ALGOMA CENTRAL CORPORATION
2023 INTERIM REPORT TO SHAREHOLDERS

For the Three and Six Months Ended June 30, 2023 and 2022

Your Marine Carrier of Choice™

TABLE OF CONTENTS

General

This Management's Discussion and Analysis ("MD&A") of the Company should be read in conjunction with its Interim Condensed Consolidated Financial Statements for the three and six months ended June 30, 2023, and 2022 and related notes thereto and has been prepared as at August 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 and liquid 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 seven double-hull product tankers employed in Canadian flag service, one vessel operating under international flag, and a 33% interest in a second internationally flagged vessel. The segment also includes a new international tanker joint venture comprising eight tankers currently under construction and a one-third interest in a foreign-flagged tanker. 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 June 30, 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 vessel sales and purchase 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 are 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

	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
For the periods ended June 30	**2023**	2022	**2023**	2022	Three Months	Six Months
Reported revenue	**$ 202,406**	$ 183,463	**$ 314,010**	$ 268,566	$ 18,943	$ 45,444
Freight revenue[(1)]	**239,158**	218,325	**384,571**	332,124	20,833	52,447
Operating earnings	**36,199**	32,081	**3,860**	5,470	4,118	(1,610)
Net earnings	**33,144**	47,045	**13,504**	27,474	(13,901)	(13,970)
Basic earnings per share	**0.86**	1.24	**0.35**	0.73	(0.38)	(0.38)
Diluted earnings per share	**0.79**	1.12	**0.35**	0.69	(0.33)	(0.34)
EBITDA[(2)]	**65,204**	61,412	**57,365**	59,292	3,792	(1,927)
Free Cash Flow[(3)]	**13,787**	5,489	**(4,451)**	(10,458)	8,298	6,007

	June 30	December 31	
As at	**2023**	2022	2023 vs 2022
Common shares outstanding	**38,432,882**	38,001,872	431,010
Total assets	**$ 1,301,991**	$ 1,365,697	$ (63,706)
Total long-term financial liabilities	**$ 405,234**	$ 402,354	$ 2,880

(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.

Financial Highlights - Second Quarter 2023 compared to the Corresponding Period in 2022

- Reported revenue increased $18,943 or 10%, to 202,406.
- Operating earnings increased $4,118 or 13% to $36,199 while the net earnings decreased $13,901 or 30% to $33,144.
- Basic and diluted earnings per share of $0.86 compared to $1.24 and $0.79 compared to $1.12, respectively.

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.

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2023**	2022	**2023**	2022
Total cargo carried (metric tonnes in thousands)[(1)]	**13,049**	12,005	**20,355**	18,731
Tonne-kilometre travelled[(2)]	**12,333,135**	12,699,747	**18,234,219**	19,009,100
Vessel productivity[(3)]				
Domestic Dry-Bulk	**98 %**	96 %	**94 %**	93 %
Product Tankers	**92 %**	95 %	**93 %**	94 %
Ocean Self-Unloaders	**100 %**	100 %	**99 %**	99 %
Vessel capacity utilization[(4)]				
Domestic Dry-Bulk	**99 %**	77 %	**98 %**	79 %
Product Tankers	**100 %**	93 %	**100 %**	85 %
Ocean Self-Unloaders	**100 %**	100 %	**100 %**	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[1]

The Company uses EBITDA as a measure of the cash-generating capacity of its businesses. The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure for the three and six months ended June 30, 2023 and 2022, and presented herein:

	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
For the periods ended June 30	**2023**	2022	**2023**	2022	Three Months	Six Months
Net earnings	**$ 33,144**	$ 47,045	**$ 13,504**	$ 27,474	$ (13,901)	$ (13,970)
Adjustments to net earnings, excluding joint ventures:						
Depreciation and amortization	**16,495**	17,000	**32,491**	33,745	(505)	(1,254)
Interest expense, net	**4,550**	5,020	**8,710**	9,994	(470)	(1,284)
Loss (gain) on sale of assets	**123**	(14,372)	**(4,613)**	(14,372)	14,495	9,759
Foreign currency gain	**(3,619)**	(2,097)	**(3,989)**	(1,490)	(1,522)	(2,499)
Income tax expense (recovery)	**7,747**	8,947	**(1,717)**	(1,210)	(1,200)	(507)
Joint venture adjustments:						
Interest expense	**1,034**	890	**2,129**	1,268	144	861
Foreign exchange loss	**66**	282	**83**	197	(216)	(114)
Depreciation and amortization	**4,706**	5,993	**9,657**	10,803	(1,287)	(1,146)
Impairment reversal	**—**	(2,783)	**—**	(2,783)	2,783	2,783
Income tax expense	**958**	269	**1,110**	446	689	664
Gain on disposal of vessels	**—**	(4,782)	**—**	(4,780)	4,782	4,780
EBITDA	**$ 65,204**	$ 61,412	**$ 57,365**	$ 59,292	$ 3,792	$ (1,927)

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

Revenues

	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
For the periods ended June 30	**2023**	2022	**2023**	2022	Three Months	Six Months
Reported Revenue	**$ 202,406**	$ 183,463	**$ 314,010**	$ 268,566	$ 18,943	$ 45,444
Freight revenue[1]						
Domestic Dry-Bulk	**$ 126,584**	$ 99,288	**$ 161,083**	$ 123,876	$ 27,296	$ 37,207
Product Tankers	**29,285**	31,923	**61,908**	49,959	(2,638)	11,949
Ocean Self-Unloaders	**48,145**	51,383	**93,560**	92,457	(3,238)	1,103
Global Short Sea Shipping	**35,144**	35,731	**68,020**	65,832	(587)	2,188
Total freight revenue	**$ 239,158**	$ 218,325	**$ 384,571**	$ 332,124	$ 20,833	$ 52,447

(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 periods ended June 30	Three Months Ended 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022	Favourable/(Unfavourable) Three Months	Favourable/(Unfavourable) Six Months
Revenue	**$ 126,584**	$ 99,288	**$ 161,083**	$ 123,876	$ 27,296	$ 37,207
Operating expenses	**(84,172)**	(68,375)	**(142,289)**	(110,613)	(15,797)	(31,676)
Selling, general and administrative	**(3,203)**	(2,932)	**(6,773)**	(5,926)	(271)	(847)
Depreciation and amortization	**(6,403)**	(6,477)	**(12,859)**	(13,052)	74	193
Operating earnings (loss)	**32,806**	21,504	**(838)**	(5,715)	11,302	4,877
Income tax (expense) recovery	**(8,694)**	(5,852)	**240**	1,380	(2,842)	(1,140)
Net earnings (loss)	**$ 24,112**	$ 15,652	**$ (598)**	$ (4,335)	$ 8,460	$ 3,737

Operational Performance

For the periods ended June 30	Three Months Ended 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022	Favourable/(Unfavourable) Three Months	Favourable/(Unfavourable) Six Months
Volumes (metric tonnes in thousands)						
Power Generation	**46**	—	**51**	—	46	51
Iron and steel	**2,772**	2,343	**3,559**	3,016	429	543
Construction	**1,435**	959	**1,485**	969	476	516
Agriculture	**1,090**	870	**1,239**	961	220	278
Salt	**1,382**	1,436	**2,102**	2,054	(54)	48
Total volumes	**6,725**	5,608	**8,436**	7,000	1,071	1,385
Revenue Days	**1,673**	1,276	**2,116**	1,662	397	454
Operating Days	**1,708**	1,325	**2,246**	1,778	383	468

EBITDA(1)

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 and six months ended June 30, 2023 and 2022, and presented herein:

For the periods ended June 30	Three Months Ended 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022	Favourable/(Unfavourable) Three Months	Favourable/(Unfavourable) Six Months
Net earnings (loss)	**$ 24,112**	$ 15,652	**$ (598)**	$ (4,335)	$ 8,460	$ 3,737
Adjustments to net earnings (loss):						
Depreciation and amortization	**6,403**	6,477	**12,859**	13,052	(74)	(193)
Income tax expense (recovery)	**8,694**	5,852	**(240)**	(1,380)	2,842	1,140
EBITDA	**$ 39,209**	$ 27,981	**$ 12,021**	$ 7,337	$ 11,228	$ 4,684

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

2023 Second Quarter Compared to the Corresponding Period in 2022

The increased revenue was mainly attributable to a 17% rise in volumes, leading to a 24% increase in revenue days and strong base freight rates. The large grain harvest in 2022 resulted in an increase in early 2023 grain shipments. Iron and steel volumes are up year-over-year primarily due to larger export ore volume that was contracted in 2022 for shipment this year. Early season demand for construction aggregates has been strong, partly driven by a tightening of supply in the river class self-unloader market. As a result of the increased volumes, the fleet was fully utilized this quarter compared to 2022 when three bulkers remained in layup due to a lack of demand for grain and iron ore shipments.

