

ALGOMA CENTRAL CORPORATION

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three and Six Months Ended June 30, 2024 and 2023



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TABLE OF CONTENTS

General	1
Business Profile	1
Important Information About This MD&A	1
Select Financial and Operational Highlights	4
Business Segment Discussion	
Domestic Dry-Bulk	6
Product Tankers	7
Ocean Self-Unloaders	8
Global Short Sea Shipping	9
Corporate	11
Consolidated	11
Contingencies	12
Capital Resources	12
Transactions with Related Parties	12
Financial Condition, Liquidity and Capital Resources	12
Normal Course Issuer Bid	13
Commitments	13
Disclosure Controls and Procedures and Internal Controls over Financial Reporting	14
Adoption of New and Amended Accounting Pronouncements	14

General

This Management's Discussion and Analysis ("MD&A") of the Company should be read in conjunction with its Interim Condensed Consolidated Financial Statements for the three and six months ended June 30, 2024 and 2023 and related notes thereto and has been prepared as at August 1, 2024.

This MD&A has been prepared by reference to the disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on the Company, including its 2023 Annual Information Form, is available on SEDAR's website at www.sedarplus.ca and on the Company's website at www.algonet.com.

Business Profile

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

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

The Product Tankers fleet consists of seven product tankers employed in Canadian flag service, one tanker on dry-dock and expected to join the Canadian fleet in July, and one tanker currently under international bareboat charter. The segment also includes the Company's 50% interest in a new international joint venture comprising ten tankers, including nine which are under construction, and an interest in a foreign-flagged tanker. Customers include major oil refiners, leading wholesale distributors, and large consumers of petroleum products.

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

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

The Corporate segment consists of the Company's head office expenditures, third party management services, other administrative functions of the Company, and earnings from a joint venture in a mechanical, machining, and fabrication shop. Effective from January 1, 2024, the Company has aggregated the remaining balances of the Investment Properties segment with the Corporate segment as Investment Properties no longer meets the definition of a reportable segment. The comparative information for the Investment Properties segment has been reclassified to conform to the current financial statement presentation.

Impact of Seasonality on the Company

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

Important Information About This MD&A

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

Forward-Looking Statements

Algoma Central Corporation's public communications often include written or oral forward-looking statements. Statements of this type are included in this document and may be included in other filings with Canadian securities regulators or in other communications. All such statements are made pursuant to the safe harbour provisions of any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2024 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price and the results of or outlook for our operations or for the Canadian, U.S. and global economies. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

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

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to:

- labour disputes that could affect the operations infrastructure upon which the Company relies;

- the impact of climate change on markets served by our customers, including the impact of drought conditions on agricultural outputs and the impact of winter conditions on production and/or sale of certain commodities;
- general economic and market conditions in the countries in which we operate;
- our success in maintaining and securing our information technology systems, including communications and data processing from accidental and malicious threats;
- our success in securing contract renewals and maintaining existing freight rates with existing customers;
- our success in securing contracts with new customers at acceptable freight rates;
- evolving regulations focused on carbon emissions and ballast water treatment that could require capital investments and increase costs that may not be recoverable from revenues;
- our ability to attract and retain qualified employees;
- interest rate and currency value fluctuations;
- our ability to execute our strategic plans and to complete and integrate acquisitions;
- critical accounting estimates;
- operational and infrastructure risks, including on-going maintenance and operational reliability of the St. Lawrence Seaway;
- on-time and on-budget delivery of new ships from shipbuilders;
- general political conditions;
- labour relations with our unionized workforce;
- the possible effects on our business of war or terrorist activities;
- disruptions to public infrastructure, such as transportation, communications, power or water supply, including water levels;
- technological changes;
- significant competition in the shipping industry and from other transportation providers;
- reliance on partnering relationships;
- appropriate maintenance and repair of our existing fleet by third-party contractors;
- health and safety regulations that affect our operations can change and be onerous and the risk of safety incidents can affect results;
- a change in applicable laws and regulations, including environmental regulations, could materially affect our results;
- economic conditions may prevent us from realizing sufficient investment returns to fund our defined benefit plans at the required levels;
- our ability to raise new equity and debt financing, if required;
- general weather conditions or natural disasters;
- the seasonal nature of our business; and,
- risks associated with the lease and ownership of real estate.

This should not be considered a complete list of all risks to which the Company may be subject from time to time. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements.

The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at the dates presented, our strategic priorities, and our objectives, and may not be appropriate for other purposes.

For more information, please see the discussion of risks and uncertainties in the Company's Annual Information Form for the year ended December 31, 2023, which outlines in detail, certain key factors that may affect the Company's future results. The Annual Information Form can be found on the Company's website at www.algonet.com and on SEDAR's website at www.sedarplus.ca.

