

ALGOMA CENTRAL CORPORATION

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2019 and 2018



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ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements For the Three and Six Months Ended June 30, 2019 and 2018

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, 2019 and 2018 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Earnings

For the periods ended June 30 (unaudited, in thousands of dollars, except per share data)	Notes	Three Months Ended		Six Months Ended	
		2019	2018	2019	2018
Revenue	4	\$ 159,169	\$ 139,442	\$ 231,022	\$ 199,930
Expenses					
Operations		(107,739)	(95,815)	(182,350)	(157,870)
Selling, general and administrative		(6,711)	(7,123)	(15,581)	(14,276)
		(114,450)	(102,938)	(197,931)	(172,146)
Depreciation and amortization		44,719	36,504	33,091	27,784
Interest expense	6	(16,636)	(13,969)	(31,600)	(26,684)
Interest income		(4,859)	(3,353)	(8,584)	(5,034)
Interest income		336	269	759	550
Foreign currency gain (loss)	7	1,534	(4,952)	(604)	3,339
		25,094	14,499	(6,938)	(45)
Income Tax (Expense) Recovery	8	(4,203)	(2,622)	6,230	902
Net Earnings of Joint Ventures	5	1,223	2,568	21	4,446
Net Earnings (Loss)		\$ 22,114	\$ 14,445	\$ (687)	\$ 5,303
Basic earnings (loss) per share	16	\$ 0.58	\$ 0.38	\$ (0.02)	\$ 0.14
Diluted earnings (loss) per share	16	\$ 0.55	\$ 0.36	\$ (0.02)	\$ 0.14

Interim Condensed Consolidated Statement of Comprehensive Earnings

For the periods ended June 30 (unaudited, in thousands of dollars)	Three Months Ended		Six Months Ended	
	2019	2018	2019	2018
Net Earnings (Loss)	\$ 22,114	\$ 14,445	\$ (687)	\$ 5,303
Other Comprehensive (Loss) Earnings				
Items that may be subsequently reclassified to net earnings:				
Unrealized (loss) gain on translation of financial statements of foreign operations	(10,569)	6,831	(17,860)	14,875
Unrealized gain (loss) on hedging instruments, net of income tax	2,590	(2,835)	4,405	(3,649)
Foreign exchange gain on purchase commitment hedge reserve, net of income tax, transferred to:				
Net loss	—	—	—	(2,852)
Property, plant, and equipment	—	(30)	—	(63)
Items that will not be subsequently reclassified to net earnings:				
Employee future benefits actuarial (loss) earnings, net of income tax	(6,190)	1,912	(8,865)	675
	(14,169)	5,878	(22,320)	8,986
Comprehensive Earnings (Loss)	\$ 7,945	\$ 20,323	\$ (23,007)	\$ 14,289

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 2019	December 31 2018
Assets			
Current			
Cash		\$ 26,670	\$ 25,539
Accounts receivable		82,089	72,714
Income taxes recoverable		24,550	18,826
Other current assets	9	19,188	82,908
		152,497	199,987
Employee future benefits		—	2,452
Property, plant, and equipment	10	892,207	726,251
Goodwill and intangible assets	11	13,754	15,653
Investment in joint ventures	5	152,867	153,289
Other assets	12	14,646	14,261
		\$ 1,225,971	\$ 1,111,893
Liabilities			
Current			
Accounts payable and accrued charges		\$ 84,682	\$ 67,032
Current portion of long-term debt	15	156,038	130
Income taxes payable		4,795	7,343
Other current liabilities	13	4,897	796
		250,412	75,301
Other long-term liabilities	14	337	3,296
Deferred income taxes		46,499	48,430
Employee future benefits		33,794	23,853
Long-term debt	15	254,894	258,458
		335,524	334,037
Commitments	19		
Shareholders' Equity			
Share capital	16	8,193	8,240
Contributed surplus		5,845	8,839
Convertible debentures		2,309	2,309
Accumulated other comprehensive loss	17	(24,300)	(10,845)
Retained earnings		647,988	694,012
		640,035	702,555
		\$ 1,225,971	\$ 1,111,893

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 16)		(Note 17)					
Balance at December 31, 2017	\$	8,268	\$	13,012	\$	(23,507)	\$ 665,293	\$ 663,066
Net earnings		—		—		—	5,303	5,303
Dividends		—		—		—	(7,322)	(7,322)
Repurchase and cancellation of common shares		(11)		(822)		—	—	(833)
Other comprehensive earnings		—		—		8,311	675	8,986
Balance at June 30, 2018	\$	8,257	\$	12,190	\$	(15,196)	\$ 663,949	\$ 669,200
Balance at December 31, 2018	\$	8,240	\$	11,148	\$	(10,845)	\$ 694,012	\$ 702,555
Net loss		—		—		—	(687)	(687)
Dividends		—		—		—	(36,472)	(36,472)
Repurchase and cancellation of common shares		(47)		(2,994)		—	—	(3,041)
Other comprehensive loss		—		—		(13,455)	(8,865)	(22,320)
Balance at June 30, 2019	\$	8,193	\$	8,154	\$	(24,300)	\$ 647,988	\$ 640,035

