



2006
ANNUAL REPORT

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About the Corporation

Incorporated as Algoma Central Railway in Sault Ste. Marie, Ontario in 1899, the Corporation's executive offices are located in St. Catharines, Ontario. The Corporation employs approximately 1,400 people.

Algoma Central Corporation is the largest Canadian-flag ship owner on the Great Lakes-St. Lawrence Waterway. With assets at December 31, 2006 of \$514 million and revenue of \$549 million, the Algoma Central Corporation group includes Algoma Shipping Inc., Algoma Tankers, Fraser Marine & Industrial, Algoma Central Properties Inc. and a share of Marbulk Canada Inc. and Seaway Marine Transport.

Algoma Central Corporation operates vessels throughout the Great Lakes-St. Lawrence Waterway from the Gulf of St. Lawrence, through all five Great Lakes. The Corporation owns 19 Canadian-flagged dry-bulk vessels. The operational and commercial activities of the Canadian-flag dry-bulk fleet are managed by Seaway Marine Transport, a partnership with Upper Lakes Shipping Inc., an unrelated company. The Corporation also has an interest in one tug and one barge.

The Corporation, through a wholly owned subsidiary, owns and manages the technical and commercial operations of five Canadian-flag tanker vessels. The Corporation also owns a foreign-flag tanker through a wholly-owned foreign subsidiary.

The Corporation owns one ocean-going self-unloader through a wholly-owned foreign subsidiary and has an interest through a joint venture in an ocean-going fleet of five self-unloaders. These vessels are part of a 26-vessel ocean-going self-unloader commercial pool, which is the largest of its type in the world.

A division of the Corporation also provides diversified ship repair, diesel engine repair services and fabrication services to ship-owners and industrial customers throughout the Great Lakes-St. Lawrence Waterway.

The Corporation, through a wholly-owned subsidiary, also owns and manages commercial real estate properties in Sault Ste. Marie, St. Catharines and Waterloo, Ontario.

Financial Highlights

In thousands of dollars, except per share figures	2006	2005
For the year		
Revenue	\$ 548,552	\$ 508,993
Net earnings	\$ 42,059	\$ 31,476
Operating ratio	88%	91%
Cash flow from operations	\$ 82,468	\$ 70,007
Capital asset additions	\$ 66,154	\$ 37,931
Dividends paid per common share	\$ 1.30	\$ 1.00
Earnings per common share	\$ 10.81	\$ 8.09
At December 31		
Total assets	\$ 514,299	\$ 469,801
Shareholders' equity	\$ 333,514	\$ 294,019
Long-term debt including current portion	\$ 38,282	\$ 41,158
Long-term debt including current portion as a % of shareholders' equity	11%	14%
Common shares outstanding	3,891	3,891
Equity per common share	\$ 85.71	\$ 75.56

Message to Shareholders

Algoma Central Corporation is pleased to report that record earnings of \$42.1 million or \$10.81 per share were achieved for 2006, an increase of 34% over the then record earnings for 2005 of \$31.5 million or \$8.09 per share. The Corporation continued to benefit from new capacity, strong market demand and high utilization in all business segments.

All business segments, with the exception of ocean shipping, experienced revenue growth resulting in consolidated revenue increasing to \$548.6 million, an improvement of eight percent over 2005. The decline in ocean shipping revenue was due to the loss of 276 days of vessel service as a result of scheduled regulatory dry-dockings for three vessels.

The Corporation's capital base continued to grow with shareholders' equity increasing to \$333.5 million and long-term debt including current portion reducing slightly to \$38.3 million. Financial returns on this capital base increased as well, with Return on Capital Employed improving to 11.3% from 10.0% and Return on Equity improving to 13.4% from 11.2%.

Capital asset additions totalled \$66.2 million during 2006. Over the last three years, including the balance of the progress payments for the vessel named the *Honourable Henry Jackman* during the first half of 2007, over \$220 million will have been invested to increase and modernize our asset base to meet customers' current and future needs.

The Corporation's strong financial position improved further in 2006 with long-term debt including current portion as a percentage of shareholders' equity declining to 11% from 14% at the end of 2005. Cash on hand and the 2006 cash flow from operations of \$82.5 million or \$21.19 per share were utilized to fund the 2006 capital asset additions, reduce long-term debt by \$2.9 million and pay dividends to shareholders of \$4.9 million.

Product Tankers

Algoma Tankers, our 100% owned product tanker fleet, further expanded during 2006 with the addition of the *Amalienborg*, a 1998 built 16,175 tonne tanker and a sister ship to the *Algosea* that was acquired in 2005. These vessels, as well as the 2004 built *Algoscotia*, the double-hulled *Algoeast* and the double-hulled *Algosar*, provide our customers with the most competitive and environmentally advanced fleet in our service area. Since 2002, approximately \$110 million has been invested in modernizing the tanker fleet and positioning Algoma Tankers to be our customers' first choice in marine transportation.

Operating earnings net of income tax for 2006 were \$14.6 million, an increase of \$5.4 million over 2005 due to the additional capacity added to the fleet, virtually full utilization and excellent operational performance.

The primary focus of Algoma Tankers is to continually improve its operational performance and strive for accident and spill-free operations. Initiatives such as "Sustaining Excellence" and "Job Observation" have been implemented onboard all vessels as part of this focus on operational excellence.

Our outlook for 2007 is for another year of high utilization for our tanker fleet although operating earnings are expected to decline as a result of scheduled out-of-service periods for three of our vessels for regulatory surveys and the sale of the single-hulled *Algonova* in January 2007. Although the *Algonova* had not reached its single hull phase out date, the Corporation made the decision that it would only operate double hulled tankers beyond 2006.

Ocean Shipping

Ocean shipping operating earnings net of income tax decreased to \$10.8 million in 2006 from \$13.7 million in 2005. This reduction of \$2.9 million is due to the scheduled regulatory dry-dockings previously mentioned. The reduction from these planned out-of-service events was somewhat offset by continued excellent results from the CSL International Pool due to strong demand for the pool's vessels.

The pool's capacity further expanded in 2006 from 22 to 26 self-unloaders as our other pool partners supplied additional panamax self-unloaders during the year to meet the requirements of new pool contracts to service the wallboard, construction, power generation and steel industries. The demand from the pool's customers remains strong and the commercial pool manager continues to evaluate new business opportunities. As a result, the pool is scheduled to increase its capacity by a further three vessels in 2007, one of which is the vessel currently being constructed in China for the Corporation.

This vessel, the *Honourable Henry Jackman*, is named in honour of a long serving Director of the Corporation, the former Lieutenant-Governor of Ontario and a former Chairman of the Corporation.

Domestic Dry-Bulk

The domestic dry-bulk sector consists of Seaway Marine Transport, our partnership with Upper Lakes Shipping Inc., and Fraser Marine & Industrial our 100% owned ship and industrial repair operation.

In 2006, Seaway Marine Transport established new revenue records as freight revenue surpassed 2005 levels by eight percent due mainly to a general increase in freight rates, improved fuel cost recovery and improved fall weather conditions.

We are encouraged by the improvement in domestic dry-bulk operating earnings net of income tax. In 2006, operating earnings net of income tax from this segment increased to \$15.2 million from \$6.5 million in 2005. The majority of this \$8.7 million increase is due to the above-noted revenue improvements. These results are before deducting earnings of the minority interest.

Seaway Marine Transport continues to make progress on improving its fuel cost recovery from customers and expects improved operational performance from its fleet due to engineering, operational and preventive maintenance enhancements.

Seaway Marine Transport is committed to maintaining and operating the fleet to the highest operational standards. Substantial technical improvements are being made to improve the operational performance and longevity of the fleet, with annual lay-up budgets of approximately \$50 million. Long-term fleet plans are updated annually to ensure spending programs are prioritized and completed on schedule.

Fleet renewal is a priority for Seaway Marine Transport. Technical alternatives are being evaluated globally and are being reviewed with customers as possible long-term competitive solutions for their water transportation requirements. The most significant hurdle in developing a viable fleet renewal strategy is the cost of new vessel construction. In Canada there are no shipyards that have the capacity or facilities to build cost competitive new vessels. Notwithstanding this, shipowners are required to pay a 25% import duty if a vessel is constructed outside of Canada and imported into Canada as a Canadian-flag vessel.

We feel this 25% duty is punitive and will have a widespread negative impact on the economy as shippers, and ultimately consumers, pay this additional expense. The Corporation, in conjunction with other Canadian shipowners, has recently presented a proposal to the Canadian government regarding the phase-out of this 25% import duty over three years for newbuildings and after 10 years on the importation of second-hand vessels. It is now time for the Federal government to show its support for the Canadian marine industry, an industry that is the most environmentally friendly of all transportation modes.

Seaway Marine Transport is looking to continued improvement in results for 2007 from improved operational performance, continued strong demand for the fleet and normal operating conditions.

Fraser Marine & Industrial continued its strong performance in 2006 due to the successful management of repair contracts, reduced overhead as a result of consolidation of its operations in Port Colborne and an increase in revenues.

Real Estate

Algoma Central Properties' operating earnings net of income tax increased to \$5.0 million in 2006 from \$4.9 million in 2005. This growth is mainly attributed to rental rate increases realized from tenant turnover and lease renewals and the purchase of the remaining 50% of 412 Albert Street in Waterloo, Ontario from its joint venture partner. With the purchase of the remaining interest in 412 Albert Street, the Waterloo Technology Campus, which was completed in 2005, is now 100% owned and managed by Algoma Central Properties.

For 2007, further moderate improvements in revenue from existing operations are expected and Algoma Central Properties continues to investigate opportunities in Southern Ontario to expand their quality real estate portfolio. On January 12, 2007 the Corporation entered into a contract for the construction of a new three story 45,000 square foot office building in St. Catharines, Ontario on land owned by the Corporation. The expected cost of the new building is approximately \$6.0 million and is scheduled for occupancy in late 2007.

Outlook

For 2007, improved results from ocean shipping, the dry-bulk fleet and real estate should help to offset the product tankers expected decline in earnings due to the planned surveys and sale of the *Algonova*.

We look forward to the future with optimism. Our businesses have leading market share in their respective industries with most of their service agreements being long-term. We continue to improve our existing businesses by seeking investments that increase our competitive advantage for the future and yield acceptable returns on capital for our shareholders.

Algoma Central Corporation is well positioned to expand and strengthen our main operating units as investment opportunities develop. The Corporation's diversified business segments enable the Corporation to expand by upgrading and adding assets to some or all of our segments. Further capital additions are being investigated on an ongoing basis recognizing the Corporation's growth strategy and strong financial position.

All of the Corporation's business segments have strategic plans that incorporate objectives to continually improve their operational excellence, their customer service, their competitiveness and their financial return to shareholders. Goals include achieving a safe and secure workplace that is accident and spill-free. All of the Corporation's employees are guided by the Corporation's values of integrity, responsibility, respect, leadership and teamwork.

Our main strength is our dedicated and highly-skilled employees who demonstrate daily their commitment to continuous improvement and operational excellence. Our employees are active in making our communities a better place to live. We are proud of all our employees who have made a difference in their community.

We thank our employees, valued customers and important stakeholders for their contribution in making 2006 a milestone for record revenues and earnings and we rely on their continued support to improve our organization for the future.

We are also fortunate to have a Board of Directors who provide strong ongoing leadership and guidance in overseeing the governance and direction of Algoma Central Corporation.



Tim S. Dool
President & Chief Executive Officer



Radcliffe R. Latimer
Chairman of the Board

Management's Discussion and Analysis

General

Algoma Central Corporation operates through four segments, domestic dry-bulk, product tankers, ocean shipping and real estate.

This Management's Discussion and Analysis of Algoma Central Corporation should be read in conjunction with its consolidated financial statements for the years ending December 31, 2006 and 2005 and related notes thereto, and has been prepared as at March 1, 2007.

This Management's Discussion and Analysis has been prepared by reference to the disclosure requirement established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on Algoma Central Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

The accounting principles used by Algoma Central Corporation to prepare the financial data contained in this Management's Discussion and Analysis are fully described in the notes to the consolidated financial statements. The reporting currency used is the Canadian dollar and all amounts are reported in thousands of dollars except for per share data.

This Management's Discussion and Analysis may include forward-looking statements concerning the future results of the Corporation. These forward-looking statements are based on current expectations. The Corporation cautions that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information. Actual future results will be affected by a number of factors, including economic conditions, technological change, weather conditions, water levels, regulatory change and competitive factors, many of which are beyond the Corporation's control.

Use of Non-GAAP Measures

The following summarizes non-GAAP financial measures utilized in this Management's Discussion and Analysis. As there is no generally accepted method of calculating these financial measures, they may not be comparable to similar measures reported by other corporations.

Return on Capital Employed refers to earnings before financial expense and gains or losses on the translation of foreign-denominated assets and liabilities, on an after-tax basis, and expressed as a percentage of average capital. Capital is long-term debt including the current portion plus shareholders' equity.

