ALGOMA CENTRAL CORPORATION

MANAGEMENT'S DISCUSSION & ANALYSIS
For the Three and Six Months Ended June 30, 2019 and 2018

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General

Algoma Central Corporation ("Algoma" or the "Company") operates through six segments, Domestic Dry-Bulk, Product Tankers, Ocean Self-Unloaders, Global Short Sea Shipping, Investment Properties and Corporate.

This Management's Discussion and Analysis ("MD&A") of the Company should be read in conjunction with its interim consolidated financial statements for the three and six months ended June 30, 2019 and 2018 and related notes thereto and has been prepared as at August 7, 2019.

The MD&A has been prepared by reference to the disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on the Company, including its 2018 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Company's website at *www.algonet.com*.

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

Impact of Seasonality on the Business

The nature of the Company's business is such that the earnings in the first quarter of each year are not indicative of the results for the other three quarters in the year. Due to the closing of the canal system and the winter weather conditions on the Great Lakes - St. Lawrence Waterway, the majority of the Domestic Dry-Bulk fleet does not operate for most of the first quarter. In addition, significant repair and maintenance costs are incurred in the first quarter to prepare the Domestic Dry-Bulk fleet for the upcoming navigation season. As a result, first quarter revenues and earnings are significantly lower than those of the remaining quarters in the year.

Use of Non-GAAP Measures

The following summarizes non-GAAP financial measures utilized in the MD&A. As there is no generally accepted method of calculating these financial measures, they may not be comparable to similar measures reported by other corporations.

EBITDA refers to earnings before interest, taxes, depreciation, and amortization, including its share of the EBITDA of its equity interest in joint arrangements in this measure. EBITDA is not a recognized measure for financial statement presentation under generally accepted accounting principles as defined by IFRS. EBITDA is not intended to represent cash flow from operations and it should not be considered as an alternative to net earnings, cash flow from operations, or any other measure of performance prescribed by IFRS. The Company's EBITDA may also not be comparable to EBITDA used by other corporations, which may be calculated differently. The Company considers EBITDA to be a meaningful measure to assess its operating performance in addition to other IFRS measures. It is included because the Company believes it can be useful in measuring its ability to service debt, fund capital expenditures, and expand its business, and a version of it is used by credit providers in the financial covenants of the Company's long-term debt.

Adjusted Measures
Management assesses results on a reported and adjusted basis and considers both as useful measures of performance. Adjusted results remove items of note from reported results and are used to calculate the adjusted measure noted below. Items of note include certain items of significance that arise from time to time which management believes are not reflective of underlying business performance. We believe that adjusted measures provides the reader with a better understanding of how management assesses underlying business performance and facilitate a more informed analysis of trends.

Adjusted Basic Earnings per Share
The Company adjusts reported Basic Earnings per Share to remove the impact of items of note, net of income taxes, and any other items specified to calculate the Adjusted Basic Earnings per Share (page 4).

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

Caution Regarding Forward-Looking Statements

Algoma Central Corporation's public communications often include written or oral forward-looking statements. Statements of this type are included in this document and may be included in other filings with Canadian securities regulators or in other communications. All such statements are made pursuant to the safe harbour provisions of any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2019 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price and the results of or outlook for our operations or for the Canadian, U.S. and global economies. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: on-time and on-budget delivery of new ships from shipbuilders; general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates; operational and infrastructure risks; general political conditions; labour relations with our unionized workforce; the possible effects on our business of war or terrorist activities; disruptions to public infrastructure, such as transportation, communications, power or water supply, including water levels; technological changes; significant competition in the shipping industry and from other transportation providers; reliance on partnering relationships; appropriate maintenance and repair of our existing fleet by third-party contractors; health and safety regulations that affect our operations can change and be onerous and the risk of safety incidents can affect results; a change in applicable laws and regulations, including environmental regulations, could materially affect our results; economic conditions may prevent us from realizing sufficient investment returns to fund our defined benefit plans at the required levels; our ability to raise new equity and debt financing if required; weather conditions or natural disasters; our ability to attract and retain quality employees; the seasonal nature of our business; and, risks associated with the lease and ownership of real estate.

For more information, please see the discussion of risks in the Company's Annual Information Form for the year ended December 31, 2018, which outlines in detail certain key factors that may affect the Company's future results. The Annual Information Form can be found on the Company's website at www.algonet.com and on SEDAR at www.sedar.com. This should not be considered a complete list of all risks to which the Company may be subject from time to time. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives and may not be appropriate for other purposes.

