue Share	—	—	40,006	—	—	40,006
Other	140	66	—	1,407	731	2,344
	$ 96,855	**$ 28,688**	**$ 40,006**	**$ 1,407**	**$ 731**	**$ 167,687**
2020						
Contract of Affreightment	$ 78,623	$ 538	$ —	$ —	$ —	$ 79,161
Time Charter	40	35,483	—	—	—	35,523
Pool Revenue Share	—	—	33,518	—	—	33,518
Other	294	—	—	1,997	777	3,068
	$ 78,957	$ 36,021	$ 33,518	$ 1,997	$ 777	$ 151,270

For the six months ended June 30 (unaudited, in thousand of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
2021						
Contract of Affreightment	$ 109,812	$ —	$ —	$ —	$ —	$ 109,812
Time Charter	11,369	46,839	—	—	—	58,208
Pool Revenue Share	—	—	72,501	—	—	72,501
Other	227	66	—	3,000	1,472	4,765
	$ 121,408	**$ 46,905**	**$ 72,501**	**$ 3,000**	**$ 1,472**	**$ 245,286**
2020						
Contract of Affreightment	$ 89,162	$ 1,356	$ —	$ —	$ —	$ 90,518
Time Charter	10,481	59,090	—	—	—	69,571
Pool Revenue Share	—	—	69,895	—	—	69,895
Other	409	—	—	4,443	1,531	6,383
	$ 100,052	$ 60,446	$ 69,895	$ 4,443	$ 1,531	$ 236,367

The Company's unbilled revenue and deferred revenue are as follows:

As at (unaudited, in thousands of dollars)	**June 30 2021**	December 31 2020
Unbilled revenue	**$ 4,722**	$ 12,471
Deferred revenue	**$ 1,155**	$ 907

5. Other Items

The components of other items are as follow:

For the three and six months ended June 30 (unaudited, in thousands of dollars)	**2021**
Net gain from insurance settlement (Note 8)	**$ 2,730**
Gain on sale of property	**1,586**
Pool compensation payment	**(5,513)**
	$ (1,197)

In the second quarter of 2021, the transaction closed to sell an industrial property located in Port Colborne, Ontario.

The Company owns vessels that participate in a self-unloader ocean-going Pool with an unrelated party. The other Pool member was compensated to redeploy two of its vessels due to market overcapacity.

6. 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. ("NASC"), 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 June 30 (unaudited, in thousands of dollars)	**2021**		2020	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 1,653**	**$ 66,537**	$ 3,121	$ 60,741
Operating expenses	**(1,122)**	**(49,941)**	(1,537)	(48,581)
General and administrative	**(123)**	**(1,864)**	(140)	(1,876)
Depreciation and amortization	**(348)**	**(7,618)**	(846)	(6,938)
Operating earnings	**60**	**7,114**	598	3,346
Interest expense	**—**	**(1,092)**	(6)	(1,967)
Foreign exchange gain (loss)	**2**	**158**	(2,067)	(233)
Gain on sale of vessels	**—**	**2,278**	—	87
Other expenses	**—**	**—**	(206)	—
Earnings (loss) before undernoted	**62**	**8,458**	(1,681)	1,233
Net earnings of joint ventures	**—**	**1,073**	—	473
Net (earnings) loss attributable to non-controlling interest	**—**	**392**	—	535
Income tax (expense) recovery	**—**	**(549)**	(117)	71
Net earnings (loss)	**$ 62**	**$ 9,374**	$ (1,798)	$ 2,312
Company share of net earnings (loss)	**$ 31**	**$ 4,687**	$ (899)	$ 1,156
Amortization of vessel purchase price allocation and intangibles	**—**	**(143)**	—	(162)
Company share of net earnings (loss) from investments in joint ventures	**$ 31**	**$ 4,544**	$ (899)	$ 994

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

For the three months ended June 30 (unaudited, in thousands of dollars)	**2021**	2020
Ocean Self-Unloaders	**$ 31**	$ (899)
Global Short Sea Shipping	**4,544**	994
	$ 4,575	$ 95