Operating costs were higher during the second quarter driven by a 29% increase in operating days which drove higher fuel expenses and crew wages, and training costs, partially offset by lower layup expenditures.

Outlook

Typical seasonal weakness in grain shipments and a soft market for export iron ore has led to a brief summer layup of one bulker. Full fleet utilization is expected to resume in August and continue through the balance of the year driven by strong demand for vessel capacity late in the third quarter. Recent weather conditions have resulted in some uncertainty about the 2023 grain harvest; however, demand in other sectors is expected to offset any weakness in agricultural products.

Product Tankers Segment

Financial Performance

For the periods ended June 30	Three Months Ended 2023	2022	Six Months Ended 2023	2022	Favourable/(Unfavourable) Three Months	Six Months
Revenue	**$ 28,046**	$ 31,923	**$ 60,128**	$ 49,959	$ (3,877)	$ 10,169
Operating expenses	**(21,924)**	(23,590)	**(47,813)**	(38,706)	1,666	(9,107)
Selling, general and administrative	**(1,273)**	(1,120)	**(2,729)**	(2,373)	(153)	(356)
(Loss) gain on sale of vessels	**(148)**	—	**4,588**	—	(148)	4,588
Depreciation and amortization	**(3,771)**	(3,530)	**(7,363)**	(6,755)	(241)	(608)
Operating earnings	**930**	3,683	**6,811**	2,125	(2,753)	4,686
Income tax expense	**(751)**	(1,204)	**(2,264)**	(792)	453	(1,472)
Net earnings from investment in joint ventures	**231**	—	**350**	—	231	350
Net earnings	**$ 410**	$ 2,479	**$ 4,897**	$ 1,333	$ (2,069)	$ 3,564

Operational Performance[1]

For the periods ended June 30	Three Months Ended 2023	2022	Six Months Ended 2023	2022	Favourable/(Unfavourable) Three Months	Six Months
Volume (metric tonnes in thousands)						
Petroleum products	**620**	658	**1,347**	1,086	(38)	261
Total volume	**620**	658	**1,347**	1,086	(38)	261
Revenue days	**528**	567	**1,132**	946	(39)	186
Operating days	**571**	594	**1,221**	1,004	(23)	217
Outside charter days	**—**	6	**—**	6	(6)	(6)

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

EBITDA[(1)]

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the three and six months ended June 30, 2023 and 2022, and presented herein:

For the periods ended June 30	Three Months Ended 2023	2022	Six Months Ended 2023	2022	Favourable/(Unfavourable) Three Months	Six Months
Net earnings	**$ 410**	$ 2,479	**$ 4,897**	$ 1,333	$ (2,069)	$ 3,564
Adjustments to net earnings:						
Depreciation and amortization	**3,771**	3,530	**7,363**	6,755	241	608
Income tax expense	**751**	1,204	**2,264**	792	(453)	1,472
Loss (gain) on sale of vessels	**148**	—	**(4,588)**	—	148	(4,588)
Joint venture:						
Depreciation and amortization	**310**	—	**310**	—	310	310
Foreign currency loss	**139**	—	**139**	—	139	139
EBITDA	**$ 5,529**	$ 7,213	**$ 10,385**	$ 8,880	$ (1,684)	$ 1,505

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

2023 Second Quarter Compared to the Corresponding Period in 2022

The decrease in revenue during the quarter was mainly attributable to significantly higher off-hire time which drove 7% lower revenue days, and a decrease in fuel recoveries compared to the prior year period. The *Algotitan* was off-hire for nearly a month as a result of unexpected repairs and the *Algonova* was off-hire for the majority of the quarter for a regulatory dry-docking overseas. The *Algoberta* began domestic operations in late April. The *Birgit Knutsen,* an internationally bareboat chartered vessel, is expected to enter domestic operations in the third quarter.

Operating costs were higher during the quarter primarily as a result of increased dry-dock and repair costs on the two off-hire vessels and a rise in supply and crew costs, partially offset by 4% fewer operating days and lower fuel expense. Costs to bring the *Algoberta* to Canadian standards before it began domestic service also had a slight impact on overall operating expenses. Operating days were impacted by the two vessels that were out of service for a significant portion of the quarter.

During the first quarter of 2023, the *Algoma Hansa* and the *Algonorth* were sold, resulting in a $4,588 gain.

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 late 2023 and 2025. The sale of the *Algonorth,* now named the *Fure Skagen*, was to a newly formed joint venture in which FureBear holds a two-thirds interest, along with an unrelated party. The results of both joint ventures are reflected above in joint venture earnings.

Outlook

We expect customer demand in the segment to remain steady through the second half of the year, 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 continue to impact costs going forward. We expect to bring the *Birgit Knutsen* into domestic service later in the year, eventually replacing the *Algosea* when she retires.

Subsequent to the quarter, the contracts to build two new ice class product tankers became effective following the receipt of the refund guarantees. The approximate cost of the two new tankers is $126,888 and delivery is expected during the first quarter of 2025.

Ocean Self-Unloaders Segment

Financial Performance

	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
For the periods ended June 30	**2023**	2022	**2023**	2022	Three Months	Six Months
Foreign exchange rate average (USD/CAD)	**1.3431**	1.2765	**1.3475**	1.2714	0.0666	0.0761
Revenue	**$ 47,120**	$ 50,292	**$ 91,505**	$ 90,613	$ (3,172)	$ 892
Operating expenses	**(32,633)**	(32,207)	**(65,934)**	(59,535)	(426)	(6,399)
Selling, general and administrative	**(546)**	(342)	**(1,097)**	(677)	(204)	(420)
Depreciation and amortization	**(5,938)**	(6,604)	**(11,518)**	(13,155)	666	1,637
Operating earnings	**8,003**	11,139	**12,956**	17,246	(3,136)	(4,290)
Net earnings from investment in joint venture	**360**	3,008	**532**	2,971	(2,648)	(2,439)
Net earnings	**$ 8,363**	$ 14,147	**$ 13,488**	$ 20,217	$ (5,784)	$ (6,729)

Operational Performance

	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
For the periods ended June 30	**2023**	2022	**2023**	2022	Three Months	Six Months
Pool Volumes (metric tonnes in thousands)[(1)]						
Gypsum	**1,142**	990	**1,968**	1,817	152	151
Aggregates	**2,492**	2,469	**4,439**	4,652	23	(213)
Coal	**1,875**	2,056	**3,717**	3,737	(181)	(20)
Other	**195**	224	**448**	439	(29)	9
Total volumes	**5,704**	5,739	**10,572**	10,645	(35)	(73)
Revenue days	**644**	698	**1,263**	1,402	(54)	(139)
Operating days	**647**	700	**1,271**	1,420	(53)	(149)
Off-hire days for dry-docking	**81**	28	**177**	28	(53)	(149)

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

EBITDA[(1)]

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the three and six months ended June 30, 2023 and 2022, and presented herein:

	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
For the periods ended June 30	**2023**	2022	**2023**	2022	Three Months	Six Months
Net earnings	**$ 8,363**	$ 14,147	**$ 13,488**	$ 20,217	$ (5,784)	$ (6,729)
Adjustments to net earnings:						
Depreciation and amortization	**5,938**	6,604	**11,518**	13,155	(666)	(1,637)
Joint venture:						
Depreciation and amortization	**(11)**	44	**86**	222	(55)	(136)
Impairment reversal	**—**	(2,783)	**—**	(2,783)	2,783	2,783
Foreign exchange (gain) loss	**(1)**	1	**(1)**	1	(2)	(2)
EBITDA	**14,289**	18,013	**$ 25,091**	$ 30,812	$ (3,724)	(5,721)

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

2023 Second Quarter Compared to the Corresponding Period in 2022

Revenue was lower during the quarter mainly due to a higher number of scheduled dry-dockings driving 8% fewer revenue days and lower fuel recoveries. The *Algoma Verity* returned from a first quarter dry docking early in the second quarter and the *Bahama Spirit* was in dry-dock for the majority of the second quarter. Only the *Honourable Henry Jackman* was in dry-dock during the same period last year. Pool performance has been impacted by a softening of freight rates driven primarily by fuel recovery rate adjustments and tightened vessel supply due to dry dockings and unplanned vessel outages affecting non-Algoma-owned vessels.

The year-over-year decrease in volume was mainly driven by demand for 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. The segment continues to experience flat aggregate cargoes as the market continues to be impacted by a closure of a quarry in Mexico.

Operating expenses were moderately higher in the second quarter primarily due to increased dry-dock expenditures on the *Algoma Verity* and the *Bahama Spirit,* partially offset by lower fuel costs. These items were offset by a 7% decrease in operating days, driven mainly by the higher number of vessels on dry-dock during the quarter, and lower direct costs, specifically repair and supply expenditures.

Outlook

Vessel supply at the Pool level is fairly well balanced for the remainder of the year. Volumes in the aggregate industry declined as anticipated during the second quarter and we expect the sector will continue to be impacted for the balance of the year; volumes in other sectors are expected to remain steady moving forward. 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.

Subsequent to the quarter, the contract for the third ocean self-unloader became effective following the receipt of the refund guarantee. The vessel is expected to be delivered in 2027 and has an approximate cost of $85,663.

Global Short Sea Shipping Segment

Financial Results Overview

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2023	2022	**2023**	2022	Three Months	Six Months
Foreign exchange rate average (USD/CAD)	**1.3431**	1.2765	**1.3475**	1.2714	0.0666	0.0761
Revenue	**$ 70,288**	$ 71,461	**$ 136,040**	$ 131,663	$ (1,173)	$ 4,377
Operating expenses	**(44,934)**	(42,733)	**(92,293)**	(86,595)	(2,201)	(5,698)
Selling, general and administrative	**(2,455)**	(1,604)	**(4,048)**	(2,962)	(851)	(1,086)
Depreciation and amortization	**(8,500)**	(11,598)	**(17,891)**	(20,565)	3,098	2,674
Operating earnings	**14,399**	15,526	**21,808**	21,541	(1,127)	267
Gain on sale of vessel	**—**	9,564	**—**	9,560	(9,564)	(9,560)
Interest expense	**(2,068)**	(1,779)	**(4,257)**	(2,536)	(289)	(1,721)
Foreign exchange gain (loss)	**144**	(561)	**110**	(392)	705	502
Earnings before undernoted	**12,475**	22,750	**17,661**	28,173	(10,275)	(10,512)
Income tax expense	**(1,915)**	(538)	**(2,219)**	(891)	(1,377)	(1,328)
Net earnings of joint ventures	**1,540**	1,026	**2,886**	2,233	514	653
Net earnings attributable to non-controlling interest	**(1,476)**	(4,030)	**(3,392)**	(5,011)	2,554	1,619
Net earnings	**$ 10,624**	$ 19,208	**$ 14,936**	$ 24,504	$ (8,584)	$ (9,568)
Company share of net earnings above	**$ 5,312**	$ 9,604	**$ 7,468**	$ 12,253	$ (4,292)	$ (4,785)
Amortization of vessel purchase price allocation and intangibles	**(157)**	(150)	**(315)**	(298)	(7)	(17)
Company share included in net earnings from investments in joint ventures	**$ 5,155**	$ 9,454	**$ 7,153**	$ 11,955	$ (4,299)	$ (4,802)

EBITDA[1]

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the three and six months ended June 30, 2023 and 2022, and presented herein:

	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
For the periods ended June 30	**2023**	2022	**2023**	2022	Three Months	Six Months
Company share of net earnings from investments in joint ventures	**$ 5,155**	$ 9,454	**$ 7,153**	$ 11,955	$ (4,299)	$ (4,802)
Adjustments to net earnings (company's share):						
Depreciation and amortization	**4,407**	5,949	**9,261**	10,581	(1,542)	(1,320)
Interest expense	**1,034**	890	**2,129**	1,268	144	861
Income tax expense	**958**	269	**1,110**	446	689	664
Foreign currency (gain) loss	**(72)**	281	**(55)**	196	(353)	(251)
Gain on sale of vessel	**—**	(4,782)	**—**	(4,780)	4,782	4,780
Company share of EBITDA	**$ 11,482**	$ 12,061	**$ 19,598**	$ 19,666	$ (579)	$ (68)

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

2023 Second Quarter Compared to the Corresponding Period in 2022

Revenue was lower during the second quarter primarily as a result of lower revenue in the mini-bulker fleet, partially offset by an increase in revenue in the cement fleet. Lower revenue in the mini-bulker fleet is mainly due a softening of freight rates and the reduced fleet size this year compared to the prior year period. Higher revenue in the cement fleet was primarily attributable to steady freight rates and stable customer demand. Additionally, the fleet has benefited from the increased fleet size this year, having added two cement carriers in the second quarter and one in the third quarter of 2022. A weaker Canadian dollar this year has also had an impact on revenue in this segment.

Operating expenses increased mainly as a result of the impact of higher costs in the cement and handy-size fleets, including costs associated with dry-dockings and vessel off-hire time. These higher expenditures were partially offset by lower operating costs in the mini-bulker fleet due to the reduced fleet size this year compared to the same period in 2022.

Earnings for the 2022 second quarter included a $9,564 gain on the sale of two vessels; this was not repeated in the current period.

Outlook

Looking ahead to the second half of the year, revenues from the cement fleet are expected to be steady, with strong fleet utilization. Rate pressure driven by the on-going global economic and geopolitical situations is anticipated to continue to impact the segment more significantly going forward, as mini-bulker and handy rates soften. Volumes and utilization are not expected to be affected by the lower rates. 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 the remainder of 2023.

Investment Properties Segment

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2023	2022	**2023**	2022	Three Months	Six Months
Revenue	**$ —**	$ 1,307	**$ —**	$ 2,842	$ (1,307)	$ (2,842)
Operating expenses	**—**	(1,205)	**—**	(2,803)	1,205	2,803
Operating earnings	**—**	102	**—**	39	(102)	(39)
Gain on sale of investment property	**—**	14,372	**—**	14,372	(14,372)	(14,372)
Interest income	**248**	—	**496**	—	248	496
Income tax expense	**(66)**	(3,917)	**(131)**	(3,901)	3,851	3,770
Net earnings	**$ 182**	$ 10,557	**$ 365**	$ 10,510	$ (10,375)	$ (10,145)

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 significant 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 periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2023	2022	**2023**	2022	Three Months	Six Months
Revenue	**$ 656**	$ 653	**$ 1,294**	$ 1,276	$ 3	$ 18
Operating expenses	**(268)**	(238)	**(521)**	(516)	(30)	(5)
Selling, general and administrative	**(5,693)**	(4,373)	**(10,503)**	(8,202)	(1,320)	(2,301)
Depreciation	**(383)**	(389)	**(751)**	(783)	6	32
Operating loss	**(5,688)**	(4,347)	**(10,481)**	(8,225)	(1,341)	(2,256)
Gain on sale of property	**25**	—	**25**	—	25	25
Foreign currency gain	**3,619**	2,097	**3,989**	1,490	1,522	2,499
Interest expense, net	**(4,798)**	(5,020)	**(9,206)**	(9,994)	222	788
Income tax recovery	**1,764**	2,026	**3,872**	4,523	(262)	(651)
Net loss	**$ (5,078)**	$ (5,244)	**$ (11,801)**	$ (12,206)	$ 166	$ 405

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.