The Corporation uses Return on Capital Employed to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders.

EBITA refers to earnings before interest, taxes, and amortization. EBITA is not a recognized measure for financial statement presentation under Canadian generally accepted accounting principles. EBITA is not intended to represent cash flow from operations, as defined by Canadian GAAP, and it should not be considered as an alternative to net earnings, cash flow from operations, or any other measure of performance prescribed by GAAP. The Corporation's EBITA may also not be comparable to EBITA used by other corporations which may be calculated differently. The Corporation considers EBITA to be a meaningful measure to assess its operating performance in addition to GAAP measures. It is included because the Corporation believes it can be useful in measuring its ability to service debt, fund capital expenditures, and expand its business.

Overall Performance

In 2006, the Corporation reported net earnings of \$42,059 compared to net earnings of \$31,476 for 2005. The increase in net earnings was primarily due to the significant improvements in earnings of the domestic dry-bulk and tanker segments and a reduction in income tax expense.

The improvement in earnings in the domestic dry-bulk segment was due mainly to improved fall weather conditions, improved recovery of higher fuel costs and higher freight rates. The tanker segment results improved primarily due to the addition of two vessels, the *Algosea* and the *Amalienborg*, which entered service in July 2005 and April 2006 respectively. The reduction in income tax expense was due to an announcement by the Canadian government concerning future corporate income tax rate reductions.

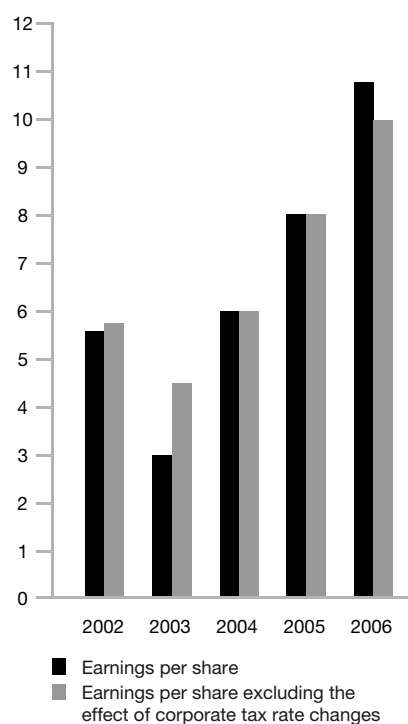
The results of the ocean shipping segment decreased in 2006 when compared to the previous year due to fewer operating days as a result of the scheduled dry-dockings of three vessels. Ocean vessels are required to dry-dock twice every five years.

Earnings per common share in 2006 were \$10.81 compared to \$8.09 for 2005. The 2006 earnings per share when compared to earnings of prior years before unusual items were the highest on record for the Corporation.

Cash flow from operations in 2006 was \$82,468 and for 2005 it was \$70,007. Capital expenditures and dividends to shareholders incurred in both years were financed for the most part from the internally generated cash flow. Cash and cash equivalents totalled \$55,245 at December 31, 2006 compared to \$51,733 at the end of 2005.

Earnings Per Share

(IN DOLLARS)



Selected Annual Information

	2006	2005	2004
For year ended December 31			
Revenues	\$ 548,552	\$ 508,993	\$ 466,550
Earnings from continuing operations	\$ 41,575	\$ 30,856	\$ 22,545
Earnings per common share from continuing operations	\$ 10.69	\$ 7.93	\$ 5.80
Net earnings	\$ 42,059	\$ 31,476	\$ 23,915
Earnings per common share	\$ 10.81	\$ 8.09	\$ 6.15
At December 31			
Total assets	\$ 514,299	\$ 469,801	\$ 455,569
Total long-term financial liabilities	\$ 48,343	\$ 56,120	\$ 69,646

Total assets increased in 2006 by \$44,498, primarily due to an increase in capital assets by a net amount of \$39,572. The increase was due primarily to the acquisition of a petroleum product tanker and progress payments on a new ocean self-unloading vessel, partially offset by amortization expense for the year. Current assets increased marginally by \$3,661 due primarily to an increase in cash and cash equivalents.

Long-term financial liabilities, which consist of long-term debt including the current portion and amounts advanced from the minority interest, decreased by \$7,777 in 2006 with both long-term debt and amounts due to the minority interest being reduced. The repayment of long-term debt was achieved primarily by the Corporation's share of Marbulk Canada Inc.'s reduction in debt as a result of their strong cash flow in 2006. The repayments of long-term financial liabilities were partially offset by an increase in debt relating to the financing for the construction of the new ocean going self-unloading vessel.

Results of Operations

Earnings from continuing operations for 2006 were \$41,575 as compared to \$30,856 for 2005.

The increase was mainly attributable to the following factors:

- The product tanker segment earnings improved principally due to the addition of the *Algosea* and *Amalienborg* and reduced earnings for the twelve months ended December 31, 2005 due to costs associated with the wind-up of U.S. operations relating to the transfer of registration of a tanker vessel from U.S. to Canadian flag.
- The domestic dry-bulk segment earnings improved due mainly to increases in freight rates, improved recovery of higher fuel costs and improved fall weather conditions.
- The real estate segment earnings increased due to earnings from the new real estate property in Waterloo, Ontario and rental rate increases from lease renewals and tenant turnovers.
- Decrease in income tax expense of \$3,157 due to the announcement by the Canadian government concerning future corporate tax rate reductions.

The above increases were partially offset with a reduction in earnings of the ocean shipping segment due primarily to fewer operating days in 2006 due to the scheduled dry-docking of three vessels.

Earnings from continuing operations by segment are as follows:

	<u>2006</u>	<u>2005</u>
Operating earnings net of income tax		
Domestic Dry-Bulk	\$ 15,224	\$ 6,472
Product Tankers	14,553	9,126
Ocean Shipping	10,837	13,726
Real Estate	5,040	4,902
	45,654	34,226
Earnings of minority interest in Domestic Dry-Bulk	(7,615)	(2,856)
Not specifically identifiable to segments		
Net (loss) gain on translation of foreign-denominated monetary assets and liabilities	(566)	161
Financial	(2,417)	(3,006)
Income tax	6,519	2,331
	\$ 41,575	\$ 30,856

Revenues

Revenues were \$548,552 for the year ended December 31, 2006 compared to \$508,993 in 2005. Revenues of the domestic dry-bulk fleet increased due mostly to general increases in freight rates, improved fuel cost recovery and improved fall weather conditions. The revenue in the tanker segment increased due mostly to the addition of two tankers, the *Algosea* and the *Amalienborg*, which entered service in July 2005 and April 2006 respectively. Real Estate revenues increased due to the addition of a rental property in Waterloo, Ontario and rental rate increases from lease renewals and tenant turnovers. The decrease in revenue for the ocean shipping segment was due to fewer operating days resulting from the scheduled dry-docking of three vessels.

Revenue by segment is as follows:

	<u>2006</u>	<u>2005</u>
Domestic Dry-Bulk	\$ 400,461	\$ 370,689
Product Tankers	79,832	63,954
Ocean Shipping	44,813	51,973
Real Estate	23,446	22,377
	<u>\$ 548,552</u>	<u>\$ 508,993</u>

Operating Expenses

Operating expenses were \$433,463 for the year ended December 31, 2006 compared to \$413,916 in 2005. The increase in operating expenses was due primarily to increased operating and fuel costs for the domestic dry-bulk fleet and the addition of two tankers, the *Algosea* and the *Amalienborg*, which entered service in July 2005 and April 2006 respectively.

The operating expenses by segment are as follows:

	<u>2006</u>	<u>2005</u>
Domestic Dry-Bulk	\$ 341,817	\$ 324,605
Product Tankers	49,172	44,477
Ocean Shipping	29,474	32,212
Real Estate	13,000	12,622
	<u>\$ 433,463</u>	<u>\$ 413,916</u>

General and administrative

General and administrative expenses were \$22,009 for the year ended December 31, 2006 compared to \$20,593 for the year before.

Amortization

Amortization expense was \$29,163 for the year ended December 31, 2006 compared to \$28,015 in 2005. The increase of \$1,148 is primarily a result of an increase in amortizable assets including two new tankers and the additions to the Waterloo real estate.

Financial Expense

Financial expense for 2006 totalled \$2,417 compared to \$3,006 in 2005. The decrease is a result of reduced levels of borrowings resulting primarily from the debt repayments by Marbulk Canada Inc. In 2006 new borrowings of \$6,709 were used in the financing of the new ocean self-unloading vessel. We expect additional borrowings in 2007 for this project.

Net Gain (Loss) on Translation of Foreign Assets and Liabilities

The Corporation recognized net foreign exchange losses of \$566 in 2006 compared to a gain of \$161 in 2005. The exchange gains or losses are largely a result of the translation of the Corporation's net liabilities that are denominated in U.S. dollars and realized losses on the return of capital from foreign operations.

Income Tax Provision

The income tax provision was \$11,744 for the year ended December 31, 2006 compared to \$9,912 in 2005. The effective income tax rate for 2006 was 19.3% compared to an effective rate of 22.7% for 2005. The Canadian statutory income tax rate for the Corporation for 2006 was 35.4% and 35.2% for 2005.

The variation in the effective income tax rate from the statutory income tax rate in both 2006 and 2005 was due predominantly to lower income tax rates of certain foreign subsidiaries and a reduction in the income tax provision in 2006 due to the announcement by the Canadian government to reduce the corporate income tax rate in the future.

Discontinued Operations

Discontinued operations consist of two tugs, one barge and one vessel that were sold and which have separately identifiable cash flows.

The two tugs and barge were sold in 2006 and the vessel was sold in 2005. For financial statement reporting purposes, the results of operations and the related carrying values have been shown as discontinued operations.

There was no significant effect of discontinued operations on current operations.

Financial Condition, Liquidity and Capital Resources*Statement of Cash Flows*

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Earnings from continuing operations	\$ 41,575	\$ 30,856	\$ 10,719
Cash provided from continuing operations before changes in working capital	\$ 78,355	\$ 59,286	\$ 19,069
Cash provided from continuing operations after changes in working capital	\$ 82,468	\$ 70,007	\$ 12,461
Cash used in investing activities	\$ 67,986	\$ 37,318	\$ 30,668
Cash used in financing activities	\$ 15,313	\$ 22,382	\$ (7,069)

Cash Provided from Operating Activities

Cash provided from continuing operations before changes in working capital in 2006 was \$78,355 compared to \$59,286 in 2005. The increase in cash flow in 2006 when compared to 2005 of \$19,069 was due primarily to significant improvements in earnings of the domestic dry-bulk and product tanker segments.

The net change in non-cash operating working capital resulted in cash provided of \$4,113 in 2006 compared to \$10,721 in 2005. This decrease was due primarily to an unfavourable change in accounts receivable of \$5,691 due to higher December activity of the domestic dry-bulk fleet and an unfavourable change in prepaid expenses of \$2,155 due largely to an increase in spending in December for the preparation of the winter lay-up repair period for the domestic dry-bulk fleet. These unfavourable changes were partially offset by a favourable change in accounts payable and accrued charges of \$1,513 due for the most part to higher December 2006 activity.

Cash Used in Investing Activities

Cash used in investing activities increased from \$37,318 in 2005 to \$67,986 in 2006, principally due to an increase in additions to capital assets of \$28,223. In 2006, significant additions to capital assets included the purchase of a new tanker, the *Amalienborg* for \$30,557, progress payments for a new ocean self-unloading vessel of \$25,787 and the acquisition of a 50% interest from a joint venture partner in a rental building in Waterloo, Ontario for \$2,481.

In 2005, significant additions to capital assets included the purchase of a new tanker, the *Algosea* for \$32,774, the modifications to comply with Transport Canada regulations of the vessel *Algosar* for \$1,860, and the acquisition of a 50% interest in a new rental property in Waterloo, Ontario for \$1,363.

Cash Provided by or Used in Financing Activities

Cash used in financing activities in 2006 was \$15,313 versus \$22,382 in 2005. Proceeds from long-term debt in 2006 totalled \$6,709 and \$20,000 in 2005. Repayments on outstanding debt in 2006 totalled \$9,418 and \$34,588 in 2005.

Dividends were paid to shareholders at \$1.30 per common share in 2006 and in 2005 at \$1.00 per common share, totalling \$4,935 in 2006 and \$3,797 in 2005.

Capital Resources

Capital resources at December 31, 2006 include cash and cash equivalents of \$55,245. The cash on hand, expected cash from operations in 2007 and existing credit availability will allow the Corporation to meet its planned operating and capital requirements, dividends to shareholders and other contractual obligations for 2007.

The Corporation is well positioned to take advantage of new investment opportunities as they arise in the future with its current borrowing capacity and significant cash resources.

