ALGOMA CENTRAL CORPORATION
2023 INTERIM REPORT TO SHAREHOLDERS

For the Three Months Ended March 31, 2023 and 2022

Your Marine Carrier of Choice™

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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 months ended March 31, 2023, and 2022 and related notes thereto and has been prepared as at May 3, 2023.

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 2022 Annual Information Form, is available on SEDAR's website at www.sedar.com or on the Company's website at www.algonet.com.

Business Profile

Algoma Central Corporation owns and operates the largest fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway, including self-unloading dry-bulk carriers, gearless dry-bulk carriers and product tankers. Algoma also owns and operates ocean-going self-unloading dry-bulk vessels trading in international markets and a 50% interest in global joint ventures that own a diversified portfolio of dry-bulk fleets operating internationally. In addition to its owned vessels, the Company provides operational management for four vessels; one owned by G3 Canada Limited and three by NovaAlgoma Cement Carriers ("NACC"), a related party.

The Company reports the results of its operations for six business units or segments. The largest is the Domestic Dry-Bulk segment, which includes the Company’s 18 Canadian dry-bulk carriers. This segment serves a wide variety of major industrial sectors, including iron and steel producers, aggregate producers, cement and building material producers, salt producers and agricultural product distributors.

The Product Tankers fleet consists of six double-hull product tankers employed in Canadian flag service, two vessels operating under international flag, and a 33% interest in a third internationally flagged vessel. The new international tanker joint venture also includes eight tankers under construction. Customers include major oil refiners, leading wholesale distributors, and large consumers of petroleum products.

The Company’s international Ocean Self-Unloaders segment consists of eight ocean-going self-unloading vessels and a 25% interest in a ninth self-unloader. The eight wholly owned self-unloaders are part of the world's largest pool of ocean-going self-unloaders, which at the end of March 31, 2023 totalled 18 vessels.

The Global Short Sea Shipping segment, which consists of the Company's NovaAlgoma joint ventures, focuses on niche marine transportation markets featuring specialized equipment or services. The cement carrier fleet comprises pneumatic cement carriers servicing large global cement manufacturers that support infrastructure projects. The short sea mini-bulker fleet comprises owned ships, chartered vessels, and vessels operated under third party management contracts. The fleet supports the agricultural, cement, construction, energy and steel industries worldwide. The handy-size fleet is an opportunistic sales and purchase vessel platform.

The Investment Properties segment previously consisted of a shopping centre located in Sault Ste. Marie, Ontario which was sold on June 30, 2022.

The Corporate segment consists of the Company's head office expenditures, third party management services and other administrative functions of the Company.

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.

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 2023 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 impact of climate change on markets served by our customers, including the impact of drought conditions on agricultural outputs and the impact of winter conditions on production and/or sale of certain commodities;
- general economic and market conditions in the countries in which we operate;

- our success in maintaining and securing our information technology systems, including communications and data processing from accidental and malicious threats
- 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;
- evolving regulations focused on carbon emissions and ballast water treatment that could require capital investments and increase costs that may not be recoverable from revenues;
- our ability to attract and retain qualified 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, including on-going maintenance and operational reliability of the St. Lawrence Seaway and Welland Canal;
- 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;
- general 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 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, 2022, 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's website at www.sedar.com.

Ocean Self-Unloaders

Algoma participates in the world's largest pool of ocean-going self-unloaders (the "Pool"). The segment's commercial results reflect a pro-rata share of Pool revenue and voyage costs (in operating expenses) for the Company's eight 100% owned ships. The costs incurred to operate these ships are recorded in operating expenses. Earnings from the partially owned ship 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.

Joint Ventures

Joint venture revenues from the Product Tankers, Ocean Self-Unloaders, and Global Short Sea Shipping segments is not included in the consolidated revenue figure. The Company's share of net earnings, adjusted for amortization arising from vessel purchase price allocation and intangibles, is included in net earnings from joint ventures in the Company's consolidated earnings.

Non-GAAP Measures

This MD&A uses several financial measures to assess its performance including earnings before interest, income taxes, depreciation, and amortization (EBITDA), free cash flow, return on equity, and adjusted performance measures. Some of these measures are not calculated in accordance with Generally Accepted Accounting Principles (GAAP), which are based on International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), are not defined by GAAP, and do not have standardized meanings that would ensure consistency and comparability among companies using these measures. From Management's perspective, these non-GAAP measures are useful measures of performance as they provide readers with a better understanding of how Management assesses performance. The non-GAAP measures that are used throughout this report are defined below and can also be referred to in the sections entitled *EBITDA*, *Free Cash Flow*, and *Select Financial and Operational Performance.*

EBITDA

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. Management considers EBITDA to be a meaningful measure to assess its operating performance in addition to other IFRS measures. It is included because Management believes it can be useful in measuring its ability to service debt, fund capital expenditures, expand its business and a metric that it is based on is used by credit providers in the financial covenants of the Company's senior secured long-term debt.

Free Cash Flow

Management believes that free cash flow is a useful measure of liquidity as it demonstrates the Company's ability to generate cash for debt obligations and for discretionary uses such as payments of dividends, investing activities and additions of property, plant, and equipment. The Company defines its free cash flow as cash from operating activities less debt service and capital required for maintenance of existing assets.

Select Financial and Operational Highlights

Financial Highlights

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Reported revenue	**$ 111,604**	$ 85,103	$ 26,501
Freight revenue(1)	**145,413**	113,799	31,614
Operating loss	**(32,339)**	(26,611)	(5,728)
Net loss	**(19,640)**	(19,571)	(69)
Basic loss per share	**(0.51)**	(0.52)	0.01
Diluted loss per share	**(0.51)**	(0.52)	0.01
EBITDA(2)	**(7,839)**	(2,120)	(5,719)
Free Cash Flow(3)	**(18,238)**	(15,948)	(2,290)

As at	March 31 2023	December 31 2022	2023 vs 2022
Common shares outstanding	**38,595,154**	38,001,872	593,282
Total assets	**$ 1,304,929**	$ 1,365,697	$ (60,768)
Total long-term financial liabilities	**$ 407,791**	$ 402,354	$ (5,437)

(1) Freight revenue includes our share of freight revenue from our respective joint ventures and excludes revenue from non-marine activities of the Company.

(2) See the section entitled Important Information About This MD&A - EBITDA for an explanation of this non-GAAP measure.

(3) See the section entitled Important Information About This MD&A - Free Cash Flow for an explanation of this non-GAAP measure.

2023 First Quarter Highlights

Financial Highlights - First Quarter 2023 compared to 2022

- Reported revenue increased $26,501 or 31%, to $111,604.
- Operating loss increased $5,728 or 22% to $32,339 while the net loss increased marginally to $19,640.
- Net loss includes a $4,736 gain on the sale of two vessels within the Product Tankers fleet.
- Basic and diluted loss per share of $0.51 compared to $0.52.

Operational Highlights

The following table lists key measures of the Company's operating performance for the purpose of measuring the efficiency and effectiveness of our operations. The operational highlights below relate only to our Domestic Dry-Bulk, Product Tankers and Ocean Self-Unloaders segments and does not include the fleets in which we operate under joint ventures.

For the three months ended March 31	2023	2022
Total cargo carried (metric tonne)(1)	**1,717,217**	1,396,669
Tonne-kilometre travelled(2)	**1,524,444,682**	1,114,336,482
Vessel utilization(3)		
Domestic Dry-Bulk	**86 %**	85 %
Product Tankers	**93 %**	93 %
Ocean Self-Unloaders	**99 %**	98 %
Vessel availability(4)		
Domestic Dry-Bulk	**32 %**	28 %
Product Tankers	**100 %**	75 %
Ocean Self-Unloaders	**98 %**	100 %

(1) Total quantity of cargo in metric tonnes transported during the quarter.

(2) Total cargo tonne-kilometres travelled in the quarter. Calculated as cargo quantity multiplied by the distance in kilometres that the cargo quantity was transported.

(3) Total number of days that vessels earned revenue expressed as a percentage of available operating days.

(4) Total number of operating days expressed as a percentage of the total number of days the vessels were available for use.