Subsequent to the quarter, the Company entered into a share purchase agreement to acquire a minority interest in a mechanical, machining and fabrication shop, along with the acquisition of its property, with a commitment to acquire the remaining interest no later than seven years from execution, for a total investment of $16,289.

Consolidated

Interest Expense

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2023	2022	**2023**	2022	Three Months	Six Months
Interest expense on borrowings	**$ 4,942**	$ 4,509	**$ 9,565**	$ 8,950	$ (433)	$ (615)
Amortization of financing costs	**425**	402	**851**	804	(23)	(47)
Interest on employee future benefits, net	**(58)**	213	**123**	427	271	304
Interest capitalized on vessels under construction	**(186)**	(76)	**(291)**	(148)	110	143
	$ 5,123	$ 5,048	**$ 10,248**	$ 10,033	$ (75)	$ (215)

Income Taxes

For the periods ended June 30	Three Months Ended 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022	Favourable/(Unfavourable) Three Months	Favourable/(Unfavourable) Six Months
Combined federal and provincial statutory income tax rate	**26.5 %**	26.5 %	**26.5 %**	26.5 %	— %	— %
Net earnings before income tax and net earnings from investments in joint ventures	**$ 35,145**	$ 43,530	**$ 3,752**	$ 11,338	$ (8,385)	$ (7,586)
Expected income tax expense	**$ (9,313)**	$ (11,535)	**$ (994)**	$ (3,005)	$ 2,222	$ 2,011
Decrease (increase) in expense resulting from:						
Foreign tax rates different from Canadian statutory rate	**2,042**	2,919	**3,149**	4,536	(877)	(1,387)
Effect of items that are non-deductible	**(225)**	—	**(225)**	—	(225)	(225)
Adjustments to prior period provision	**(101)**	(298)	**(101)**	(298)	197	197
Other	**(150)**	(33)	**(112)**	(23)	(117)	(89)
Actual tax (expense) recovery	**$ (7,747)**	$ (8,947)	**$ 1,717**	$ 1,210	$ 1,200	$ 507

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 $61,502 at June 30, 2023. Available credit facilities along with projected cash from operations for 2023 are expected to be 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, expiring 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 June 30, 2023, the Company was in compliance with all of its covenants.

Financial Condition, Liquidity and Capital Resources

Cash Flows

For the periods ended June 30	Three Months Ended 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022	Favourable/(Unfavourable) Three Months	Favourable/(Unfavourable) Six Months
Net cash generated from operating activities	**$ 29,541**	$ 17,711	**$ 31,129**	$ 9,002	$ 11,830	$ 22,127
Net cash (used in) generated from investing activities	**(22,471)**	7,408	**(53,572)**	(2,320)	(29,879)	(51,252)
Net cash used in financing activities	**(15,803)**	(14,634)	**(58,937)**	(21,204)	(1,169)	(37,733)
Net change in cash	**(8,733)**	10,485	**(81,380)**	(14,522)	(19,218)	(66,858)
Effects of exchange rate changes on cash held in foreign currencies	**(293)**	2,394	**914**	1,615	(2,687)	(701)
Cash, beginning of period	**70,528**	83,156	**141,968**	108,942	(12,628)	33,026
Cash, end of period	**$ 61,502**	$ 96,035	**$ 61,502**	$ 96,035	$ (34,533)	$ (34,533)

Investing Activities

Higher net cash used in investing activities during the 2023 second quarter relates to ballast water treatment system installations in the product tanker fleet, increased dry-dock spending in the ocean self-unloader fleet and investments in the FureBear joint venture. Additionally, investing activities also includes progress payments on one new Equinox Class self-unloader currently under construction within the domestic dry-bulk fleet. In 2022, similar investments in vessels was offset by cash received from the sale of the shopping centre in Sault Ste. Marie.

Financing Activities

2023 cash used in financing activities includes a $50,032 special dividend payment paid in January, 2023.

Free Cash Flow[1]

The following table provides a reconciliation of net cash generated from operating activities in accordance with GAAP to the non-GAAP free cash flow, as reported for the three and six months ended June 30, 2023 and 2022, and presented herein:

	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
For the periods ended June 30	**2023**	2022	**2023**	2022	Three Months	Six Months
Net cash generated from operating activities	**$ 29,541**	$ 17,711	**$ 31,129**	$ 9,002	$ 11,830	$ 22,127
Net debt service repayments	**(8,838)**	(8,396)	**(14,635)**	(8,711)	(442)	(5,924)
Capital required for maintenance of existing assets	**(6,916)**	(3,826)	**(20,945)**	(10,749)	(3,090)	(10,196)
Free cash flow	**$ 13,787**	$ 5,489	**$ (4,451)**	$ (10,458)	$ 8,298	$ 6,007

(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 second 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, 442,395 Shares were purchased and cancelled for a weighted average purchase price of $15.25 for the six months ending June 30, 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 June 30, 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	$ 25,000	$ 64,760	$ —	$ —	$ 26,480	$ 296,148	$ 412,388
Capital asset commitments	5,799	125,741	127,501	—	—	—	259,041
Capital asset commitments through joint ventures[1]	16,423	101,348	56,854	—	—	—	174,625
Interest payments on long-term debt	9,755	14,070	12,257	12,257	12,257	75,766	136,362
Leases	66	148	146	81	—	—	441
	$ 57,043	$ 306,067	$ 196,758	$ 12,338	$ 38,737	$ 371,914	$ 982,857

(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 June 30, 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 June 30, 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 June 30, 2023.

Changes in Internal Controls over Financial Reporting

During the period ended June 30, 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 and Six Months Ended June 30, 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 and six months ended June 30, 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 periods ended June 30 (unaudited, in thousands of dollars, except per share date)	Notes	Three Months Ended 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022
Revenue	5	**$ 202,406**	$ 183,463	**$ 314,010**	$ 268,566
Operating expenses		**(138,997)**	(125,615)	**(256,557)**	(212,173)
Selling, general and administrative expenses		**(10,715)**	(8,767)	**(21,102)**	(17,178)
Depreciation and amortization		**(16,495)**	(17,000)	**(32,491)**	(33,745)
Operating earnings		**36,199**	32,081	**3,860**	5,470
Interest expense	7	**(5,123)**	(5,048)	**(10,248)**	(10,033)
Interest income		**573**	28	**1,538**	39
(Loss) gain on sale of assets	10	**(123)**	14,372	**4,613**	14,372
Foreign currency gain		**3,619**	2,097	**3,989**	1,490
		35,145	43,530	**3,752**	11,338
Income tax (expense) recovery	8	**(7,747)**	(8,947)	**1,717**	1,210
Net earnings from investments in joint ventures	6	**5,746**	12,462	**8,035**	14,926
Net earnings		**$ 33,144**	$ 47,045	**$ 13,504**	$ 27,474
Basic earnings per share	17	**$ 0.86**	$ 1.24	**$ 0.35**	$ 0.73
Diluted earnings per share	17	**$ 0.79**	$ 1.12	**$ 0.35**	$ 0.69