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30 (unaudited, in thousands of dollars)	Notes	2019	2018
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net (loss) earnings		\$ (687)	\$ 5,303
Earnings of joint ventures	5	(21)	(4,446)
Items not affecting cash			
Depreciation and amortization		31,600	26,684
Gain on sale of assets		(1,917)	(3,784)
Other		2,199	247
Net change in non-cash operating working capital		7,976	982
Income taxes paid		(1,436)	(3,690)
Employee future benefits paid		(1,118)	(1,881)
Net cash generated from operating activities		36,596	19,415
Investing			
Additions to property, plant, and equipment	18	(202,190)	(32,031)
Cancellation refunds received		66,242	—
Distributions received from joint ventures	5	2,078	8,876
Investment in joint ventures	5	(7,487)	(52,322)
Compensation payments to other pool members for retired vessels		(5,382)	(3,239)
Interest received		1,111	198
Proceeds on sale of property, plant, and equipment		1,968	4,309
Net cash used in investing activities		(143,660)	(74,209)
Financing			
Interest paid		(7,898)	(9,005)
Proceeds of long-term debt		163,907	83,090
Repayments on long-term debt		(6,620)	(71,450)
Repurchase of common shares		(3,042)	(820)
Dividends paid		(35,578)	(7,143)
Net cash generated from (used in) financing activities		110,769	(5,328)
Net Change in Cash		3,705	(60,122)
Effects of Exchange Rate Changes on Cash Held in Foreign Currencies		(2,574)	1,227
Cash, Beginning of Period		25,539	68,860
Cash, End of Period		\$ 26,670	\$ 9,965

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Algoma Central Corporation (the "Company") is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Company's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 2019 and 2018 comprise the Company, its subsidiaries and the Company's interest in associated and jointly controlled entities.

The principal subsidiaries are Algoma Shipping Ltd., Algoma International Shipholdings Ltd., Algoma Tankers Limited and Algoma Central Properties Inc. The principal jointly controlled entities are Marbulk Canada Inc. (50%), NovaAlgoma Cement Carriers Limited (50%), NovaAlgoma Short-Sea Holdings Ltd. (50%) and NovaAlgoma Bulk Holdings Ltd. (50%). In addition, Algoma Shipping Ltd. and Marbulk Canada Inc. are members of an international pool arrangement (the "Pool"), whereby revenues and related voyage expenses are distributed to each Pool member based on the earnings capacity of the vessels.

Algoma Central Corporation owns and operates the largest fleet of dry and liquid bulk carriers operating on the Great Lakes – St. Lawrence Waterway. The Company's Canadian flag fleet consists of self-unloading dry-bulk carriers, gearless dry-bulk carriers and product tankers.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Company's vessel fleet. The dry-bulk vessels carry cargoes of raw materials such as iron ore, grain, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes the operational management of vessels owned by other ship owners.

The Product Tankers marine transportation segment includes ownership and management of the operational and commercial activities of Canadian flag tanker vessels operating on the Great Lakes, the St. Lawrence Seaway and the east coast of North America.

The Ocean Self-Unloaders marine transportation segment includes ownership of eight ocean-going self-unloading vessels, a 50% interest in a ninth self-unloader and a 25% interest in a specialized ocean vessel. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide trades.

The Global Short Sea Shipping segment includes the Company's 50% interests, through joint ventures, in NovaAlgoma Cement Carriers Limited, NovaAlgoma Short-Sea Holdings Ltd. and NovaAlgoma Bulk Holdings Ltd.

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

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Company's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2018 and 2017, except as described in Note 3. The financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2018 and 2017.

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

The interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on August 7, 2019.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING 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 change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- Right-of-use asset - increase by \$429
- Lease liability - increase by \$429

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.

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

(unaudited, in thousands of dollars)	2019
Right-of-use asset at January 1	\$ 429
Additions	24
Depreciation	(36)
Effect of foreign currency exchange differences	(14)
Right-of-use asset at June 30	\$ 403

(unaudited, in thousands of dollars)	2019
Lease liability at January 1	\$ 429
Additions	24
Interest accretion	12
Payments	(32)
Effect of foreign currency exchange differences	(29)
Lease liability at June 30	\$ 404

Depreciation expense for the right-of-use assets is recognized within depreciation and amortization expenses while interest expense for the lease liabilities is recognized within interest expense in the interim condensed consolidated statement of earnings. For the six months ended June 30, 2019, these amounts correspond to the depreciation of \$36 and the interest accretion of \$12 reported in the tables above.