For the six months ended June 30 (unaudited, in thousands of dollars)	2021		2020	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 3,352**	**$ 126,281**	$ 5,583	$ 116,113
Operating expenses	**(2,272)**	**(97,282)**	(2,542)	(98,514)
General and administrative	**(259)**	**(3,700)**	(295)	(4,073)
Depreciation and amortization	**(707)**	**(14,513)**	(1,852)	(13,675)
Operating earnings (loss)	**114**	**10,786**	894	(149)
Interest expense	**—**	**(2,271)**	(275)	(4,226)
Foreign exchange gain (loss)	**3**	**470**	(142)	(78)
Gain on sale of vessels	**—**	**2,693**	—	633
Other expenses	**—**	**—**	(206)	—
Earnings (loss) before undernoted	**117**	**11,678**	271	(3,820)
Net earnings of joint ventures	**—**	**1,340**	—	738
Net (earnings) loss attributable to non-controlling interest	**—**	**241**	—	1,206
Income tax (expense) recovery	**—**	**(699)**	(221)	128
Net earnings (loss)	**$ 117**	**$ 12,560**	$ 50	$ (1,748)
Company share of net earnings (loss)	**$ 59**	**$ 6,280**	$ 25	$ (874)
Amortization of vessel purchase price allocation and intangibles	**—**	**(292)**	—	(319)
Company share of net earnings (loss) from investments in joint ventures	**$ 59**	**$ 5,988**	$ 25	$ (1,193)

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

For the six months ended June 30 (unaudited, in thousands of dollars)	2021	2020
Ocean Self-Unloaders	**$ 59**	$ 25
Global Short Sea Shipping	**5,988**	(1,193)
	$ 6,047	$ (1,168)

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

As at (unaudited, in thousands of dollars)	June 30 2021		December 31 2020	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Cash	**$ 3,446**	**$ 20,715**	$ 4,272	$ 11,404
Other current assets	**726**	**53,632**	776	52,550
Income taxes recoverable	**47**	**125**	48	128
Property, plant, and equipment	**4,275**	**343,701**	4,914	415,688
Investment in joint ventures	**—**	**24,522**	—	21,372
Other assets	**—**	**16,682**	77	12,216
Current liabilities	**(1,147)**	**(55,818)**	(751)	(52,995)
Current portion of long-term debt	**—**	**(23,684)**	—	(29,843)
Long-term debt	**—**	**(98,168)**	—	(142,046)
Other long-term liabilities	**—**	**(18,216)**	—	(20,688)
Non-controlling interest	**—**	**1,148**	—	934
Net assets of jointly controlled operations	**$ 7,347**	**$ 264,639**	$ 9,336	$ 268,720
Company share of net assets	**$ 3,674**	**$ 132,320**	$ 4,668	$ 134,360
Goodwill and other purchase price adjustments	**—**	**6,458**	—	6,761
Company share of joint venture	**$ 3,674**	**$ 138,778**	$ 4,668	$ 141,121

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

As at (unaudited, in thousands of dollars)		June 30 2021		December 31 2020
Ocean Self-Unloaders	**$**	**3,674**	$	4,668
Global Short Sea Shipping		**138,778**		141,121
	$	**142,452**	$	145,789

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 certain loans of the joint ventures. Amounts relating to transactions with joint ventures are as follows:

	Three Months Ended				Six Months Ended			
For the periods ended June 30 (unaudited, in thousands of dollars)		**2021**		2020		**2021**		2020
Revenue	**$**	**443**	$	489	**$**	**904**	$	952

For the periods ended (unaudited, in thousands of dollars)		June 30 2021		December 31 2020
Accounts receivable	**$**	**8,977**	$	11,456
Loans guaranteed by the Company	**$**	**22,171**	$	25,162

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

For the six months ended June 30 (unaudited, in thousands of dollars)		**2021**		2020
		Distributions received		Distributions received
Ocean Self-Unloaders	**$**	**939**	$	—
Global Short Sea Shipping		**4,637**		—
	$	**5,576**	$	—

7. Interest Expense

The components of interest expense are as follows:

	Three Months Ended				Six Months Ended			
For the periods ended June 30 (unaudited, in thousands of dollars)		**2021**		2020		**2021**		2020
Interest expense on borrowings	**$**	**(4,691)**	$	(4,840)	**$**	**(9,530)**	$	(9,429)
Amortization of financing costs		**(423)**		(272)		**(808)**		(544)
Interest on employee future benefits, net		**(367)**		(229)		**(730)**		(458)
Interest capitalized on vessels under construction		**550**		156		**820**		255
	$	**(4,931)**	$	(5,185)	**$**	**(10,248)**	$	(10,176)

8. Net Gain from Insurance Settlement

In late December 2020, one of the gearless bulkers from the Dry-Bulk fleet had a grounding incident. The Company has been assessing the nature and extent of the repairs required to bring the vessel back into service. In the second quarter of 2021, it was determined that the vessel would not return to fleet service and would instead be disposed of in its existing condition.

An impairment loss was recorded for the amount by which the carrying value exceeded the net recoverable amount of the vessel. The net recoverable amount was based on fair value, less costs of disposal, of the vessel. The Company used Level 2 inputs, including quoted scrap market pricing, in determining the fair value of the asset.

The components of the net gain from insurance settlement are as follows:

For the three and six months ended June 30 (unaudited, in thousands of dollars)		**2021**
Net proceeds from insurance settlement	**$**	**7,498**
Reversal of accrued insurance absorption		**1,109**
Impairment loss (Note 13)		**(5,877)**
Net gain from insurance settlement	**$**	**2,730**

9. Foreign Currency Gain (Loss)

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

For the periods ended June 30 (unaudited, in thousands of dollars)	Three Months Ended 2021	Three Months Ended 2020	Six Months Ended 2021	Six Months Ended 2020
Gain (loss) on foreign denominated cash and debt	**$ 196**	$ (68)	**$ 197**	$ 174
Gain on return of capital from foreign subsidiary	**331**	—	**331**	—
Unrealized gain on foreign exchange forward contracts	**—**	—	**52**	—
	$ 527	$ (68)	**$ 580**	$ 174

10. 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 June 30 (unaudited, in thousands of dollars)	Three Months Ended 2021	Three Months Ended 2020	Six Months Ended 2021	Six Months Ended 2020
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Net earnings (loss) before income tax and earnings (loss) from investments in joint ventures	**$ 36,492**	$ 23,786	**$ 1,862**	$ (8,210)
Expected income tax (expense) recovery	**$ (9,670)**	$ (6,303)	**$ (493)**	$ 2,176
Increase (decrease) in (expense) recovery resulting from:				
Foreign tax rates different from Canadian statutory rate	**936**	999	**2,088**	1,956
Effect of items that are not taxable (deductible)	**183**	31	**192**	(37)
Adjustments to prior period provision	**(148)**	(771)	**262**	(586)
Other	**(53)**	(95)	**(59)**	(15)
	$ (8,752)	$ (6,139)	**$ 1,990**	$ 3,494

11. Leases

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

(unaudited, in thousands of dollars)	Right-of-use assets June 30 2021	Right-of-use assets December 31 2020	Lease liabilities June 30 2021	Lease liabilities December 31 2020
Opening balance	**$ 511**	$ 360	**$ 522**	$ 376
Additions	**537**	265	**537**	265
Depreciation	**(77)**	(110)	**—**	—
Interest accretion	**—**	—	**18**	31
Payments	**—**	—	**(153)**	(144)
Remeasurement adjustment	**(220)**	—	**(220)**	—
Effect of foreign currency exchange differences	**5**	(4)	**6**	(6)
Closing balance	**$ 756**	$ 511	**$ 710**	$ 522

Depreciation expense for the right-of-use assets is recognized within depreciation and amortization expenses while interest expense for the lease liabilities is recognized within interest expense in the interim condensed consolidated statement of earnings.