Highlights

For the periods ended June 30	Three Months Ended 2019	2018	Six Months Ended 2019	2018
Revenue	**$ 159,169**	$ 139,442	**$ 231,022**	$ 199,930
Net earnings (loss)	**$ 22,114**	$ 14,445	**$ (687)**	$ 5,303
Basic earnings (loss) per common share	**$ 0.58**	$ 0.38	**$ (0.02)**	$ 0.14
As at June 30				
Common shares outstanding			**38,193,715**	38,499,915
Total assets			**$ 1,225,971**	$ 1,128,986
Total long-term financial liabilities			**$ 410,932**	$ 311,744

Consolidated revenue for the 2019 second quarter was $159,169, an increase of 14% compared to $139,442 reported for the same period in 2018. The increase in revenue during the second quarter was driven by having two additional tankers in operation and high customer demand resulting in an increase in outside charters in the Product Tankers segment and the acquisition of three vessels and strong Pool performance in the Ocean Self-Unloader segment. Revenue in the Domestic Dry-Bulk segment decreased slightly as a result of having one fewer vessel operating in the fleet compared to last year and lower fuel recoveries, partially offset by higher freight rates.

Consolidated revenue for the six months ended June 30, 2019 was $231,022 an increase of 16% compared to $199,930 reported for the same period in 2018. The year to date increase was due to the additional vessels in operation and sustained customer demand in both the Product Tanker and Ocean Self-Unloader segments. Revenue in the Domestic Dry-Bulk segment decreased as a result of lower revenue days mainly due to the smaller fleet size and vessel out of service time, partially offset by higher rates.

Revenue from the Global Short Sea segment, in which we participate in via joint ventures, is not included in the consolidated revenue figure. The Global Short Sea Shipping businesses generated revenues of $62,471 in the 2019 second quarter compared to $53,027 for the same period in 2018. For the six months ended June 30, 2019 revenue was $124,153 compared to $117,675 for the prior year. The Company has a 50% interest in these businesses.

Net earnings for the 2019 second quarter were $22,114, an increase of $7,669 compared to the same period in 2018. Profit was higher in the quarter as a result of an increase in operating earnings and a foreign currency gain versus a loss reported in 2018. For the six months ended June 30, 2019 there was a net loss of $687 compared to earnings of $5,303 for the same period in 2018. Despite an increase in operating earnings in 2019, the loss for the year to date was primarily a result of a foreign currency loss compared to a gain reported in 2018 and lower earnings from joint ventures. The amount we have invested in vessels under construction is significantly lower than it was in 2018 and, as a consequence, the amount of interest we can capitalize is reduced, resulting in higher interest expense in both periods in 2019.

The Company uses EBITDA as a measure of the cash generating capacity of its businesses. The following table reconciles EBITDA to Net Earnings, the most nearly comparable IFRS measure. EBITDA for the 2019 second quarter was $52,690 compared to $43,066 for the same period in 2018. EBITDA for the six months ended June 30, 2019 was $45,773 compared to $38,869 for the same period in 2018. EBITDA is determined as follows:

For the periods ended June 30	Three Months Ended 2019	2018	Six Months Ended 2019	2018
Net earnings (loss)	**$ 22,114**	$ 14,445	**$ (687)**	$ 5,303
Adjustments to net earnings:				
Depreciation and amortization	**16,636**	13,969	**31,600**	26,684
Interest, net	**4,523**	3,084	**7,825**	4,484
Foreign currency (gain) loss	**(1,534)**	4,952	**604**	(3,339)
Income tax expense (recovery)	**4,203**	2,622	**(6,230)**	(902)
Joint ventures				
Interest expense	**1,686**	1,014	**3,350**	1,698
Foreign exchange loss (gain)	**360**	(207)	**617**	(470)
Depreciation	**4,632**	3,058	**8,521**	5,141
Income tax expense	**70**	129	**173**	270
EBITDA	**$ 52,690**	$ 43,066	**$ 45,773**	$ 38,869

Outlook

Customer demand in the Domestic Dry-Bulk segment remains strong and we expect high utilization for the remainder of the year. One vessel went out of service in the second quarter for mechanical issues but is expected to return to operations during the third quarter.

In the Product Tanker segment, demand is expected to stay strong in the third and fourth quarters. As our owned fleet is scheduled to be in full utilization, we expect we will continue to require the use of outside charters to meet customer demand.