EBITDA

The Company uses EBITDA as a measure of the cash-generating capacity of its businesses. The following table provides a reconciliation of net loss in accordance with GAAP to the non-GAAP EBITDA measure for the three months ended March 31, 2023 and 2022, and presented herein:

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Net loss	**$ (19,640)**	$ (19,571)	$ (69)
Adjustments to net loss, excluding joint ventures:			
Depreciation and amortization	**15,996**	16,745	(749)
Interest expense, net	**4,160**	4,974	(814)
Gain on sale of vessels	**(4,736)**	—	(4,736)
Foreign currency (gain) loss	**(370)**	607	(977)
Income tax recovery	**(9,464)**	(10,157)	693
Joint venture adjustments:			
Interest expense	**1,095**	379	716
Foreign exchange loss (gain)	**17**	(85)	102
Depreciation and amortization	**4,951**	4,809	142
Income tax expense	**152**	177	(25)
Loss on sale of vessel	**—**	2	(2)
EBITDA[(1)]	**$ (7,839)**	$ (2,120)	$ (5,719)

(1) Please refer to the section entitled Important Information About This MD&A for an explanation of this non-GAAP measure.

Revenues

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Reported Revenue	**$ 111,604**	$ 85,103	$ 26,501
Freight revenue[(1)]			
Domestic Dry-Bulk	**$ 34,499**	$ 24,588	$ 9,911
Product Tankers	**32,622**	18,036	14,586
Ocean Self-Unloaders	**45,416**	41,074	4,342
Global Short Sea Shipping	**32,876**	30,101	2,775
Total freight revenue	**$ 145,413**	$ 113,799	$ 31,614

(1) Freight revenue includes our share of freight revenue from our respective joint ventures and excludes revenue from non-marine activities of the Company.

Domestic Dry-Bulk Segment

Financial Performance

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Revenue	**$ 34,499**	$ 24,588	$ 9,911
Operating expenses	**(58,116)**	(42,239)	(15,877)
Selling, general and administrative	**(3,570)**	(2,994)	(576)
Depreciation and amortization	**(6,456)**	(6,575)	119
Operating loss	**(33,643)**	(27,220)	(6,423)
Income tax recovery	**8,934**	7,232	1,702
Net loss	**$ (24,709)**	$ (19,988)	$ (4,721)

Operational Performance

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Volumes (metric tonnes)			
Power Generation	**5,532**	—	5,532
Iron and steel	**786,940**	672,650	114,290
Construction	**49,671**	10,554	39,117
Agriculture	**149,670**	90,776	58,894
Salt	**719,809**	617,355	102,454
Total volumes	**1,706,090**	1,391,335	314,755
Revenue Days	**440**	387	53
Operating Days	**512**	453	59

EBITDA

The following table provides a reconciliation of net loss in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the three months ended March 31, 2023 and 2022, and presented herein:

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Net loss	**$ (24,709)**	$ (19,988)	$ (4,721)
Adjustments to net loss:			
Depreciation and amortization	**6,456**	6,575	(119)
Income tax recovery	**(8,934)**	(7,232)	(1,702)
EBITDA[(1)]	**$ (27,187)**	$ (20,645)	$ (6,542)

(1) Please refer to the section entitled Important Information About This MD&A for an explanation of this non-GAAP measure.

2023 First Quarter Review

Higher revenue was primarily a result of a 23% rise in volumes, driving a 14% increase in revenue days. Stronger volumes during the quarter were driven by a higher number of vessels operating into January this year, coupled with an earlier start to the navigation season this year. Volumes across all sectors were higher during the quarter but most noticeably in the salt and iron and steel sectors. The winter salt program saw increased tonnage moved despite a mild winter; with very little ice coverage on the Great Lakes, vessels were able to complete these voyages more efficiently. Additionally, our steel industry customers had stronger demand for early season cargoes, which led some vessels to fit out earlier than in 2022.

Operating costs were higher during the quarter due to a 13% increased in operating days, higher fuel costs and higher winter maintenance expenditures.

Outlook

Domestic dry-bulk cargo demand heading into the second quarter is expected to be relatively steady through April and May, with some potential for minor softening in June, which is typically the start of the slowest season for grain shipments. Global iron ore prices do not currently support large additional export volume through the Seaway, which is often used as a replacement for grain during the summer months.

Product Tankers Segment

Financial Performance

For the three months ended March 31		2023		2022		Favourable/ (Unfavourable) 2023 vs 2022
Revenue	$	**32,081**	$	18,036	$	14,045
Operating expenses		**(25,889)**		(15,116)		(10,773)
Selling, general and administrative		**(1,456)**		(1,254)		(202)
Gain on sale of vessels		**4,736**		—		4,736
Depreciation and amortization		**(3,592)**		(3,225)		(367)
Operating earnings (loss)		**5,880**		(1,559)		7,439
Income tax (expense) recovery		**(1,513)**		412		(1,925)
Net earnings from investment in joint ventures		**119**		—		119
Net earnings (loss)	$	**4,486**	$	(1,147)	$	5,633

Operational Performance[1]

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Volume (metric tonnes)			
Petroleum products	**727**	428	299
Total volumes	**727**	428	299
Revenue days (owned fleet)	**604**	380	224
Operating days (owned fleet)	**650**	410	240

(1) The vessels which operate under international joint ventures are excluded from operational performance.

EBITDA

The following table provides a reconciliation of net earnings (loss) in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the three months ended March 31, 2023 and 2022, and presented herein:

For the three months ended March 31		2023		2022		Favourable/ (Unfavourable) 2023 vs 2022
Net earnings (loss)	$	**4,486**	$	(1,147)	$	5,633
Adjustments to net earnings (loss):						
Depreciation and amortization		**3,592**		3,225		367
Income tax expense (recovery)		**1,513**		(412)		1,925
Gain on sale of vessels		**(4,736)**		—		(4,736)
EBITDA[(1)]	$	**4,855**	$	1,666	$	3,189

(1) Please refer to the section entitled Important Information About This MD&A for an explanation of this non-GAAP measure.

2023 First Quarter Review

The increase in revenue was mainly attributable to a 59% increase in revenue days driven by higher customer demand the addition of two international product tankers to the fleet. The impact of the increased demand was most noticeably seen along the East Coast of Canada this winter, where the fleet benefited from two vessels delivering additional cargoes in this area compared to the same period last year. An internationally bare boat chartered vessel, the *Birgit Knutsen*, continues to have a positive impact on revenue; in July, 2022, the Company acquired the vessel as a potential future replacement vessel for its domestic tanker fleet. In December, 2022, two 2007-built product tankers, the *Algoberta* and *Algotitan*, were acquired. The *Algotitan* began domestic operations in early 2023 while the *Algoberta* began 2023 operating in Northwestern Europe.

Operating costs were higher during the quarter primarily as a result of a 37% increase in operating days reflecting the increased customer demand and the continuation of higher fuel costs. Full fleet utilization also impacted higher direct expenses, specifically crew, supply and repair costs. Supply and repair costs were higher mainly due to the increase in operating days this year and in part due to the rise in inflation. Partially offsetting the increase in costs was lower lay-up spending.

During the first quarter of 2023, the *Algoma Hansa* and the *Algonorth* were sold, resulting in a $4,736 gain. In the case of the *Algonorth,* now named the *Fure Skagen*, the purchaser is a newly formed joint venture in which FureBear holds a two-thirds interest, along with an unrelated party. The results from the joint venture are reflected above in joint venture earnings.

During 2022, Algoma and Furetank AB of Sweden, established a joint venture to be called FureBear, which entered into an agreement to construct eight dual-fuel product tankers. The tankers will be constructed at China Merchants Jinling Shipyard in Yangzhou, China, with delivery expected between 2023 and 2025.

Outlook

We expect customer demand in the segment to remain steady through the second quarter, although energy markets remain volatile due to on-going hostilities in Europe. Vessel utilization is expected to be strong; however, we do expect inflation to impact costs more significantly going forward. The *Algoberta* will commence domestic operations early in the second quarter as seasonal demand picks up, and we also expect to bring the *Birgit Knutsen* into domestic service later in the year, replacing the *Algosea* when she retires.