Ocean Self-Unloaders

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

Joint Ventures

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

Non-GAAP Measures

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

EBITDA

EBITDA is not intended to represent cash flow from operations, and it should not be considered as an alternative to net earnings, cash flow from operations, or any other measure of performance prescribed by IFRS. Management considers EBITDA to be a meaningful measure to assess its operating performance in addition to other IFRS measures. It is included because Management believes it can be useful in measuring its ability to service debt, fund capital expenditures, expand its business, and is a similar metric used by credit providers in the financial covenants of the Company's senior secured long-term debt.

Free Cash Flow

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

Select Financial and Operational Performance

Statistical operating data are unaudited and based on data available at such time and are subject to change as more complete information becomes available. Definitions of each measure are included within the Company's Management Discussion & Analysis.

Select Financial and Operational Highlights

Financial Highlights

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Reported revenue	\$ 180,968	\$ 202,406	\$ 290,182	\$ 314,010	\$ (21,438)	\$ (23,828)
Freight revenue ⁽¹⁾	220,302	239,158	360,573	384,571	(18,856)	(23,998)
Operating earnings (loss)	15,924	36,199	(12,629)	3,860	(20,275)	(16,489)
Net earnings	17,464	33,144	211	13,504	(15,680)	(13,293)
Basic earnings per share	0.44	0.86	0.01	0.35	(0.42)	(0.34)
Diluted earnings per share	0.44	0.79	0.01	0.35	(0.35)	(0.34)
EBITDA ⁽²⁾	48,967	65,204	48,104	57,365	(16,237)	(9,261)
Free Cash Flow ⁽³⁾	23,440	13,787	20,275	(4,451)	9,653	24,726

As at	June 30		December 31	
	2024	2023	2024	2023
Common shares outstanding	40,567,816	38,649,996	1,917,820	
Total assets	\$ 1,450,024	\$ 1,344,156	\$ 105,868	
Total long-term financial liabilities	\$ 357,014	\$ 377,021	\$ (20,007)	

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

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

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

Operational Highlights

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

For the periods ended June 30	Three Months Ended		Six Months Ended	
	2024	2023	2024	2023
Total cargo carried (metric tonnes in thousands) ⁽¹⁾	11,460	12,833	19,315	20,135
Tonne-kilometres travelled (in thousands) ⁽²⁾	11,001	12,362	18,144	18,337
Operating days ⁽³⁾	2,625	2,926	4,408	4,742
Vessel productivity ⁽⁴⁾				
Domestic Dry-Bulk	95 %	98 %	92 %	94 %
Product Tankers	96 %	92 %	97 %	92 %
Ocean Self-Unloaders	100 %	100 %	100 %	99 %
Vessel capacity utilization ⁽⁵⁾				
Domestic Dry-Bulk	82 %	99 %	85 %	98 %
Product Tankers	100 %	100 %	100 %	100 %
Ocean Self-Unloaders	100 %	100 %	100 %	100 %

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

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

(3) Operating days are calculated as the number of available days in the reporting period minus the aggregate number of days that the vessels are off-hire due to unforeseen circumstances.

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

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

EBITDA

The Company uses EBITDA as a measure of the cash-generating capacity of its businesses. The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure for the three and six months ended June 30, 2024 and 2023, and presented herein:

For the periods ended June 30	Three Months Ended		Six Months Ended	
	2024	2023	2024	2023
Net earnings	\$ 17,464	\$ 33,144	\$ 211	\$ 13,504
<i>Adjustments to net earnings, excluding joint ventures:</i>				
Depreciation and amortization	18,122	16,495	35,250	32,491
Interest expense, net	4,646	4,550	8,397	8,710
Gain (loss) on sale of assets	(57)	123	(421)	(4,613)
Foreign exchange gain (loss)	291	(3,619)	168	(3,989)
Income tax recovery (expense)	606	7,747	(10,407)	(1,717)
<i>Joint venture adjustments:</i>				
Interest expense, net	1,639	1,034	2,575	2,129
Foreign exchange loss	31	66	321	83
Depreciation and amortization	5,494	4,706	10,696	9,657
Income tax expense	1,543	958	2,111	1,110
Gain on sale of asset	(812)	—	(797)	—
EBITDA⁽¹⁾	\$ 48,967	\$ 65,204	\$ 48,104	\$ 57,365