In the Ocean Self-Unloaders segment, the Algoma Integrity is scheduled to return to operations during the third quarter, after having been on dry-dock for the second quarter. The three new vessels are now in full operation, bringing our fleet to eight vessels out of 18 in the Pool.

Although the second quarter was a challenge in the cement and short sea businesses, we are seeing signs of gradual improvement for the balance of the year.

Summary of Quarterly Results

The results for the last eight quarters were as follows:

Year	Quarter	Revenue	Net Earnings (Loss)	Basic Earnings (Loss) per Share
2019	Quarter 2	$ 159,169	$ 22,114	$ 0.58
	Quarter 1	$ 71,853	$ (22,800)	(0.59)
2018	Quarter 4	$ 149,542	$ 26,003	$ 0.68
	Quarter 3	$ 158,729	$ 19,639	$ 0.51
	Quarter 2	$ 139,442	$ 14,445	$ 0.38
	Quarter 1	$ 60,488	$ (9,142)	$ (0.23)
2017	Quarter 4	$ 139,435	$ 15,973	$ 0.34
	Quarter 3	$ 137,200	$ 32,768	$ 0.84

The following summarizes the trailing twelve month results on an adjusted and unadjusted basis in each of the last eight quarters:

		Trailing Twelve Months				
Year	Quarter	Revenue	Net Earnings	Basic Earnings per Share	Adjustment to Basic Earnings per Share *	Adjusted Basic Earnings per Share
2019	Quarter 2	$ 539,566	$ 44,954	$ 1.17	$ (0.26)	$ 0.91
	Quarter 1	$ 519,566	$ 37,285	$ 0.97	$ (0.26)	$ 0.71
2018	Quarter 4	$ 508,201	$ 50,943	$ 1.32	$ (0.26)	$ 1.06
	Quarter 3	$ 498,094	$ 40,915	$ 1.06	$ 0.03	$ 1.09
	Quarter 2	$ 476,565	$ 54,044	$ 1.40	$ (0.27)	$ 1.13
	Quarter 1	$ 461,270	$ 68,763	$ 1.77	$ (0.62)	$ 1.15
2017	Quarter 4	$ 452,874	$ 58,800	$ 1.53	$ (0.62)	$ 0.91
	Quarter 3	$ 444,017	$ 31,074	$ 0.80	$ (0.04)	$ 0.76

* The following table summarizes the Adjustment to Basic Earnings per Share, by quarter, for certain items management believes are not reflective of underlying business performance.

	2016		2017				2018				2019	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Gain (loss) on shipbuilding contracts	$ 0.16	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (0.02)	$ 0.15	$ —	$ —
Impairment (provisions) reversals	—	(0.81)	—	—	—	—	—	—	—	0.13	—	—
Sale of real estate properties	0.31	0.22	—	0.35	0.28	(0.01)	—	—	—	—	—	—
	$ 0.47	$ (0.59)	$ —	$ 0.35	$ 0.28	$ (0.01)	$ —	$ —	$ (0.02)	$ 0.28	$ —	$ —
Trailing adjustment to EPS			$ (0.12)	$ 0.23	$ 0.04	$ 0.62	$ 0.62	$ 0.27	$ (0.03)	$ 0.26	$ 0.26	$ 0.26

Business Segment Discussion

Domestic Dry-Bulk

Financial Results Overview

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2019**	2018	**2019**	2018
Revenue	**$ 86,974**	$ 89,944	**$ 104,827**	$ 108,145
Operating expenses	**(59,536)**	(60,109)	**(94,606)**	(92,692)
Selling, general and administrative	**(2,849)**	(2,830)	**(5,754)**	(5,634)
	24,589	27,005	**4,467**	9,819
Depreciation and amortization	**(6,019)**	(6,114)	**(11,505)**	(10,785)
(Loss) gain on foreign currency forward contracts	**—**	(2,828)	**—**	1,756
Income tax (expense) recovery	**(4,792)**	(5,391)	**2,090**	(206)
Net earnings (loss)	**$ 13,778**	$ 12,672	**$ (4,948)**	$ 584

Revenues for the Domestic Dry-Bulk segment decreased by $2,970 in the 2019 second quarter and by $3,318 for the six months ended June 30, 2019 compared to the same periods in 2018. The decrease in the quarter was due to an 11% decrease in revenue days as our fleet includes one fewer vessel than in 2018 and mechanical issues affected availability of other vessels during the quarter. This was partially offset by increased freight rates. Overall volumes decreased slightly compared to last year in the construction sector, partially offset by increased volumes at higher rates in the agricultural and salt sectors.