Off Balance Sheet Commitments and Contingencies

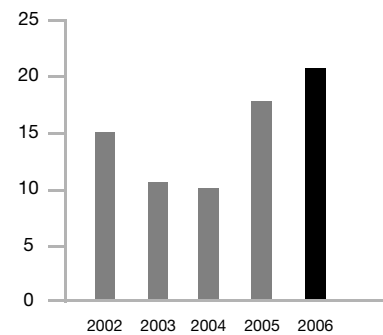
For information on off balance sheet commitments and contingencies, please refer to Notes 14 and 16 of the consolidated financial statements.

Transactions with Related Parties

There were no transactions with related parties in 2006 or 2005.

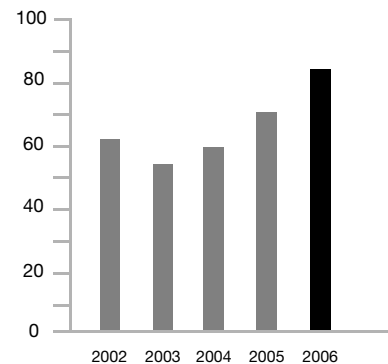
Cash Flow From Operations Per Share

(IN DOLLARS)



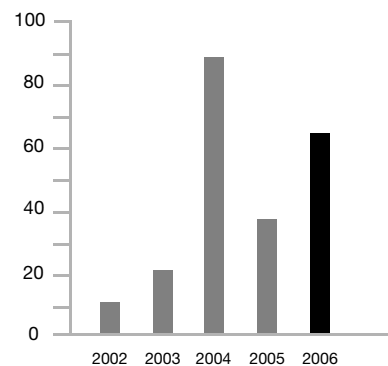
EBITA

(IN MILLIONS)



Capital Asset Additions

(IN MILLIONS)



Fourth Quarter 2006

The Corporation is reporting earnings from continuing operations for the three months ended December 31, 2006 of \$18,874 compared to \$14,258 for the same period in 2005, and earnings from continuing operations for the twelve months ended December 31, 2006 of \$41,575 compared to \$30,856 for the same period in 2005.

The increase in net earnings from continuing operations of \$4,616 for the three months ended December 31, 2006 when compared to the prior period was due principally to a improvement in earnings of the domestic dry-bulk fleet segment due mainly to increases in freight rates, improved recovery of higher fuel costs and improved fall weather conditions. This increase was partially offset by a reduction in the earnings of the ocean shipping segment due to fewer operating days resulting from the scheduled dry-docking of one vessel, and an increase in foreign exchange losses due primarily to the weakening of the Canadian dollar relative to the U.S. dollar.

Refer to the Corporation's news release announcing fourth quarter results dated March 1, 2007 which can be accessed from the SEDAR website at www.sedar.com or the Corporation's website at www.algonet.com.

Critical Accounting Estimates

The Corporation's significant accounting policies are described in Note 2 to the consolidated financial statements. Some of these accounting policies require management to make estimates and assumptions about matters that are uncertain at the time the estimates and assumptions are made. Management believes that the estimates are reasonable; however, different estimates could potentially have a material impact on the Corporation's financial position or results of operations.

Employee Future Benefits

The Corporation provides pensions and post-retirement benefits including health care, dental care and life insurance to certain employees. The determination of the obligation and expense for defined benefit pension plans and post-retirement benefits is dependent on the selection of certain assumptions used by the Corporation's actuaries in calculating such amounts. Those assumptions are disclosed in Note 8 to the Corporation's consolidated financial statements, the most significant of which are the discount rate, the rate of increase of compensation, expected rates of return on plan assets, and the rate of increase in the cost of health care. The assumptions are reviewed annually and the impact of any changes in the assumptions is reflected in actuarial gains or losses as disclosed in Note 8 to the consolidated financial statements. The significant actuarial assumptions adopted are internally consistent and reflect the long-term nature of employee future benefits. Significant changes in assumptions could materially affect the Corporation's employee benefit obligations and future expense.

Impact of New Accounting Pronouncements of Future Reporting Periods

The Canadian Institute Of Chartered Accountants ("CICA") issued three new accounting standards related to financial instruments: Section 3855 "Financial Instruments Recognition and Measurement", Section 3865 "Hedges" and Section 1530 "Comprehensive Income". These new standards apply to the Corporation effective January 1, 2007.

The Corporation is still assessing the implications of these three new standards and it may be required to recognize certain financial instruments that would otherwise previously not have been recognized. Also, beginning in 2007, the Corporation will be required to present a new financial statement entitled Comprehensive Income.

The CICA has released Section 1535 "Capital Disclosures". This Section requires an entity to disclose information about its objective, policies and processes for managing capital and its compliance with any externally imposed capital requirements. The Section becomes effective January 1, 2007 and may require the Corporation to expand its disclosure in this area.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is reported to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at the financial year ended December 31, 2006, an evaluation of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures was carried out under the supervision of and with the participation of the CEO and CFO. Based on that evaluation, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures are effective as of December 31, 2006, to provide reasonable assurance that material information relating to the Corporation and its consolidated subsidiaries would be made known to them by others within those entities.

Under the supervision of and with the participation of the CEO and the CFO, management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

There have been no changes in the Corporation's internal controls over financial reporting during the fiscal quarter ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting. Subsequent to year-end the Corporation began a phased implementation of a new payroll and human resources information system that will cover almost all employees. The implementation will enhance the collection and reporting of employee and retiree information. The roll-out is expected to be complete in the second quarter of 2007. In addition, the Corporation plans to upgrade its accounting system to better serve its needs. Completion of the project is expected by the end of 2007.

Derivative Financial Instruments

The Corporation utilizes interest rate swap agreements on its debt instruments to manage risks associated with interest rate movements. At December 31, 2006 and 2005, the interest rate swap contracts had a positive fair value of \$223 and \$292 respectively. The asset has not been recorded on the financial statements in accordance with the Corporation's hedge accounting policy.

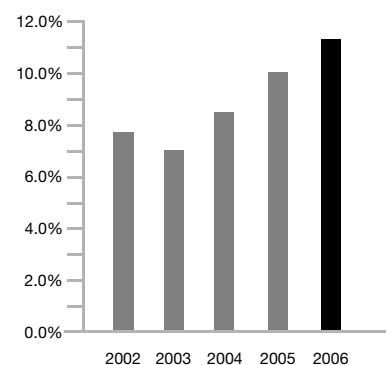
Return on Capital Employed

The Corporation uses Return on Capital Employed (ROCE) to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders.

The Corporation defines ROCE as earnings before financial expense and gains or losses on the translation of foreign-denominated assets and liabilities, on an after-tax basis, and expressed as a percentage of average capital. Capital is long-term debt including the current portion plus shareholders' equity.

In 2006, the ROCE increased to 11.3% from 10.0% in 2005 as a result of increased earnings and the utilization of cash resources to partially finance new acquisitions.

Return on Capital Employed



Summary of Quarterly Results

The results for the last eight quarters are as follows:

Year	Quarter	Revenue from continuing operations	Earnings (loss) from continuing operations	Earnings (loss) per share from continuing operations	Net earnings (loss)	Earnings (loss) per share
2006	Quarter 4	\$ 163,620	\$ 18,874	\$ 4.85	\$ 18,680	\$ 4.80
	Quarter 3	\$ 169,484	\$ 17,717	\$ 4.56	\$ 17,670	\$ 4.54
	Quarter 2	\$ 162,671	\$ 17,873	\$ 4.59	\$ 18,598	\$ 4.78
	Quarter 1	\$ 52,777	\$ (12,889)	\$ (3.31)	\$ (12,889)	\$ (3.31)
2005	Quarter 4	\$ 154,149	\$ 14,258	\$ 3.66	\$ 14,450	\$ 3.71
	Quarter 3	\$ 157,700	\$ 15,977	\$ 4.11	\$ 15,944	\$ 4.10
	Quarter 2	\$ 149,293	\$ 16,239	\$ 4.17	\$ 6,064	\$ 4.12
	Quarter 1	\$ 47,851	\$ (15,618)	\$ (4.01)	\$ (14,982)	\$ (3.84)

The nature of the Corporation'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 much of the first quarter and 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, the first quarter revenues and earnings are significantly lower than the remaining quarters in the year.

With the exception of the significant repair and maintenance costs incurred in the first quarter, the fluctuations and seasonality of the quarterly earnings has become less of a factor in recent years due to the product tanker and ocean-going fleets operating year round, a somewhat longer season for the domestic dry-bulk fleet and the increase in our real estate portfolio.

Contractual Obligations

The table below provides aggregate information about the Corporation's contractual obligations at December 31, 2006, which affects the Corporation's liquidity and capital resource needs. The Corporation's contractual obligations include repayment of long-term debt and capital asset purchases.

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Repayment of long-term debt	\$ 11,930	\$ 9,045	\$ 6,014	\$ 11,293	\$ 38,282
Capital asset purchases	36,849	-	-	-	36,849
Total	\$ 48,779	\$ 9,045	\$ 6,014	\$ 11,293	\$ 75,131

Domestic Dry-Bulk

The domestic dry-bulk segment includes the activities of the Corporation's Canadian dry-bulk vessels, one tug and one self-unloading barge and a ship repair and marine engineering business.

The commercial activity of the Corporation's Canadian flag dry-bulk cargo vessels, consisting of 14 self-unloading vessels and 5 bulk carriers, is managed by Seaway Marine Transport (SMT), a partnership jointly owned with Upper Lakes Shipping Inc. SMT's responsibilities include marketing, vessel traffic, vessel management, purchasing, accounting and administrative functions of the respective fleets.

SMT operated 21 self-unloaders during the year, one less than during 2005 and 12 conventional bulk carriers, one more than during 2005. In addition, SMT has a 25% interest in Laken Shipping Corporation located in Cleveland, Ohio. Laken Shipping Corporation owns a US-flag tug and barge fleet consisting of a 10,200 net tonne capacity self-unloading barge and a 5,000 HP tug. SMT (USA) Inc., a wholly owned US subsidiary of SMT, time charters the tug and barge unit owned by Laken Shipping Corporation and is the commercial manager. SMT also provides ship management services for two vessels not owned by the two partners.

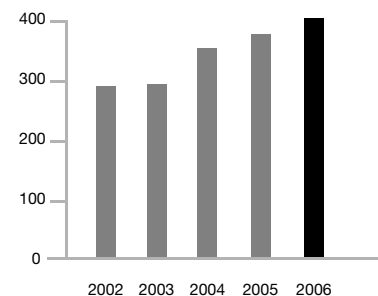
The SMT fleet is the largest and most diversified dry-bulk cargo fleet operating on the Great Lakes. The size of the fleet, together with a variety of unique vessel configurations, allows SMT to accommodate almost every dry bulk shipping requirement. SMT is based in St. Catharines, Ontario and has a marketing and customer service office in Winnipeg, Manitoba. SMT (USA) Inc. has an office in Cleveland, Ohio.

SMT's fleet complies with both the ISO:9001 Quality Standard and the ISM Code requirements and has been granted full term ISO:9001 and ISM Certification. Certification was performed by Lloyds Register. SMT's Quality and Safety Management System ensures continued compliance with these codes. In addition, all SMT managed vessels have approved security plans that, in addition to the Canadian regulations, comply with the International Ship and Port Security (ISPS) Code and associated US regulations on marine security.

Revenue

Domestic Dry-Bulk

(IN MILLIONS)



SMT serves a wide variety of major industrial segments, including iron and steel producers, aggregate, cement and building material producers, electric utilities, salt producers and agriculture product producers. SMT's customer group includes leading companies in each market sector and service relationships are typically long-term in nature.

Total vessel operating days in 2006 were below 2005 levels by 1.3%. Self-unloader operating days in 2006 decreased by 2.8% over prior year levels, mainly as a result of the decision to not operate the *Canadian Ranger* in 2006. Bulker operating days increased by 3.8% over 2005 levels. Total tonnage carried by SMT declined by 1.1% from prior year levels reflecting in part lower water levels in the Great Lakes and the mix of customers served by SMT.

Revenues of the domestic dry-bulk segment increased from \$370,689 in 2005 to \$400,461 in 2006 mainly as a result of general increases in freight rates, improved recovery of higher fuel costs and improved fall weather conditions. This improved revenue coupled with a slightly improved operational performance resulted in operating earnings net of income tax increasing to \$15,224 from \$6,472 in 2005. These results are before deducting earnings of the minority interest.

Operational excellence continues to be the focus of SMT. Effective cost control, operational excellence and continuous improvement are critical to our goal of being the most competitive Great Lakes marine transportation service provider. Two key measures of quality performance are incident costs and non-productive days. In 2006, incident costs as a percentage of net revenue were 1.2%, down from 1.6% in 2005. Non-productive days as a percentage of available days were 4.5%, up from 3.2% in 2005. Neither of these measures is at acceptable levels and SMT continues to focus on improvements in 2007.