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

For the periods ended June 30 (unaudited, in thousands of dollars)	2021	2020
Payments - short term leases	**$ 2**	$ 5,213
Payments per IFRS 16	**153**	53
Non-lease components per IFRS 16	**25**	41
Total cash payments	**$ 180**	$ 5,307

12. Other Current Assets

The components of other current assets are as follows:

As at (unaudited, in thousands of dollars)	June 30 2021	December 31 2020
Materials and supplies	$ 11,638	$ 8,880
Prepaid expenses	10,958	6,267
	$ 22,596	$ 15,147

13. Property, Plant, and Equipment

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

Cost (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
Balance at December 31, 2020	$ 649,802	$ 242,940	$ 379,751	$ 53,717	$ 20,606	$ 1,346,816
Additions	25,169	21	3,713	122	846	29,871
Transfer between segments	—	—	—	256	(256)	—
Transfer from progress payments for shipbuilding contracts	25,260	—	—	—	—	25,260
Disposals	(10,029)	—	—	(17)	—	(10,046)
Transferred to held for sale	(20,312)	(10,691)	—	(54,004)	—	(85,007)
Fully depreciated assets no longer in use	(1,540)	(565)	(786)	(74)	—	(2,965)
Effect of foreign currency exchange differences and other adjustments	—	—	(10,225)	—	—	(10,225)
Balance at June 30, 2021	**$ 668,350**	**$ 231,705**	**$ 372,453**	**$ —**	**$ 21,196**	**$ 1,293,704**

Accumulated depreciation (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
Balance at December 31, 2020	$ 189,291	$ 135,074	$ 114,629	$ 39,164	$ 12,670	$ 490,828
Depreciation expense	13,194	7,005	12,599	1,078	534	34,410
Disposals	(9,385)	—	—	—	—	(9,385)
Transferred to held for sale	(18,294)	(7,081)	—	(40,168)	—	(65,543)
Fully depreciated assets no longer in use	(1,540)	(565)	(786)	(74)	—	(2,965)
Impairment (Note 8)	5,877	—	—	—	—	5,877
Effect of foreign currency exchange differences and other adjustments	—	—	(3,187)	—	(1)	(3,188)
Balance at June 30, 2021	**$ 179,143**	**$ 134,433**	**$ 123,255**	**$ —**	**$ 13,203**	**$ 450,034**

Net Book Value (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
June 30, 2021						
Cost	$ 668,350	$ 231,705	$ 372,453	$ —	$ 21,196	$ 1,293,704
Accumulated depreciation	179,143	134,433	123,255	—	13,203	450,034
	$ 489,207	**$ 97,272**	**$ 249,198**	**$ —**	**$ 7,993**	**$ 843,670**
December 31, 2020						
Cost	$ 649,802	$ 242,940	$ 379,751	$ 53,717	$ 20,606	$ 1,346,816
Accumulated depreciation	189,291	135,074	114,629	39,164	12,670	490,828
	$ 460,511	$ 107,866	$ 265,122	$ 14,553	$ 7,936	$ 855,988

As at June 30, 2021, the Company has three assets it is committed to selling; a shopping centre located in Sault Ste. Marie, Ontario, a bunkering vessel from the Product Tanker fleet, and a gearless bulker from the Domestic Dry-Bulk fleet. The carrying value of these assets has been reclassified to non-current assets held for sale on the Interim Condensed Consolidated Balance Sheet.

14. 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.

15. Other Assets

Other assets consist of the following:

As at (unaudited, in thousands of dollars)	June 30 2021	December 31 2020
Progress payments for shipbuilding contracts	$ 5,671	$ 24,114
Derivative asset	1,160	—
Right-of-use assets (Note 11)	756	511
Other	9	8
	$ 7,596	$ 24,633

16. Other Current Liabilities

The components of other current liabilities are as follows:

As at (unaudited, in thousands of dollars)	June 30 2021	December 31 2020
Accrued interest on long-term debt	$ 656	$ 666
Dividends payable	4,376	101,735
Lease obligations (Note 11)	290	194
Derivative liability	—	1,296
	$ 5,322	$ 103,891

17. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

As at (unaudited, in thousands of dollars)	June 30 2021	December 31 2020
Deferred compensation	$ 1,085	$ 1,173
Lease obligations (Note 11)	420	328
	$ 1,505	$ 1,501