The decrease in revenue for the six months ended June 30, 2019 was a result of a 9% decrease in revenue days partially offset by higher rates. The decrease in revenue days was mainly a result of the smaller fleet size and vessel out of service time. Overall volumes were higher primarily due to a 42% increase in salt volumes compared to last year.

Operating expenses for the 2019 second quarter decreased by $573 and increased by $1,914 for the six months ended June 30, 2019 compared to the same periods in 2018. The decrease in the quarter was primarily a result of a 13% decrease in operating days due to out of service time on two vessels and operating one less vessel in the fleet compared to last year. The decrease was partially offset by higher lay-up costs due to a life extension dry-docking on one of our oldest vessels and higher crew costs. Although there were lower operating days in the quarter, crew wages have increased as a result of new labour agreements signed last year. Operating expenses were higher for the year to date as a result of an increase in lay-up costs.

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

EBITDA for Domestic Dry-Bulk for the second quarter 2019 was $24,589 a decrease of 9% compared to the same period in 2018 reflecting the smaller fleet size and winter lay-up costs which extended into April. For the six months ended June 30, 2019 EBITDA was $4,467 compared to $9,819 for the prior year primarily as a result of higher lay-up spending. EBITDA is determined as follows:

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2019**	2018	**2019**	2018
Net earnings (loss)	**$ 13,778**	$ 12,672	**$ (4,948)**	$ 584
Adjustments to net earnings:				
Depreciation and amortization	**6,019**	6,114	**11,505**	10,785
Loss (gain) on foreign currency forward contracts	**—**	2,828	**—**	(1,756)
Income tax expense (recovery)	**4,792**	5,391	**(2,090)**	206
EBITDA	**$ 24,589**	$ 27,005	**$ 4,467**	$ 9,819

Product Tankers

Financial Results Overview

For the periods ended June 30	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Revenue	**$ 39,943**	$ 23,513	**$ 67,015**	$ 42,848
Operating expenses	**(28,586)**	(18,175)	**(49,814)**	(33,383)
Selling, general and administrative	**(1,000)**	(706)	**(2,056)**	(1,443)
	10,357	4,632	**15,145**	8,022
Depreciation and amortization	**(3,226)**	(2,221)	**(6,366)**	(4,684)
Income tax expense	**(1,350)**	(617)	**(1,787)**	(863)
Net earnings	**$ 5,781**	$ 1,794	**$ 6,992**	$ 2,475

Revenues for Product Tankers increased by $16,430 in the 2019 second quarter and by $24,167 for the six months ended June 30, 2019 when compared to the same periods last year. The increase for both periods was a result of sustained customer demand which led us to add two vessels to the fleet compared to last year; the Algonorth entered operations in December, 2018 and the Algoterra in April of this year. Both vessels have proven to be strong contributors to the fleet, generating high earnings. Although we added capacity in our owned fleet, the use of outside charters continues to be required to meet the high customer demand.

Operating expenses increased by $10,411 in the 2019 second quarter and by $16,431 for the six months ended June 30, 2019 when compared to the same periods last year. The increase for both periods was a result of the two additional vessels operating in the fleet and higher crew costs. The increase was also a result of the higher use of outside charters which are more expensive to operate than our owned fleet, resulting in minimal earnings from these vessels. The year to date increase was partially offset by lower lay-up expenses.

The increase in depreciation and amortization for the 2019 second quarter and for the six months ended June 30, 2019 was a result of the addition of the Algonorth and the Algoterra to operations.

EBITDA for Product Tankers was $10,357 in the 2019 second quarter, an increase of $5,725 compared to the same period in 2018. For the six months ended June 30, 2019 EBITDA was $15,145, an increase of $7,123 compared to the prior year. EBITDA is determined as follows:

For the periods ended June 30	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Net earnings	**$ 5,781**	$ 1,794	**$ 6,992**	$ 2,475
Adjustments to net earnings:				
Depreciation and amortization	**3,226**	2,221	**6,366**	4,684
Income taxes	**1,350**	617	**1,787**	863
EBITDA	**$ 10,357**	$ 4,632	**$ 15,145**	$ 8,022