In 2006, SMT embarked on a strategic initiative to renew and improve its information systems. The objective of the planning initiative was to create an integrated, company-wide information system that encompasses all functional areas within SMT's offices and fleet and incorporates a modern vessel communications system and computer hardware within a robust and scalable business system architecture. The result of this planning exercise was the development of a multi-year information systems renewal project that includes implementation of an enterprise software solution for SMT's primary information systems and the testing and development of improved vessel communication and information systems. The Corporation will apply the same enterprise software solution for the human resource and payroll functions related to vessel crewing that are managed by the Corporation.

The implementation of the enterprise system progressed throughout 2006 and we expect the first phase to go live in the 2nd quarter of 2007. Upgraded vessel local area networks will be installed on each vessel in the fleet prior to the commencement of the 2007 sailing season.

Total cargo carried by SMT and SMT (USA) Inc. in 2006 for self-unloader customers was 32.2 million tonnes. Self-unloading bulk carriers discharge their cargo using onboard equipment. Cargo flows from the cargo hold through gates to conveyors located below the cargo hold. The cargo is carried through the ship, and then elevated to an unloading boom at deck level. Unloading booms are 75-80 metres long and can be moved up to 90 degrees from each side of the vessel. Self-unloaders either discharge cargo to stockpiles or directly into receiving storage facilities. Due to the flexibility of self-unloaders, the demand for this type of vessel remains high.

The self-unloader fleet carries iron ore and coal for steel producers, aggregate products, cement and gypsum for the construction and road-building industries, salt for road de-icing and other safety and commercial uses, coal for electric power generation, grain and fertilizers for the agriculture industry and a variety of other products.

The amount of cargo carried by the bulker fleet increased by 7.9% over 2005 levels to 10.0 million tonnes. Bulkers require shore based equipment to unload. The majority of bulker activity is limited to grain and iron ore shipments.

In 2006, SMT incurred nearly \$50 million in vessel lay-up expenses during the winter season. These expenses are made to ensure vessel performance and maintain vessel compliance with regulatory requirements. Some of these expenses are for major vessel improvements, such as the completion of the unloading gate renewal project on the Corporation's *M.V. Algowood*. Many other equipment upgrades on other vessels were carried out as well.

Water levels were lower in 2006 than in 2005 in the upper Great Lakes. By year end, Lakes Erie, Huron and Michigan had risen above end of 2005 levels, however, Lake Superior continued to fall to near record low levels. The maximum permissible operating draft for most vessels in the St. Lawrence Seaway system remained at the higher level set in 2004 of 80.8 dm (26'6").

Average fuel prices increased in 2006 over 2005 levels. Prices generally rose through the first eight months of the year but began to decline during the fall. SMT generally recovers the cost of fuel used by its vessels through its freight service contracts. Variations in the prices of different fuel types and under-recovery of total fuel costs under some freight contracts created exposure to rising fuel costs. This exposure was first identified in 2004 when fuel prices increased rapidly. Fuel cost recovery increased to 95% in 2006 from about 90% in 2005. SMT is continuing to work with its customers to address remaining imbalances.

The Canadian flagged vessels in the SMT fleet have labour agreements with various unions representing the officers and seamen. The three labour unions representing the shipboard employees on the Corporation's vessels all expired on May 31, 2006. Agreements with the Canadian Merchant Service Guild, Canadian Marine Officers Union and Seafarers International Union have all been successfully renewed for a further five years. The two labour unions representing the shipboard employees on the vessels owned by Upper Lakes Shipping Inc. expire on May 31, 2007 and March 31, 2008.

Looking ahead to 2007, SMT expects demand for both self-unloaders and bulkers to continue to be strong.

Strong North American and world demand for steel products are expected to continue through 2007. The North American steel industry has undergone a significant re-structuring over the last several years. The result is a much more competitive industry. The steel industry represented about 27% of the total cargo carried by Seaway Marine Transport in 2006.

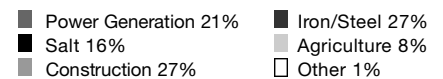
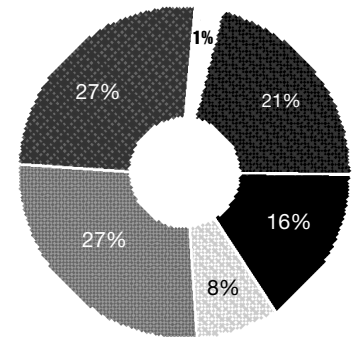
Demand for aggregates, cement and construction materials are expected to remain at 2006 levels. This market segment accounted for about 27% of the total cargo carried by SMT in 2006.

Salt shipments represented about 16% of the cargo carried by SMT in 2006. Salt shipments are expected to be stable in 2007. Utilities represented about 21% of all cargo carried in 2006. Coal shipments are expected to soften in 2007 but could increase with increased demand for electricity.

Agricultural product shipments represented about 8% of total cargo carried by SMT. Shipments in this sector are expected to remain constant in 2007. Shipments of other commodities represent the remaining proportion of SMT's cargoes.

Industry Segments

Seaway Marine Transport



Ship Repair

The Corporation's ship repair business operates as Fraser Marine & Industrial (FMI). FMI provides diversified ship repair, steel fabrication, machine shop and electrical repair services to the Corporation's vessels, as well as other fleets on the Great Lakes - St. Lawrence Waterway.

From their Port Colborne, Ontario location, FMI provides marine repair services in Owen Sound, Sarnia, Hamilton, Toronto, Montreal and the Welland Canal area. Supervision and core skills are provided from Port Colborne and local, temporary labour is hired for the work in specific ports. These are the ports that the Great Lakes vessels generally use for winter lay-up berths. Although these ports are the main winter repair centers, FMI can quickly mobilize a work force in any Great Lakes port if justified. The FMI motto of "Anytime ... Anywhere" recognizes the round-the-clock, mobile nature of the marine industry. During the summer months a core of supervisors and skilled workers are available for unscheduled and emergency repair work that inevitably occurs on both domestic and foreign vessels on the Great Lakes.

FMI continues to work with its customers and provides competitive rates for prefabrication of material that is anticipated for the coming winter. This allows utilization of shop facilities and labour during slow summer months and efficient use of more limited resources in the winter.

In 2006, FMI negotiated a three-year labour agreement with a local of the United Steelworkers of America which runs through to July 2009. Recently FMI was audited by Labour Canada and achieved compliance with Labour Canada's Occupational Health and Safety Intervention Model using in-house resources.

Focus on operational strengths and efficiencies have allowed FMI to increase annual revenue while maintaining control over costs and quality. As a result FMI has exceeded expected operating margin targets.

FMI is the premier top-side ship repair firm on the Great Lakes and has demonstrated its ability to take on very large and complex projects and complete them in the short winter repair period. They have an enviable reputation of finishing these projects on time and on budget and to a high standard of quality.

Product Tankers

Throughout the year Algoma Tankers owned and operated five Canadian flag liquid petroleum product tankers and, for most of the year, one Danish flag product tanker. The Canadian fleet's primary function is to provide transportation of liquid petroleum products throughout the Great Lakes – St. Lawrence Waterway and Atlantic Canada regions. Our customers, who demand a high level of quality, include major oil refiners, wholesale distributors and large consumers of clean and black petroleum products.

The Product Tanker fleet has now evolved into a modern fully double-hulled fleet with the purchase in April 2006 of the *Amalienborg*, a 1998 built double hulled petroleum/chemical product tanker, and the sale of the *Algonova*, a 1969 built single hulled product tanker, in early January 2007.

The *Amalienborg* was purchased from Borg Tankers II Limited of Bermuda for \$30,557. This vessel is a sister ship to the *Algosea* which we purchased from the same owners in 2005. The vessel is currently trading under Danish flag in Europe and the Mediterranean and we expect this to continue into early or mid 2008.

With the addition of the *Amalienborg* in 2006, the *Algosea* and *Algosar* in 2005, the *Algoscotia* in 2004 and the removal from service of four older single hulled vessels since 2004, our current five vessel tanker fleet is the most modern fleet in our service area. Our fleet has a total deadweight capacity of 71,130 tonnes or 503,611 barrels.

The technical and commercial operations are managed by our in-house staff located at 63 Church Street in St. Catharines, Ontario. This group is focused on customer service, quality performance and safety, security and environmental responsibilities. Key indications of quality performance are incident costs and non-productive days. In 2006, non-productive days as a percentage of available days was .9%, the second lowest in five years and incident costs as a percentage of net revenue was .1%, the lowest in the fleet's history. Our shore and fleet staff are to be commended for achieving these results, a clear indicator of a quality operation.

The success of any fleet of ships requires a focus on operational excellence. The Algoma Tanker ship managers have captured the essence of that focus in one, three part statement which is incorporated in the Algoma Tankers Mission Statement; "Don't Hurt Anyone, Don't Spill Anything, Don't Hit Anything". This sentiment is mirrored by our customers who demand that their service providers operate at a very high level of operational excellence. Algoma Tankers has demonstrated that they meet that requirement.

To foster a culture of continuous improvement, the fleet managers implemented an initiative called "Sustaining Excellence". This initiative is designed to consolidate and build on existing quality operations and search for continuous improvement opportunities. In the second year of this proactive plan, Algoma Tankers initiated a "Jobs Observation" (JOBS) programme. In JOBS crew members are encouraged to observe and assess work activities of others. A third party observing any work activity can sometimes spot an unsafe behaviour or a potentially hazardous work practice. Every ship is encouraged to perform a number of these observations and submit them to the fleet managers who then analyse the observations looking for trends or common at-risk behaviours. For any at-risk behaviour identified, corrective action is taken.

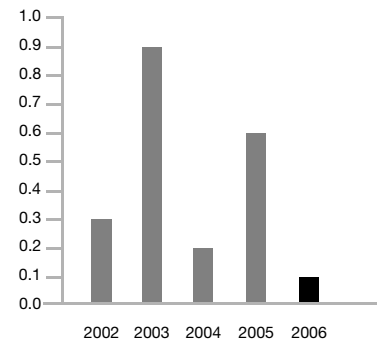
At the end of the season the crew of any vessel that has had zero injuries, zero spills and zero incidents are recognized with safety awards and the ship is given a special pennant that they can fly for the next year. In 2006, the *Algoeast* and the *Algosar* both earned the right to fly this pennant. It is the fleet managers' goal to have this pennant flying on every ship of the fleet. Through the use of "Job Observation" and other such tools, Algoma Tankers expects to maintain customer confidence and further improve on all aspects of tanker operations.

The tanker fleet achieved 96% utilization in 2006 as all available vessels were virtually fully employed. The strong customer demand as well as tight vessel capacity that we experienced in 2004 and 2005 continued throughout 2006.

Incident Costs

Algoma Tankers

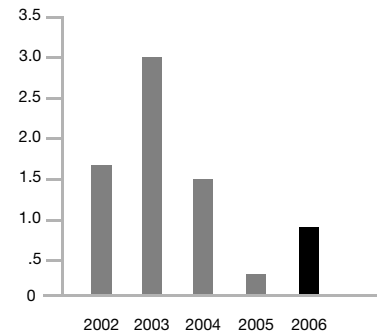
(PERCENTAGE OF NET REVENUE)



Non Productive Days

Algoma Tankers

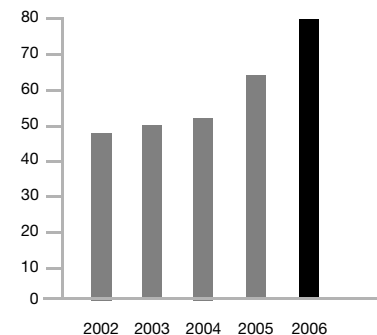
(PERCENTAGE OF AVAILABLE DAYS)



Revenue

Algoma Tankers

(IN MILLIONS)



As a result, revenue generated by the tanker fleet in 2006 was \$79,832 compared to \$63,954 in 2005, an increase of 25%.

The tanker fleet achieved operating earnings net of income tax of \$14,553 in 2006, an increase of \$5,427 over 2005. This 59% increase was due mainly to the following factors:

- Continued diligence in cost containment.
- Excellent quality performance relating to incident costs and non-productive time.
- The incremental earnings generated from the new vessels that joined the fleet in March 2005 (*Algosar*), July 2005 (*Algosea*) and April 2006 (*Amalienborg*).
- Full utilization due to robust customer demand.
- Non-recurring costs incurred in 2005 associated with the wind-up of our U.S. operations as a result of the transfer of a tanker from U.S. to Canadian flag.

We see the strong demand experienced in the last few years continuing throughout 2007. Once again scheduled refinery shutdowns beginning in April will contribute to this demand picture. As a result we see our five vessel owned fleet achieving near full utilization other than approximately 60 out of service days required for scheduled regulatory dry-docking and maintenance.

We have continuously explored ways to develop a larger customer base and increase the capacity of our tanker fleet. In 2007 we hope to achieve further success in these endeavours. We are also actively exploring alternative ways to replace the capacity lost when the single hulled *Algonova* was sold in January 2007.