Ocean Self-Unloaders Segment

Financial Performance

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Foreign exchange rate average (USD/CAD)	**1.3682**	1.2663	0.1019
Revenue	**$ 44,385**	$ 40,321	$ 4,064
Operating expenses	**(33,301)**	(27,328)	(5,973)
Selling, general and administrative	**(551)**	(334)	(217)
Depreciation and amortization	**(5,581)**	(6,551)	970
Operating earnings	**4,952**	6,108	(1,156)
Net earnings (loss) from investment in joint venture	**172**	(36)	208
Net earnings	**$ 5,124**	$ 6,072	$ (948)

Operational Performance

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Pool Volumes (metric tonnes)(1)			
Gypsum	**826**	827	(1)
Aggregates	**1,947**	2,183	(236)
Coal	**1,842**	1,681	161
Other	**253**	215	38
Total volumes	**4,868**	4,906	(38)
Revenue days	**619**	704	(85)
Operating days	**624**	720	(96)
Off-hire days for dry-docking	**96**	—	(96)

(1) Pool volumes exclude volumes carried on vessels that were under time charter arrangements in the quarter.

EBITDA

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the three months ended March 31, 2023 and 2022, and presented herein:

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Net earnings	**$ 5,124**	$ 6,072	$ (948)
Adjustments to net earnings:			
Depreciation and amortization	**5,581**	6,551	(970)
Joint venture:			
Depreciation and amortization	**97**	178	(81)
EBITDA(1)	**$ 10,802**	$ 12,801	(1,999)

(1) Please refer to the section entitled Important Information About This MD&A for an explanation of this non-GAAP measure.

2023 First Quarter Review

Revenue was higher as a result of increased fuel cost recoveries and slightly higher freight rates. The increased revenue was offset by a 12% decrease in revenue days driven primarily by off-hire days due to dry-dockings on two vessels, the *Algoma Verity* and the *Bahama Spirit,* compared to none last year.

The steady year-over-year volume was mainly driven by demand for gypsum and coal tonnage this quarter. Gypsum volumes reflect higher demand across the United States east coast driven by a strong housing market, partially offset by a weaker construction market on the west coast, and port congestion has improved allowing for increased coal cargoes this year compared to significant port delays in 2022. The segment continues to experience lower aggregate cargoes as the market continues to be impacted by a closure of a quarry in Mexico.

Operating expenses were higher in the first quarter mainly due to increased dry-dock expenditures on the *Algoma Verity* and the *Bahama Spirit* and higher fuel costs. Direct costs also increased as a result of increased repair and supplies costs. These items were offset by a 13% decrease in operating days, primarily driven by the higher number of vessels on dry-dock during the quarter.

Outlook

Demand is expected to remain steady and vessel supply is expected to be tight at the Pool level heading into the second quarter. Aggregate volumes are expected to continue to be impacted by the closure of a quarry in Mexico; the closure has created some uncertainty in the market and can be expected to impact both volumes and trade routes, if it is not resolved. There is some weakness expected to remain in the U.S. residential market, but overall the construction sector demand remains strong as infrastructure projects are picking up. We are expecting costs to continue to be impacted by inflation and global fuel prices are beginning to trend downward, impacting both revenues and operating costs. Three additional vessels in the Algoma fleet will be dry docked over the remainder of 2023 for a total of five dry-dockings this year.

Global Short Sea Shipping Segment

Financial Results Overview

For the three months ended March 31		2023		2022		Favourable/ (Unfavourable) 2023 vs 2022
Foreign exchange rate average (USD/CAD)		**1.3682**		1.2663		0.1019
Revenue	**$**	**65,752**	$	60,202	$	5,550
Operating expenses		**(47,359)**		(43,862)		(3,497)
Selling, general and administrative		**(1,593)**		(1,358)		(235)
Depreciation and amortization		**(9,391)**		(8,966)		(425)
Operating earnings		**7,409**		6,016		1,393
Loss on sale of vessel		**—**		(4)		4
Interest expense		**(2,189)**		(757)		(1,432)
Foreign exchange (loss) gain		**(34)**		169		(203)
Earnings before undernoted		**5,186**		5,424		(238)
Income tax expense		**(304)**		(354)		50
Net earnings of joint ventures		**1,346**		1,207		139
Net earnings attributable to non-controlling interest		**(1,916)**		(981)		(935)
Net earnings	**$**	**4,312**	$	5,296	$	(984)
Company share of net earnings above	**$**	**2,156**	$	2,648	$	(492)
Amortization of vessel purchase price allocation and intangibles		**(158)**		(148)		(10)
Company share included in net earnings from investments in joint ventures	**$**	**1,998**	$	2,500	$	(502)

EBITDA

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the three months ended March 31, 2023 and 2022, and presented herein:

For the three months ended March 31		2023		2022		Favourable/ (Unfavourable) 2023 vs 2022
Company share of net earnings from investments in joint ventures	**$**	**1,998**	$	2,500	$	(502)
Adjustments to net earnings (company's share):						
Depreciation and amortization		**4,854**		4,631		223
Interest expense		**1,095**		379		716
Income tax expense		**152**		177		(25)
Foreign currency loss (gain)		**17**		(85)		102
Loss on sale of vessel		**—**		2		(2)
Company share of EBITDA[(1)]	**$**	**8,116**	$	7,604	$	512

(1) Please refer to the section entitled Important Information About This MD&A for an explanation of this non-GAAP measure.

2023 First Quarter Review

The increased revenue was mainly driven by higher revenue in the handy-size and cement fleets. Higher revenue in the cement fleet was primarily attributable to the increase in the size of the fleet this year, having added three cement carriers in the second and third quarters of 2022, steady freight rates, and stable customer demand. This was partially offset by an outage on one large cement vessel, which took the vessel out of service temporarily for repairs. Slightly lower revenue in the mini-bulker fleet, reflecting the decreased fleet size this year, was offset by strong freight rates. In the first quarter of 2022, our handy-size joint venture did not own any vessels; two handy-size vessels were acquired early in the second quarter of 2022.

Operating costs increased mainly as a result of the impact of higher costs in the cement and handy-size fleets. The cement fleet experienced higher winter maintenance costs, driven primarily by the seasonal lay-up of the domestic fleet and increased repair costs for a significant outage on one large cement vessel. Increased costs for the handy-size fleet were driven by the larger fleet size this year. These higher costs were partially offset by lower operating expenses in the mini-bulker fleet due to the reduced fleet size compared to the same period in 2022.

Higher interest rates compared to the first quarter of 2022, resulted in increased interest expense for the joint ventures, although this was partially offset by a reduction in debt levels compared to the prior year.

Outlook

Looking ahead to the second quarter, revenues from cement carriers are expected to be steady, with strong fleet utilization including increased domestic utilization with the fleet returning to operations. On the other hand, rate pressure driven by the on-going economic and geopolitical situation, in the mini-bulker and handy-size fleets has resulted in a rate decrease; rates are expected to be at more traditional levels over the course of the year, although volumes and utilization are not expected to be affected. Lower rates will likely serve to depress resale values, limiting the upside potential of vessel sales but perhaps leading to opportunities to acquire new tonnage.

Operating costs, other than fuel, are expected to reflect the impact of higher inflation as increased costs work their way through our supply chain. In light of increased interest rates, the joint ventures have taken action to reduce the amount of variable rate debt outstanding on ship mortgages and this is expected to remain a focus throughout 2023.

Investment Properties Segment

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Revenue	**$ —**	$ 1,535	$ (1,535)
Operating expenses	**—**	(1,598)	1,598
Operating loss	**—**	(63)	63
Interest income	**248**	—	248
Income tax (expense) recovery	**(66)**	17	(83)
Net earnings (loss)	**$ 182**	$ (46)	$ 228

On June 30, 2022, the Company finalized the sale of a shopping centre located in Sault Ste. Marie, Ontario. The shopping centre was the last of the Company's real estate holdings in Sault Ste. Marie. Interest income relates to the interest on the vendor take-back mortgage secured against the shopping centre.

Corporate Segment

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Revenue	**$ 639**	$ 623	$ 16
Operating expenses	**(254)**	(277)	23
Selling, general and administrative	**(4,810)**	(3,829)	(981)
Depreciation	**(367)**	(394)	27
Operating loss	**(4,792)**	(3,877)	(915)
Foreign currency gain (loss)	**370**	(607)	977
Interest expense, net	**(4,408)**	(4,974)	566
Income tax recovery	**2,109**	2,496	(387)
Net loss	**$ (6,721)**	$ (6,962)	$ 241

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.