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

Revenues

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Reported Revenue	\$ 180,968	\$ 202,406	\$ 290,182	\$ 314,010	\$ (21,438)	\$ (23,828)
Freight revenue ⁽¹⁾						
Domestic Dry-Bulk	\$ 103,624	\$ 126,584	\$ 134,593	\$ 161,083	\$ (22,960)	\$ (26,490)
Product Tankers	39,072	29,285	74,810	61,908	9,787	12,902
Ocean Self-Unloaders	43,753	48,145	87,689	93,560	(4,392)	(5,871)
Global Short Sea Shipping	33,853	35,144	63,481	68,020	(1,291)	(4,539)
Total freight revenue	\$ 220,302	\$ 239,158	\$ 360,573	\$ 384,571	\$ (18,856)	\$ (23,998)

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

Domestic Dry-Bulk Segment

Financial Performance

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Revenue	\$ 103,931	\$ 126,584	\$ 135,005	\$ 161,083	\$ (22,653)	\$ (26,078)
Operating expenses	(77,644)	(84,172)	(133,975)	(142,289)	6,528	8,314
Selling, general and administrative	(3,511)	(3,203)	(7,483)	(6,773)	(308)	(710)
Depreciation and amortization	(6,852)	(6,403)	(13,239)	(12,859)	(449)	(380)
Operating earnings (loss)	15,924	32,806	(19,692)	(838)	(16,882)	(18,854)
Income tax recovery (expense)	(4,168)	(8,694)	5,222	240	4,526	4,982
Net earnings (loss)	\$ 11,756	\$ 24,112	\$ (14,470)	\$ (598)	\$ (12,356)	\$ (13,872)

Operational Performance

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Volumes (metric tonnes in thousands)						
Power Generation	20	46	20	51	(26)	(31)
Iron and steel	2,364	2,547	3,209	3,333	(183)	(124)
Construction	924	1,444	924	1,493	(520)	(569)
Agriculture	973	1,090	1,162	1,239	(117)	(77)
Salt	963	1,382	1,792	2,102	(419)	(310)
Total volumes	5,244	6,509	7,107	8,218	(1,265)	(1,111)
Revenue Days	1,327	1,673	1,742	2,113	(346)	(371)
Operating Days	1,390	1,708	1,886	2,246	(318)	(360)

EBITDA

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the three and six months ended June 30, 2024 and 2023 and presented herein:

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Net earnings (loss)	\$ 11,756	\$ 24,112	\$ (14,470)	\$ (598)	\$ (12,356)	\$ (13,872)
Adjustments to net earnings (loss):						
Depreciation and amortization	6,852	6,403	13,239	12,859	449	380
Income tax expense (recovery)	4,168	8,694	(5,222)	(240)	(4,526)	(4,982)
EBITDA ⁽¹⁾	\$ 22,776	\$ 39,209	\$ (6,453)	\$ 12,021	\$ (16,433)	\$ (18,474)

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

2024 Second Quarter Compared to the Corresponding Period in 2023

The decrease in revenue was driven by a 19% reduction in volumes across all sectors, resulting in a 21% decrease in revenue days. The most significant contributors to this downturn were reduced demand for construction materials and salt cargoes during the quarter. Volumes of aggregates and related materials were affected by a general softness in the construction industry, while salt volumes were reduced after a series of mild winters, including an exceptionally warm winter this past season, leading to full salt depots and consequent production cuts by our major customer. Additionally, global iron ore prices are down, resulting in lower export ore volumes this quarter.

To mitigate the impact of the lower demand, three of Algoma's least efficient vessels have remained in layup and will be deployed in alignment with customer requirements later this year.

Operating costs were lower during the quarter, primarily due to a 23% decrease in operating days as a result of the lower volumes. This was partially offset by increased spending on planned layups and higher crew costs compared to prior year. The rise in crew costs continues to be driven by increased investments in crew training and higher wages, which reflect inflation-related adjustments.

Outlook

Looking ahead, we expect a continued soft demand for de-icing salt volumes due to the record mild winters across the Great Lakes - St. Lawrence region. Weaker prices for export iron ore and construction raw materials are also expected to continue to limit cargo volume compared to last year. There are positive indicators that domestic iron ore volumes will improve and a strong seasonal increase in grain shipments is expected due to improved soil moisture levels creating potential for a large 2024 grain crop, leading to the deployment of three additional vessels that are currently in temporary lay-up.