Ocean Shipping

The Corporation's interest in ocean shipping consists of 100% ownership of one ocean-going self-unloading vessel through its wholly-owned subsidiary, Algoma Shipping Inc. and a 50% ownership of five ocean-going self-unloading vessels, through its 50% ownership of Marbulk Canada Inc. (MCI).

These six vessels are combined with the ocean-going self-unloading vessels of CSL International Inc. (CSLI), the other 50% owner of MCI, Egon Oldendorff, a German shipowner based in Lübeck, Germany and the Torvald Klaveness Group, a Norwegian shipowner based in Oslo, Norway to form the CSL International Pool. This 26 vessel pool is the largest ocean-going self-unloading fleet of its type in the world.

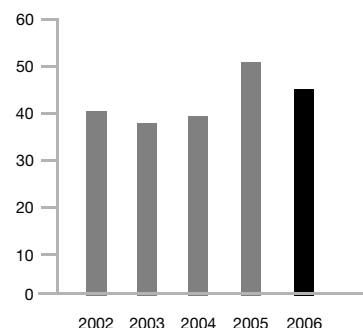
The CSL International Pool has experienced very strong demand for its vessels for the last few years. The three major commodities which are served by the pool, gypsum for wallboard, crushed aggregates for construction and coal for power generation, have all moved in record quantities.

As a result of this increased demand, the pool has grown from 22 vessels in 2005 to 26 vessels by the end of 2006. These four additional vessels are all Panamax self-unloading vessels. In 2007 the Pool is scheduled to take delivery of three additional vessels to meet increased demand, one of which will be provided by Algoma Shipping Inc.

Revenue

Ocean Shipping

(IN MILLIONS)



The Algoma Shipping Inc. vessel is being constructed at Chengxi Shipyard in Jiangyin, China at a cost of \$53 million and has a contractual delivery date of May 31, 2007. The project is somewhat unconventional in that it involves the construction of a Panamax sized, ocean-going, self-unloading forebody which is then joined to the refurbished aft-end of an existing Panamax tanker. The existing tanker hull is cut away at the engine room bulkhead and the aft end of the donor tanker, containing the engine room and accommodations, is then joined to the newly constructed forebody. The entire aft end will be completely refurbished and fitted with new equipment as needed.

This method of construction, which is the fifth in a series of similar vessels, has permitted a lower total cost and, more importantly, a very quick delivery. New build yards are booked out to 2010 and new engine deliveries are just as long. The Algoma Shipping Inc. project will be about twelve months from contract signing to delivery. The vessel will join the CSL International Pool as the *Honourable Henry Jackman* in honour of a long serving Director of the Corporation, the former Lieutenant-Governor of Ontario and a former Chairman of the Corporation.

The revenue from continuing operations earned from ocean shipping decreased from \$51,973 to \$44,813, a decrease of 14%. This decrease was due to a combination of the following factors:

- Scheduled regulatory dry-dockings for three of the Marbulk vessels resulting in 276 out-of-service days.
- This impact was slightly offset by the continued strong results from the CSL International Pool and continued improvement in vessel availability through reduced vessel off-hire.

Operating earnings net of income tax decreased from 2005 due the factors mentioned above. In 2006 operating earnings net of income tax decreased to \$10,837 from \$13,726 in 2005.

Vessel management and maintenance of the *Bahama Spirit* and the Marbulk vessels is outsourced to Atlantic Marine Limited Partnerships and V-Ships, two of the world's leading ship management companies. However, the technical departments of the two principals of Marbulk, the Corporation and CSLI have oversight responsibilities for the fleet. There continues to be a strong focus on improving productivity and operational excellence including safety, security and environmental protection.

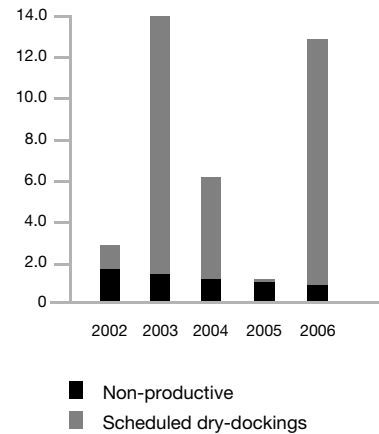
Significant improvements have been achieved in vessel productivity over the last five years. The percentage of non-productive days, excluding scheduled dry-dockings, continued to decline in 2006. As the graph indicates, non-productive days as a percentage of available days have decreased from 1.8% in 2002 to 0.9% in 2006. This is an excellent result and speaks to the professionalism and diligence of the ship managers and vessel crew members.

We expect earnings to improve in 2007 due mainly to expected out-of-service days for scheduled regulatory dry-dockings reducing to 110 days from 276 days in 2006 and as a result of the addition of the *Honourable Henry Jackman* for a portion of the year. In addition, the pool is expected to perform well despite the downturn in the gypsum market associated with residential construction. Industrial application gypsum, aggregates and import coal are expected to remain strong for the balance of 2007.

Non Productive Days

Ocean Shipping

(PERCENTAGE OF AVAILABLE DAYS)



Real Estate

Algoma Central Properties Inc. (ACP) owns and manages commercial real estate in St. Catharines, Waterloo and Sault Ste. Marie, Ontario. In St. Catharines, properties include Ridley and Huntington Square commercial plazas, two office buildings known as 63 Church Street and 20 Corporate Park Drive, and the Martindale Business Centre and 610 Welland Avenue which are light industrial properties. ACP also owns 50% of Seventy-Five Corporate Park Drive Ltd. (a joint venture with Meridian Credit Union) which owns an office building and is managed by ACP.

In Waterloo, ACP owns and manages three office buildings located at 408, 410 and 412 Albert Street which collectively is known as the Waterloo Technology Campus.

The Sault Ste. Marie properties owned and managed by ACP include Station Mall, the Station Tower and 289 Bay Street office buildings and a residential apartment building, Station '49'. In addition, ACP owns, but does not manage, the Holiday Inn, Sault Ste. Marie.

ACP's revenue increased by 5% in 2006 to \$23,446 when compared to 2005 revenue of \$22,377. Operating earnings net of income tax for 2006 increased by 3% to \$5,040 over 2005 operating earnings net of income tax of \$4,902. These increases are mainly attributable to rental rate increases realized from typical tenant turnover and lease renewals. In addition, in September 2006 the Corporation purchased the remaining 50% of 412 Albert Street, Waterloo from its joint venture partner, which also resulted in an increase in revenue for the year.

ACP invested \$4,337 in 2006 for the remaining 50% ownership of 412 Albert Street and general upgrades and tenant improvements to the Corporation's other owned properties.

St. Catharines, Ontario

Interest from potential tenants to lease prime commercial office space has continued to improve with respect to our Henley Corporate Park development. The Corporation has recently committed to the development of the site known as 25 Corporate Park Drive with construction to commence in April 2007 and substantial performance completed in October 2007. This 45,000 square foot building is similar in size to 20 Corporate Park Drive and is 50% pre-leased to Class A tenants. The expected cost of the new building is approximately \$6,000.

The occupancy rate for our 20 Corporate Park Drive office building has increased to 94% from 90% last year with revenue up 23% over 2005. This revenue increase is due to both the increase in occupancy as well as the property tax assessment finalization in 2005 which decreased expenses and consequently decreased revenue recoverable from tenants in that same year. ACP's joint venture office building, 75 Corporate Park Drive which is also located in Henley Corporate Park, has maintained 100% occupancy throughout the year. Revenue has increased 1% in 2006 over 2005 due to increases in operating costs recoverable from tenants.

The occupancy rates for Ridley Square and Huntington Square plazas have remained unchanged in 2006 at 100% and 95% respectively compared to the previous year. Revenue has increased by 4% in 2006 when compared to 2005 due to both rental rate increases and increases in recoverable operating costs.

Martindale Business Centre and 610 Welland had a revenue increase of 3% in 2006 over 2005 due to increases in rental rates. Martindale Business Centre's occupancy rate is currently 92% compared to 100% in 2005 while 610 Welland remains at 100% leased.

The occupancy rate for 63 Church Street increased to 88%, up from 76% in 2005. Although revenue increased only 1% in 2006 over 2005, we look forward to further improvement in 2007 due to the higher occupancy level. This downtown office building also houses the Corporation's executive offices.

Waterloo, Ontario

In September 2006, ACP took over the operations management of the office building known as 412 Albert Street from its joint venture partner. With the Corporation's purchase of its partner's 50% ownership in 412 Albert Street, ACP now owns and manages the complete development known as the Waterloo Technology Campus. Revenue has increased in 2006 by 15% over 2005 due mainly to the full ownership of 412 Albert Street. The occupancy has decreased from 100% in 2005 to 97% in 2006 due to the downsizing of one existing tenant. This vacant space will be used as swing space for an existing tenant who is currently examining long-term expansion options.

Sault Ste. Marie, Ontario

Revenue from our commercial office building, Station Tower, increased by 5% in 2006 when compared to 2005. This is due to an increase in rental rates which are partially offset by the decrease in occupancy from 97% in 2005 to 95% in 2006. Our 289 Bay Street office building remains at 100% leased with no change in revenue in 2006 when compared to 2005.

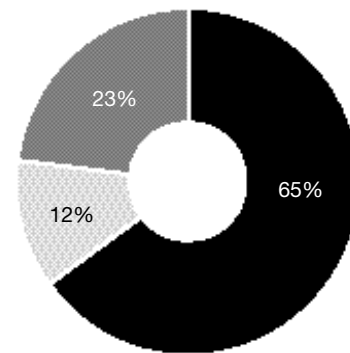
The financial performance of the Holiday Inn, although challenging, has been positive as evidenced by the 4% increase in revenue in 2006 over 2005. Holiday Inn management continues to emphasize marketing to the business sector in order to offset the difficulties pertaining to cross-border tourism traffic which have negatively affected many Canadian border cities.

Occupancy for our apartment building, Station '49', is currently 100%, although it normally does fluctuate throughout the year due to typical tenant turnover. Revenue is up 4% in 2006 over 2005 due to rental rate increases.

Occupancy for the Station Mall is currently 98%, which is the same as the previous year. Revenue increased by 1% in 2006 due to increased rental rates when compared to 2005.

Geographic Diversification

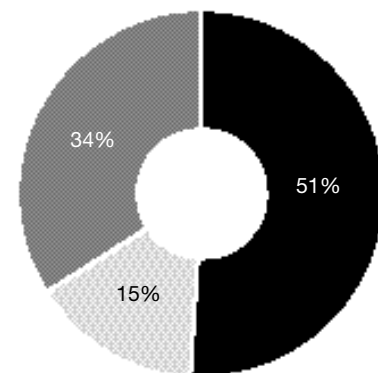
(BY SQUARE FOOT)



■ Sault Ste. Marie ■ Waterloo
 ■ St. Catharines

Asset Mix

(BY SQUARE FOOT)



■ Retail ■ Hotel/Residential
 ■ Office/Light Industrial

Improved tenant mix and the September 2006 opening of the new arena/convention centre on neighbouring property should have a positive effect on mall traffic. This \$21 million City of Sault Ste. Marie development should strengthen most businesses located in the vicinity.

In 2005, the City approved a \$50 million tourism-orientated project on lands known as the Gateway Site, which also neighbours ACP's properties. In 2006, provincial funding was approved, based upon certain criteria, to assist in the proposed development. To date, construction of this project has not progressed.

We look forward to 2007 being a further growth year led with the construction of the new office building in St. Catharines. Although very competitive, space for quality commercial office space and mixed use facilities remain in demand in St. Catharines.

In Sault Ste. Marie, with improved merchandise mix at the Station Mall resulting from typical tenant turnover and in addition, the stabilization of the population of the City, we look forward to positive growth for all our local properties.

We believe the market in Waterloo provides growth opportunities and with increased management at the local level we hope to invest further in the Waterloo Region.

Including the development of 25 Corporate Park Drive, St. Catharines, the Corporation plans to spend approximately \$7.8 million in 2007 on construction, tenant improvements and general building upgrades for our owned properties.

Responsibility for Financial Statements

The consolidated financial statements of Algoma Central Corporation and its subsidiaries, and all information in this annual report, are the responsibility of management and have been approved by the Board of Directors.

The financial statements were prepared by management in conformity with Canadian generally accepted accounting principles and necessarily include some amounts that are based on estimates and judgments. Information used elsewhere in this annual report is consistent with that in the financial statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss and that financial records are reliable.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee which consists solely of independent directors. The Audit Committee meets periodically with management and the auditors to review results of audit examinations and financial reporting matters. The independent auditors appointed by the shareholders have full access to the Audit Committee, with and without management present.

The Audit Committee reviewed the financial statements in this report and recommended that they be approved by the Board of Directors.