Consolidated

Interest Expense

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Interest expense on borrowings	**$ 4,623**	$ 4,441	$ (182)
Amortization of financing costs	**426**	402	(24)
Interest on employee future benefits, net	**181**	214	33
Interest capitalized on vessels under construction	**(105)**	(72)	33
	$ 5,125	$ 4,985	$ (140)

Income Taxes

For the three months ended March 31	2023	2022	Favourable/ (Unfavourable) 2023 vs 2022
Combined federal and provincial statutory income tax rate	**26.5 %**	26.5 %	— %
Net earnings before income tax and net earnings (loss) from investments in joint ventures	**$ (31,393)**	$ (32,192)	$ 799
Expected income tax recovery	**$ 8,319**	$ 8,531	$ (212)
Increase in recovery resulting from:			
Foreign tax rates different from Canadian statutory rate	**1,107**	1,617	(510)
Other	**38**	9	29
Actual tax recovery	**$ 9,464**	$ 10,157	$ (693)

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 2023 and 2022 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.

Contingencies

For information on contingencies, please refer to Note 31 of the Consolidated Financial Statements for the years ending December 31, 2022 and 2021. There have been no significant changes in the items presented since December 31, 2022.

Capital Resources

The Company has cash on hand of $70,528 at March 31, 2023. Available credit facilities along with projected cash from operations for 2023 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") 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 and has been extended to October 11, 2027. The Facility bears interest at rates that are based on the Company’s ratio of net senior debt, as defined, to earnings before interest, taxes, depreciation and amortization and ranges from 170 to 325 basis points above bankers’ acceptance, adjusted SOFR or EURIBOR 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 March 31, 2023, the Company was in compliance with all of its covenants.

Financial Condition, Liquidity and Capital Resources

Cash Flows

For the three months ended March 31		2023		2022		Favourable/ (Unfavourable) 2023 vs 2022
Net cash generated from (used in) operating activities	$	**1,588**	$	(8,709)	$	10,297
Net cash used in investing activities		**(31,101)**		(9,728)		(21,373)
Net cash used in financing activities		**(43,134)**		(6,570)		(36,564)
Net change in cash		**(72,647)**		(25,007)		(47,640)
Effects of exchange rate changes on cash held in foreign currencies		**1,207**		(779)		1,986
Cash, beginning of period		**141,968**		108,942		33,026
Cash, end of period	$	**70,528**	$	83,156	$	(12,628)

Investing Activities

Higher net cash used in investing activities during the 2023 first quarter relates to the initial payments to construct two new Ocean Self-Unloaders and a progress payment on one new Equinox Class self-unloader currently under construction within the domestic dry-bulk fleet. The increase was partially offset by the sale of two vessels within the Product Tankers fleet.

Financing Activities

The increase in net cash used in financing activities during the 2023 first quarter is reflective of a $50,032 special dividend payment paid in January, 2023.

Free Cash Flow

The following table provides a reconciliation of net cash generated from (used in) operating activities in accordance with GAAP to the non-GAAP free cash flow, as reported for the three months ended March 31, 2023 and 2022, and presented herein:

For the three months ended March 31		2023		2022		Favourable/ (Unfavourable) 2023 vs 2022
Net cash generated from (used in) operating activities	$	**1,588**	$	(8,709)	$	10,297
Net debt service repayments		**(5,797)**		(315)		(5,482)
Capital required for maintenance of existing assets		**(14,029)**		(6,924)		(7,105)
Free cash flow(1)	$	**(18,238)**	$	(15,948)	$	(2,290)

(1) Please refer to the section entitled Important Information About This MD&A - Free Cash Flow for an explanation of this non-GAAP measure.

- During the first quarter of 2023, the Company made significant environmental investments in fleet upgrades such as carbon reducing fuel efficiency technology, ballast water treatment system installations and scrubber upgrades.

Normal Course Issuer Bid

Effective March 21, 2023, the Company renewed its normal course issuer bid (the "2023 NCIB") with the intention to purchase, through the facilities of the TSX, up to 1,926,915 of its common shares ("Shares") representing approximately 5% of the 38,538,301 Shares which were issued and outstanding as at the close of business on March 7, 2023 (the “NCIB”).

Subject to prescribed exceptions, the Company is allowed to purchase up to 3,173 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 12,695 Shares. Any Shares purchased under the 2023 NCIB are cancelled. Under the current NCIB, 16,484 Shares were purchased and cancelled for a weighted average purchase price of $15.57 for the three months ending March 31, 2023.

In conjunction with the renewal of the 2023 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 2023 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 2023 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 2023 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 2023 NCIB has been reached; (b) Algoma terminates the ASPP in accordance with its terms; or (c) the 2023 NCIB expires. The ASPP constitutes an “automatic securities purchase plan” under applicable Canadian securities laws.

Commitments

The table below provides aggregate information about the Company's contractual obligations as at March 31, 2023 that affect the Company's liquidity and capital resource needs.

	2023	2024	2025	2026	2027	2028 and Beyond	Total
Long-term debt including convertible debentures	$ 20,000	$ 69,076	$ —	$ —	$ 27,066	$ 299,869	$ 416,011
Capital asset commitments	47,420	92,128	130,323	—	—	—	269,871
Capital asset commitments through joint ventures(1)	31,946	73,272	75,798	—	—	—	181,016
Interest payments on long-term debt	16,041	14,228	12,415	12,415	12,415	76,534	144,048
Employee future benefit special payments	586	781	781	781	—	—	2,929
Leases	76	141	148	83	—	—	448
	$ 116,069	$ 249,626	$ 219,465	$ 13,279	$ 39,481	$ 376,403	$ 1,014,323

(1) The joint venture commitments above include the construction of eight product tankers. The joint venture has in place a financing arrangement with a Swedish shipping bank, under which and subject to certain conditions, the joint venture will be able to access funding for up to 70% of the outstanding commitments upon delivery of the vessels.

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 March 31, 2023. 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 March 31, 2023.

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 March 31, 2023.

Changes in Internal Controls over Financial Reporting

During the period ended March 31, 2023, 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.

Adoption of New and Amended Accounting Pronouncements

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued Definition of Accounting Estimates, which made amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment replaced the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Accounting estimates are developed if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendment clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the current period's Consolidated Statements of Comprehensive Earnings, or the Consolidated Statements of Comprehensive Earnings of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments apply for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The application of this amendment is not expected to have a material impact on the Company's Interim Condensed Consolidated Financial Statements.

Accounting Pronouncements Issued But Not Yet Effective

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective and no material impact is expected on the Company's Interim Condensed Consolidated Financial Statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In October 2022, the IASB finalised issuance of Classification of Liabilities as Current or Non-Current, which made amendments to IAS 1 Presentation of Financial Statements. The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. Classification is unaffected by the expectations that the Corporation will exercise its right to defer settlement of a liability. Lastly, the amendment clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its Interim Condensed Consolidated Financial Statements.

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2023 and 2022

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 months ended March 31, 2023 and 2022 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 three months ended March 31	Notes		2023		2022
(unaudited, in thousands of dollars, except per share data)					
Revenue	5	**$**	**111,604**	$	85,103
Operating expenses			**(117,560)**		(86,558)
Selling, general and administrative expenses			**(10,387)**		(8,411)
Depreciation and amortization			**(15,996)**		(16,745)
Operating loss			**(32,339)**		(26,611)
Interest expense	7		**(5,125)**		(4,985)
Interest income			**965**		11
Gain on sale of vessels	10		**4,736**		—
Foreign currency gain (loss)			**370**		(607)
			(31,393)		(32,192)
Income tax recovery	8		**9,464**		10,157
Net earnings from investments in joint ventures	6		**2,289**		2,464
Net loss		**$**	**(19,640)**	$	(19,571)
Basic loss per share	17	**$**	**(0.51)**	$	(0.52)
Diluted loss per share	17	**$**	**(0.51)**	$	(0.52)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Earnings