Shown below is a table detailing the components of all cash payments relating to leases following the adoption of IFRS 16:

For the period ended June 30 (unaudited, in thousands of dollars)	2019
Payments - short term leases	\$ 15,100
Payments per IFRS 16	32
Non-lease components per IFRS 16	30
Total cash payments	\$ 15,162

Shown below is a maturity analysis of the lease liabilities:

As at June 30 (unaudited, in thousands of dollars)	2019
Within 1 year	\$ 67
Within 1 to 5 years	168
Over 5 years	169
Total lease liabilities	\$ 404

4. REVENUE

Disaggregated revenue by segment is as follows:

For the three months ended June 30 (unaudited, in thousand of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self- Unloaders	Investment Properties	Corporate	Total
2019						
Contract of Affreightment	\$ 83,918	\$ 10	\$ —	\$ —	\$ —	83,928
Time Charter	2,905	39,933	—	—	—	42,838
Pool Revenue Share	—	—	29,130	—	—	29,130
Other	151	—	—	2,293	829	3,273
	\$ 86,974	\$ 39,943	\$ 29,130	\$ 2,293	\$ 829	159,169

2018						
Contract of Affreightment	\$ 87,853	\$ 815	\$ —	\$ —	\$ —	88,668
Time Charter	1,652	22,698	—	—	—	24,350
Pool Revenue Share	—	—	23,097	—	—	23,097
Other	439	—	—	2,501	387	3,327
	\$ 89,944	\$ 23,513	\$ 23,097	\$ 2,501	\$ 387	139,442

For the six months ended June 30 (unaudited, in thousand of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self- Unloaders	Investment Properties	Corporate	Total
2019						
Contract of Affreightment	\$ 92,720	\$ 10	\$ —	\$ —	\$ —	92,730
Time Charter	11,853	67,003	—	—	—	78,856
Pool Revenue Share	—	—	52,569	—	—	52,569
Other	254	2	—	4,947	1,664	6,867
	\$ 104,827	\$ 67,015	\$ 52,569	\$ 4,947	\$ 1,664	231,022

2018						
Contract of Affreightment	\$ 96,823	\$ 815	\$ —	\$ —	\$ —	97,638
Time Charter	9,967	42,033	—	—	—	52,000
Pool Revenue Share	—	—	42,001	—	—	42,001
Other	1,355	—	—	5,804	1,132	8,291
	\$ 108,145	\$ 42,848	\$ 42,001	\$ 5,804	\$ 1,132	199,930

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

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Contract assets		
Unbilled revenue	\$ 13,006	\$ 4,475

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Contract liabilities		
Deferred revenue	\$ 948	\$ 1,045

5. JOINT VENTURES

The Company has a 50% interest in Marbulk Canada Inc. ("Marbulk"), which owns and operates ocean-going vessels, a 50% interest in NovaAlgoma Cement Carriers Limited ("NACC"), which owns and operates pneumatic cement carriers to support infrastructure projects worldwide, a 50% interest in NovaAlgoma Short-Sea Holdings Ltd. ("NASH"), which owns and manages a fleet of short sea mini-bulkers operating in global markets, and a 50% interest in NovaAlgoma Bulk Holdings Ltd. ("NABH"), which owns and operates a small fleet of handy-size mini-bulkers.

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

For the three months ended June 30 (unaudited, in thousands of dollars)	2019		2018	
	Ocean Self-Unloaders	Global Short Sea Shipping	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	\$ 2,652	\$ 62,471	\$ 3,126	\$ 53,027
Operating expenses	(1,158)	(51,604)	(1,220)	(39,505)
Gain on sale of vessels	—	2,021	—	—
General and administrative	(198)	(2,254)	(127)	(3,495)
Depreciation and amortization	(1,481)	(7,530)	(922)	(4,951)
Interest expense	(350)	(3,022)	(353)	(1,675)
Foreign exchange gain (loss)	(595)	(124)	613	(199)
Compensation for pool vessel retirement	2,989	—	—	—
Other income (expenses)	—	—	—	107
Earnings (loss) before undernoted	1,859	(42)	1,117	3,309
Net earnings of joint ventures	—	516	—	1,209
Net earnings attributable to non-controlling interest	—	505	—	—
Income tax (expense) recovery	(129)	(11)	(150)	(108)
Net earnings	\$ 1,730	\$ 968	\$ 967	\$ 4,410
Company share of net earnings	\$ 865	\$ 484	\$ 484	\$ 2,205
Amortization of vessel purchase price allocation and intangibles	—	(126)	—	(121)
Company share included in net earnings of joint ventures	\$ 865	\$ 358	\$ 484	\$ 2,084

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

For the three months ended June 30 (unaudited, in thousands of dollars)	2019	2018
Ocean Self-Unloaders	\$ 865	\$ 484
Global Short Sea Shipping	358	2,084
	\$ 1,223	\$ 2,568

For the six months ended June 30 (unaudited, in thousands of dollars)	2019		2018	
	Ocean Self-Unloaders	Global Short Sea Shipping	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	\$ 5,182	\$ 124,153	\$ 5,390	\$ 117,675
Operating expenses	(2,896)	(104,215)	(2,700)	(94,988)
Gain on sale of vessels	—	3,195	—	—
General and administrative	(312)	(4,569)	(360)	(4,592)
Depreciation and amortization	(2,517)	(14,023)	(1,839)	(7,660)
Interest expense	(696)	(6,003)	(702)	(2,694)
Foreign exchange (loss) gain	(1,197)	(36)	1,395	(455)
Compensation for pool vessel retirement	2,989	—	—	—
Other (expenses) income	—	—	—	107
(Loss) earnings before undernoted	553	(1,498)	1,184	7,393
Net earnings of joint ventures	—	975	—	1,636
Net earnings attributable to non-controlling interest	—	859	—	—
Income tax (expense) recovery	(279)	(66)	(224)	(315)
Net (loss) earnings	\$ 274	\$ 270	\$ 960	\$ 8,714
Company share of net (loss) earnings	\$ 137	\$ 135	\$ 480	\$ 4,357
Amortization of vessel purchase price allocation and intangibles	—	(251)	—	(391)
Company share included in net (loss) earnings of joint ventures	\$ 137	\$ (116)	\$ 480	\$ 3,966