Product Tankers Segment

Financial Performance

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Revenue	\$ 33,600	\$ 28,046	\$ 67,646	\$ 60,128	\$ 5,554	\$ 7,518
Operating expenses	(29,339)	(21,924)	(53,789)	(47,813)	(7,415)	(5,976)
Selling, general and administrative	(1,488)	(1,273)	(3,147)	(2,729)	(215)	(418)
Depreciation and amortization	(4,377)	(3,771)	(8,337)	(7,363)	(606)	(974)
Operating earnings (loss)	(1,604)	1,078	2,373	2,223	(2,682)	150
Gain on sale of vessels	57	(148)	421	4,588	205	(4,167)
Income tax recovery (expense)	703	(751)	191	(2,264)	1,454	2,455
Net earnings from investment in joint venture	606	231	729	350	375	379
Net earnings (loss)	\$ (238)	\$ 410	\$ 3,714	\$ 4,897	\$ (648)	\$ (1,183)

Operational Performance⁽¹⁾

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Volume (metric tonnes in thousands)						
Petroleum products	897	620	1,724	1,347	277	377
Total volume	897	620	1,724	1,347	277	377
Revenue days	569	528	1,187	1,132	41	55
Operating days	592	571	1,229	1,225	21	4

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

EBITDA

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the three and six months ended June 30, 2024 and 2023, and presented herein:

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Net earnings (loss)	\$ (238)	\$ 410	\$ 3,714	\$ 4,897	\$ (648)	\$ (1,183)
Adjustments to net earnings:						
Depreciation and amortization	4,377	3,771	8,337	7,363	606	974
Income tax expense (recovery)	(703)	751	(191)	2,264	(1,454)	(2,455)
(Gain) loss on sale of vessels	(57)	148	(421)	(4,588)	(205)	4,167
Joint venture:						
Interest, net	671	—	671	—	671	671
Depreciation and amortization	657	310	1,132	310	347	822
Foreign exchange (gain) loss	(71)	139	150	139	(210)	11
EBITDA ⁽¹⁾	\$ 4,636	\$ 5,529	\$ 13,392	\$ 10,385	\$ (893)	\$ 3,007

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

2024 Second Quarter Compared to the Corresponding Period in 2023

The increase in revenue was driven by higher rates on new vessels and an 8% increase in revenue days, with six vessels operating at full capacity in 2024, compared to five during the second quarter of 2023. Additionally, the segment had two vessels operating on international bareboat charters for part of the quarter versus one in the prior year period.

Operating costs were higher this quarter due to a 4% increase in operating days and increased layup and crew spending. Higher layup costs were driven by the regulatory dry-docking of the *Algosolis* and *Algoscotia*, including essential work to prepare the *Algosolis* for Canadian service. Additional expenses for crew onboarding and training for the *Algosolis*, ensuring a well-trained and fully-staffed crew, also contributed to the increase. Higher wages, reflecting inflation-related adjustments this year, continue to impact operating costs.

Joint venture earnings increased due to the addition of one vessel, the *Fure Vanguard*, operating under FureBear. The vessel joined the fleet in the first quarter of 2024 and is the first of 10 newbuild product tankers to enter operations.

During the first quarter of 2023, the *Algoma Hansa* and the *Algonorth* were sold, resulting in a \$4,588 gain that is reflected in the 2023 year-to-date earnings.

Outlook

We expect customer demand in the segment to remain steady in 2024 and for fuel distribution patterns within Canada to support strong vessel utilization for the vessels trading under Canadian flag throughout the year. The fleet is expected to be in full deployment in the second half of the year, with eight vessels in operations.

In January, the Company acquired two 2009-built, 16,600 dwt product tankers from Norway's Knutsen OAS Shipping. With the completion of their bareboat charters, the first vessel has finished a dry-docking and the second will enter dry-dock in August. The first vessel, to be renamed *Algolis*, is expected to join the Company's Canadian fleet by the end of July. Later this year, after the second vessel's dry-docking concludes, it will be deployed in Europe in the FureBear joint venture. This vessel will be renamed *Fure Spear*, expanding this fleet to three vessels.

With the delivery of the first newbuild in February, 2024, nine new tankers remain on order for the FureBear joint venture with delivery expected between mid 2024 and late 2026. Three of these new tankers are expected to be delivered to FureBear this year with the next scheduled for August. The Company is anticipating a continued strong rate environment for these tankers. Construction has also begun on two additional product tankers for our domestic fleet, with delivery expected in early 2025. These vessels will be entered on long-term charters to Irving Oil under Canadian flag, servicing the company's refinery in Saint John, New Brunswick.

