

ALGOMA CENTRAL CORPORATION INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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



ALGOMA CENTRAL CORPORATION

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

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

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

Interim Condensed Consolidated Statement of Earnings

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

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Earnings

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

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheet

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

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

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

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

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

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

1. Organization and Description of Business

Algoma Central Corporation (the "Company") is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Company's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 2021 and 2020 comprise the Company, its subsidiaries and the Company's interests in associated and jointly controlled entities.

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

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

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Company's 18-vessel fleet. The dry-bulk vessels carry cargoes of raw materials such as iron ore, grain, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes the operational management of vessels owned by other ship owners.

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

The Ocean Self-Unloaders marine transportation segment includes ownership interests in eight ocean-going self-unloading vessels. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide trades in the ocean Pool.

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

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

2. Statement of Compliance

The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Company's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2020 and 2019. The financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2020 and 2019.

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

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

3. Use of Critical Accounting Estimates and Judgements

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

4. Revenue

Disaggregated revenue by segment is as follows:

For the three months ended June 30 (unaudited, in thousand of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self- Unloaders	Investment Properties	Corporate	Total
2021						
Contract of Affreightment	\$ 95,633	\$ —	\$ —	\$ —	\$ —	95,633
Time Charter	1,082	28,622	—	—	—	29,704
Pool Revenue Share	—	—	40,006	—	—	40,006
Other	140	66	—	1,407	731	2,344
	\$ 96,855	\$ 28,688	\$ 40,006	\$ 1,407	\$ 731	\$ 167,687

2020						
Contract of Affreightment	\$ 78,623	\$ 538	\$ —	\$ —	\$ —	79,161
Time Charter	40	35,483	—	—	—	35,523
Pool Revenue Share	—	—	33,518	—	—	33,518
Other	294	—	—	1,997	777	3,068
	\$ 78,957	\$ 36,021	\$ 33,518	\$ 1,997	\$ 777	\$ 151,270

For the six months ended June 30 (unaudited, in thousand of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self- Unloaders	Investment Properties	Corporate	Total
2021						
Contract of Affreightment	\$ 109,812	\$ —	\$ —	\$ —	\$ —	109,812
Time Charter	11,369	46,839	—	—	—	58,208
Pool Revenue Share	—	—	72,501	—	—	72,501
Other	227	66	—	3,000	1,472	4,765
	\$ 121,408	\$ 46,905	\$ 72,501	\$ 3,000	\$ 1,472	\$ 245,286

2020						
Contract of Affreightment	\$ 89,162	\$ 1,356	\$ —	\$ —	\$ —	90,518
Time Charter	10,481	59,090	—	—	—	69,571
Pool Revenue Share	—	—	69,895	—	—	69,895
Other	409	—	—	4,443	1,531	6,383
	\$ 100,052	\$ 60,446	\$ 69,895	\$ 4,443	\$ 1,531	\$ 236,367

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

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

5. Other Items

The components of other items are as follow:

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

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

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

6. Joint Ventures

The Company has a 50% interest in Marbulk Canada Inc. ("Marbulk"), which owns and operates ocean-going vessels, a 50% interest in NovaAlgoma Cement Carriers Limited ("NACC"), which owns and operates pneumatic cement carriers to support infrastructure projects worldwide, a 50% interest in NovaAlgoma Short-Sea Holdings Ltd. ("NASC"), which owns and manages a fleet of short sea mini-bulkers operating in global markets, and a 50% interest in NovaAlgoma Bulk Holdings Ltd. ("NABH"), which owns and operates a small fleet of handy-size mini-bulkers. In the tables below, Marbulk results are presented in "Ocean Self-Unloaders" and all NovaAlgoma joint ventures are presented in "Global Short Sea Shipping".

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. Interest Expense

The components of interest expense are as follows:

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

8. Net Gain from Insurance Settlement

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

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

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

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

9. Foreign Currency Gain (Loss)

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

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

10. Income Taxes

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

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

11. Leases

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

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

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

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

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

12. Other Current Assets

The components of other current assets are as follows:

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

13. Property, Plant, and Equipment

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

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

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

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

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

14. Goodwill

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

15. Other Assets

Other assets consist of the following:

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

16. Other Current Liabilities

The components of other current liabilities are as follows:

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

17. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

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

18. Long-Term Debt

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

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

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

19. Share Capital

Share capital

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

The Company had 37,800,943 common shares outstanding as at June 30, 2021 (December 31, 2020 - 37,800,943).

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

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

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

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

Normal Course Issuer Bid

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

Under the NCIB, the Company may purchase up to 3,163 common shares per day, representing 25% of the average daily trading volume for the previous six months. The Company may buy back common shares anytime during the twelve-month period beginning on March 19, 2021 and ending on March 18, 2022. The stated capital of the common shares of \$0.21 per share on the balance sheet equals the approximate paid-up capital amount of the common shares for purposes of the Income Tax Act. The purchase results in a reduction to share capital and a reduction to contributed surplus for the balance of the purchase price and expenses. Both items have been identified separately on the Interim Condensed Consolidated Statement of Changes in Equity.

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

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

20. Accumulated Other Comprehensive Loss

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

21. Supplementary Disclosure of Cash Flow Information

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

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

22. Commitments

The commitments of the Company are as follows:

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

23. Financial Instruments and Risk Management

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

Fair Value

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

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

The derivative liabilities were classified as Level 2.

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

Liquidity Risk

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

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

Foreign Exchange Risk

At June 30, 2021, approximately 38% (December 31, 2020 - 40%) of the Company's total assets were denominated in U.S. dollars, including U.S. cash of \$28,697 and \$46,373 at June 30, 2021 and December 31, 2020, respectively.

The Company has significant commitments due for payment in U.S. dollars. For payments due in U.S. dollars, the Company mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt. The Company also utilizes foreign exchange forward contracts as a hedge on purchase commitments to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join our Canadian flag domestic dry-bulk fleet.

At June 30, 2021 the Company had U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of \$39,420 USD (December 31, 2020 - \$17,500 USD) and fair value gain of \$1,160 (December 31, 2020 - loss of \$1,296).

24. Segment Disclosures

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

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

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

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

As at June 30, 2021 (unaudited, in thousands of dollars)

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

As at December 31, 2020 (unaudited, in thousands of dollars)

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

25. Share-Based Compensation

The Company maintains a stock option program for certain key employees. Options on common shares are periodically granted to eligible employees under the plan for terms of 5 years and cliff vest on the third anniversary of the grant date. These options provide holders with the right to purchase common shares of the Company at a fixed price equal to the closing market price of the shares on the day prior to the date the options were issued. Under this plan, 1,890,047 common shares have been reserved for future issuance. The outstanding options expire on various dates to February 26, 2026. The following table summarizes the Company's stock option activity and related information for the periods ended June 30, 2021 and December 31, 2020.

Stock Option Activity As at (unaudited, amounts not stated in thousands)	June 30, 2021		December 31, 2020	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Number outstanding, beginning of period	343,542	\$ 13.13	230,000	\$ 13.43
Granted	112,668	14.69	113,542	12.52
Exercised	(100,000)	(12.74)	—	—
Exercise price adjustment	—	(1.77)	—	—
Number outstanding, end of period	356,210	\$ 12.03	343,542	\$ 13.13

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

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

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

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

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



2021

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