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

For the six months ended June 30 (unaudited, in thousands of dollars)	2019	2018
Ocean Self-Unloaders	\$ 137	\$ 480
Global Short Sea Shipping	(116)	3,966
	\$ 21	\$ 4,446

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

As at (unaudited, in thousands of dollars)	June 30, 2019		December 31, 2018	
	Ocean Self-Unloaders	Global Short Sea Shipping	Ocean Self-Unloaders	Global Short Sea Shipping
Cash	\$ 10,323	\$ 6,319	\$ 6,472	\$ 18,171
Other current assets	830	45,284	1,518	53,524
Income taxes recoverable	50	24	52	25
Property, plant, and equipment	29,481	431,938	32,666	439,741
Investment in joint ventures	—	18,319	—	17,974
Intangible assets	—	1,146	624	61
Other assets	—	30,393	—	18,046
Current liabilities	(1,768)	(62,003)	(2,410)	(57,851)
Due to owners	(29,192)	—	(30,588)	—
Long-term debt	—	(201,638)	—	(226,061)
Other long-term liabilities	(236)	(18,622)	—	(11,141)
Deferred income taxes	—	(602)	—	(598)
Non-controlling interest	—	(1,406)	—	(2,345)
Net assets of jointly controlled operations	\$ 9,488	\$ 249,152	\$ 8,334	\$ 249,546
Company share of net assets	\$ 4,689	\$ 124,576	\$ 4,167	\$ 124,773
Goodwill and other purchase price adjustments	—	23,602	—	24,349
Company share of joint venture	\$ 4,689	\$ 148,178	\$ 4,167	\$ 149,122

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

	June 30 2019	December 31 2018
As at (unaudited, in thousands of dollars)		
Ocean Self-Unloaders	\$ 4,689	\$ 4,167
Global Short Sea Shipping	148,178	149,122
	\$ 152,867	\$ 153,289

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

	2019		2018	
For the six months ended June 30 (unaudited, in thousands of dollars)				
	Distributions received	Investment in joint ventures	Distributions received	Investment in joint ventures
Ocean Self-Unloaders	\$ —	\$ —	\$ 1,290	\$ (5)
Global Short Sea Shipping	2,078	(7,487)	7,586	(52,317)
	\$ 2,078	\$ (7,487)	\$ 8,876	\$ (52,322)

6. 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)	2019	2018	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

7. FOREIGN CURRENCY GAIN (LOSS)

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	2019	2018	2019	2018
Gain (loss) on foreign denominated cash and debt	\$ 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

8. INCOME TAXES

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	2019	2018	2019	2018
Combined federal and provincial statutory income tax rate	26.5%	26.5%	26.5%	26.5%
Net earnings (loss) before income tax and earnings 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
	\$ (4,203)	\$ (2,622)	\$ 6,230	\$ 902

9. OTHER CURRENT ASSETS

The components of other current assets are as follows:

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Materials and supplies	\$ 9,506	\$ 8,187
Prepaid expenses	9,306	4,401
Loan interest receivable	357	709
Right-of-use assets (Note 3)	19	—
Derivative asset	—	1,571
Contract cancellation receivable	—	68,040
	\$ 19,188	\$ 82,908

10. PROPERTY, PLANT, AND EQUIPMENT

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

Cost (unaudited, in thousands of dollars)	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self- Unloaders	Investment Properties	Total
Balance at December 31, 2018	\$ 17,716	\$ 634,248	\$ 217,597	\$ 260,707	\$ 57,833	\$ 1,188,101
Additions	43	44,021	23,510	135,872	118	203,564
Disposals	—	(71,935)	—	—	—	(71,935)
Fully depreciated assets no longer in use	—	(2,254)	(533)	—	—	(2,787)
Transfer between segments	—	(407)	407	—	—	—
Effect of foreign currency exchange differences	(2)	—	—	(13,093)	—	(13,095)
Balance at June 30, 2019	\$ 17,757	\$ 603,673	\$ 240,981	\$ 383,486	\$ 57,951	\$ 1,303,848

Accumulated depreciation (unaudited, in thousands of dollars)	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self- Unloaders	Investment Properties	Total
Balance at December 31, 2018	\$ 10,856	\$ 219,231	\$ 107,512	\$ 85,883	\$ 38,368	\$ 461,850
Depreciation expense	455	11,493	6,368	9,456	1,332	29,104
Disposals	—	(71,935)	—	—	—	(71,935)
Fully depreciated assets no longer in use	—	(2,254)	(533)	—	—	(2,787)
Effect of foreign currency exchange differences	—	—	—	(4,591)	—	(4,591)
Balance at June 30, 2019	\$ 11,311	\$ 156,535	\$ 113,347	\$ 90,748	\$ 39,700	\$ 411,641