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 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022
Net earnings		**$ 33,144**	$ 47,045	**$ 13,504**	$ 27,474
Other comprehensive (loss) earnings:					
Items that may be subsequently reclassified to net earnings:					
Unrealized (loss) gain on translation of financial statements of foreign operations		**(11,904)**	12,829	**(11,999)**	6,873
Unrealized gain (loss) on hedging instruments, net of income tax		**3,044**	(4,496)	**3,695**	(2,490)
Foreign exchange (loss) gain on purchase commitment hedge reserve, net of income tax, transferred to:					
Vessels under construction		**(47)**	—	**(47)**	—
Net earnings		**419**	—	**(110)**	—
Items that will not be subsequently reclassified to net earnings:					
Employee future benefits actuarial gain (loss), net of income tax		**1,559**	(303)	**2,164**	8,947
		(6,929)	8,030	**(6,297)**	13,330
Comprehensive earnings		**$ 26,215**	$ 55,075	**$ 7,207**	$ 40,804

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 2023**	December 31 2022
Assets			
Current			
Cash		**$ 61,502**	$ 141,968
Accounts receivable		**66,125**	67,618
Income taxes recoverable		**1,511**	1,459
Mortgage receivable	12	**18,000**	—
Other current assets	9	**42,375**	39,285
		189,513	250,330
Property, plant, and equipment	10	**824,195**	850,538
Investments in joint ventures	6	**218,351**	208,992
Goodwill	11	**7,910**	7,910
Employee future benefits		**22,006**	18,219
Non-current asset held for sale		**—**	1,858
Mortgage receivable	12	**—**	18,000
Other assets	13	**40,016**	9,850
		$ 1,301,991	$ 1,365,697
Liabilities			
Current			
Accounts payable and accrued charges		**$ 84,322**	$ 86,208
Current portion of long-term debt	16	**89,760**	5,197
Income taxes payable		**163**	5,953
Other current liabilities	14	**3,380**	53,470
		177,625	150,828
Long-term debt	16	**315,474**	397,157
Employee future benefits		**18,935**	18,774
Deferred income taxes		**67,494**	70,781
Other long-term liabilities	15	**1,511**	2,133
		581,039	639,673
Commitments	20		
Shareholders' Equity			
Share capital	17	**25,071**	11,732
Contributed surplus		**—**	582
Convertible debentures		**2,230**	2,270
Accumulated other comprehensive loss	18	**(21,189)**	(8,105)
Retained earnings		**714,840**	719,545
		720,952	726,024
		$ 1,301,991	$ 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	—	—	—	27,474	27,474
Dividends	—	—	—	(12,852)	(12,852)
Debenture conversions	65	—	—	—	65
Share-based compensation	—	(81)	—	—	(81)
Other comprehensive earnings	—	—	4,383	8,947	13,330
Balance at June 30, 2022	$ 8,175	$ 3,213	$ (26,936)	$ 683,767	$ 668,219
Balance at January 1, 2023	$ 11,732	$ 2,852	$ (8,105)	$ 719,545	$ 726,024
Net earnings	—	—	—	13,504	13,504
Dividends	—	—	—	(13,568)	(13,568)
Repurchase and cancellation of common shares	(303)	(646)	—	(6,805)	(7,754)
Debenture conversions	13,642	(40)	—	—	13,602
Share-based compensation	—	64	—	—	64
Reclassified from equity	—	—	(4,623)	—	(4,623)
Other comprehensive (loss) earnings	—	—	(8,461)	2,164	(6,297)
Balance at June 30, 2023	**$ 25,071**	**$ 2,230**	**$ (21,189)**	**$ 714,840**	**$ 720,952**

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the periods ended June 30 (unaudited, in thousands of dollars)	Notes	Three Months Ended 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022
Net Inflow (Outflow) of Cash Related to the Following Activities					
Operating					
Net earnings		**$ 33,144**	$ 47,045	**$ 13,504**	$ 27,474
Net earnings from investments in joint ventures	6	**(5,746)**	(12,462)	**(8,035)**	(14,926)
Items not affecting cash					
Depreciation and amortization		**16,495**	17,000	**32,491**	33,745
Loss (gain) on sale of assets	10	**123**	(14,372)	**(4,613)**	(14,372)
Other non-cash items		**8,922**	12,397	**3,584**	8,142
Net change in non-cash working capital		**(21,790)**	(30,104)	**3,771**	(26,742)
Income taxes paid, net		**(1,059)**	(768)	**(8,250)**	(2,265)
Employee future benefits paid		**(548)**	(1,025)	**(1,323)**	(2,054)
Net cash generated from operating activities		**29,541**	17,711	**31,129**	9,002
Investing					
Additions to property, plant, and equipment	19	**(11,701)**	(4,159)	**(23,846)**	(11,726)
Distributions received from joint ventures	6	**2,648**	4,768	**6,920**	4,768
Investment in joint ventures	6	**(5,577)**	(4,089)	**(13,749)**	(6,188)
Additions to vessels under construction		**(7,718)**	(445)	**(31,898)**	(507)
Issuance of loan receivable	9	**—**	—	**(10,150)**	—
Net proceeds on sale of assets	10	**(123)**	11,333	**19,151**	11,333
Net cash (used in) generated from investing activities		**(22,471)**	7,408	**(53,572)**	(2,320)
Financing					
Interest paid		**(8,838)**	(8,360)	**(9,438)**	(8,637)
Interest received		**1,316**	28	**2,033**	39
Proceeds of long-term debt		**5,000**	—	**25,000**	—
Repayment of long-term debt		**—**	(36)	**(5,197)**	(74)
Repurchase of shares for cancellation	17	**(6,496)**	—	**(7,754)**	—
Dividends paid		**(6,785)**	(6,266)	**(63,581)**	(12,532)
Net cash used in financing activities		**(15,803)**	(14,634)	**(58,937)**	(21,204)
Net change in cash		**(8,733)**	10,485	**(81,380)**	(14,522)
Effects of exchange rate changes on cash held in foreign currencies		**(293)**	2,394	**914**	1,615
Cash, beginning of period		**70,528**	83,156	**141,968**	108,942
Cash, end of period		**$ 61,502**	$ 96,035	**$ 61,502**	$ 96,035

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 and six months ended June 30, 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 seven double-hull product tankers employed in Canadian flag service, one vessel operating under international flag, and a 33% interest in a second internationally flagged vessel. The segment also includes a new international tanker joint venture comprising eight tankers currently under construction and a one-third interest in a foreign-flagged tanker. 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 June 30, 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 vessel sales and purchase 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 August 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 June 30 (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
2023						
Contract of Affreightment	$ 123,864	$ —	$ —	$ —	$ —	$ 123,864
Time Charter	2,380	21,006	—	—	—	23,386
Pool Revenue Share	—	—	47,120	—	—	47,120
Other	340	7,040	—	—	656	8,036
	$ 126,584	**$ 28,046**	**$ 47,120**	**$ —**	**$ 656**	**$ 202,406**
2022						
Contract of Affreightment	$ 99,018	$ —	$ —	$ —	$ —	$ 99,018
Time Charter	20	31,473	—	—	—	31,493
Pool Revenue Share	—	—	50,292	—	—	50,292
Other	250	450	—	1,307	653	2,660
	$ 99,288	$ 31,923	$ 50,292	$ 1,307	$ 653	$ 183,463

For the six months ended June 30 (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
2023						
Contract of Affreightment	$ 148,677	$ —	$ —	$ —	$ —	$ 148,677
Time Charter	11,951	45,689	—	—	—	57,640
Pool Revenue Share	—	—	91,505	—	—	91,505
Other	455	14,439	—	—	1,294	16,188
	$ 161,083	**$ 60,128**	**$ 91,505**	**$ —**	**$ 1,294**	**$ 314,010**
2022						
Contract of Affreightment	$ 109,851	$ —	$ —	$ —	$ —	$ 109,851
Time Charter	13,668	49,509	—	—	—	63,177
Pool Revenue Share	—	—	90,613	—	—	90,613
Other	357	450	—	2,842	1,276	4,925
	$ 123,876	$ 49,959	$ 90,613	$ 2,842	$ 1,276	$ 268,566