Greg D. Wight
Executive Vice President & Chief Financial Officer
February 16, 2007



Tim S. Dool
President & Chief Executive Officer
February 16, 2007

Auditors' Report

To the Shareholders of **Algoma Central Corporation**

We have audited the consolidated balance sheets of **Algoma Central Corporation** as at December 31, 2006 and 2005 and the consolidated statements of earnings and retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Deloitte & Touche LLP
Chartered Accountants, Toronto, Ontario
February 16, 2007

Consolidated Statements of Earnings and Retained Earnings

Years ended December 31, 2006 and 2005

(In thousands of dollars, except per share figures)

	2006	2005
REVENUE	\$ 548,552	\$ 508,993
EXPENSES		
Operations	433,463	413,916
General and administrative	22,009	20,593
	455,472	434,509
EARNINGS FROM CONTINUING OPERATIONS BEFORE UNDERNOTED ITEMS	93,080	74,484
Amortization	(29,163)	(28,015)
Financial	(2,417)	(3,006)
Net (loss) gain on translation of foreign-denominated assets and liabilities	(566)	161
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	60,934	43,624
INCOME TAX PROVISION <i>(Note 5)</i>	(11,744)	(9,912)
EARNINGS OF MINORITY INTEREST	(7,615)	(2,856)
EARNINGS FROM CONTINUING OPERATIONS	41,575	30,856
EARNINGS FROM DISCONTINUED OPERATIONS <i>(Note 3)</i>	484	620
NET EARNINGS	42,059	31,476
RETAINED EARNINGS, BEGINNING OF YEAR	279,213	251,324
DIVIDENDS	(4,959)	(3,797)
REFUNDABLE DIVIDEND TAXES <i>(Note 6)</i>	-	210
RETAINED EARNINGS, END OF YEAR	\$ 316,313	\$ 279,213
EARNINGS PER SHARE <i>(Note 12)</i>		
CONTINUING OPERATIONS	\$ 10.69	\$ 7.93
DISCONTINUED OPERATIONS	0.12	0.16
	\$ 10.81	\$ 8.09

Consolidated Balance Sheets

December 31, 2006 and 2005
(In thousands of dollars)

	2006	2005
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 55,245	\$ 51,733
Accounts receivable	63,482	61,308
Materials and supplies	9,419	7,595
Prepaid expenses	8,643	5,306
Income taxes recoverable	8,491	11,916
Discontinued operations (Note 3)	-	3,761
	145,280	141,619
CAPITAL ASSETS (Note 7)	351,510	311,938
OTHER ASSETS (Note 9)	17,509	16,244
	\$ 514,299	\$ 469,801
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	\$ 60,792	\$ 52,858
Current portion of future income taxes (Note 5)	21,276	16,349
Due to minority interest	7,615	2,856
Dividends payable	593	569
Current portion of long-term debt (Note 10)	11,930	5,034
	102,206	77,666
FUTURE INCOME TAXES (Note 5)	33,903	39,173
LONG-TERM DEBT (Note 10)	26,352	36,124
OTHER LIABILITIES (Note 11)	8,263	7,857
DUE TO MINORITY INTEREST	10,061	14,962
CONTINGENCIES (Note 16)	-	-
	180,785	175,782
SHAREHOLDERS' EQUITY (Note 12)		
SHARE CAPITAL	8,319	8,319
CONTRIBUTED SURPLUS	11,917	11,917
UNREALIZED FOREIGN EXCHANGE LOSS	(3,035)	(5,430)
RETAINED EARNINGS	316,313	279,213
	333,514	294,019
	\$ 514,299	\$ 469,801

APPROVED BY THE BOARD:



Director



Director

Consolidated Statements of Cash Flows

Years ended December 31, 2006 and 2005

(In thousands of dollars)

	2006	2005
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Earnings from continuing operations	\$ 41,575	\$ 30,856
Items not affecting cash		
Amortization	29,163	28,015
Future income taxes	(693)	(2,524)
Earnings of minority interest	7,615	2,856
Other	695	83
	78,355	59,286
Net change in non-cash operating working capital (Note 13)	4,113	10,721
	82,468	70,007
INVESTING		
Restricted cash	-	1,202
Additions to capital assets	(66,154)	(37,931)
Proceeds from sale of capital assets	-	1,466
Long-term receivables	-	540
Other	(1,832)	(2,595)
	(67,986)	(37,318)
FINANCING		
Proceeds from issue of long-term debt	6,709	20,000
Net payments to minority interest	(7,669)	(3,997)
Repayment of long-term debt	(9,418)	(34,588)
Dividends paid	(4,935)	(3,797)
	(15,313)	(22,382)
LOSS ON CASH HELD IN FOREIGN CURRENCY	(96)	(144)
TOTAL CASH (DECREASE) INCREASE FOR YEAR FROM CONTINUING OPERATIONS	(927)	10,163
CASH FROM (USED BY) DISCONTINUED OPERATIONS (Note 3)	4,439	(318)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,733	41,888
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 55,245	\$ 51,733

Notes to the Consolidated Financial Statements

Years ended December 31, 2006 and 2005 (In thousands of dollars)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Incorporated as Algoma Central Railway in Sault Ste. Marie, Ontario in 1899, Algoma Central Corporation (“Corporation”) is the largest Canadian-flag ship owner on the Great Lakes-St. Lawrence Waterway.

The Corporation owns 19 Canadian flagged dry-bulk vessels. The operational and commercial activities of the dry-bulk fleet are managed by Seaway Marine Transport, a partnership with Upper Lakes Shipping Inc, an unrelated company. The Corporation also has an interest in one tug and one barge.

The Corporation, through a wholly owned subsidiary, owns and manages the operational and commercial operations of five Canadian-flag tanker vessels. The Corporation also owns an additional foreign-flag tanker through a wholly-owned foreign subsidiary.

The Corporation owns one ocean-going self-unloading vessel through a wholly owned foreign subsidiary and has an interest through a joint venture in an ocean-going fleet of five self-unloaders. These vessels are part of a 26 vessel ocean-going self-unloader commercial pool.

The Corporation, through a division, provides diversified ship repair, diesel engine repair services and fabrication services to ship-owners and industrial customers throughout the Great Lakes-St. Lawrence Waterway.

The Corporation, through a wholly owned subsidiary, also owns and manages commercial real estate properties in Sault Ste. Marie, St. Catharines and Waterloo, Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

The policies of the Corporation are as follows:

Basis of Presentation

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and comprise the accounts of Algoma Central Corporation, its subsidiary companies, its variable interest entities and its proportionate share of joint ventures.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

The Corporation provides pensions and post-retirement benefits including health care, dental care and life insurance to employees. The determination of the obligation and expense for defined benefit pension plans and post-retirement benefits is dependent on the selection of certain assumptions used by the Corporation’s actuaries in calculating such amounts. Those assumptions are disclosed in Note 8 to the Corporation’s consolidated financial statements.

Consolidation of Variable Interest Entities

Effective January 1, 2005, the Corporation implemented CICA Accounting Guideline 15 (“AcG 15”) “Consolidation of Variable Interest Entities”. AcG 15 requires the consolidation of variable interest entities where the Corporation is the primary beneficiary. A variable interest entity is any type of legal structure which does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. A primary beneficiary is required to consolidate an entity when that party will absorb a majority of a variable interest entity’s expected losses and/or receive a majority of the expected residual returns through contractual, ownership or other financial arrangements, as opposed to traditional voting rights.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in the bank less outstanding cheques and short-term deposits that are readily convertible into a known amount of cash and are subject to a minimal change in value.

Materials and Supplies

Materials and supplies consist primarily of fuel on board vessels and are recorded at the lower of cost and net realizable value with cost being determined on a weighted average basis.

Capital Assets

Capital assets are stated at cost less accumulated amortization and amounts written down to net recoverable value. Interest incurred on funds borrowed to finance capital asset acquisitions is capitalized during the construction period.

The Corporation accounts for acquisitions of income-producing properties initiated on or after September 12, 2003 in accordance with EIC-140, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination". The Corporation allocates the purchase price of real property to land, building, tenant improvements, and intangibles, such as the value of above-market and below-market leases, lease origination costs and customer relationships, if any.

Buildings and site improvements are amortized on the straight-line basis over their remaining estimated lives of up to 35 years.

Domestic dry bulk vessels are amortized on a straight-line basis over their remaining estimated lives of up to six years. Tug and barge vessels are amortized over ten years.

Tanker vessels are amortized on a straight-line basis over their remaining estimated lives of up to 23 years.

Ocean dry bulk vessels are amortized on a straight-line basis over their remaining estimated lives of up to 20 years.

Marine assets are not amortized during the period when the vessels are undergoing a significant improvement to extend their estimated useful life.

Impairment of Long-Lived Assets

The Corporation reviews on an annual basis whether there are any indicators of impairment of its capital assets and identifiable intangible assets ("long-lived assets"). The impairment of a long-lived asset is measured by comparing the expected future undiscounted cash flows to the carrying amount of the asset. If the carrying value exceeds the amount recoverable, the carrying values are written down to estimated fair value.

Asset Retirement Obligations

The Corporation accounts for the recognition and measurement of liabilities related to legal obligations associated with the retirement of tangible long-lived assets by initially measuring the liability at fair value and subsequently adjusting the liability for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is capitalized to the related asset and amortized into earnings over time.

Revenue Recognition

Revenues from marine operations are recognized ratably over the term of a voyage. Revenues from real estate rental operations with contractual rent increases are recognized on a straight line basis over the terms of the respective leases.

Foreign Currency Translation

The financial statements of the Corporation's foreign self-sustaining joint venture and subsidiary companies have been translated into Canadian dollars using the year-end exchange rate for assets and liabilities and the average exchange rate for revenues and expenses. Translation adjustments are recorded as a separate component of shareholders' equity.

Exchange differences arising from the translation of monetary assets and liabilities denominated in foreign currencies are recorded in income.

Deferred Charges

Deferred charges consist of unamortized tenant leasehold improvements and financing costs associated with the issuance of debt and are amortized on a straight-line basis over the life of the related asset or debt.

Employee Future Benefits

The Corporation sponsors defined benefit pension plans, a defined contribution pension plan and other post-retirement benefits including life insurance and health care. The benefit plans are further described in Note 8.

The cost of defined benefit pensions and other post-retirement benefits that relate to employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefit method prorated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, the assets are valued at fair market value.

The discount rate used to measure the interest cost on the accrued future employee benefit obligation is set with reference to market interest rates on high-quality debt instruments. The excess of the net cumulative actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of the benefit assets and adjustments resulting from benefit amendments are amortized over the average remaining service life of active employees.

The cost of defined contribution pensions is expensed as earned by employees.

Income Taxes

The Corporation follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the accounting and the tax basis of assets and liabilities and are measured using the enacted and substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Derivative Financial Instruments

The Corporation utilizes derivative financial instruments in the management of its interest rate exposures. In accordance with CICA Accounting Guideline AcG-13 "Hedging Relationships", the Corporation formally documents all hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Corporation formally assesses both at the hedges inception and on an ongoing basis whether the instruments used in the hedging relationship are sufficiently effective in managing interest rate exposure. Gains and losses related to derivatives designated as eligible for hedge accounting are booked in the statement of earnings in the period realized. Hedged relationships that are not eligible for hedge accounting are recorded at their fair value on the balance sheet and any subsequent changes in fair value are recorded in the statement of earnings.

Earnings per Share

Earnings per share are calculated using the weighted average number of shares outstanding during the year. The Corporation does not have any dilutive instruments.

3. DISCONTINUED OPERATIONS

Discontinued operations consist of two tugs and one barge in 2006 and two tugs, one barge and one domestic dry-bulk vessel in 2005, each of which has separately identifiable cash flows. The tugs and barge were sold in 2006 and the domestic dry-bulk vessel was sold in 2005. For financial statement reporting purposes, the results of operations and the related carrying values have been shown as discontinued operations.

The results from discontinued operations are as follows:

	<u>2006</u>	<u>2005</u>
Revenue	\$ -	\$ 1,487
Operating expenses	(331)	(1,516)
Gain on disposals	<u>1,133</u>	<u>995</u>
Earnings before income taxes	<u>802</u>	<u>966</u>
Income tax provision	<u>318</u>	<u>346</u>
Earnings from discontinued operations	<u>\$ 484</u>	<u>\$ 620</u>

The cash flows from discontinued operations are as follows:

	<u>2006</u>	<u>2005</u>
Operating activities	\$ (351)	\$ (79)
Investing activities	<u>4,790</u>	<u>(239)</u>
Cash from (used by) discontinued operations	<u>\$ 4,439</u>	<u>\$ (318)</u>

The net assets from discontinued operations are as follows:

	<u>2006</u>	<u>2005</u>
Current portion of net capital assets	<u>\$ -</u>	<u>\$ 3,761</u>

4. INTERESTS IN JOINT VENTURES

The Corporation has an interest in Marbulk Canada Inc. with Canada Steamships Lines, an unrelated corporation. Marbulk Canada Inc. owns and operates ocean-going vessels. Marbulk Canada Inc. is a participant in an international pool arrangement, whereby the marketing and commercial operations of the vessel management are outsourced to the pool. Marbulk Canada Inc. accounts for its interest in the pool arrangement using the proportionate consolidation method.