Ocean Self-Unloaders Segment

Financial Performance

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
<i>Average foreign exchange rate (USD/CAD)</i>	1.3684	1.3431	1.3586	1.3475	0.0253	0.0111
Revenue	\$ 42,818	\$ 47,120	\$ 86,018	\$ 91,505	\$ (4,302)	\$ (5,487)
Operating expenses	(29,499)	(32,633)	(57,445)	(65,934)	3,134	8,489
Selling, general and administrative	(475)	(546)	(930)	(1,097)	71	167
Depreciation and amortization	(6,483)	(5,938)	(12,926)	(11,518)	(545)	(1,408)
Operating earnings	6,361	8,003	14,717	12,956	(1,642)	1,761
Net earnings from investment in joint venture	206	360	286	532	(154)	(246)
<i>Net earnings</i>	\$ 6,567	\$ 8,363	\$ 15,003	\$ 13,488	\$ (1,796)	\$ 1,515

Operational Performance

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Pool Volumes (metric tonnes in thousands) ⁽¹⁾						
Gypsum	1,016	1,142	2,010	1,966	(126)	44
Aggregates	2,411	2,492	4,671	4,439	(81)	232
Coal	1,717	1,875	3,460	3,717	(158)	(257)
Other	175	195	343	448	(20)	(105)
<i>Total volumes</i>	5,319	5,704	10,484	10,570	(385)	(86)
Algoma Vessels						
Revenue days	643	644	1,291	1,263	(1)	28
Operating days	643	647	1,293	1,271	(4)	22
Off-hire days for dry-docking	84	81	162	177	(3)	15

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

EBITDA

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the three and six months ended June 30, 2024 and 2023, and presented herein:

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Net earnings	\$ 6,567	\$ 8,363	\$ 15,003	\$ 13,488	\$ (1,796)	\$ 1,515
<i>Adjustments to net earnings:</i>						
Depreciation and amortization	6,483	5,938	12,926	11,518	545	1,408
<i>Joint venture:</i>						
Depreciation and amortization	42	(11)	83	86	53	(3)
Interest income	(13)	—	(16)	—	(13)	(16)
Foreign exchange loss	—	(1)	—	(1)	1	1
EBITDA⁽¹⁾	13,079	14,289	\$ 27,996	\$ 25,091	\$ (1,210)	\$ 2,905

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

2024 Second Quarter Compared to the Corresponding Period in 2023

Revenues for 2024 have returned to normal levels after 2023 revenues reflected a higher pro-rata share of the Pool as a result of unplanned outages affecting non-Algomax-owned vessels. Revenues were also impacted by higher rates and higher fuel cost recoveries for the Pool.

The reduction in operating costs can be mainly attributed to decreased fuel and voyage expenses, offset by higher dry-dock spending resulting from the two vessels undergoing dry-dock during the quarter, compared to having one vessel on dry-dock during the second quarter in 2023.

Outlook

Vessel utilization is expected to improve for the second half of 2024 with substantially fewer dry-dockings compared to 2023. Volumes are expected to improve modestly for the remainder of the year. Two out of the three newbuild kamsarmax-based ocean self-unloader orders are scheduled to begin construction this year, with steel cutting for the first new ship having occurred in July.

Global Short Sea Shipping Segment

Financial Results Overview

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
<i>Average foreign exchange rate (USD/CAD)</i>	1.3684	1.3431	1.3586	1.3475	0.0253	0.0111
Revenue	\$ 67,706	\$ 70,288	\$ 126,961	\$ 136,040	\$ (2,582)	\$ (9,079)
Operating expenses	(41,449)	(44,934)	(83,081)	(92,293)	3,485	9,212
Selling, general and administrative	(1,535)	(2,455)	(3,261)	(4,048)	920	787
Depreciation and amortization	(9,178)	(8,500)	(18,148)	(17,891)	(678)	(257)
Operating earnings	15,544	14,399	22,471	21,808	1,145	663
Gain on sale of vessel	1,624	—	1,593	—	1,624	1,593
Interest expense	(1,966)	(2,068)	(3,850)	(4,257)	102	407
Foreign exchange gain (loss)	(204)	144	(341)	110	(348)	(451)
Earnings before undernoted	14,998	12,475	19,873	17,661	2,523	2,212
Income tax expense	(3,020)	(1,915)	(3,256)	(2,219)	(1,105)	(1,037)
Net earnings of joint ventures	1,376	1,540	1,618	2,886	(164)	(1,268)
Net earnings attributable to non-controlling interest	(723)	(1,476)	(1,626)	(3,392)	753	1,766
Net earnings	\$ 12,631	\$ 10,624	\$ 16,609	\$ 14,936	\$ 2,007	\$ 1,673
<i>Company share of net earnings above</i>	\$ 6,316	\$ 5,312	\$ 8,305	\$ 7,468	\$ 1,004	\$ 837
Amortization of vessel purchase price allocation and intangibles	(160)	(157)	(317)	(315)	(3)	(2)
Company share included in net earnings from investments in joint ventures	\$ 6,156	\$ 5,155	\$ 7,988	\$ 7,153	\$ 1,001	\$ 835

EBITDA

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the three and six months ended June 30, 2024 and 2023, and presented herein:

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Company share of net earnings from investments in joint ventures	\$ 6,156	\$ 5,155	\$ 7,988	\$ 7,153	\$ 1,001	\$ 835
<i>Adjustments to net earnings (company's share):</i>						
Depreciation and amortization	4,749	4,407	9,391	9,261	342	130
Interest expense	983	1,034	1,925	2,129	(51)	(204)
Income tax expense	1,510	958	1,628	1,110	552	518
Foreign exchange loss (gain)	102	(72)	171	(55)	174	226
Gain on sale of vessel	(812)	—	(797)	—	(812)	(797)
<i>Company share of EBITDA⁽¹⁾</i>	\$ 12,688	\$ 11,482	\$ 20,306	\$ 19,598	\$ 1,206	\$ 708

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

2024 Second Quarter Compared to the Corresponding Period in 2023

Revenues were lower in the second quarter primarily driven by decreased freight rates in the mini-bulker and handy-size fleets compared to the prior year period, partially offset by higher revenue in the cement fleet as a result of steady freight rates and an increase in vessels, including a higher percentage of wholly-owned vessels, compared to the 2023 second quarter.

Operating expenses decreased across all segments during the quarter but most notably within the cement and mini-bulker fleets as higher costs associated with dry-dockings and vessel off-hire time in 2023 did not recur in 2024.

The \$1,624 gain on sale of vessel relates to the sale of a partial interest in a vessel, which will now operate under a joint venture within NovaAlgoma Cement Carriers.

Outlook

We expect consistent earnings from the cement fleet with the assets largely employed on longer-term time charter contracts. The handy-size and mini-bulker fleets are expected to perform well for the remainder of the year and we do not foresee negative impacts on volumes and utilization from ongoing global economic and geopolitical issues.

Corporate Segment

Financial Results Overview

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Revenue	\$ 619	\$ 656	\$ 1,513	\$ 1,294	\$ (37)	\$ 219
Operating expenses	(258)	(268)	(529)	(521)	10	(8)
Selling, general and administrative	(4,708)	(5,693)	(10,263)	(10,503)	985	240
Depreciation	(410)	(383)	(748)	(751)	(27)	3
Operating loss	(4,757)	(5,688)	(10,027)	(10,481)	931	454
Gain on sale of property	—	25	—	25	(25)	(25)
Foreign exchange gain (loss)	(291)	3,619	(168)	3,989	(3,910)	(4,157)
Interest expense, net	(4,646)	(4,550)	(8,397)	(8,710)	(96)	313
Income tax recovery	2,859	1,698	4,994	3,741	1,161	1,253
Net earnings from investment in joint venture	58	—	1,574	—	58	1,574
Net loss	\$ (6,777)	\$ (4,896)	\$ (12,024)	\$ (11,436)	\$ (1,881)	\$ (588)

The Corporate segment consists of revenue from management services provided to third parties, head office expenditures, other administrative expenses of the Company, and earnings from a joint venture in a mechanical, machining, and fabrication shop called Allied Marine & Industrial ("AMI"). The Company purchased a 49% interest in AMI in the third quarter of 2023 and also purchased the land and buildings occupied by AMI. The land and buildings generate rental income for the Corporate segment. AMI's primary business supports the Canadian marine industry and is therefore impacted by that industry's seasonality, generating its earnings predominantly in the first half of the year.

Revenues in the segment are also generated from rental income provided by third-party tenants in the Company's head office building. Operating expenses include the operating costs of that office building.

On June 30, 2022, the Company finalized the sale of a shopping centre located in Sault Ste. Marie, Ontario. Proceeds of the sale included a vendor take-back mortgage for \$18,000, secured by a first lien against the shopping centre. The principal repayment was due June 30, 2024 and has not been received. The loan is now in default and the Company has commenced legal action to collect the principal amount on the secured mortgage.

Consolidated

Interest Expense

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Interest expense on borrowings	\$ 5,502	\$ 4,942	\$ 10,583	\$ 9,565	\$ (560)	\$ (1,018)
Amortization of financing costs	271	425	588	851	154	263
Interest on employee future benefits, net	66	(58)	104	123	(124)	19
Capitalized interest	(612)	(186)	(1,389)	(291)	426	1,098
	\$ 5,227	\$ 5,123	\$ 9,886	\$ 10,248	\$ (104)	\$ 362