18. Long-Term Debt

As at (unaudited, in thousands of dollars)	June 30 2021	December 31 2020
Convertible unsecured subordinated debentures, due June 30, 2024, interest at 5.25%	$ 80,885	$ 80,646
Senior Secured Notes		
U.S. $20,000, interest at 3.37%, due December 10, 2027	24,788	25,464
U.S. $42,000, interest at 3.60%, due December 10, 2030	52,055	53,474
U.S. $35,000, interest at 3.70%, due December 10, 2032	43,379	44,562
U.S. $50,000, interest at 3.80%, due December 10, 2035	61,970	63,660
Canadian $128,000, interest at 4.01%, due December 10, 2035	128,000	128,000
Bank Facility, due December 10, 2023		
Bankers' Acceptance, interest at 2.53%	58,500	—
Mortgage payable, due March 8, 2023, interest at 4.73%	5,419	5,490
	454,996	401,296
Less: unamortized financing expenses	9,933	10,663
	445,063	390,633
Less: current portion of long-term debt	146	143
	$ 444,917	$ 390,490

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

As at June 30, 2021 and December 31, 2020 the Company was in compliance with all of its covenants.

19. 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 June 30, 2021 (December 31, 2020 - 37,800,943).

At June 30, 2021 and December 31, 2020 there were no preferred shares issued and outstanding.

The Company's Board of Directors have authorized payment of a quarterly dividend to shareholders of $0.17 per common share. The dividend will be paid on September 1, 2021 to shareholders of record on August 18, 2021.

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	**2021**	2020	**2021**	2020
Net earnings (loss)	**$ 32,315**	$ 17,742	**$ 9,899**	$ (5,884)
Interest expense on debentures, net of tax	**997**	988	**1,982**	1,976
Net earnings (loss) for diluted earnings per share	**$ 33,312**	$ 18,730	**$ 11,881**	$ (3,908)
Basic weighted average common shares	**37,800,943**	37,800,943	**37,800,943**	37,804,427
Shares due to dilutive effect of debentures	**5,055,147**	4,125,000	**5,055,147**	4,125,000
Diluted weighted average common shares	**42,856,090**	41,925,943	**42,856,090**	41,929,427
Basic earnings (loss) per common share	**$ 0.85**	$ 0.47	**$ 0.26**	$ (0.16)
Diluted earnings (loss) per common share	**$ 0.78**	$ 0.45	**$ 0.26**	$ (0.16)

Normal Course Issuer Bid

On March 16, 2021, the Company renewed its normal course issuer bid ("NCIB") to purchase up to 1,890,047 of its common shares, representing approximately 5% of the common shares issued and outstanding as of the close of business on March 6, 2021.

Under the NCIB, the Company may purchase up to 3,163 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, 2021 and ending on March 18, 2022. 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.

Under the current NCIB, no common shares have been purchased or cancelled for the period ended June 30, 2021.

The Company's previous NCIB, which began on March 19, 2020 and concluded on March 18, 2021, resulted in the repurchase and cancellation of 1,200 common shares.

20. Accumulated Other Comprehensive Loss

	Hedges			
(unaudited, in thousands of dollars)	Net investment	Purchase Commitment	Foreign exchange translation	Total
Balance at January 1, 2020	$ (21,680)	$ —	$ (4,270)	$ (25,950)
Gain (loss)	1,904	(812)	(8,092)	(7,000)
Reclassified to earnings	—	(1,300)	—	(1,300)
Reclassified to property, plant, and equipment	—	1,134	—	1,134
Income tax recovery	329	—	—	329
Net gain (loss)	2,233	(978)	(8,092)	(6,837)
Balance at December 31, 2020	$ (19,447)	$ (978)	$ (12,362)	$ (32,787)
Gain (loss)	4,970	943	(11,482)	(5,569)
Reclassified to property, plant, and equipment	—	1,194	—	1,194
Income tax expense	(1,324)	(154)	—	(1,478)
Net gain (loss)	3,646	1,983	(11,482)	(5,853)
Balance at June 30, 2021	**$ (15,801)**	**$ 1,005**	**$ (23,844)**	**$ (38,640)**