For the three months ended March 31	Notes		2023		2022
(unaudited, in thousands of dollars)					
Net loss		**$**	**(19,640)**	$	(19,571)
Other comprehensive earnings:					
Items that may be subsequently reclassified to net earnings:					
Unrealized loss on translation of financial statements of foreign operations			**(95)**		(5,956)
Unrealized gain on hedging instruments, net of income tax			**651**		2,006
Foreign exchange loss on purchase commitment hedge reserve, net of income tax, transferred to:					
Vessels under construction			**(529)**		—
Items that will not be subsequently reclassified to net earnings:					
Employee future benefits actuarial gain, net of income tax			**605**		9,250
			632		5,300
Comprehensive loss		**$**	**(19,008)**	$	(14,271)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheet

As at (unaudited, in thousands of dollars)	Notes	March 31 2023	December 31 2022
Assets			
Current			
Cash		**$ 70,528**	$ 141,968
Accounts receivable		**47,567**	67,618
Income taxes recoverable		**10,419**	1,459
Other current assets	9	**45,186**	39,285
		173,700	250,330
Property, plant, and equipment	10	**836,178**	850,538
Investments in joint ventures	6	**215,528**	208,992
Goodwill	11	**7,910**	7,910
Employee future benefits		**19,841**	18,219
Non-current asset held for sale		**—**	1,858
Mortgage receivable	12	**18,000**	18,000
Other assets	13	**33,772**	9,850
		$ 1,304,929	$ 1,365,697
Liabilities			
Current			
Accounts payable and accrued charges		**$ 91,292**	$ 86,208
Current portion of long-term debt	16	**20,000**	5,197
Income taxes payable		**382**	5,953
Other current liabilities	14	**7,400**	53,470
		119,074	150,828
Long-term debt	16	**387,791**	397,157
Employee future benefits		**19,236**	18,774
Deferred income taxes		**68,957**	70,781
Other long-term liabilities	15	**1,108**	2,133
		596,166	639,673
Commitments	20		
Shareholders' Equity			
Share capital	17	**21,493**	11,732
Contributed surplus		**—**	582
Convertible debentures		**2,175**	2,270
Accumulated other comprehensive loss	18	**(8,078)**	(8,105)
Retained earnings		**693,173**	719,545
		708,763	726,024
		$ 1,304,929	$ 1,365,697

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 17)		(Note 18)		
Balance at January 1, 2022	$ 8,110	$ 3,294	$ (31,319)	$ 660,198	$ 640,283
Net earnings (loss)	—	—	—	(19,571)	(19,571)
Dividends	—	—	—	(6,426)	(6,426)
Share-based compensation	—	(141)	—	—	(141)
Other comprehensive (loss) earnings	—	—	(3,950)	9,250	5,300
Balance at March 31, 2022	$ 8,110	$ 3,153	$ (35,269)	$ 643,451	$ 619,445
Balance at January 1, 2023	$ 11,732	$ 2,852	$ (8,105)	$ 719,545	$ 726,024
Net earnings (loss)	—	—	—	(19,640)	(19,640)
Dividends	—	—	—	(6,773)	(6,773)
Repurchase and cancellation of common shares	(35)	(659)	—	(564)	(1,258)
Debenture conversions	9,796	(96)	—	—	9,700
Share-based compensation	—	78	—	—	78
Other comprehensive earnings	—	—	27	605	632
Balance at March 31, 2023	**$ 21,493**	**$ 2,175**	**$ (8,078)**	**$ 693,173**	**$ 708,763**

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the three months ended March 31	Notes	2023	2022
(unaudited, in thousands of dollars)			
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net loss		**$ (19,640)**	$ (19,571)
Net earnings from investments in joint ventures	6	**(2,289)**	(2,464)
Items not affecting cash			
Depreciation and amortization		**15,996**	16,745
Gain on disposal of assets		**(4,736)**	—
Other non-cash items		**(5,338)**	(4,255)
Net change in non-cash working capital		**25,561**	3,362
Income taxes paid, net		**(7,191)**	(1,497)
Employee future benefits paid		**(775)**	(1,029)
Net cash generated from (used in) operating activities		**1,588**	(8,709)
Investing			
Additions to property, plant, and equipment	19	**(12,145)**	(7,567)
Distributions received from joint ventures	6	**4,272**	—
Investment in joint ventures	6	**(8,172)**	(2,099)
Additions to vessels under construction		**(24,180)**	(62)
Issuance of loan receivable	9	**(10,150)**	—
Net proceeds on sale of assets	10	**19,274**	—
Net cash used in investing activities		**(31,101)**	(9,728)
Financing			
Interest paid		**(600)**	(277)
Interest received		**717**	11
Proceeds of long-term debt		**20,000**	—
Repayment of long-term debt		**(5,197)**	(38)
Repurchase of shares for cancellation	17	**(1,258)**	—
Dividends paid		**(56,796)**	(6,266)
Net cash used in financing activities		**(43,134)**	(6,570)
Net change in cash		**(72,647)**	(25,007)
Effects of exchange rate changes on cash held in foreign currencies		**1,207**	(779)
Cash, beginning of period		**141,968**	108,942
Cash, end of period		**$ 70,528**	$ 83,156

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 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 months ended March 31, 2023 and 2022 comprise the Company, its subsidiaries and the Company's interests in associated and jointly controlled entities.

The principal subsidiaries are Algoma Shipping Ltd. and Algoma Tankers Limited. The principal jointly controlled entities are 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 Company reports the results of its operations for six business units or segments. The largest is the Domestic Dry-Bulk segment, which includes the Company's 18 Canadian dry-bulk carriers. This segment serves a wide variety of major industrial sectors, including iron and steel producers, aggregate producers, cement and building material producers, salt producers and agricultural product distributors.

The Product Tankers fleet consists of six double-hull product tankers employed in Canadian flag service, two vessels operating under international flag, and a 33% interest in a third internationally flagged vessel. The new international tanker joint venture also includes eight tankers under construction. Customers include major oil refiners, leading wholesale distributors, and large consumers of petroleum products.

The Company's international Ocean Self-Unloaders segment consists of eight ocean-going self-unloading vessels and a 25% interest in a ninth self-unloader. The eight wholly owned self-unloaders are part of the world's largest pool of ocean-going self-unloaders, which at the end of March 31, 2023 totalled 18 vessels.

The Global Short Sea Shipping segment, which consists of the Company's NovaAlgoma joint ventures, focuses on niche marine transportation markets featuring specialized equipment or services. The cement carrier fleet comprises pneumatic cement carriers servicing large global cement manufacturers that support infrastructure projects. The short sea mini-bulker fleet comprises owned ships, chartered vessels, and vessels operated under third party management contracts. The fleet supports the agricultural, cement, construction, energy and steel industries worldwide. The handy-size fleet is an opportunistic sales and purchase vessel platform.

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 closure 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, 2022 and 2021. The financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2022 and 2021.

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

The interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on May 3, 2023.

3. Adoption of New and Amended Accounting Pronouncements

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued Definition of Accounting Estimates, which made amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment replaced the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Accounting estimates are developed if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendment clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the current period's Consolidated Statements of Comprehensive Earnings, or the Consolidated Statements of Comprehensive Earnings of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments apply for annual periods beginning on or after January 1, 2023. Effective January 1, 2023, the Company adopted these requirements. The application of this amendment is not expected to have an impact on the Company's Interim Condensed Consolidated Financial Statements.

4. Accounting Pronouncements Issued But Not Yet Effective

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective and no material impact is expected on the Company's Interim Condensed Consolidated Financial Statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In October 2022, the IASB finalised issuance of Classification of Liabilities as Current or Non-Current, which made amendments to IAS 1 Presentation of Financial Statements. The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. Classification is unaffected by the expectations that the Corporation will exercise its right to defer settlement of a liability. Lastly, the amendment clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its Interim Condensed Consolidated Financial Statements.