Net Book Value (unaudited, in thousands of dollars)	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self- Unloaders	Investment Properties	Total
June 30, 2019						
Cost	\$ 17,757	\$ 603,673	\$ 240,981	\$ 383,486	\$ 57,951	\$ 1,303,848
Accumulated depreciation	11,311	156,535	113,347	90,748	39,700	411,641
	\$ 6,446	\$ 447,138	\$ 127,634	\$ 292,738	\$ 18,251	\$ 892,207

December 31, 2018						
Cost	\$ 17,716	\$ 634,248	\$ 217,597	\$ 260,707	\$ 57,833	\$ 1,188,101
Accumulated depreciation	10,856	219,231	107,512	85,883	38,368	461,850
	\$ 6,860	\$ 415,017	\$ 110,085	\$ 174,824	\$ 19,465	\$ 726,251

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.

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

(unaudited, in thousands of dollars)	Goodwill		Intangible Assets		Total
Balance at January 1, 2018	\$	7,910	\$	7,921	\$ 15,831
Additions		—		2,414	2,414
Amortization		—		(3,186)	(3,186)
Effect of foreign currency exchange differences		—		594	594
Balance at December 31, 2018	\$	7,910	\$	7,743	\$ 15,653
Additions		—		746	746
Amortization		—		(2,345)	(2,345)
Effect of foreign currency exchange differences		—		(300)	(300)
Balance at June 30, 2019	\$	7,910	\$	5,844	\$ 13,754

Goodwill

As part of a business acquisition in 2011, the Company recognized goodwill of \$7,910 on the allocation of the purchase price, determined as the excess over the fair values of the net tangible and identifiable intangible assets acquired.

Intangible Assets

The Company owns vessels that participate in a self-unloader ocean-going Pool with unrelated parties. From April 2016 to May 2019 other Pool members withdrew certain vessels due to market overcapacity. These vessel owners were compensated for their loss of future earnings resulting from the withdrawal of the vessels. The Company's interest in the Pool increased as a result and its value, which initially was equal to the Company's share of the compensation payable to the other owners, has been recorded as an intangible asset and is being amortized over two to four years.

12. OTHER ASSETS

Other assets consist of the following:

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Loan receivable from joint venture, interest at 4.98%	\$ 14,244	\$ 14,244
Right-of-use assets (Note 3)	384	—
Other	18	17
	\$ 14,646	\$ 14,261

13. OTHER CURRENT LIABILITIES

The components of other current liabilities are as follows:

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Dividends payable	\$ 1,562	\$ 668
Lease obligations (Note 3)	67	—
Compensation payable to Pool members	3,268	128
	\$ 4,897	\$ 796

The compensation payable to other Pool members relates to the retirement of three vessels.

14. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Lease obligations (Note 3)	\$ 337	\$ —
Compensation payable to Pool members	—	3,296
	\$ 337	\$ 3,296

15. LONG-TERM DEBT

	June 30 2019	December 31 2018
As at (unaudited, in thousands of dollars)		
Convertible unsecured subordinated debentures, due June 30, 2024, interest at 5.25%	\$ 79,961	\$ 79,749
Senior Secured Notes, due July 19, 2021		
U.S. \$75,000, interest fixed at 5.11%	98,152	102,315
Canadian \$75,000, interest fixed at 5.52%	75,000	75,000
Bank Facility, due June 21, 2021		
Prime rate loan, interest at 4.65%, payable on demand	80,000	—
Base rate loan, U.S. \$8,000, interest at 6.20%, payable on demand	10,470	—
LIBOR, U.S. \$50,000, interest at 4.11%, due December 4, 2019	65,435	—
Mortgage payable, due March 8, 2023, interest at 4.73%	5,692	5,756
	414,710	262,820
Less: unamortized financing expenses	3,778	4,232
	410,932	258,588
Less: current portion of long-term debt	156,038	130
	\$ 254,894	\$ 258,458

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, 2019 and December 31, 2018 the Company was in compliance with all of its covenants.

16. SHARE CAPITAL

Share capital

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

The Company had 38,193,715 common shares outstanding as at June 30, 2019 (December 31, 2018 - 38,421,615).

At June 30, 2019 and December 31, 2018 there were no preferred shares issued and outstanding.

The Company's Board of Directors on August 7, 2019 authorized payment of a quarterly dividend to shareholders of \$0.10 per common share. The dividend is payable on September 3, 2019 to shareholders of record on August 20, 2019.

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30 (unaudited, in thousands of dollars)	2019	2018	2019	2018
Net earnings (loss)	\$ 22,114	\$ 14,445	\$ (687)	\$ 5,303
Interest expense on debentures, net of tax	986	982	1,962	1,953
Net earnings for diluted earnings per share	\$ 23,100	\$ 15,427	\$ 1,275	\$ 7,256
Basic weighted average common shares	38,324,748	38,516,882	38,368,315	38,533,498
Shares due to dilutive effect of debentures	3,975,473	3,900,709	3,938,091	3,900,709
Diluted weighted average common shares	42,300,221	42,417,591	42,306,406	42,434,207
Basic earnings (loss) per common share	\$ 0.58	\$ 0.38	\$ (0.02)	\$ 0.14
Diluted earnings (loss) per common share	\$ 0.55	\$ 0.36	\$ (0.02)	\$ 0.14

Convertible Debentures

The Company's Board of Directors authorized the payment of a special dividend in the amount of \$0.75 per common share, which was paid on June 3, 2019. The payment of this special dividend triggered an adjustment of \$1.15 to the conversion price of the unsecured debentures, reducing the conversion price per share from \$21.15 to \$20.00. The lower conversion price resulted in an increase in the quantity of issuable shares under conversion from 3,900,709 to 4,125,000.