Income Taxes

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Combined federal and provincial statutory income tax rate	26.5 %	26.5 %	26.5 %	26.5 %	— %	— %
Net earnings (loss) before income tax and net earnings from investments in joint ventures	\$ 11,044	\$ 35,145	\$ (20,773)	\$ 3,752	\$ (24,101)	\$ (24,525)
Expected income tax recovery (expense)	\$ (2,927)	\$ (9,313)	\$ 5,505	\$ (994)	\$ 6,386	\$ 6,499
Tax effects resulting from:						
Foreign tax rates different from Canadian statutory rate	1,828	2,042	4,151	3,149	(214)	1,002
Effect of items that are non-taxable	—	(225)	276	(225)	225	501
Deferred tax items recognized	508	—	508	—	508	508
Adjustments to prior period provision	—	(101)	—	(101)	101	101
Other	(15)	(150)	(33)	(112)	135	79
Actual tax recovery (expense)	\$ (606)	\$ (7,747)	\$ 10,407	\$ 1,717	\$ 7,141	\$ 8,690

Earnings from the Company's foreign subsidiaries are taxed in jurisdictions which have nil income tax rates. The Canadian statutory rate for the Company for both 2024 and 2023 was 26.5%. Any variation in the effective income tax rate from the statutory income tax rate is due mainly to the lower income tax rates applicable to foreign subsidiaries, the effect of taxable and non-taxable items that may or may not be included in earnings and changes to income tax provisions related to prior periods. The Company is not subject to OECD Pillar Two taxes as its consolidated revenues fall below levels at which such taxes

apply.

Contingencies

For information on contingencies, please refer to Note 30 of the Consolidated Financial Statements for the years ending December 31, 2023 and 2022. There have been no significant changes in the items presented since December 31, 2023.

Capital Resources

The Company has cash on hand of \$31,237 at June 30, 2024. Available credit facilities along with projected cash from operations for 2024 are expected to be sufficient to meet the Company's planned operating and capital requirements and other contractual obligations for the year.

The Company maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. The Company's bank credit facility (the "Facility") comprises a \$75 million Canadian dollar and a \$75 million U.S. dollar senior secured revolving bank credit maturing October 11, 2027. The Facility bears interest at rates that are based on the Company's ratio of net senior debt, as defined, to earnings before interest, taxes, depreciation and amortization and ranges from 170 to 325 basis points above bankers' acceptance, adjusted SOFR or EURIBOR rates. The Company has granted a general security agreement in favour of the senior secured lenders and has granted specific collateral mortgages covering the majority of its wholly owned vessels. As of June 30, 2024, \$95,586 had been withdrawn from the Facility.

Subsequent to the quarter, the Company amended the Facility to increase the available Canadian dollar bank credit to \$125 million. All other material terms remain unchanged.

The Company is subject to certain covenants under the terms of the Facility and the senior secured notes, including ones with respect to maintaining defined financial ratios and other conditions. As at June 30, 2024, the Company was in compliance with all of its covenants.

Transactions with Related Parties

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

There were no transactions with these related parties for the three and six months ended June 30, 2024.

Financial Condition, Liquidity and Capital Resources

Cash Flows

For the periods ended June 30	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
Net cash generated from operating activities	\$ 38,818	\$ 29,541	\$ 39,286	\$ 31,129	\$ 9,277	\$ 8,157
Net cash used in investing activities	(38,009)	(22,471)	(117,762)	(53,572)	(15,538)	(64,190)
Net cash generated from (used in) financing activities	16,318	(15,803)	72,626	(58,937)	32,121	131,563
Net change in cash	17,127	(8,733)	(5,850)	(81,380)	25,860	75,530
Effects of exchange rate changes on cash held in foreign currencies	241	(293)	4,256	914	534	3,342
Cash, beginning of period	13,869	70,528	32,831	141,968	(56,659)	(109,137)
Cash, end of period	\$ 31,237	\$ 61,502	\$ 31,237	\$ 61,502	\$ (30,265)	\$ (30,265)

Investing Activities

Higher net cash used in investing activities in 2024 primarily relates to the acquisition of two product tankers, the final payment on one Equinox Class newbuild vessel, and investments into the joint venture fleets.

Financing Activities

The increase in cash from financing activities in 2024 is reflective of higher short-term borrowings. 2023 figures include the payment of a special dividend.

Subsequent to the quarter, the convertible debentures due on June 30, 2024, were repaid in full on July 2, 2024 which was the first business day after the due date. During the six months ended June 30, 2024, \$27,959 of the debentures were converted to 1,970,626 common shares.