5. Revenue

Disaggregated revenue by segment is as follows:

For the three months ended March 31 (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
2023						
Contract of Affreightment	$ 24,813	$ 7,399	$ —	$ —	$ —	$ 32,212
Time Charter	9,570	24,682	—	—	—	34,252
Pool Revenue Share	—	—	44,385	—	—	44,385
Other	116	—	—	—	639	755
	$ 34,499	**$ 32,081**	**$ 44,385**	**$ —**	**$ 639**	**$ 111,604**
2022						
Contract of Affreightment	$ 10,833	$ —	$ —	$ —	$ —	$ 10,833
Time Charter	13,647	18,036	—	—	—	31,683
Pool Revenue Share	—	—	40,321	—	—	40,321
Other	108	—	—	1,535	623	2,266
	$ 24,588	$ 18,036	$ 40,321	$ 1,535	$ 623	$ 85,103

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

As at (unaudited, in thousands of dollars)	**March 31 2023**	December 31 2022
Unbilled revenue (included in accounts receivable)	**$ 15,925**	$ 14,661
Deferred revenue (included in accounts payable and accrued charges)	**1,432**	1,660

6. Joint Ventures

The Company has interests in global joint ventures which own diversified portfolios of fleets operating internationally. Details of the holdings are presented below.

As at (unaudited, in thousands of dollars)		March 31 2023	December 31 2022
Name of Joint Venture	**Principal Activity**	**Ownership Interest**	
Marbulk Canada Inc. ("Marbulk")	50% interest in a specialized self-unloader	**50 %**	50 %
NovaAlgoma Cement Carriers Limited ("NACC")	Owns and operates pneumatic cement carriers to support infrastructure projects worldwide	**50 %**	50 %
NovaAlgoma Short-Sea Holdings Ltd. ("NASC")	Owns and manages a fleet of short sea mini-bulkers operating in global markets	**50 %**	50 %
NovaAlgoma Bulk Holdings Ltd. ("NABH")	Participates in the trade of purchasing and selling handy-size vessels	**50 %**	50 %
FureBear AB ("FureBear")	Operating and constructing product tankers for Northern Europe trade	**50 %**	50 %

In the tables below, FureBear results are presented in "Product Tankers", 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 March 31 (unaudited, in thousands of dollars)	**2023**			2022		
	Product Tankers	**Ocean Self-Unloaders**	**Global Short Sea Shipping**	Product Tankers	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 1,081**	**$ 2,061**	**$ 65,752**	$ —	$ 1,506	$ 60,202
Operating expenses	**(626)**	**(1,384)**	**(47,359)**	—	(1,090)	(43,862)
General and administrative	**(100)**	**(140)**	**(1,593)**	—	(132)	(1,358)
Depreciation and amortization	**—**	**(193)**	**(9,391)**	—	(356)	(8,966)
Operating earnings (loss)	**355**	**344**	**7,409**	—	(72)	6,016
Interest expense	**—**	**—**	**(2,189)**	—	—	(757)
Foreign exchange (loss) gain	**—**	**—**	**(34)**	—	—	169
Loss on sale of vessel	**—**	**—**	**—**	—	—	(4)
Earnings (loss) before undernoted	**355**	**344**	**5,186**	—	(72)	5,424
Net earnings of joint ventures	**—**	**—**	**1,346**	—	—	1,207
Net earnings attributable to non-controlling interest	**(117)**	**—**	**(1,916)**	—	—	(981)
Income tax expense	**—**	**—**	**(304)**	—	—	(354)
Net earnings (loss)	**$ 238**	**$ 344**	**$ 4,312**	$ —	$ (72)	$ 5,296
Company share of net earnings (loss)	**$ 119**	**$ 172**	**$ 2,156**	$ —	$ (36)	$ 2,648
Amortization of vessel purchase price allocation and intangibles	**—**	**—**	**(158)**	—	—	(148)
Company share included in net earnings of joint ventures	**$ 119**	**$ 172**	**$ 1,998**	$ —	$ (36)	$ 2,500

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

For the three months ended March 31 (unaudited, in thousands of dollars)	**2023**	2022
Product Tankers	**$ 119**	$ —
Ocean Self-Unloaders	**172**	(36)
Global Short Sea Shipping	**1,998**	2,500
	$ 2,289	$ 2,464

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

As at (unaudited, in thousands of dollars)	March 31, 2023			December 31, 2022		
	Product Tankers	**Ocean Self-Unloaders**	**Global Short Sea Shipping**	Product Tankers	Ocean Self-Unloaders	Global Short Sea Shipping
Cash	**$ 3,528**	**$ 2,038**	**$ 23,298**	$ 3	$ 2,664	$ 22,037
Other current assets	**1,210**	**753**	**36,639**	—	974	46,950
Income taxes recoverable	**—**	**51**	**310**	—	51	368
Property, plant, and equipment	**15,406**	**1,876**	**411,415**	—	2,072	412,485
Investment in joint ventures	**—**	**—**	**55,160**	—	—	53,374
Other assets	**47,452**	**—**	**26,285**	36,985	—	23,848
Current liabilities	**(3,013)**	**(526)**	**(44,368)**	(780)	(149)	(54,459)
Current portion of long-term debt	**—**	**—**	**(31,543)**	—	—	(35,945)
Long-term debt	**(7,590)**	**—**	**(82,362)**	—	—	(90,359)
Other long-term liabilities	**—**	**—**	**(24,093)**	—	—	(6,574)
Non-controlling interest	**(3,251)**	**—**	**(10,777)**	—	—	(8,866)
Net assets of jointly controlled operations	**$ 53,742**	**$ 4,192**	**$ 359,964**	$ 36,208	$ 5,612	$ 362,859
Company share of net assets	**$ 26,871**	**$ 2,096**	**$ 179,982**	$ 18,104	$ 2,806	$ 181,430
Goodwill and other purchase price adjustments	**—**	**—**	**6,579**	—	—	6,652
Company share of joint venture	**$ 26,871**	**$ 2,096**	**$ 186,561**	$ 18,104	$ 2,806	$ 188,082

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

As at (unaudited, in thousands of dollars)	**March 31 2023**	December 31 2022
Product Tankers	**$ 26,871**	$ 18,104
Ocean Self-Unloaders	**2,096**	2,806
Global Short Sea Shipping	**186,561**	188,082
	$ 215,528	$ 208,992

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

For the three months ended March 31 (unaudited, in thousands of dollars)	**2023**	2022
Revenue	**$ 305**	$ 332

As at (unaudited, in thousands of dollars)	**March 31 2023**	December 31 2022
Accounts receivable	**$ 1,896**	$ 4,546
Loan receivable	**10,150**	—
Loans guaranteed by the Company	**8,948**	11,301

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

For the three months ended March 31 (unaudited, in thousands of dollars)	2023		2022	
	Distributions received	**Investment in joint ventures**	Distributions received	Investment in joint ventures
Product Tankers	**$ —**	**$ (8,172)**	$ —	$ —
Ocean Self-Unloaders	**889**	**—**	—	—
Global Short Sea Shipping	**3,383**	**—**	—	(2,099)
	$ 4,272	**$ (8,172)**	$ —	$ (2,099)

7. Interest Expense

The components of interest expense are as follows:

For the three months ended March 31 (unaudited, in thousands of dollars)	2023	2022
Interest expense on borrowings	$ 4,623	$ 4,441
Amortization of financing costs	426	402
Interest on employee future benefits, net	181	214
Interest capitalized on vessels under construction	(105)	(72)
	$ 5,125	$ 4,985

8. Income Taxes

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

For the three months ended March 31 (unaudited, in thousands of dollars)	2023	2022
Combined federal and provincial statutory income tax rate	26.5%	26.5%
Net loss before income tax and net earnings from investments in joint ventures	$ (31,393)	$ (32,192)
Expected income tax recovery	$ 8,319	$ 8,531
Increase in recovery resulting from:		
Foreign tax rates different from Canadian statutory rate	1,107	1,617
Other	38	9
Actual tax recovery	$ 9,464	$ 10,157

9. Other Current Assets

The components of other current assets are as follows:

As at (unaudited, in thousands of dollars)	March 31 2023	December 31 2022
Materials, fuel and supplies	$ 15,543	$ 19,126
Prepaid expenses	15,147	15,189
Derivative assets	4,346	4,970
Loan receivable from joint venture, non-interest bearing	10,150	—
	$ 45,186	$ 39,285

10. 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	Corporate	Total
Balance at December 31, 2022	$ 672,009	$ 254,445	$ 412,201	$ 21,042	$ 1,359,697
Additions	6,809	2,052	5,425	174	14,460
Disposals	—	(19,058)	—	—	(19,058)
Transferred from held for sale	—	57	—	—	57
Effect of foreign currency exchange differences	—	—	(323)	—	(323)
Balance at March 31, 2023	**$ 678,818**	**$ 237,496**	**$ 417,303**	**$ 21,216**	**$ 1,354,833**