Normal Course Issuer Bid

On March 15, 2019, the Toronto Stock Exchange accepted Algoma's notice of intention to renew its normal course issuer bid ("NCIB") to purchase up to 1,920,735 of its common shares, representing approximately 5% of the common shares issued and outstanding as of the close of business on March 7, 2019.

Under the NCIB, the Company may purchase up to 1,000 common shares per day, representing 25% of the average daily trading volume for the previous six months. The Company may buy back common shares anytime during the twelve-month period beginning on March 19, 2019 and ending on March 18, 2020. The stated capital of the common shares of \$0.21 per share on the balance sheet equals the approximate paid-up capital amount of the common shares for purposes of the Income Tax Act. The purchase results in a reduction to share capital and a reduction to contributed surplus for the balance of the purchase price and expenses. Both items have been identified separately on the Interim Condensed Consolidated Statement of Changes in Equity.

The Company's previous NCIB, which began on January 29, 2018 and concluded on January 28, 2019, resulted in the repurchase and cancellation of 137,600 common shares.

17. ACCUMULATED OTHER COMPREHENSIVE LOSS

(unaudited, in thousands of dollars)	Hedges			Total
	Net investment	Purchase commitment	Foreign exchange translation	
Balance at December 31, 2017	\$ (13,179)	\$ 665	\$ (10,993)	\$ (23,507)
(Loss) gain	(11,677)	1,914	26,865	17,102
Reclassified to earnings	—	(3,284)	—	(3,284)
Reclassified to property, plant, and equipment	—	(72)	—	(72)
Income tax (expense) recovery	(1,861)	777	—	(1,084)
Net (loss) gain	(13,538)	(665)	26,865	12,662
Balance at December 31, 2018	\$ (26,717)	\$ —	\$ 15,872	\$ (10,845)
Gain (loss)	5,078	—	(17,860)	(12,782)
Income tax expense	(673)	—	—	(673)
Net gain (loss)	4,405	—	(17,860)	(13,455)
Balance at June 30, 2019	\$ (22,312)	\$ —	\$ (1,988)	\$ (24,300)

18. SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

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

For the six months ended June 30 (unaudited, in thousands of dollars)	Notes	2019	2018
Additions to property, plant, and equipment	10	\$ (203,564)	\$ (42,696)
Capitalized interest	6	699	4,568
Amounts included in working capital		675	6,097
		\$ (202,190)	\$ (32,031)

19. COMMITMENTS

The Company has commitments to construct one gearless bulk carrier and, through its interest in a joint venture, additional six bulk carriers. Payments for the gearless bulk carrier are \$4,463 (\$3,410 US) in 2019, \$7,015 (\$5,360 USD) in 2020, and \$21,044 (\$16,080 USD) in 2021. The Company's share of payments for the other bulk carriers are \$6,046 (\$4,620 US) in 2019 and \$18,453 (\$14,100 US) in 2020.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

Financial instruments that are measured at fair value are classified into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 and that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers into or out of Level 1, 2 or 3 during the periods.

Fair Value

The carrying value and fair value of financial assets and financial liabilities are as follows:

As at (unaudited, in thousands of dollars)	June 30 2019	December 31 2018
Financial assets carrying and fair value:		
Cash and cash equivalents	\$ 26,670	\$ 25,539
Accounts receivable	\$ 82,089	\$ 72,714
Derivative asset	\$ —	\$ 1,571
Contract cancellation receivable	\$ —	\$ 68,040
Loan interest receivable	\$ 357	\$ 709
Other assets	\$ 14,262	\$ 14,261
Financial liabilities carrying and fair value:		
Accounts payable and accrued charges	\$ 84,682	\$ 67,032
Dividends payable	\$ 1,562	\$ 668
Compensation payable to Pool members	\$ 3,268	\$ 3,296
Carrying value of long-term debt	\$ 414,710	\$ 262,820
Fair value of long-term debt	\$ 423,881	\$ 267,287

Risk Management and Financial Instruments

The Company is exposed to various risks arising from financial instruments. The following analysis provides a measurement of those risks.

Liquidity risk

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

(in thousands of dollars)	2019	2020	2021	2022	2023 and Beyond	Total
Long-term debt including equity component	\$ 155,971	\$ 136	\$ 173,295	\$ 150	\$ 87,697	\$ 417,249
Capital asset commitments	10,509	25,467	21,044	—	—	57,020
Interest payments on long-term debt	8,034	13,751	9,580	4,581	6,557	42,503
	\$ 174,514	\$ 39,354	\$ 203,919	\$ 4,731	\$ 94,254	\$ 516,772

Foreign currency exchange risk

At June 30, 2019 and December 31, 2018, approximately 42% and 38% respectively of the Company's total assets were denominated in U.S. dollars, including U.S. cash of \$8,915 and \$10,676 at June 30, 2019 and December 31, 2018, respectively.