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

As at (unaudited, in thousands of dollars)	**June 30 2023**	December 31 2022
Unbilled revenue (included in accounts receivable)	**$ 11,522**	$ 14,661
Deferred revenue (included in accounts payable and accrued charges)	**2,411**	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)		**June 30 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")	Currently operating one foreign-flagged product tanker and expecting delivery of eight new tankers for Northern European markets	**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 June 30 (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	**$ 2,478**	**$ 2,049**	**$ 70,288**	$ —	$ 2,182	$ 71,461
Operating expenses	**(769)**	**(1,216)**	**(44,934)**	—	(1,518)	(42,733)
General and administrative	**(125)**	**(135)**	**(2,455)**	—	(124)	(1,604)
Depreciation and amortization	**(620)**	**21**	**(8,500)**	—	(88)	(11,598)
Operating earnings	**964**	**719**	**14,399**	—	452	15,526
Impairment reversal	**—**	**—**	**—**	—	5,565	—
Interest expense	**—**	**—**	**(2,068)**	—	—	(1,779)
Foreign exchange (loss) gain	**(278)**	**1**	**144**	—	(1)	(561)
Gain on disposal of vessels	**—**	**—**	**—**	—	—	9,564
Earnings before undernoted	**686**	**720**	**12,475**	—	6,016	22,750
Net earnings of joint ventures	**—**	**—**	**1,540**	—	—	1,026
Net earnings attributable to non-controlling interest	**(224)**	**—**	**(1,476)**	—	—	(4,030)
Income tax expense	**—**	**—**	**(1,915)**	—	—	(538)
Net earnings	**$ 462**	**$ 720**	**$ 10,624**	$ —	$ 6,016	$ 19,208
Company share of net earnings	**$ 231**	**$ 360**	**$ 5,312**	$ —	$ 3,008	$ 9,604
Amortization of vessel purchase price allocation and intangibles	**—**	**—**	**(157)**	—	—	(150)
Company share included in net earnings of joint ventures	**$ 231**	**$ 360**	**$ 5,155**	$ —	$ 3,008	$ 9,454

For the six months ended June 30 (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	**$ 3,559**	**$ 4,110**	**$ 136,040**	$ —	$ 3,688	$ 131,663
Operating expenses	**(1,395)**	**(2,600)**	**(92,293)**	—	(2,608)	(86,595)
General and administrative	**(225)**	**(275)**	**(4,048)**	—	(256)	(2,962)
Depreciation and amortization	**(620)**	**(172)**	**(17,891)**	—	(444)	(20,565)
Operating earnings	**1,319**	**1,063**	**21,808**	—	380	21,541
Impairment reversal	**—**	**—**	**—**	—	5,565	—
Interest expense	**—**	**—**	**(4,257)**	—	—	(2,536)
Foreign exchange (loss) gain	**(278)**	**1**	**110**	—	(1)	(392)
Gain on disposal of vessels	**—**	**—**	**—**	—	—	9,560
Earnings before undernoted	**1,041**	**1,064**	**17,661**	—	5,944	28,173
Net earnings of joint ventures	**—**	**—**	**2,886**	—	—	2,233
Net earnings attributable to non-controlling interest	**(341)**	**—**	**(3,392)**	—	—	(5,011)
Income tax expense	**—**	**—**	**(2,219)**	—	—	(891)
Net earnings	**$ 700**	**$ 1,064**	**$ 14,936**	$ —	$ 5,944	$ 24,504
Company share of net earnings	**$ 350**	**$ 532**	**$ 7,468**	$ —	$ 2,971	$ 12,253
Amortization of vessel purchase price allocation and intangibles	**—**	**—**	**(315)**	—	—	(298)
Company share included in net earnings of joint ventures	**$ 350**	**$ 532**	**$ 7,153**	$ —	$ 2,971	$ 11,955

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	**2023**	2022	**2023**	2022
Product Tankers	**$ 231**	$ —	**$ 350**	$ —
Ocean Self-Unloaders	**360**	3,008	**532**	2,971
Global Short Sea Shipping	**5,155**	9,454	**7,153**	11,955
	$ 5,746	$ 12,462	**$ 8,035**	$ 14,926

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

As at (unaudited, in thousands of dollars)	**June 30, 2023**			December 31, 2022		
	Product Tankers	**Ocean Self-Unloaders**	**Global Short Sea Shipping**	Product Tankers	Ocean Self-Unloaders	Global Short Sea Shipping
Cash	**$ 8,387**	**$ 2,180**	**$ 18,775**	$ 3	$ 2,664	$ 22,037
Other current assets	**1,761**	**954**	**35,478**	—	974	46,950
Income taxes recoverable	**—**	**50**	**387**	—	51	368
Property, plant, and equipment	**14,002**	**1,858**	**388,183**	—	2,072	412,485
Investment in joint ventures	**—**	**—**	**55,262**	—	—	53,374
Other assets	**50,982**	**—**	**33,418**	36,985	—	23,848
Current liabilities	**(2,801)**	**(228)**	**(43,368)**	(780)	(149)	(54,459)
Current portion of long-term debt	**—**	**—**	**(27,567)**	—	—	(35,945)
Long-term debt	**(6,951)**	**—**	**(68,039)**	—	—	(90,359)
Other long-term liabilities	**—**	**—**	**(23,365)**	—	—	(6,574)
Non-controlling interest	**(3,396)**	**—**	**(12,000)**	—	—	(8,866)
Net assets of jointly controlled operations	**$ 61,984**	**$ 4,814**	**$ 357,164**	$ 36,208	$ 5,612	$ 362,859
Company share of net assets	**$ 30,992**	**$ 2,407**	**$ 178,582**	$ 18,104	$ 2,806	$ 181,430
Goodwill and other purchase price adjustments	**—**	**—**	**6,370**	—	—	6,652
Company share of joint ventures	**$ 30,992**	**$ 2,407**	**$ 184,952**	$ 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)		June 30 2023		December 31 2022
Product Tankers	$	**30,992**	$	18,104
Ocean Self-Unloaders		**2,407**		2,806
Global Short Sea Shipping		**184,952**		188,082
	$	**218,351**	$	208,992

Subsequent to the quarter, NASC made the final payment and took delivery of the final mini-bulker from its four-vessel new-build program.

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:

	Three Months Ended				Six Months Ended			
For the periods ended June 30 (unaudited, in thousands of dollars)		**2023**		2022		**2023**		2022
Revenue	$	**341**	$	340	$	**645**	$	476

As at (unaudited, in thousands of dollars)		June 30 2023		December 31 2022
Accounts receivable	$	**4,376**	$	4,546
Loan receivable		**9,930**		—
Loans guaranteed by the Company		**7,514**		11,301

In the first quarter of 2023, the Company issued a loan of $7,500 USD to the NovaAlgoma joint venture which is expected to be repaid in full during the fiscal year. The loan receivable is reflected in the other current assets of the Corporate segment.