Accumulated depreciation (n thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Corporate	Total
Balance at December 31, 2022	$ 201,788	$ 120,990	$ 172,658	$ 13,723	$ 509,159
Depreciation expense	6,451	3,592	5,373	329	15,745
Disposals	—	(6,360)	—	—	(6,360)
Transferred from held for sale	—	39	—	—	39
Effect of foreign currency exchange differences	—	—	72	—	72
Balance at March 31, 2023	**$ 208,239**	**$ 118,261**	**$ 178,103**	**$ 14,052**	**$ 518,655**

Net Book Value (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Corporate	Total
March 31, 2023					
Cost	$ 678,818	$ 237,496	$ 417,303	$ 21,216	$ 1,354,833
Accumulated depreciation	208,239	118,261	178,103	14,052	518,655
	$ 470,579	**$ 119,235**	**$ 239,200**	**$ 7,164**	**$ 836,178**
December 31, 2022					
Cost	$ 672,009	$ 254,445	$ 412,201	$ 21,042	$ 1,359,697
Accumulated depreciation	201,788	120,990	172,658	13,723	509,159
	$ 470,221	$ 133,455	$ 239,543	$ 7,319	$ 850,538

In the first quarter of 2023, two product tanker vessels were sold. The first, nearing the end of its useful life, was sold for net proceeds of $4,682 and generated a gain on disposal of $2,842. The second was sold to the newly formed joint venture partially owned by FureBear for net proceeds of $14,592 and a gain of $1,894.

11. 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.

12. Mortgage Receivable

On June 30, 2022, the Company finalized the sale of a shopping centre located in Sault Ste. Marie, Ontario. Proceeds of the sale included a vendor take-back ("VTB") mortgage of $18,000, secured against the shopping centre. The VTB mortgage bears interest at 5.5% for a 24 month term and is fully open for repayment of any part of the principal outstanding at any time. The first payment of interest is due on June 30, 2023 and interest-only payments are due monthly thereafter.

13. Other Assets

Other assets consist of the following:

As at (unaudited, in thousands of dollars)	**March 31 2023**	December 31 2022
Vessels under construction	**$ 32,554**	$ 8,839
Right-of-use assets	**466**	506
Other	**752**	505
	$ 33,772	$ 9,850

14. Other Current Liabilities

The components of other current liabilities are as follows:

As at (unaudited, in thousands of dollars)		**March 31 2023**		December 31 2022
Accrued interest on long-term debt	**$**	**4,726**	$	777
Dividends payable		**2,560**		52,582
Lease obligations		**114**		111
	$	**7,400**	$	53,470

15. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

As at (unaudited, in thousands of dollars)		**March 31 2023**		December 31 2022
Deferred compensation	**$**	**834**	$	1,812
Lease obligations		**274**		321
	$	**1,108**	$	2,133

16. Long-Term Debt

As at (unaudited, in thousands of dollars)		**March 31 2023**		December 31 2022
Convertible unsecured subordinated debentures, due June 30, 2024, interest at 5.25%	**$**	**68,444**	$	78,068
Senior Secured Notes				
U.S. $20,000, interest at 3.37%, due December 10, 2027		**27,066**		27,088
U.S. $42,000, interest at 3.60%, due December 10, 2030		**56,839**		56,885
U.S. $35,000, interest at 3.70%, due December 10, 2032		**47,366**		47,404
U.S. $50,000, interest at 3.80%, due December 10, 2035		**67,665**		67,720
Canadian $128,000, interest at 4.01%, due December 10, 2035		**128,000**		128,000
Bank Facility, due October 11, 2027				
Prime rate loan, interest at 7.65%, payable on demand		**20,000**		—
Mortgage payable, due March 8, 2023, interest at 4.73%		**—**		5,197
		415,380		410,362
Less: unamortized financing expenses		**7,589**		8,008
		407,791		402,354
Less: current portion of long-term debt		**20,000**		5,197
	$	**387,791**	$	397,157

The Company's bank credit facility (the "Facility") comprises a $75 million Canadian dollar and a $75 million U.S. dollar senior secured revolving bank credit. The Facility bears interest at rates ranging from 170 to 325 basis points above bankers' acceptance, adjusted SOFR or EURIBOR rates.

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 March 31, 2023 and December 31, 2022 the Company was in compliance with all of its covenants.

17. Share Capital

Share capital

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

The Company had 38,595,154 and 38,001,872 common shares outstanding and no preferred shares issued or outstanding as at March 31, 2023 and December 31, 2022 respectively.

The Company's Board of Directors authorized payment of a quarterly dividend to shareholders of $0.18 per common share. The dividend will be paid on June 1, 2023 to shareholders of record on May 18, 2023.

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

For the three months ended March 31 (unaudited, in thousands of dollars)	**2023**	2022
Net loss	**$ (19,640)**	$ (19,571)
Interest expense on debentures, net of tax	**870**	991
Net loss for diluted earnings per share	**$ (18,770)**	$ (18,580)
Basic weighted average common shares	**38,478,045**	37,800,943
Shares due to dilutive effect of debentures	**4,874,640**	5,121,043
Diluted weighted average common shares	**43,352,685**	42,921,986
Basic loss per common share	**$ (0.51)**	$ (0.52)
Diluted loss per common share	**$ (0.51)**	$ (0.52)

Normal Course Issuer Bid

Effective March 21, 2023, the Company renewed its normal course issuer bid (the "2023 NCIB") to purchase up to 1,926,915 of its common shares ("Shares"), representing approximately 5% of the 38,538,301 Shares issued and outstanding as of the close of business on March 7, 2023.

Under the 2023 NCIB, the Company may purchase up to 3,173 Shares per day, representing 25% of the average daily trading volume for the previous six months. The Company may buy back Shares anytime during the twelve-month period beginning on March 21, 2023 and ending on March 20, 2024. The stated capital of the common shares of $0.56 per share equals the approximate paid-up capital amount of the common shares for purposes of the Income Tax Act.

Under the current NCIB, 16,484 Shares have been purchased and cancelled for the period ended March 31, 2023.

The Company purchased and cancelled 88,173 Shares under the previous NCIB, which began on March 21, 2022 and concluded on March 20, 2023.

18. Accumulated Other Comprehensive Loss

	Hedges			
(unaudited, in thousands of dollars)	Net investment	Purchase Commitment	Foreign exchange translation	Total
Balance at January 1, 2022	$ (18,763)	$ 1,722	$ (14,278)	$ (31,319)
(Loss) gain	(12,730)	6,572	28,869	22,711
Income tax expense	240	263	—	503
Net (loss) gain	(12,490)	6,835	28,869	23,214
Balance at December 31, 2022	$ (31,253)	$ 8,557	$ 14,591	$ (8,105)
Gain (loss)	162	420	(95)	487
Reclassified to vessels under construction	—	(529)	—	(529)
Income tax (recovery) expense	(2)	71	—	69
Net gain (loss)	160	(38)	(95)	27
Balance at March 31, 2023	**$ (31,093)**	**$ 8,519**	**$ 14,496**	**$ (8,078)**

19. Supplementary Disclosure of Cash Flow Information

Additions to property, plant and equipment are as follows:

For the three months ended March 31 (unaudited, in thousands of dollars)	**2023**	2022
Additions to property, plant, and equipment (Note 10)	**$ (14,460)**	$ (8,803)
Amounts included in working capital	**2,333**	1,236
Other non-cash adjustments	**(18)**	—
	$ (12,145)	$ (7,567)

20. Commitments

The table below reflects the commitments of the Company at March 31, 2023. Annual expected payments are detailed in Note 21.

(unaudited, in thousands of dollars)		
Construction of two domestic dry-bulk self-unloaders	$	113,484
Construction of two ocean self-unloader vessels		156,387
Construction of a bulk carrier through a joint venture interest		1,627
Construction of eight product tankers through a joint venture interest		179,389
Employee future benefit payments		2,929
Leases		448
	$	**454,264**

21. Financial Instruments and Risk Management

The Company's financial instruments included in the interim condensed balance sheet comprise cash, accounts receivable, accounts payable and accrued charges, derivative assets, loan receivable, mortgage receivable, dividends payable and long-term debt.