The Company has significant commitments due for payment in U.S. dollars. For payments due in U.S. dollars, the Company mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt.

As of December 31, 2018 the Company had U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of \$14,000 and fair value gain of \$1,571). As of June 30, 2019 the Company did not have any U.S. dollar denominated foreign exchange forward contracts outstanding.

21. SEGMENT DISCLOSURES

The Company operates through six segments; Domestic Dry-Bulk, Product Tankers, Ocean Self-Unloaders, Global Short Sea Shipping, Investment Properties and Corporate. The segment operating results include fully consolidated subsidiaries and interests in jointly controlled entities. Segment disclosures are based on how the Chief Executive Officer views operating results and how decisions are made about resources to be allocated to operating segments.

The following presents the Company's results by reportable segment.

	Domestic Dry-Bulk	Product Tankers	Ocean Self- Unloaders	Corporate	Investment Properties	Global Short Sea Shipping	Total
For the three months ended June 30, 2019 (unaudited, in thousands of dollars)							
Revenue	\$ 86,974	\$ 39,943	\$ 29,130	\$ 829	\$ 2,293	\$ —	\$ 159,169
Operating expenses	(59,536)	(28,586)	(17,848)	(230)	(1,539)	—	(107,739)
Selling, general and administrative	(2,849)	(1,000)	(472)	(2,390)	—	—	(6,711)
	24,589	10,357	10,810	(1,791)	754	—	44,719
Depreciation and amortization	(6,019)	(3,226)	(6,494)	(240)	(657)	—	(16,636)
Interest, net	—	—	—	(4,523)	—	—	(4,523)
Foreign currency gain	—	—	—	1,534	—	—	1,534
	18,570	7,131	4,316	(5,020)	97	—	25,094
Income tax (expense) recovery	(4,792)	(1,350)	2	1,906	31	—	(4,203)
Net earnings of joint ventures	—	—	865	—	—	358	1,223
Net earnings (loss)	\$ 13,778	\$ 5,781	\$ 5,183	\$ (3,114)	\$ 128	\$ 358	\$ 22,114
For the six months ended June 30, 2019 (unaudited, in thousands of dollars)							
Revenue	\$ 104,827	\$ 67,015	\$ 52,569	\$ 1,664	\$ 4,947	\$ —	\$ 231,022
Operating expenses	(94,606)	(49,814)	(33,978)	(467)	(3,485)	—	(182,350)
Selling, general and administrative	(5,754)	(2,056)	(931)	(6,840)	—	—	(15,581)
	4,467	15,145	17,660	(5,643)	1,462	—	33,091
Depreciation and amortization	(11,505)	(6,366)	(11,915)	(481)	(1,333)	—	(31,600)
Interest, net	—	—	—	(7,825)	—	—	(7,825)
Foreign currency loss	—	—	—	(604)	—	—	(604)
	(7,038)	8,779	5,745	(14,553)	129	—	(6,938)
Income tax recovery (expense)	2,090	(1,787)	4	5,901	22	—	6,230
Net earnings (loss) of joint ventures	—	—	137	—	—	(116)	21
Net (loss) earnings	\$ (4,948)	\$ 6,992	\$ 5,886	\$ (8,652)	\$ 151	\$ (116)	\$ (687)
As at June 30, 2019 (unaudited, in thousands of dollars)							
Assets							
Current assets	\$ 70,702	\$ 9,075	\$ 16,986	\$ 47,022	\$ 8,712	\$ —	\$ 152,497
Property, plant, and equipment	447,138	127,634	292,738	6,446	18,251	—	892,207
Goodwill and intangible assets	7,910	—	5,844	—	—	—	13,754
Investment in joint ventures	—	—	4,689	—	—	148,178	152,867
Other assets	21	—	7	14,618	—	—	14,646
	\$ 525,771	\$ 136,709	\$ 320,264	\$ 68,086	\$ 26,963	\$ 148,178	\$ 1,225,971
Liabilities							
Current liabilities	\$ 54,616	\$ 16,069	\$ 11,581	\$ 11,210	\$ 898	\$ —	\$ 94,374
Current portion of long-term debt	—	—	—	156,038	—	—	156,038
Long-term liabilities	35,603	14,797	74	27,099	3,057	—	80,630
Long-term debt	—	—	—	254,894	—	—	254,894
	90,219	30,866	11,655	449,241	3,955	—	585,936
Shareholders' Equity	435,552	105,843	308,609	(381,155)	23,008	148,178	640,035
	\$ 525,771	\$ 136,709	\$ 320,264	\$ 68,086	\$ 26,963	\$ 148,178	\$ 1,225,971