Ocean Self-Unloaders

Financial Results Overview

For the periods ended June 30	Three Months Ended 2019	2018	Six Months Ended 2019	2018
Revenue	**$ 29,130**	$ 23,097	**$ 52,569**	$ 42,001
Operating expenses	**(17,848)**	(15,701)	**(33,978)**	(27,876)
General and administrative	**(472)**	(348)	**(931)**	(1,081)
	10,810	7,048	**17,660**	13,044
Depreciation and amortization	**(6,494)**	(4,735)	**(11,915)**	(9,260)
Income tax recovery	**2**	5	**4**	4
Earnings from joint venture - Marbulk	**865**	484	**137**	480
Net earnings	**$ 5,183**	$ 2,802	**$ 5,886**	$ 4,268

Algoma participates in the world's largest pool of ocean-going self-unloaders (the "Pool"). The Pool's commercial results reflect a pro-rata share of Pool revenue and voyage costs (in operating expenses) for eight 100% owned ships. Vessel operating expenses for these ships are recorded in operating expenses. Earnings from partially owned ships are included in the Company's joint venture, Marbulk. Algoma does not incur selling expenses on ocean self-unloader business, but instead pays a commercial fee to the Pool manager, which is reflected as an operating expense.

Revenues in the Ocean Self-Unloader segment increased by $6,033 in the 2019 second quarter and by $10,568 for the six months ended June 30, 2019 compared to the same periods in the prior year. Pool performance continues to be strong with growing customer demand. Despite having one vessel on dry-dock during the second quarter in both 2019 and 2018, revenue days increased 19% as a result of the acquisition of three vessels that entered into operation in June. Although these vessels did not operate for the full quarter, they have already proven to be strong additions to the fleet. The increase was partially offset by the costs associated with the Algoma Integrity being on dry-dock for the full quarter resulting in a lower share of earnings from the Pool. The year to date increase in revenue reflects a 15% increase in revenue days as a result of the additional three vessels in operations compared to last year and higher fuel recoveries.

Operating expenses increased by $2,147 in the 2019 second quarter and by $6,102 in the six months ended June 30, 2019 compared the same periods in 2018. Although dry-dockings were undertaken in both the second quarter of 2019 and 2018, operating days increased by 15% compared to last year as a result of the acquisition of the three vessels.

During the second quarter the Company's Marbulk joint venture formally withdrew its remaining vessel from the Pool. As a result of the withdrawal there was a compensation payment of $2,989 made to the joint venture. This vessel currently operates under a time charter in Indonesia.

The increase in depreciation and amortization in the 2019 second quarter and the six months ended June 30, 2019 reflects the addition of the three vessels to operations.

During the second quarter, the Company acquired three vessels from Oldendorff Carriers GmbH & Co. for $133,363. These three vessels were operating in the CSLI Pool at the time of acquisition and it is the Company's intention to leave the vessels in the Pool. The Company is currently reviewing the accounting treatment of these acquisitions and has accounted for these acquisitions as vessel additions on a preliminary basis.

EBITDA for Ocean Self-Unloaders was $13,303 in the 2019 second quarter, an increase of 68% when compared to the same period in 2018. EBITDA for the six months ended June 30, 2019 was $20,143, an increase of 42% compared to the prior year. EBITDA is determined as follows:

For the periods ended June 30	Three Months Ended 2019	2018	Six Months Ended 2019	2018
Net earnings	**$ 5,183**	$ 2,802	**$ 5,886**	$ 4,268
Adjustments to net earnings:				
Depreciation and amortization	**6,494**	4,735	**11,915**	9,260
Income tax recovery	**(2)**	(5)	**(4)**	(4)
Joint Venture:				
Depreciation and amortization	**741**	461	**1,259**	920
Interest expense	**175**	177	**348**	351
Foreign exchange (gain) loss	**298**	(307)	**599**	(698)
Income tax expense	**65**	75	**140**	112
EBITDA	**$ 13,303**	$ 7,938	**$ 20,143**	$ 14,209