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

For the six months ended June 30 (unaudited, in thousands of dollars)	**2023**				2022			
		Distributions received		**Investment in joint ventures**		Distributions received		Investment in joint ventures
Product Tankers	$	**—**	$	**(13,749)**	$	—	$	—
Ocean Self-Unloaders		**889**		**—**		—		—
Global Short Sea Shipping		**6,031**		**—**		4,768		(6,188)
	$	**6,920**	$	**(13,749)**	$	4,768	$	(6,188)

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)		**2023**		2022		**2023**		2022
Interest expense on borrowings	$	**4,942**	$	4,509	$	**9,565**	$	8,950
Amortization of financing costs		**425**		402		**851**		804
Interest on employee future benefits, net		**(58)**		213		**123**		427
Interest capitalized on vessels under construction		**(186)**		(76)		**(291)**		(148)
	$	**5,123**	$	5,048	$	**10,248**	$	10,033

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:

	Three Months Ended		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	**2023**	2022	**2023**	2022
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Net income before income tax and net earnings from investments in joint ventures	**$ 35,145**	$ 43,530	**$ 3,752**	$ 11,338
Expected income tax expense	**$ (9,313)**	$ (11,535)	**$ (994)**	$ (3,005)
Decrease (increase) in expense resulting from:				
Foreign tax rates different from Canadian statutory rate	**2,042**	2,919	**3,149**	4,536
Effect of items that are non-deductible	**(225)**	—	**(225)**	—
Adjustments to prior period provision	**(101)**	(298)	**(101)**	(298)
Other	**(150)**	(33)	**(112)**	(23)
Actual tax (expense) recovery	**$ (7,747)**	$ (8,947)	**$ 1,717**	$ 1,210

9. Other Current Assets

The components of other current assets are as follows:

As at (unaudited, in thousands of dollars)	**June 30 2023**	December 31 2022
Materials, fuel and supplies	**$ 15,672**	$ 19,126
Prepaid expenses	**13,724**	15,189
Derivative assets	**3,049**	4,970
Loan receivable from joint venture, non-interest bearing	**9,930**	—
	$ 42,375	$ 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	7,965	6,896	8,829	419	24,109
Disposals	—	(19,058)	—	—	(19,058)
Transferred from held for sale	—	57	—	—	57
Fully depreciated assets no longer in use	(1,035)	—	(3,814)	—	(4,849)
Effect of foreign currency exchange differences	—	—	(9,512)	—	(9,512)
Balance at June 30, 2023	**$ 678,939**	**$ 242,340**	**$ 407,704**	**$ 21,461**	**$ 1,350,444**

Accumulated depreciation (unaudited, in 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	12,852	7,363	11,518	673	32,406
Disposals	—	(6,360)	—	—	(6,360)
Transferred from held for sale	—	39	—	—	39
Fully depreciated assets no longer in use	(1,035)	—	(3,814)	—	(4,849)
Effect of foreign currency exchange differences	—	—	(4,146)	—	(4,146)
Balance at June 30, 2023	**$ 213,605**	**$ 122,032**	**$ 176,216**	**$ 14,396**	**$ 526,249**

Net Book Value (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Corporate	Total
June 30, 2023					
Cost	$ 678,939	$ 242,340	$ 407,704	$ 21,461	$ 1,350,444
Accumulated depreciation	213,605	122,032	176,216	14,396	526,249
	$ 465,334	**$ 120,308**	**$ 231,488**	**$ 7,065**	**$ 824,195**
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 service life, was sold for net proceeds of $4,640 and has generated a gain on disposal of $2,800. The second was sold to the newly formed joint venture, partially owned by FureBear, for net proceeds of $14,485 and generated a gain of $1,788.

Subsequent to the quarter, the contracts to build two new ice class product tankers and an ocean self-unloading vessel became effective following the receipt of the refund guarantees. The approximate cost of the two new tankers is $126,888 and delivery is expected during the first quarter of 2025. The ocean vessel is expected to be delivered in 2027 and has an approximate cost of $85,663.

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 was received 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)	**June 30 2023**	December 31 2022
Vessels under construction	**$ 39,552**	$ 8,839
Right-of-use assets	**455**	506
Other	**9**	505
	$ 40,016	$ 9,850

14. Other Current Liabilities

The components of other current liabilities are as follows:

As at (unaudited, in thousands of dollars)	**June 30 2023**	December 31 2022
Accrued interest on long-term debt	**$ 688**	$ 777
Dividends payable	**2,569**	52,582
Lease obligations	**123**	111
	$ 3,380	$ 53,470

15. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

As at (unaudited, in thousands of dollars)	**June 30 2023**	December 31 2022
Deferred compensation	**$ 1,230**	$ 1,812
Lease obligations	**281**	321
	$ 1,511	$ 2,133

16. Long-Term Debt

As at (unaudited, in thousands of dollars)	June 30 2023	December 31 2022
Convertible unsecured subordinated debentures, due June 30, 2024, interest at 5.25%	**$ 64,760**	$ 78,068
Senior Secured Notes		
U.S. $20,000, interest at 3.37%, due December 10, 2027	**26,480**	27,088
U.S. $42,000, interest at 3.60%, due December 10, 2030	**55,608**	56,885
U.S. $35,000, interest at 3.70%, due December 10, 2032	**46,340**	47,404
U.S. $50,000, interest at 3.80%, due December 10, 2035	**66,200**	67,720
Canadian $128,000, interest at 4.01%, due December 10, 2035	**128,000**	128,000
Bank Facility, due October 11, 2027		
Bankers' Acceptance, interest at 7.31%, due July 13, 2023	**25,000**	—
Mortgage payable, due March 8, 2023, interest at 4.73%	**—**	5,197
	412,388	410,362
Less: unamortized financing expenses	**7,154**	8,008
	405,234	402,354
Less: current portion of long-term debt	**89,760**	5,197
	$ 315,474	$ 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 June 30, 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 38,432,882 and 38,001,872 common shares outstanding and no preferred shares issued or outstanding as at June 30, 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 September 1, 2023 to shareholders of record on August 18, 2023.

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	**2023**	2022	**2023**	2022
Net earnings	**$ 33,144**	$ 47,045	**$ 13,504**	$ 27,474
Interest expense on debentures, net of tax	**840**	1,002	**1,710**	1,993
Net loss for diluted earnings per share	**$ 33,984**	$ 48,047	**$ 15,214**	$ 29,467
Basic weighted average common shares	**38,488,105**	37,802,305	**38,483,075**	37,801,624
Shares due to dilutive effect of debentures	**4,555,623**	5,140,891	**4,715,131**	5,130,967
Diluted weighted average common shares	**43,043,728**	42,943,196	**43,198,206**	42,932,591
Basic earnings per common share	**$ 0.86**	$ 1.24	**$ 0.35**	$ 0.73
Diluted earnings per common share	**$ 0.79**	$ 1.12	**$ 0.35**	$ 0.69

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 $0.65 per share equals the approximate paid-up capital amount of the common shares for purposes of the Income Tax Act.

Under the current NCIB, 442,395 Shares have been purchased and cancelled for the period ended June 30, 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)	4,423	(885)	(11,999)	(8,461)
Reclassified to earnings	—	(3,555)	—	(3,555)
Reclassified to vessels under construction	—	(926)	—	(926)
Income tax recovery	—	(142)	—	(142)
Net gain (loss)	4,423	(5,508)	(11,999)	(13,084)
Balance at June 30, 2023	**$ (26,830)**	**$ 3,049**	**$ 2,592**	**$ (21,189)**

19. Supplementary Disclosure of Cash Flow Information

Additions to property, plant and equipment are as follows:

	Three Months Ended		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	**2023**	2022	**2023**	2022
Additions to property, plant, and equipment (Note 10)	**$ (9,649)**	$ (4,397)	**$ (24,109)**	$ (13,200)
Amounts included in working capital	**(2,052)**	238	**281**	1,474
Other non-cash adjustments	**—**	—	**(18)**	—
	$ (11,701)	$ (4,159)	**$ (23,846)**	$ (11,726)

20. Commitments

The table below reflects the commitments of the Company at June 30, 2023. Annual expected payments are detailed in Note 21.