21. Supplementary Disclosure of Cash Flow Information

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

For the six months ended June 30 (unaudited, in thousands of dollars)	Notes	2021	2020
Additions to property, plant, and equipment	13	**$ (29,871)**	$ (15,188)
Amounts included in working capital		**494**	159
Capitalized interest		**524**	—
Other non-cash adjustments		**1,037**	—
		$ (27,816)	$ (15,029)

22. Commitments

The commitments of the Company are as follows:

(unaudited, in thousands of dollars)	2021	2022	2023
Construction of one domestic gearless bulk carrier	$ —	$ 5,429	$ 43,427
Construction of four bulk carriers, through the Company's interest in a joint venture	3,402	14,031	—
Defined benefit pension plan special contributions	726	1,452	—
	$ 4,128	$ 20,912	$ 43,427

23. Financial Instruments and Risk Management

The Company's financial instruments that are included in the interim condensed consolidated balance sheet comprise cash, accounts receivable and other receivables, accounts payable and accrued charges, derivative assets and liabilities, dividends payable and long-term debt.

Fair Value

The carrying value of the Company's financial assets are equal to their fair values. The carrying value of the Company's financial liabilities approximate their fair values with the exception of long-term debt. The fair value hierarchy for the Company's financial liability not measured at fair value is as follows:

As at (unaudited, in thousands of dollars)	June 30 2021	December 31 2020
Long-term debt		
Carrying value	**$ 454,996**	$ 401,296
Fair value, classified as Level 2	**$ 456,877**	$ 406,522

The derivative liabilities were classified as Level 2.

The difference in the fair value of long-term debt compared to the carrying value is due to the difference in the rates on the debt compared to current market rates for similar instruments with similar terms. The fair value of the convertible debentures included in long-term debt is based on market rates.

Liquidity Risk

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

(in thousands of dollars)	2021	2022	2023	2024	2025 and Beyond	Total
Long-term debt	$ 72	$ 150	$ 63,697	$ 82,500	$ 310,192	$ 456,611
Capital asset commitments	3,402	19,460	43,427	—	—	66,289
Interest payments on long-term debt	8,195	16,383	16,193	13,968	108,954	163,693
Employee future benefit special payments	726	1,452	—	—	—	2,178
	$ 12,395	$ 37,445	$ 123,317	$ 96,468	$ 419,146	$ 688,771

Foreign Exchange Risk

At June 30, 2021, approximately 38% (December 31, 2020 - 40%) of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $28,697 and $46,373 at June 30, 2021 and December 31, 2020, 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 June 30, 2021 the Company had U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $39,420 USD (December 31, 2020 - $17,500 USD) and fair value gain of $1,160 (December 31, 2020 - loss of $1,296).