Global Short Sea Shipping

Financial Results Overview

For the periods ended June 30	Three Months Ended 2019	Three Months Ended 2018	Six Months Ended 2019	Six Months Ended 2018
Revenue	**$ 62,471**	$ 53,027	**$ 124,153**	$ 117,675
Operating expenses	**(51,604)**	(39,505)	**(104,215)**	(94,988)
Selling, general and administrative	**(2,254)**	(3,495)	**(4,569)**	(4,592)
	8,613	10,027	**15,369**	18,095
Depreciation and amortization	**(7,530)**	(4,951)	**(14,023)**	(7,660)
Gain on sale of vessels	**2,021**	—	**3,195**	—
Interest expense	**(3,022)**	(1,675)	**(6,003)**	(2,694)
Foreign exchange loss	**(124)**	(199)	**(36)**	(455)
Other income	**—**	107	**—**	107
(Loss) earnings before undernoted	**(42)**	3,309	**(1,498)**	7,393
Income tax expense	**(11)**	(108)	**(66)**	(315)
Net earnings of joint ventures	**516**	1,209	**975**	1,636
Net earnings attributable to non-controlling interest	**505**	—	**859**	—
Net earnings	**$ 968**	$ 4,410	**$ 270**	$ 8,714
Company share of net earnings above	**$ 484**	$ 2,205	**$ 135**	$ 4,357
Amortization of vessel purchase price allocation and intangibles	**(126)**	(121)	**(251)**	(391)
Company share included in net earnings (loss) of joint ventures	**$ 358**	$ 2,084	**$ (116)**	$ 3,966

The figures above reflect 100% of the joint ventures in the Global Short Sea Shipping segment. The Company's 50% share of net earnings, adjusted for amortization arising from vessel purchase price allocation and intangibles, is included in net earnings of joint ventures in our Interim Condensed Consolidated Statement of Earnings.

Revenue increased in the 2019 second quarter by 18% and by 6% for the six months ended June 30, 2019 compared to the same periods in 2018. The increase for the quarter was a result of the addition of six vessels to the cement fleet and five owned mini-bulkers in the short sea fleet. This was partially offset by a decrease in managed vessels in the short sea fleet compared to last year. There was no revenue in 2018 from the handy-size fleet as the business did not commence until the third quarter. In the 2019 second quarter there were five vessels operating in this fleet. The year to date increase was due to the larger cement fleet and the addition of the handy-size fleet offset by lower revenue in the short sea fleet as a result of the decline in commercially managed vessels compared to last year.

Operating expenses increased in the 2019 second quarter by 31% and by 10% for the six months ended June 30, 2019. During the quarter the increase was a result of a dry-docking for five vessels and the re-positioning of one vessel in the cement carrier fleet, the addition of the five handy-size vessels and an increase in chartered vessels in the short sea carrier fleet. The year to date increase was primarily a result of the higher number of vessels operating in both the cement and handy-size fleet, offset by fewer managed vessels in the short sea carrier fleet.

Depreciation and amortization for the second quarter of 2019 was $7,530 and was $14,023 for the six months ended June 30, 2019, increases of 52% and 83%, respectively, compared to the same periods in 2018. The increase for both periods was a result of the additional vessels in the cement carrier fleet, the increase in owned vessel in the short sea carrier fleet plus the addition of the handy-size fleet. The addition of these ships also resulted in increased interest expense on related vessel financings.

The short sea carrier fleet recorded a gain of $2,021 on the sale of two vessels in late June, 2019.

Investment Properties

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2019**	2018	**2019**	2018
Revenue	**$ 2,293**	$ 2,501	**$ 4,947**	$ 5,804
Operating expenses	**(1,539)**	(1,712)	**(3,485)**	(3,674)
	754	789	**1,462**	2,130
Depreciation	**(657)**	(676)	**(1,333)**	(1,472)
Income tax recovery (expense)	**31**	(22)	**22**	(166)
Net earnings	**$ 128**	$ 91	**$ 151**	$ 492

Corporate

The Corporate segment consists of revenue from management services to third parties, head office expenditures and other administrative expenses of the Company. Revenues are also generated from rental income provided by third party tenants in the Company's head office building. Operating expenses include the operating costs of that office building.

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2019**	2018	**2019**	2018
Revenue	**$ 829**	$ 387	**$ 1,664**	$ 1,132
Operating expenses	**(230)**	(118)	**(467)**	(245)
Selling, general and administrative	**(2,390)**	(3,239)	**(6,840)**	(6,118)
	(1,791)	(2,970)	**(5,643)**	(5,231)
Depreciation	**(240)**	(223)	**(481)**	(483)
Foreign currency gain (loss)	**1,534**	(2,124)	**(604)**	1,583
Interest, net	**(4,523)**	(3,084)	**(7,825)**	(4,484)
Income tax recovery	**1,906**	3,403	**5,901**	2,133
Net loss	**$ (3,114)**	$ (4,998)	**$ (8,652)**	$ (6,482)