		Domestic Dry-Bulk	Product Tankers	Ocean Self- Unloaders	Corporate	Investment Properties	Global Short Sea Shipping	Total
For the three months ended June 30, 2018 (unaudited, in thousands of dollars)								
Revenue	\$	89,944	\$ 23,513	\$ 23,097	\$ 387	\$ 2,501	\$ —	\$ 139,442
Operating expenses		(60,109)	(18,175)	(15,701)	(118)	(1,712)	—	(95,815)
Selling, general and administrative		(2,830)	(706)	(348)	(3,239)	—	—	(7,123)
		27,005	4,632	7,048	(2,970)	789	—	36,504
Depreciation and amortization		(6,114)	(2,221)	(4,735)	(223)	(676)	—	(13,969)
Interest, net		—	—	—	(3,084)	—	—	(3,084)
Foreign currency loss		(2,828)	—	—	(2,124)	—	—	(4,952)
		18,063	2,411	2,313	(8,401)	113	—	14,499
Income tax (expense) recovery		(5,391)	(617)	5	3,403	(22)	—	(2,622)
Net earnings of joint ventures		—	—	484	—	—	2,084	2,568
Net earnings (loss)	\$	12,672	\$ 1,794	\$ 2,802	\$ (4,998)	\$ 91	\$ 2,084	\$ 14,445
For the six months ended June 30, 2018 (unaudited, in thousands of dollars)								
Revenue	\$	108,145	\$ 42,848	\$ 42,001	\$ 1,132	\$ 5,804	\$ —	\$ 199,930
Operating expenses		(92,692)	(33,383)	(27,876)	(245)	(3,674)	—	(157,870)
Selling, general and administrative		(5,634)	(1,443)	(1,081)	(6,118)	—	—	(14,276)
		9,819	8,022	13,044	(5,231)	2,130	—	27,784
Depreciation and amortization		(10,785)	(4,684)	(9,260)	(483)	(1,472)	—	(26,684)
Interest, net		—	—	—	(4,484)	—	—	(4,484)
Foreign currency gain		1,756	—	—	1,583	—	—	3,339
		790	3,338	3,784	(8,615)	658	—	(45)
Income tax (expense) recovery		(206)	(863)	4	2,133	(166)	—	902
Net earnings of joint ventures		—	—	480	—	—	3,966	4,446
Net earnings (loss)	\$	584	\$ 2,475	\$ 4,268	\$ (6,482)	\$ 492	\$ 3,966	\$ 5,303
As at December 31, 2018 (unaudited, in thousands of dollars)								
Assets								
Current assets	\$	57,247	\$ 8,224	\$ 15,599	\$ 111,622	\$ 7,295	\$ —	\$ 199,987
Property, plant, and equipment		415,017	110,085	174,824	6,860	19,465	—	726,251
Goodwill and intangible assets		7,910	—	7,743	—	—	—	15,653
Investment in joint ventures		—	—	4,167	—	—	149,122	153,289
Other assets		—	—	6	16,707	—	—	16,713
	\$	480,174	\$ 118,309	\$ 202,339	\$ 135,189	\$ 26,760	\$ 149,122	\$ 1,111,893
Liabilities								
Current liabilities	\$	36,756	\$ 12,412	\$ 9,717	\$ 15,171	\$ 1,115	\$ —	\$ 75,171
Current portion of long-term debt		—	—	—	130	—	—	130
Long-term liabilities		33,441	15,722	3,715	19,644	3,057	—	75,579
Long-term debt		—	—	—	258,458	—	—	258,458
		70,197	28,134	13,432	293,403	4,172	—	409,338
Shareholders' Equity		409,977	90,175	188,907	(158,214)	22,588	149,122	702,555
	\$	480,174	\$ 118,309	\$ 202,339	\$ 135,189	\$ 26,760	\$ 149,122	\$ 1,111,893

Certain comparative figures have been reclassified to conform to the current year presentation which reflects the measures reviewed by the chief operating decision maker.

22. SHARE-BASED COMPENSATION

The Company maintains a stock option program for certain key employees. Options on common shares are periodically granted to eligible employees under the plan for terms of 5 years and cliff vest on the third anniversary of the grant date. These options provide holders with the right to purchase common shares of the Company at a fixed price equal to the closing market price of the shares on the day prior to the date the options were issued. Under this plan, 1,920,736 common shares have been reserved for future issuance. The outstanding options expire on various dates to March 1, 2024. The following table summarizes the Company's stock option activity and related information for the period ended June 30, 2019 and year ended December 31, 2018.

As at (unaudited, in thousands of dollars, except per share data and number of shares)	June 30, 2019		December 31, 2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Stock Option Activity				
Number outstanding, beginning of period	250,000	\$ 15.06	—	\$ —
Granted	130,000	13.15	250,000	15.06
Forfeited/cancelled	(150,000)	15.06	—	—
Number outstanding, end of period	230,000	\$ 13.98	250,000	\$ 15.06

The following table summarizes information relating to stock options outstanding as at June 30, 2019.

(unaudited, amounts not stated in thousands)	Options outstanding	
	Number of shares	Remaining contractual life (years)
Exercise price per share		
\$13.15	130,000	4.67
\$15.06	100,000	3.86

For the period ended June 30, 2019, the Company recognized compensation expense for stock option awards of (\$24) (December 31, 2018 - \$110). For the period ended June 30, 2019, 130,000 (December 31, 2018 - 250,000) options were granted by the Company at a weighted average fair value of \$1.45 per option (December 31, 2018 - \$1.98).

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