Fair Value

The Company's financial instruments, excluding derivative assets, are carried at amortized cost which, due to their short-term nature, approximates fair value. Derivative assets are remeasured for fair value at the end of each reporting period. The carrying values 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)		**March 31 2023**		December 31 2022
Long-term debt				
Carrying value	**$**	**395,380**	$	410,362
Fair value, classified as Level 2	**$**	**395,345**	$	366,722

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 for the remainder of the year and forward are as follows:

(unaudited, in thousands of dollars)	2023	2024	2025	2026	2027	2028 and Beyond	Total
Long-term debt including convertible debentures	$ 20,000	$ 69,076	$ —	$ —	$ 27,066	$ 299,869	$ 416,011
Capital asset commitments	47,420	92,128	130,323	—	—	—	269,871
Capital asset commitments through joint ventures	31,946	73,272	75,798	—	—	—	181,016
Interest payments on long-term debt	16,041	14,228	12,415	12,415	12,415	76,534	144,048
Employee future benefit special payments	586	781	781	781	—	—	2,929
Leases	76	141	148	83	—	—	448
	$ 116,069	**$ 249,626**	**$ 219,465**	**$ 13,279**	**$ 39,481**	**$ 376,403**	**$ 1,014,323**

Foreign Exchange Risk

At March 31, 2023 and December 31, 2022, approximately 40% and 39% respectively of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $16,963 (December 31, 2022 - $32,456). The Company also holds €23,500 as a hedge against a vessel construction contract payment due in 2024.

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 March 31, 2023, the Company had U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $35,040 (December 31, 2022 - $39,420) and fair value gain of $4,346 (December 31, 2022 - $4,970).

22. 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.

For the three months ended March 31, 2023 (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Revenue	$ 34,499	$ 32,081	$ 44,385	$ —	$ 639	$ —	$ 111,604
Operating expenses	(58,116)	(25,889)	(33,301)	—	(254)	—	(117,560)
Selling, general and administrative	(3,570)	(1,456)	(551)	—	(4,810)	—	(10,387)
Depreciation and amortization	(6,456)	(3,592)	(5,581)	—	(367)	—	(15,996)
Operating (loss) earnings	(33,643)	1,144	4,952	—	(4,792)	—	(32,339)
Interest, net	—	—	—	248	(4,408)	—	(4,160)
Gain on sale of vessels	—	4,736	—	—	—	—	4,736
Foreign currency gain	—	—	—	—	370	—	370
	(33,643)	5,880	4,952	248	(8,830)	—	(31,393)
Income tax recovery (expense)	8,934	(1,513)	—	(66)	2,109	—	9,464
Net earnings from investments in joint ventures	—	119	172	—	—	1,998	2,289
Net (loss) earnings	**$ (24,709)**	**$ 4,486**	**$ 5,124**	**$ 182**	**$ (6,721)**	**$ 1,998**	**$ (19,640)**

For the three months ended March 31, 2022 (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Revenue	$ 24,588	$ 18,036	$ 40,321	$ 1,535	$ 623	$ —	$ 85,103
Operating expenses	(42,239)	(15,116)	(27,328)	(1,598)	(277)	—	(86,558)
Selling, general and administrative	(2,994)	(1,254)	(334)	—	(3,829)	—	(8,411)
Depreciation and amortization	(6,575)	(3,225)	(6,551)	—	(394)	—	(16,745)
Operating (loss) earnings	(27,220)	(1,559)	6,108	(63)	(3,877)	—	(26,611)
Interest, net	—	—	—	—	(4,974)	—	(4,974)
Foreign currency loss	—	—	—	—	(607)	—	(607)
	(27,220)	(1,559)	6,108	(63)	(9,458)	—	(32,192)
Income tax recovery	7,232	412	—	17	2,496	—	10,157
Net (loss) earnings from investments in joint ventures	—	—	(36)	—	—	2,500	2,464
Net (loss) earnings	$ (19,988)	$ (1,147)	$ 6,072	$ (46)	$ (6,962)	$ 2,500	$ (19,571)

As at March 31, 2023 (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Assets							
Current assets	$ 37,602	$ 11,733	$ 35,339	$ 1,447	$ 87,579	$ —	$ 173,700
Property, plant, and equipment	470,579	119,235	239,200	—	7,164	—	836,178
Investments in joint ventures	—	26,871	2,096	—	—	186,561	215,528
Goodwill	7,910	—	—	—	—	—	7,910
Mortgage receivable	—	—	—	18,000	—	—	18,000
Other assets	14,708	—	17,792	743	20,370	—	53,613
	$ 530,799	**$ 157,839**	**$ 294,427**	**$ 20,190**	**$ 115,113**	**$ 186,561**	**$ 1,304,929**
Liabilities							
Current liabilities	$ 59,716	$ 12,647	$ 13,594	$ 1,368	$ 11,749	$ —	$ 99,074
Current portion of long-term debt	—	—	—	—	20,000	—	20,000
Long-term liabilities	1,073	13,035	—	—	75,193	—	89,301
Long-term debt	—	—	—	—	387,791	—	387,791
	60,789	25,682	13,594	1,368	494,733	—	596,166
Shareholders' Equity	470,010	132,157	280,833	18,822	(379,620)	186,561	708,763
	$ 530,799	**$ 157,839**	**$ 294,427**	**$ 20,190**	**$ 115,113**	**$ 186,561**	**$ 1,304,929**

As at December 31, 2022 (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Assets							
Current assets	$ 53,718	$ 11,304	$ 62,488	$ 1,538	$ 121,282	$ —	$ 250,330
Property, plant, and equipment	470,221	133,455	239,543	—	7,319	—	850,538
Investments in joint ventures	—	18,104	2,806	—	—	188,082	208,992
Goodwill	7,910	—	—	—	—	—	7,910
Non-current asset held for sale	—	1,858	—	—	—	—	1,858
Mortgage receivable	—	—	—	18,000	—	—	18,000
Other assets	8,571	—	336	495	18,667	—	28,069
	$ 540,420	$ 164,721	$ 305,173	$ 20,033	$ 147,268	$ 188,082	$ 1,365,697
Liabilities							
Current liabilities	$ 48,057	$ 14,842	$ 14,733	$ 1,393	$ 66,606	$ —	$ 145,631
Current portion of long-term debt	—	—	—	—	5,197	—	5,197
Long-term liabilities	1,608	13,151	—	—	76,929	—	91,688
Long-term debt	—	—	—	—	397,157	—	397,157
	49,665	27,993	14,733	1,393	545,889	—	639,673
Shareholders' Equity	490,755	136,728	290,440	18,640	(398,621)	188,082	726,024
	$ 540,420	$ 164,721	$ 305,173	$ 20,033	$ 147,268	$ 188,082	$ 1,365,697

23. 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 having a term of five 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, 1,929,758 common shares have been reserved for future issuance. The outstanding options expire on various dates to February 24, 2028. The following table summarizes the Company's stock option activity and related information.

Stock Option Activity (unaudited, amounts not stated in thousands)	Number of shares	Weighted average exercise price
Number outstanding, at January 1, 2022	356,210	$ 12.03
Granted	146,250	16.94
Exercised	(130,000)	(13.15)
Number outstanding, at December 31, 2022	372,460	$ 14.91
Granted	266,250	15.82
Exercised	(113,542)	(8.83)
Exercise price adjustment	—	(1.92)
Number outstanding, at March 31, 2023	**525,168**	**$ 13.86**

The Company's Board of Directors authorized the payment of a special dividend in the amount of $1.35 per common share, which was paid on January 18, 2023. The payment of the special dividend triggered an adjustment of $1.92 to the weighted average exercise price of the stock options.

The following table summarizes information relating to stock options outstanding as at March 31, 2023.

	Options outstanding	
Exercise price per share (unaudited, amounts not stated in thousands)	Number of shares	Remaining contractual life (years)
$12.77	112,668	2.91
$15.02	146,250	3.91
$15.82	266,250	4.90
	525,168	

For the three months ended March 31, 2023, the Company recognized compensation expense for stock option awards of $78 (2022 - $38). For the three months ended March 31, 2023, 266,250 options (2022 - 146,250) were granted by the Company at a weighted average fair value of $2.73 per option (2022 - $2.59).

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2023

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