Consolidated

For the periods ended June 30	Three Months Ended 2019	2018	Six Months Ended 2019	2018
Revenue	**$ 159,169**	$ 139,442	**$ 231,022**	$ 199,930
Operating expenses	**(107,739)**	(95,815)	**(182,350)**	(157,870)
Selling, general and administrative	**(6,711)**	(7,123)	**(15,581)**	(14,276)
	44,719	36,504	**33,091**	27,784
Depreciation and amortization	**(16,636)**	(13,969)	**(31,600)**	(26,684)
Interest expense	**(4,859)**	(3,353)	**(8,584)**	(5,034)
Interest income	**336**	269	**759**	550
Foreign currency gain (loss)	**1,534**	(4,952)	**(604)**	3,339
Income tax (expense) recovery	**(4,203)**	(2,622)	**6,230**	902
Earnings of joint ventures	**1,223**	2,568	**21**	4,446
Net earnings (loss)	**$ 22,114**	$ 14,445	**$ (687)**	$ 5,303

Interest Expense

For the periods ended June 30	Three Months Ended 2019	2018	Six Months Ended 2019	2018
Interest expense on borrowings	**$ 4,606**	$ 4,595	**$ 8,334**	$ 8,886
Amortization of financing costs	**278**	287	**559**	573
Interest on employee future benefits, net	**195**	71	**390**	143
Interest capitalized on vessels under construction	**(220)**	(1,600)	**(699)**	(4,568)
	$ 4,859	$ 3,353	**$ 8,584**	$ 5,034

Net interest expense increased by $1,506 in the 2019 second quarter and by $3,550 for the six months ended June 30, 2019 compared to the same periods in 2018. Capitalized interest in 2019 relates to the construction of one vessel. Capitalized interest for 2018 relates to the construction of five vessels, subsequently cancelled.

Foreign Currency Gain (Loss)

For the periods ended June 30	Three Months Ended 2019	2018	Six Months Ended 2019	2018
Gain (loss) on foreign denominated cash	**$ 1,534**	$ (2,254)	**$ 1,171**	$ 1,453
Gain on return of capital from foreign subsidiary	**—**	130	**—**	130
Foreign exchange loss on contract cancellation receivable	**—**	—	**(1,775)**	—
Unrealized (loss) gain on foreign exchange forward contracts	**—**	(2,828)	**—**	1,756
	$ 1,534	$ (4,952)	**$ (604)**	$ 3,339

Income Tax Provision

For the periods ended June 30	Three Months Ended 2019	2018	Six Months Ended 2019	2018
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Loss before income tax and net loss of joint ventures	**$ 25,094**	$ 14,499	**$ (6,938)**	$ (45)
Expected income tax (expense) recovery	**$ (6,650)**	$ (3,842)	**$ 1,839**	$ 12
(Increase) decrease in expense resulting from:				
Effect of items that are not (deductible) taxable	**10**	(112)	**241**	321
Foreign tax rates different from Canadian statutory rate	**1,118**	770	**1,499**	1,007
Adjustments to prior period provision	**1,301**	—	**2,720**	(554)
Other	**18**	562	**(69)**	116
Actual tax (expense) recovery	**$ (4,203)**	$ (2,622)	**$ 6,230**	$ 902

Earnings from the Company's foreign subsidiaries are taxed in jurisdictions which have nil income tax rates. The Canadian statutory rate for the Company for both 2019 and 2018 was 26.5%. Any variation in the effective income tax rate from the statutory income tax rate is due mainly to the lower income tax rates applicable to foreign subsidiaries, the effect of taxable and non-taxable items that may or may not be included in earnings and changes to income tax provisions related to prior periods.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

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

	Six Months Ended	
For the periods ended June 30	**2019**	2018
Net (loss) earnings	**$ (687)**	$ 5,303
Operating activities	**$ 36,596**	$ 19,415
Investing activities	**$ (143,660)**	$ (74,209)
Financing activities	**$ 110,769**	$ (5,328)

Operating Activities

Net cash generated from operating activities for the six months ended June 30, 2019 was $36,596 compared to cash generated of $19,415 in the same period in 2018. This was mainly as a result of a significantly higher net change in non-cash working capital.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2019 was primarily used for issuing a special dividend to shareholders, the purchase of five vessels and investments in Global Short Sea Shipping.

Financing Activities

Net cash from financing activities relates to increased proceeds on long-term debt used for capital purchases.