Free Cash Flow

The following table provides a reconciliation of net cash generated from operating activities in accordance with GAAP to the non-GAAP free cash flow, as reported for the three and six months ended June 30, 2024 and 2023, and presented herein:

	Three Months Ended		Six Months Ended		Favourable/(Unfavourable)	
	2024	2023	2024	2023	Three Months	Six Months
For the periods ended June 30						
Net cash generated from operating activities	\$ 38,818	\$ 29,541	\$ 39,286	\$ 31,129	\$ 9,277	\$ 8,157
Net debt service repayments	(8,054)	(8,838)	(9,142)	(14,635)	784	5,493
Capital required for maintenance of existing assets	(7,324)	(6,916)	(9,869)	(20,945)	(408)	11,076
Free cash flow ⁽¹⁾	\$ 23,440	\$ 13,787	\$ 20,275	\$ (4,451)	\$ 9,653	\$ 24,726

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

Free cash flow for 2024 reflects typical winter maintenance and dry-dock expenditures. During 2023, the Company made significant environmental investments in fleet upgrades such as carbon reducing fuel efficiency technology, ballast water treatment system installations, and closed-loop exhaust gas scrubber upgrades.

Normal Course Issuer Bid

Effective March 21, 2024, the Company renewed its normal course issuer bid (the "2024 NCIB") with the intention to purchase, through the facilities of the TSX, up to 1,975,857 of its common shares ("Shares") representing approximately 5% of the 39,517,144 Shares which were issued and outstanding as at the close of business on March 7, 2024.

Subject to prescribed exceptions, the Company is allowed to purchase up to 2,201 Shares on the TSX during any trading day, representing approximately 25% of the average daily trading volume of the Shares on the TSX for the previous six calendar months, being 8,807 Shares. Any Shares purchased under the 2024 NCIB are cancelled. Under the current NCIB, no Shares have been purchased and cancelled for the six months ended June 30, 2024.

In conjunction with the 2024 renewal of the NCIB, Algoma entered into a new automatic share purchase plan (the "ASPP") with a designated broker to allow for the purchase of its Shares under the 2024 NCIB at times when Algoma normally would not be active in the market due to applicable regulatory restrictions or internal trading black-out periods. Before the commencement of any particular internal trading black-out period, Algoma may, but is not required to, instruct its designated broker to make purchases of Shares under the 2024 NCIB during the ensuing black-out period in accordance with the terms of the ASPP. Such purchases will be determined by the broker in its sole discretion based on parameters established by Algoma prior to commencement of the applicable black-out period in accordance with the terms of the ASPP and applicable TSX rules. Outside of these black-out periods, Shares will continue to be purchasable by Algoma at its discretion under its 2024 NCIB.

The ASPP will commence on the Company's behalf during any quarterly blackout period of the Company and will terminate on the earliest of the date on which: (a) the maximum annual purchase limit under the 2024 NCIB has been reached; (b) Algoma terminates the ASPP in accordance with its terms; or (c) the 2024 NCIB expires. The ASPP constitutes an "automatic securities purchase plan" under applicable Canadian securities laws.

Commitments

The table below provides aggregate information about the Company's contractual obligations as at June 30, 2024 that affect the Company's liquidity and capital resource needs.

	2024	2025	2026	2027	2028	2029 and Beyond	Total
Long-term debt including convertible debentures	\$ 33,129	\$ 29	\$ 31	\$ 27,408	\$ 37	\$ 302,091	\$ 362,725
Vessel purchase commitments ⁽¹⁾	43,842	232,623	79,289	53,133	—	—	408,887
Vessel purchase commitments through joint ventures (Algoma share) ⁽²⁾	66,649	95,649	40,802	—	—	—	203,100
Interest payments on long-term debt	7,145	12,528	12,525	12,522	11,597	65,421	121,738
AMI share purchase	—	—	—	—	—	5,757	5,757
Leases	73	157	84	—	—	—	314
	\$ 150,838	\$ 340,986	\$ 132,731	\$ 93,063	\$ 11,634	\$ 373,269	\$ 1,102,521

(1) Subsequent to the quarter, a notice of rescission was served to the shipyard constructing the domestic self-unloader due to delays in construction timelines. The Company is currently in negotiation for new purchase terms.

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

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

In accordance with the requirements of National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2024. Under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, Management has concluded that the Company's disclosure controls and procedures were effective as of June 30, 2024.

Internal Controls over Financial Reporting

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

Management has used the criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's internal controls over financial reporting. Based on this assessment, Management has concluded that the Company's internal controls over financial reporting are operating effectively as of June 30, 2024.

Changes in Internal Controls over Financial Reporting

During the period ended June 30, 2024, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Adoption of New and Amended Accounting Pronouncements

Amendments to IAS 1 *Presentation of Financial Statements* - Classification of Liabilities as Current or Non-current

In October 2022, the IASB finalised issuance of Classification of Liabilities as Current or Non-Current, which made amendments to IAS 1 *Presentation of Financial Statements*. The Company adopted these amendments effective January 1, 2024. The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. Classification is unaffected by the expectations that the Corporation will exercise its right to defer settlement of a liability. Lastly, the amendment clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The Company's financial disclosure is not materially affected by the application of the amendments.



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