The Corporation, through its wholly owned subsidiary, Algoma Central Properties Inc., has an interest in Seventy-Five Corporate Park Drive Ltd. with Meridian Credit Union Limited, an unrelated corporation. This joint venture owns an office building.

The Corporation's interest in Marbulk Canada Inc. and the real estate venture are accounted for using the proportionate consolidation method.

The Corporation also has an interest in Seaway Marine Transport with Upper Lakes Shipping Inc, an unrelated corporation. The Seaway Marine Transport partnership is reported in accordance with accounting for variable interest entities and therefore is fully consolidated in the results of the Corporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Corporation's share in the revenues, expenses, net earnings, assets, liabilities and cash flows of these jointly controlled operations is as follows:

	<u>2006</u>	<u>2005</u>
Revenue	\$ 29,564	\$ 37,623
Expenses	23,711	29,626
Net earnings	\$ 5,853	\$ 7,997
Assets		
Current	\$ 5,988	\$ 5,557
Long-term	33,107	35,316
	\$ 39,095	\$ 40,873
Liabilities		
Current	\$ 8,072	\$ 7,176
Long-term	5,401	13,319
	\$ 13,473	\$ 20,495
Cash inflow (outflow) from:		
Operating Activities	\$ 8,417	\$ 12,640
Investing Activities	(1,720)	(73)
Financing Activities	(7,155)	(12,428)
	\$ (458)	\$ 139

5. INCOME TAXES

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

	<u>2006</u>	<u>2005</u>
Combined federal and provincial statutory income tax rate	35.4%	35.2%
Earnings from continuing operations before income taxes and minority interest	\$ 60,934	\$ 43,624
Expected income tax provision	\$ 21,572	\$ 15,356
Increase (decrease) resulting from:		
Amounts not included in income and tax impacted	(361)	582
Impact of refundable dividend taxes	-	(307)
Tax applicable to earnings of minority interest	(2,699)	(1,032)
Foreign tax rates different from statutory rate	(3,702)	(4,506)
Effect of corporate tax rate reduction	(3,157)	-
Other	91	(181)
	\$ 11,744	\$ 9,912

The components of the income tax provision for the years ended December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Current income tax	\$ 12,437	\$ 12,436
Future income tax	(693)	(2,524)
	<u>\$ 11,744</u>	<u>\$ 9,912</u>

The components of the future tax liability at December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Capital assets	\$ 35,076	\$ 42,230
Accounting income not currently taxable	16,366	12,308
Other	3,737	984
	<u>55,179</u>	<u>55,522</u>
Less current portion of future tax liabilities	<u>21,276</u>	<u>16,349</u>
	<u>\$ 33,903</u>	<u>\$ 39,173</u>

6. REFUNDABLE DIVIDEND TAXES

The Corporation has interests in two joint ventures which are classified as private corporations under The Income Tax Act. The private corporation status allows the joint ventures to receive a refund of a portion of the income taxes it has paid on investment income. The accrued balance of the refundable dividend tax at December 31, 2006 and 2005 amounts to \$949 and \$1,293. Refundable dividend tax is recoverable on payment of taxable dividends.

7. CAPITAL ASSETS

	<u>2006</u>			
	<u>Land</u>	<u>Amortizable Assets</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Domestic Dry-Bulk	\$ 96	\$ 477,684	\$ 384,526	\$ 93,254
Product Tankers	-	129,978	19,602	110,376
Ocean Shipping	-	119,628	37,735	81,893
Real Estate	8,071	88,138	30,222	65,987
	<u>\$ 8,167</u>	<u>\$ 815,428</u>	<u>\$ 472,085</u>	<u>\$ 351,510</u>

Amortizable assets at December 31, 2006 include \$25,787 relating to the progress payments on a new ocean self-unloading vessel. Amortization on this asset will commence in 2007.

	<u>2005</u>			
	<u>Land</u>	<u>Amortizable Assets</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Domestic Dry-Bulk	\$ 96	\$ 472,357	\$ 368,523	\$ 103,930
Product Tankers	-	98,452	14,233	84,219
Ocean Shipping	-	90,964	33,225	57,739
Real Estate	7,705	85,959	27,614	66,050
	<u>\$ 7,801</u>	<u>\$ 747,732</u>	<u>\$ 443,595</u>	<u>\$ 311,938</u>

Amortizable assets at December 31, 2005 included \$3,267 relating to deposits on a vessel. Amortization on this asset commenced in 2006.

8. EMPLOYEE FUTURE BENEFITS

The Corporation maintains two defined benefit pension plans and a defined contribution pension plan, which covers substantially all of its employees except for the majority of shipboard employees, who belong to pension plans not sponsored by the Corporation.

The defined benefit plans provide retirement income based on length of service and final average earnings or an amount per month for each year of credited service. The Corporation also provides other post-retirement benefits including life insurance and health care.

The Corporation measures its accrued benefit obligations and the fair value of the plan assets for accounting purposes at December 31 of each year.

The most recent actuarial valuations of the obligations for the two defined benefit plans for funding purposes were as of January 1, 2004 and June 1, 2005. The next required valuation for the defined benefit plans will be as of January 1, 2007 and June 1, 2008.

Information, in aggregate, regarding the Corporation's future benefit plans for the years 2006 and 2005 is as follows:

	Pension Plans		Other Benefit Plans	
	2006	2005	2006	2005
Plan Assets				
Fair market value, beginning of year	\$ 111,710	\$ 107,289	\$ -	\$ -
Actual return on plan assets	10,311	10,736	-	-
Benefits paid	(7,195)	(7,402)	-	-
Employee contributions to plans	115	117	-	-
Employer contributions to plans	378	970	-	-
Fair market value, end of year	115,319	111,710	-	-
Accrued Benefit Obligations				
Obligations, beginning of year	96,268	95,719	3,600	2,640
Current service cost	3,048	2,896	160	113
Interest cost	5,645	5,600	213	157
Benefits paid	(7,535)	(7,741)	(72)	(54)
Actuarial cost of plan improvement	1,580	-	-	-
Actuarial (gains) losses	36	(206)	-	744
Obligations, end of year	99,042	96,268	3,901	3,600
Actuarial plan surplus	16,277	15,442	(3,901)	(3,600)
Unamortized amounts	(9,572)	(9,055)	1,707	1,903
Net benefit asset (liability)	\$ 6,705	\$ 6,387	\$ (2,194)	\$ (1,697)

ALGOMA CENTRAL CORPORATION

The net benefit asset of all employee future benefit plans of \$4,511 and \$4,690 at December 31, 2006 and 2005 consists of the following:

	<u>2006</u>	<u>2005</u>
Employee benefit assets		
Pension plans	\$ 11,922	\$ 11,366
Other benefit plans	-	-
Total	\$ 11,922	\$ 11,366
Employee benefit liabilities		
Pension plans	\$ 5,217	\$ 4,979
Other benefit plans	2,194	1,697
Total	\$ 7,411	\$ 6,676
	\$ 4,511	\$ 4,690

The actuarial plan surplus of the pension plans consist of the following:

	<u>2006</u>	<u>2005</u>
The Employee Pension Plan of Algoma Central Corporation	\$ 20,645	\$ 20,523
The Union Employee Pension Plan of Fraser Marine & Industrial	1,168	317
Supplementary Employee Retirement Plans	(5,536)	(5,398)
	\$ 16,277	\$ 15,442

The unamortized amounts consist of the following:

	<u>Pension Plans</u>		<u>Other Benefit Plans</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Unamortized transitional (asset) liabilities	\$ (7,211)	\$ (9,047)	\$ 712	\$ 858
Unamortized past service costs	2,021	598	-	-
Unamortized net (gain) loss	(4,382)	(606)	995	1,045
	\$ (9,572)	\$ (9,055)	\$ 1,707	\$ 1,903

The Corporation's net benefit (income) cost incurred and net benefit expense is as follows:

	<u>Pension Plans</u>		<u>Other Benefit Plans</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current service cost	\$ 3,048	\$ 2,896	\$ 160	\$ 113
Interest cost on plan obligations	5,645	5,600	213	157
Expected return on plan assets	(6,553)	(6,294)	-	-
Net benefit cost incurred	2,140	2,202	373	270
Amortization of transitional obligations	(1,733)	(1,733)	196	128
Amortization of past service costs	108	50	-	-
Net benefit expense recognized	\$ 515	\$ 519	\$ 569	\$ 398

The fair market value of plan assets by major investment type is as follows:

	2006		2005	
	Amount	% of total	Amount	% of total
Short term notes	\$ 1,796	1.5%	\$ 2,909	2.5%
Canadian bonds	49,353	41.5%	53,178	46.5%
Canadian equities	31,425	26.4%	27,672	24.2%
Foreign equities	26,099	22.0%	19,778	17.3%
Annuities	10,168	8.6%	10,907	9.5%
	118,841	100.0%	114,444	100.0%
Amount related to defined contribution plan	(3,522)		(2,734)	
	\$ 115,319		\$ 111,710	

Plan assets do not include any common shares of the Corporation.

The significant actuarial assumptions adopted in measuring the Corporations accrued benefit assets and obligations are as follows:

	Pension Plans		Other Benefit Plans	
	2006	2005	2006	2005
Discount rate	6.0%	6.0%	6.0%	6.0%
Long-term rate of return on plan assets	6.0%	6.0%	NA	NA
Rate of compensation increases	5.0%	5.0%	5.0%	5.0%
Average remaining service period of active employees in years	11	11	11	11

The Corporation's growth rate of health care costs was estimated at 12% (2005 - 13%), with the rate trending to 6% per annum over the next four years. Increasing or decreasing the assumed health care rate cost trend rates by one percentage point would have the following effect for 2006.

	Increase	Decrease
Service and interest cost	\$ 79	\$ 52
Accrued benefit obligation	\$ 346	\$ 336

9. OTHER ASSETS

	2006	2005
Employee future benefits (Note 8)	\$ 11,922	\$ 11,366
Mortgage receivable, interest at 8.25% due December 2006	-	523
Deferred charges	5,587	4,878
	17,509	16,767
Current portion	-	523
	\$ 17,509	\$ 16,244

Deferred charges consist primarily of unamortized tenant leasehold improvements and financing charges.

10. LONG-TERM DEBT

	<u>2006</u>	<u>2005</u>
U.S., \$16,500, secured non-revolving term loan, due January 20, 2015, interest fixed at 5.69%	\$ 19,229	\$ 21,517
U.S., \$5,800, secured, due June 30, 2017 interest floating at 6.20%	6,761	-
Mortgage, due June 1, 2007, bearing interest at 7.06%	6,894	7,239
Share of debt of Marbulk Canada Inc. U.S., \$3,156, secured non-revolving bank loan, due November 5, 2008 interest fixed at 5.09% to August 5, 2008	3,678	9,922
U.S., \$1,476, secured non-revolving bank loan, due January 2, 2009, interest fixed at 5.68% to January 2, 2009	1,720	2,480
	38,282	41,158
Current portion	11,930	5,034
	\$ 26,352	\$ 36,124

Assets of Marbulk Canada Inc. have secured the Corporation's proportionate share of long-term debt of Marbulk Canada Inc. The Corporation and the other shareholder of Marbulk Canada Inc. have each provided a guarantee of up to \$670 (2005-\$1,745) of the long-term debt of Marbulk Canada Inc.

Interest on long-term debt amounted to \$1,988 and \$2,896 in 2006 and 2005 respectively, of which nil and \$233 respectively was capitalized to the cost of a vessel during the delivery period.

Principal payments required to service the debt are as follows:

2007	\$ 11,930
2008	5,374
2009	3,671
2010	3,007
2011	3,007
Thereafter	11,293
	\$ 38,282

11. OTHER LIABILITIES

	<u>2006</u>	<u>2005</u>
Employee future benefits (Note 8)	\$ 7,411	\$ 6,676
Deferred revenue	852	1,181
	\$ 8,263	\$ 7,857

12. SHAREHOLDERS' EQUITY

Authorized share capital consists of an unlimited number of common and preferred shares. At December 31, 2006 and 2005, there were 3,891,211 common shares and no preferred shares issued and outstanding.

13. SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

	2006	2005
Change in non-cash working capital		
Accounts receivable	\$ (2,185)	\$ 3,506
Materials and supplies	(1,824)	(1,518)
Prepaid expenses	(3,347)	(1,192)
Income taxes recoverable	3,440	3,409
Accounts payable and accrued charges	8,029	6,516
	\$ 4,113	\$ 10,721
Interest paid	\$ 1,985	\$ 4,311
Income taxes paid	\$ 13,038	\$ 12,027

14. COMMITMENTS

The Corporation, including its share of commitments in its joint ventures, has commitments for capital expenditures at December 31, 2006 and 2005 of \$30,253 and \$3,063, respectively. The commitments at December 31, 2006 relate primarily to the remaining payments for the construction of a new self-unloading ocean-going vessel. The commitments are due for payment in 2007. The commitments for the prior year, which were paid in 2006, related primarily to the acquisition of an integrated corporate information system and the Corporation's share of the cost of propulsion equipment for a Marbulk Canada Inc. vessel.