Capital Resources

The Company has cash on hand of $26,670 at June 30, 2019. Available credit facilities along with projected cash from operations for 2019 are expected to be more than sufficient to meet the Company's planned operating and capital requirements and other contractual obligations for the year.

The Company maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. The Company's bank credit facility (the "Facility") expires June 21, 2021 and comprises a $50 million Canadian dollar and a $100 million U.S. dollar senior secured revolving bank credit facility provided by a syndicate of seven banks. The Facility bears interest at rates that are based on the Company's ratio of senior debt to earnings before interest, taxes, depreciation and amortization and ranges from 150 to 275 basis points above bankers' acceptance or LIBOR rates. The Company has granted a general security agreement in favour of the senior secured lenders and has granted specific collateral mortgages covering its wholly owned vessels. The Company's real estate assets and vessels that are not wholly owned are not directly encumbered under this Facility.

The Company is subject to certain covenants including ones with respect to maintaining defined financial ratios and other conditions under the terms of the Bank Facility and the Notes. As at June 30, 2019, the Company was in compliance with all of its covenants.

Normal Course Issuer Bid

During the second quarter of 2019 and during the six months ended June 30, 2019, 212,500 and 227,900 shares, respectively, were purchased for cancellation.

Contingencies

For information on contingencies, please refer to Note 30 of the consolidated financial statements for the years ending December 31, 2018 and 2017. There have been no significant changes in the items presented since December 31, 2018.

Transactions with Related Parties

The Company's ultimate controlling party is The Honourable Henry N. R. Jackman, together with a trust created in 1969 by his father, Henry R. Jackman.

There were no transactions with related parties for the three months ended June 30, 2019.

New Accounting Standards Applied

Leases

Effective January 1, 2019, the Company adopted *IFRS 16 - Leases* (IFRS 16), which supersedes *IAS 17 - Leases* (IAS 17) and its interpretive guidance.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Right-of-use assets and lease liabilities will be amortized and accreted with a different pattern of expense being recognized in the statement of earnings.

The Company applied this standard using a modified retrospective approach using the following practical expedients:

- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- For contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4 - Determining Whether an Arrangement Contains a Lease

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate of 5.95% as of January 1, 2019.

The associated right-of-use asset was measured at an amount equal to the lease liability. There were no onerous lease contracts requiring an adjustment to the right-of-use assets at the date of initial application.

The Company's leasing activities

The Company leases property in the form of offices and warehouses. Rental contracts are typically for fixed periods from 5 years, but may have extension options. Where the Company is reasonably certain to extend the option, it is included in the term of the lease. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

The Company may from time to time enter into short term leases of vessels or tankers which are limited to a maximum of 12 months. Payments associated with short term leases are recognized on a straight-line basis as an expense in the interim condensed consolidated statement of earnings, in line with the practical expedient in the standard.

Prior to adoption of IFRS 16, all leases were classified as operating leases, which were charged to the interim condensed consolidated statement of earnings on a straight-line basis over the period of the lease. From January 1, 2019, leases are recognized in full on the interim condensed consolidated balance sheet with a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period producing a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Lease liabilities include the net present value of fixed payments and any variable payments which are based on an index, discounted using the Company's incremental borrowing rate. Right-of-use assets are measured at the amount of the initial lease liability and adjusted for prepaid lease payments, initial direct costs and restoration costs, if applicable.

Some property leases contain variable payment terms for the Common Area Maintenance which is recorded directly to the interim condensed consolidated statement of earnings.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

In accordance with the requirements of National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2019. Under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, management has concluded that the Company's disclosure controls and procedures were effective as of June 30, 2019.

Internal Controls over Financial Reporting

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

Management has used the criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's internal controls over financial reporting. Based on this assessment, management has concluded that the Company's internal controls over financial reporting are operating effectively as of June 30, 2019.

Changes in Internal Controls over Financial Reporting

During the three months ended June 30, 2019, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Contractual Obligations

The table below provides aggregate information about the Company's contractual obligations as at June 30, 2019 that affect the Company's liquidity and capital resource needs.

	2019	2020	2021	2022	2023 and Beyond
Long-term debt including equity component	$ 155,971	$ 136	$ 173,295	$ 150	$ 87,697
Capital asset commitments	10,509	25,467	21,044	—	—
Interest payments on long-term debt	8,034	13,751	9,580	4,581	6,557
	$ 174,514	$ 39,354	$ 203,919	$ 4,731	$ 94,254

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