24. 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	Investment Properties	Corporate	Global Short Sea Shipping	Total
For the three months ended June 30, 2021 (unaudited, in thousands of dollars)							
Revenue	$ 96,855	$ 28,688	$ 40,006	$ 1,407	$ 731	$ —	$ 167,687
Operating expenses	(56,411)	(19,276)	(24,133)	(1,262)	(229)	—	(101,311)
Selling, general and administrative	(3,101)	(1,081)	(299)	—	(2,825)	—	(7,306)
Other items	4,316	—	(5,513)	—	—	—	(1,197)
Depreciation and amortization	(6,519)	(3,510)	(6,196)	(435)	(332)	—	(16,992)
Operating earnings (loss)	35,140	4,821	3,865	(290)	(2,655)	—	40,881
Interest, net	—	—	—	—	(4,916)	—	(4,916)
Foreign currency gain	—	—	—	—	527	—	527
	35,140	4,821	3,865	(290)	(7,044)	—	36,492
Income tax (expense) recovery	(9,218)	(1,618)	—	194	1,890	—	(8,752)
Net earnings from investments in joint ventures	—	—	31	—	—	4,544	4,575
Net earnings (loss)	$ 25,922	$ 3,203	$ 3,896	$ (96)	$ (5,154)	$ 4,544	$ 32,315
For the three months ended June 30, 2020 (unaudited, in thousands of dollars)							
Revenue	$ 78,957	$ 36,021	$ 33,518	$ 1,997	$ 777	$ —	$ 151,270
Operating expenses	(50,000)	(22,977)	(21,637)	(1,483)	(242)	—	(96,339)
Selling, general and administrative	(3,191)	(1,250)	(406)	—	(2,443)	—	(7,290)
Depreciation and amortization	(6,337)	(3,670)	(7,726)	(657)	(252)	—	(18,642)
Operating earnings (loss)	19,429	8,124	3,749	(143)	(2,160)	—	28,999
Interest, net	—	—	—	—	(5,145)	—	(5,145)
Foreign currency loss	—	—	(7)	—	(61)	—	(68)
	19,429	8,124	3,742	(143)	(7,366)	—	23,786
Income tax (expense) recovery	(5,103)	(2,198)	—	38	1,124	—	(6,139)
Net earnings (loss) from investments in joint ventures	—	—	(899)	—	—	994	95
Net earnings (loss)	$ 14,326	$ 5,926	$ 2,843	$ (105)	$ (6,242)	$ 994	$ 17,742
For the six months ended June 30, 2021 (unaudited, in thousands of dollars)							
Revenue	$ 121,408	$ 46,905	$ 72,501	$ 3,000	$ 1,472	$ —	$ 245,286
Operating expenses	(101,019)	(32,728)	(45,551)	(2,510)	(492)	—	(182,300)
Selling, general and administrative	(6,045)	(2,128)	(605)	—	(7,038)	—	(15,816)
Other items	4,316	—	(5,513)	—	—	—	(1,197)
Depreciation and amortization	(13,203)	(7,005)	(12,599)	(1,078)	(600)	—	(34,485)
Operating earnings (loss)	5,457	5,044	8,233	(588)	(6,658)	—	11,488
Interest, net	—	—	—	—	(10,206)	—	(10,206)
Foreign currency gain	—	—	—	—	580	—	580
	5,457	5,044	8,233	(588)	(16,284)	—	1,862
Income tax (expense) recovery	(1,340)	(1,678)	—	562	4,446	—	1,990
Net earnings from investments in joint ventures	—	—	59	—	—	5,988	6,047
Net earnings (loss)	$ 4,117	$ 3,366	$ 8,292	$ (26)	$ (11,838)	$ 5,988	$ 9,899

	Domestic Dry-Bulk		Product Tankers		Ocean Self-Unloaders		Investment Properties		Corporate		Global Short Sea Shipping		Total
For the six months ended June 30, 2020 (unaudited, in thousands of dollars)													
Revenue	$	100,052	$	60,446	$	69,895	$	4,443	$	1,531	$	—	$ 236,367
Operating expenses		(88,049)		(43,848)		(46,067)		(3,233)		(475)		—	(181,672)
Selling, general and administrative		(6,341)		(2,677)		(782)		—		(5,873)		—	(15,673)
Depreciation and amortization		(12,642)		(7,344)		(15,648)		(1,331)		(491)		—	(37,456)
Operating earnings (loss)		(6,980)		6,577		7,398		(121)		(5,308)		—	1,566
Interest, net		—		—		—		—		(9,950)		—	(9,950)
Foreign currency gain (loss)		—		—		(7)		—		181		—	174
		(6,980)		6,577		7,391		(121)		(15,077)		—	(8,210)
Income tax (expense) recovery		1,819		(1,789)		—		89		3,375		—	3,494
Net earnings (loss) from investments in joint ventures		—		—		25		—		—		(1,193)	(1,168)
Net earnings (loss)	$	(5,161)	$	4,788	$	7,416	$	(32)	$	(11,702)	$	(1,193)	$ (5,884)