(unaudited, in thousands of dollars)	
Construction of two domestic dry-bulk self-unloaders	$ 106,040
Construction of two ocean self-unloader vessels	153,001
Construction of a bulk carrier through a joint venture interest	1,591
Construction of eight product tankers through a joint venture interest	173,034
Leases	441
	$ 434,107

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)	**June 30 2023**	December 31 2022
Long-term debt		
Carrying value	**$ 387,388**	$ 410,362
Fair value, classified as Level 2	**$ 387,342**	$ 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	$ 25,000	$ 64,760	$ —	$ —	$ 26,480	$ 296,148	$ 412,388
Capital asset commitments	5,799	125,741	127,501	—	—	—	259,041
Capital asset commitments through joint ventures	16,423	101,348	56,854	—	—	—	174,625
Interest payments on long-term debt	9,755	14,070	12,257	12,257	12,257	75,766	136,362
Leases	66	148	146	81	—	—	441
	$ 57,043	**$ 306,067**	**$ 196,758**	**$ 12,338**	**$ 38,737**	**$ 371,914**	**$ 982,857**

Foreign Exchange Risk

At June 30, 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 $18,977 (December 31, 2022 - $32,456) and Euros of €23,526 (December 31, 2022 - nil).

The Company has significant commitments due for payment in U.S. dollars. For these payments, 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 for vessels that will join our fleet.

At June 30, 2023, the Company had U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $30,660 (December 31, 2022 - $39,420) and fair value gain of $3,049 (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 June 30, 2023 (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Revenue	$ 126,584	$ 28,046	$ 47,120	$ —	$ 656	$ —	$ 202,406
Operating expenses	(84,172)	(21,924)	(32,633)	—	(268)	—	(138,997)
Selling, general and administrative	(3,203)	(1,273)	(546)	—	(5,693)	—	(10,715)
Depreciation and amortization	(6,403)	(3,771)	(5,938)	—	(383)	—	(16,495)
Operating earnings (loss)	32,806	1,078	8,003	—	(5,688)	—	36,199
Interest, net	—	—	—	248	(4,798)	—	(4,550)
(Loss) gain on sale of assets	—	(148)	—	—	25	—	(123)
Foreign currency gain	—	—	—	—	3,619	—	3,619
	32,806	930	8,003	248	(6,842)	—	35,145
Income tax (expense) recovery	(8,694)	(751)	—	(66)	1,764	—	(7,747)
Net earnings from investments in joint ventures	—	231	360	—	—	5,155	5,746
Net earnings (loss)	**$ 24,112**	**$ 410**	**$ 8,363**	**$ 182**	**$ (5,078)**	**$ 5,155**	**$ 33,144**

For the three months ended June 30, 2022 (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Revenue	$ 99,288	$ 31,923	$ 50,292	$ 1,307	$ 653	$ —	$ 183,463
Operating expenses	(68,375)	(23,590)	(32,207)	(1,205)	(238)	—	(125,615)
Selling, general and administrative	(2,932)	(1,120)	(342)	—	(4,373)	—	(8,767)
Depreciation and amortization	(6,477)	(3,530)	(6,604)	—	(389)	—	(17,000)
Operating earnings (loss)	21,504	3,683	11,139	102	(4,347)	—	32,081
Interest, net	—	—	—	—	(5,020)	—	(5,020)
Gain on sale of property	—	—	—	14,372	—	—	14,372
Foreign currency gain	—	—	—	—	2,097	—	2,097
	21,504	3,683	11,139	14,474	(7,270)	—	43,530
Income tax (expense) recovery	(5,852)	(1,204)	—	(3,917)	2,026	—	(8,947)
Net earnings from investments in joint ventures	—	—	3,008	—	—	9,454	12,462
Net earnings (loss)	$ 15,652	$ 2,479	$ 14,147	$ 10,557	$ (5,244)	$ 9,454	$ 47,045

For the six months ended June 30, 2023 (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Revenue	$ 161,083	$ 60,128	$ 91,505	$ —	$ 1,294	$ —	$ 314,010
Operating expenses	(142,289)	(47,813)	(65,934)	—	(521)	—	(256,557)
Selling, general and administrative	(6,773)	(2,729)	(1,097)	—	(10,503)	—	(21,102)
Depreciation and amortization	(12,859)	(7,363)	(11,518)	—	(751)	—	(32,491)
Operating (loss) earnings	(838)	2,223	12,956	—	(10,481)	—	3,860
Interest, net	—	—	—	496	(9,206)	—	(8,710)
Gain on sale of assets	—	4,588	—	—	25	—	4,613
Foreign currency gain	—	—	—	—	3,989	—	3,989
	(838)	6,811	12,956	496	(15,673)	—	3,752
Income tax recovery (expense)	240	(2,264)	—	(131)	3,872	—	1,717
Net earnings from investments in joint ventures	—	350	532	—	—	7,153	8,035
Net (loss) earnings	**$ (598)**	**$ 4,897**	**$ 13,488**	**$ 365**	**$ (11,801)**	**$ 7,153**	**$ 13,504**

For the six months ended June 30, 2022 (unaudited, in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Revenue	$ 123,876	$ 49,959	$ 90,613	$ 2,842	$ 1,276	$ —	$ 268,566
Operating expenses	(110,613)	(38,706)	(59,535)	(2,803)	(516)	—	(212,173)
Selling, general and administrative	(5,926)	(2,373)	(677)	—	(8,202)	—	(17,178)
Depreciation and amortization	(13,052)	(6,755)	(13,155)	—	(783)	—	(33,745)
Operating (loss) earnings	(5,715)	2,125	17,246	39	(8,225)	—	5,470
Interest, net	—	—	—	—	(9,994)	—	(9,994)
Gain on sale of property	—	—	—	14,372	—	—	14,372
Foreign currency gain	—	—	—	—	1,490	—	1,490
	(5,715)	2,125	17,246	14,411	(16,729)	—	11,338
Income tax recovery (expense)	1,380	(792)	—	(3,901)	4,523	—	1,210
Net earnings from investments in joint ventures	—	—	2,971	—	—	11,955	14,926
Net (loss) earnings	$ (4,335)	$ 1,333	$ 20,217	$ 10,510	$ (12,206)	$ 11,955	$ 27,474

As at June 30, 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	$ 55,796	$ 6,881	$ 39,746	$ 19,448	$ 67,642	$ —	$ 189,513
Property, plant, and equipment	465,334	120,308	231,488	—	7,065	—	824,195
Investments in joint ventures	—	30,992	2,407	—	—	184,952	218,351
Goodwill	7,910	—	—	—	—	—	7,910
Other assets	22,109	—	17,506	—	22,407	—	62,022
	$ 551,149	**$ 158,181**	**$ 291,147**	**$ 19,448**	**$ 97,114**	**$ 184,952**	**$ 1,301,991**
Liabilities							
Current liabilities	$ 48,705	$ 13,631	$ 14,846	$ 1,368	$ 9,315	$ —	$ 87,865
Current portion of long-term debt	—	—	—	—	89,760	—	89,760
Long-term liabilities	1,198	13,134	—	—	73,608	—	87,940
Long-term debt	—	—	—	—	315,474	—	315,474
	49,903	26,765	14,846	1,368	488,157	—	581,039
Shareholders' Equity	501,246	131,416	276,301	18,080	(391,043)	184,952	720,952
	$ 551,149	**$ 158,181**	**$ 291,147**	**$ 19,448**	**$ 97,114**	**$ 184,952**	**$ 1,301,991**

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, 1,921,644 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 June 30, 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 June 30, 2023.

	Options outstanding	
Exercise price per share (unaudited, amounts not stated in thousands)	Number of shares	Remaining contractual life (years)
$12.77	112,668	2.66
$15.02	146,250	3.66
$15.82	266,250	4.65
	525,168	

For the six months ended June 30, 2023, the Company recognized compensation expense for stock option awards of $180 (2022 - $107). For the six months ended June 30, 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).

25. Subsequent Event

Subsequent to the quarter, the Company entered into a share purchase agreement to acquire a minority interest in a mechanical, machining and fabrication shop, along with the acquisition of its property, with a commitment to acquire the remaining interest no later than seven years from execution, for a total investment of $16,289.

Your Marine Carrier of Choice™

2023

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