		Domestic Dry-Bulk		Product Tankers		Ocean Self-Unloaders		Investment Properties		Corporate		Global Short Sea Shipping	Total
As at June 30, 2021 (unaudited, in thousands of dollars)													
Assets													
Current assets	$	48,149	$	5,972	$	28,135	$	5,064	$	56,382	$	—	$ 143,702
Property, plant, and equipment		489,207		97,272		249,198		—		7,993		—	843,670
Investments in joint ventures		—		—		3,674		—		—		138,778	142,452
Goodwill		7,910		—		—		—		—		—	7,910
Non-current assets held for sale		2,017		3,610		—		13,837		—		—	19,464
Other assets		5,751		—		10		—		1,835		—	7,596
	$	553,034	$	106,854	$	281,017	$	18,901	$	66,210	$	138,778	$ 1,164,794
Liabilities													
Current liabilities	$	41,505	$	8,807	$	11,635	$	369	$	11,253	$	—	$ 73,569
Current portion of long-term debt		—		—		—		—		146		—	146
Long-term liabilities		2,070		15,332		—		(57)		62,564		—	79,909
Long-term debt		—		—		—		—		444,917		—	444,917
		43,575		24,139		11,635		312		518,880		—	598,541
Shareholders' Equity		509,459		82,715		269,382		18,589		(452,670)		138,778	566,253
	$	553,034	$	106,854	$	281,017	$	18,901	$	66,210	$	138,778	$ 1,164,794

		Domestic Dry-Bulk		Product Tankers		Ocean Self-Unloaders		Investment Properties		Corporate		Global Short Sea Shipping	Total
As at December 31, 2020 (unaudited, in thousands of dollars)													
Assets													
Current assets	$	39,990	$	7,312	$	22,792	$	4,682	$	114,000	$	—	$ 188,776
Property, plant, and equipment		460,511		107,866		265,122		14,553		7,936		—	855,988
Investments in joint ventures		—		—		4,668		—		—		141,121	145,789
Goodwill		7,910		—		—		—		—		—	7,910
Other assets		24,114		—		8		—		511		—	24,633
	$	532,525	$	115,178	$	292,590	$	19,235	$	122,447	$	141,121	$ 1,223,096
Liabilities													
Current liabilities	$	44,217	$	10,612	$	12,903	$	362	$	111,086	$	—	$ 179,180
Current portion of long-term debt		—		—		—		—		143		—	143
Long-term liabilities		3,436		15,348		61		—		73,822		—	92,667
Long-term debt		—		—		—		—		390,490		—	390,490
		47,653		25,960		12,964		362		575,541		—	662,480
Shareholders' Equity		484,872		89,218		279,626		18,873		(453,094)		141,121	560,616
	$	532,525	$	115,178	$	292,590	$	19,235	$	122,447	$	141,121	$ 1,223,096

25. 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, 1,890,047 common shares have been reserved for future issuance. The outstanding options expire on various dates to February 26, 2026. The following table summarizes the Company's stock option activity and related information for the periods ended June 30, 2021 and December 31, 2020.

	June 30, 2021		December 31, 2020	
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	**343,542**	**$ 13.13**	230,000	$ 13.43
Granted	**112,668**	**14.69**	113,542	12.52
Exercised	**(100,000)**	**(12.74)**	—	—
Exercise price adjustment	**—**	**(1.77)**	—	—
Number outstanding, end of period	**356,210**	**$ 12.03**	343,542	$ 13.13

The weighted average share price at the date of exercise during the period was $17.44 per share.

The Company's Board of Directors authorized the payment of a special dividend in the amount of $2.65 per common share, which was paid on January 12, 2021. The payment of the special dividend triggered an adjustment of $1.77 to the weighted average exercise price of the stock options.

The following table summarizes information relating to stock options outstanding as at June 30, 2021.

	Options outstanding	
Exercise price per share (amounts not stated in thousands)	Number of shares	Remaining contractual life (years)
$10.75	113,542	3.66
$10.83	130,000	2.67
$14.69	112,668	4.66
	356,210	

For the period ended June 30, 2021, the Company recognized compensation expense for stock option awards of $379 (2020 - $69). For the period ended June 30, 2021, 112,668 (2020 - 113,542) options were granted by the Company at a weighted average fair value of $1.77 per option (2020 - $1.08).

2021

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