The Corporation, including its share of commitments in its joint ventures, also has commitments entered into after December 31 2006 and 2005 of \$6,596 and \$31,000, respectively. The \$6,596 consists of commitments for the construction of a new office building and replacement generators for an ocean-going vessel and is due for payment in 2007. The \$31,000 for the prior year related to the purchase of a double-hulled petroleum tanker and was paid in 2006.

15. FINANCIAL INSTRUMENTS

Financial risk is the risk to the Corporation's earnings that arises from fluctuations in interest rates, foreign exchange rates and the degree of volatility of these rates.

The Corporation's financial instruments that are included in the Consolidated Balance Sheets are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued charges, income taxes recoverable, and long-term borrowings

Interest rate risk

At December 31, 2006 the Corporation did not have any significant exposure to interest rate movements. The majority of the Corporation's bank loans have been fixed through interest rate swap agreements expiring in 2008 and 2009.

The fair value of the interest rate swap contracts is based on amounts quoted by the Corporation's bankers to settle the contracts at a point in time. At December 31, 2006 and 2005, the interest rate swap agreements had a positive fair value of \$223 and \$292 respectively. The asset has not been recorded on the financial statements in accordance with the Corporation's hedge accounting policy.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from customers. However, the Corporation's businesses have a number of significant diverse customers, which reduces the concentration of credit risk.

Fair value

Based on management's best estimates, the book value of the Corporation's financial assets and liabilities approximate their fair value at December 31, 2006 and 2005.

Foreign currency exchange risk

Foreign currency exchange risk to the Corporation results primarily from changes in exchange rates between the Corporation's reporting currency, the Canadian dollar, and the U.S. dollar. At December 31, 2006 and 2005, 25% and 19% respectively of the Corporation's total assets were denominated in United States dollars. For the year ended December 31, 2006 and 2005, 29% and 37% respectively of the Corporation's net earnings was generated outside of Canada.

16. CONTINGENCIES

Income taxes

In 1997, the Corporation sold substantially all of its forest lands and reported for income tax purposes a capital gain of \$28,076. The Corporation determined the gain based on an independent appraisal on the forest lands as of December 31, 1971 in the amount of \$34,868.

Canada Revenue Agency ("CRA") has audited the 1997 income tax return filed by the Corporation and is in disagreement with the December 31, 1971 valuation of the forest lands used by the Corporation. In 2003, CRA issued a Notice of Reassessment to the Corporation adjusting the valuation to \$12,338.

The Corporation believes it has determined the gain correctly and is defending its position and has filed a Notice of Objection with the CRA. If the Corporation were to be unsuccessful, the estimated tax and accrued interest owing to December 31, 2006 would be approximately \$11,000. In 2002, the Corporation deposited \$11,000 with the relevant taxation authorities pending the outcome of the reassessment.

No provision has been made for additional income taxes in the financial statements, as it is not possible at this time to reasonably determine the ultimate liability, if any, that might arise from the reassessment.

Guarantees

The Corporation legally has a minority interest in Laken Shipping Corporation ("Laken") and time charters marine transportation equipment owned by Laken, which is fully consolidated as a variable interest entity in the Corporation's consolidated financial statements. Pursuant to the terms of the shareholder agreements and the time charter agreement, the Corporation has indemnified the group owning the majority of the outstanding shares of Laken from any and all loss. The indemnification, which does not provide for a limitation to the maximum to be paid out under the indemnification, expires at the later of the expiration of the time charter agreements and the dissolution of Laken.

The Corporation has also provided a letter of guarantee to Transport Canada in respect of the Corporation's liabilities relating to the payment of certain harbour dues. The guarantee is in the amount of \$1,050 with an expiry date of July 2007.

The Corporation, through a wholly-owned subsidiary, has also provided a letter of guarantee to Chengxi Shipyard in respect of the contractual obligations related to the construction of a new self-unloading ocean vessel. The guarantee is in the amount of \$6,581

17. SEGMENT DISCLOSURES

The Corporation operates through four segments, domestic dry-bulk, product tankers, ocean shipping and real estate.

The domestic dry-bulk marine transportation segment includes the Corporation's domestic dry-bulk fleet, an interest in one tug and barge unit and a ship repair and marine engineering business. The domestic dry-bulk fleet operates primarily through the Seaway Marine Transport partnership, which is fully consolidated as a variable interest entity in the Corporation's consolidated financial statements. The operational and

commercial activities of the domestic dry-bulk fleet are pooled with those of Upper Lakes Shipping Inc., another Canadian ship owner, in the partnership. Each partner owns its vessels separately from the other partner. The partnership includes a total of 34 Canadian flagged vessels, 19 of which are owned by the Corporation. The dry-bulk vessels carry cargoes of raw materials such as coal, grain, iron ore, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. Twenty two vessels have self-unloading gear, which enables them to deliver cargoes at locations where there is no shore-side unloading equipment, and twelve bulk carriers, which unload by means of shore-side equipment.

The product tanker marine transportation segment includes ownership and management of the operational and commercial activities of five Canadian flag tanker vessels. The tankers carry petroleum products on the Great Lakes, the St. Lawrence Seaway and the east coast of North America. It also includes the ownership of one product tanker through a wholly-owned foreign subsidiary engaged in world-wide trades.

The ocean marine transportation segment includes ownership of one ocean-going self-unloader through a wholly owned subsidiary and a 50% interest through a joint venture in an ocean-going fleet of five self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in world-wide ocean trades. Canada Steamship Lines Inc. owns the other 50% interest in the joint venture, Marbulk Canada Inc.

The real estate segment includes the ownership and management of commercial real estate in Sault Ste. Marie, St. Catharines, and Waterloo, Ontario. In Sault Ste. Marie, it manages a retail mall, two office buildings, and a residential apartment building and owns a hotel building operated by the Holiday Inn. In St. Catharines, properties include two commercial plazas, two light industrial buildings, two office buildings and a 50% interest of another office building and vacant land for future development. In Waterloo, the Corporation owns and manages three commercial office buildings.

The following presents the Corporation's results from continuing operations by reportable segment:

	<u>2006</u>	<u>2005</u>
Revenues		
Domestic Dry-Bulk	\$ 400,461	\$ 370,689
Product Tankers	79,832	63,954
Ocean Shipping	44,813	51,973
Real Estate	23,446	22,377
	<u>\$ 548,552</u>	<u>\$ 508,993</u>
Earnings from Continuing Operations		
Operating earnings net of income tax		
Domestic Dry-Bulk	\$ 15,224	\$ 6,472
Product Tankers	14,553	9,126
Ocean Shipping	10,837	13,726
Real Estate	5,040	4,902
	<u>45,654</u>	<u>34,226</u>
Earnings of minority interest in Domestic Dry-Bulk Not specifically identifiable to segments	<u>(7,615)</u>	<u>(2,856)</u>
Net (loss) gain on translation of foreign-denominated monetary assets and liabilities	(566)	161
Financial	(2,417)	(3,006)
Income tax	6,519	2,331
	<u>\$ 41,575</u>	<u>\$ 30,856</u>

	2006	2005
Assets		
Capital Assets		
Domestic Dry-Bulk	\$ 93,254	\$ 103,930
Product Tankers	110,376	84,219
Ocean Shipping	81,893	57,739
Real Estate	65,987	66,050
	351,510	311,938
Not specifically identifiable to segments		
Current assets	145,280	141,619
Other	17,509	16,244
	\$ 514,299	\$ 469,801
Additions to Capital Assets		
Domestic Dry-Bulk	\$ 5,421	\$ 1,466
Product Tankers	30,633	34,950
Ocean Shipping	27,551	60
Real Estate	2,549	1,455
	\$ 66,154	\$ 37,931
Amortization		
Domestic Dry-Bulk	\$ 16,219	\$ 16,455
Product Tankers	5,360	3,578
Ocean Shipping	4,385	4,618
Real Estate	3,199	3,364
	\$ 29,163	\$ 28,015

The Corporation has interests which carry on most of their operations in foreign jurisdictions. The Corporation's proportionate share of the assets and revenues in foreign jurisdictions at December 31, 2006 and 2005 is as follows:

	2006	2005
Capital assets	\$ 128,101	\$ 76,618
Revenues	\$ 53,187	\$ 58,349

Sales outside of Canada, primarily to the United States, were \$153,821 in 2006 and \$135,783 in 2005.

The Corporation has two customers whose revenues exceeded 10% of consolidated revenues in both 2006 and 2005. Sales to these two customers totalled respectively \$73,469 and \$70,527 in 2006 and \$66,743 and \$60,657 in 2005.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

FIVE-YEAR SUMMARY	2006	2005	2004	2003	2002
Revenue					
Domestic Dry-Bulk	\$ 400,461	\$ 370,689	\$ 353,046	\$ 296,754	\$ 294,840
Product Tankers	79,832	63,954	53,594	50,024	48,161
Ocean Shipping	44,813	51,973	39,881	37,232	41,209
Real Estate	23,446	22,377	20,029	18,238	17,503
	\$ 548,552	\$ 508,993	\$ 466,550	\$ 402,248	\$ 401,713
Net earnings	\$ 42,059	\$ 31,476	\$ 23,915	\$ 11,739	\$ 22,235
Earnings from continuing operations	\$ 41,575	\$ 30,856	\$ 22,545	\$ 11,042	\$ 23,120
Net earnings excluding corporate tax rate changes (Note 1)	\$ 38,902	\$ 31,476	\$ 23,915	\$ 17,539	\$ 22,881
Amortization	\$ 29,163	\$ 28,015	\$ 25,435	\$ 24,116	\$ 27,508
General and administrative expenses	\$ 22,009	\$ 20,593	\$ 20,818	\$ 19,824	\$ 18,668
Cash flow from operations	\$ 82,468	\$ 70,007	\$ 41,752	\$ 45,381	\$ 60,163
Dividends paid	\$ 4,935	\$ 3,797	\$ 3,803	\$ 3,797	\$ 3,795
Capital asset additions					
Domestic Dry-Bulk	\$ 5,421	\$ 1,466	\$ 19,265	\$ 3,400	\$ 4,698
Tankers	30,633	34,950	29,990	11,234	2,226
Ocean	27,551	60	21,320	6,652	186
Real Estate	2,549	1,455	18,690	977	5,482
	\$ 66,154	\$ 37,931	\$ 89,265	\$ 22,263	\$ 12,592
Net capital assets					
Domestic Dry-Bulk	\$ 93,254	\$ 103,930	\$ 125,414	\$ 119,059	\$ 137,147
Tankers	110,376	84,219	49,351	28,414	20,297
Ocean	81,893	57,739	64,328	45,816	49,963
Real Estate	65,987	66,050	67,268	50,990	51,613
	\$ 351,510	\$ 311,938	\$ 306,361	\$ 244,279	\$ 259,020
EBITA					
Domestic Dry-Bulk (excluding minority interest)	\$ 30,760	\$ 22,789	\$ 25,126	\$ 29,507	\$ 32,350
Tankers	27,296	17,822	11,791	6,224	8,814
Ocean	14,830	19,308	13,371	9,791	12,893
Real Estate	11,155	10,876	9,772	9,180	9,176
	\$ 84,041	\$ 70,795	\$ 60,060	\$ 54,702	\$ 63,233
Total assets	\$ 514,299	\$ 469,801	\$ 455,569	\$ 402,431	\$ 414,427
Long-term debt including current portion	\$ 38,282	\$ 41,158	\$ 56,447	\$ 42,234	\$ 54,703
Shareholders' equity	\$ 333,514	\$ 294,019	\$ 267,558	\$ 250,752	\$ 247,291
LTD as % of shareholders' equity	11.5%	14.0%	21.1%	16.8%	22.1%
Return on capital employed (Note 2)	11.3%	10.0%	8.6%	7.0%	7.8%
Return on equity (Note 3)	13.4%	11.2%	9.2%	4.7%	9.3%
Common Share Statistics					
Common shares outstanding (000)	3,891	3,891	3,891	3,891	3,891
Earnings per share	\$ 10.81	\$ 8.09	\$ 6.15	\$ 3.02	\$ 5.71
Earnings per share from continuing operations	\$ 10.69	\$ 7.93	\$ 5.80	\$ 2.84	\$ 5.94
Cash flow from operations per share	\$ 21.19	\$ 17.99	\$ 10.73	\$ 11.66	\$ 15.46
Quoted market value					
High	\$ 127.50	\$ 92.00	\$ 73.35	\$ 64.00	\$ 46.00
Low	\$ 87.50	\$ 70.00	\$ 57.00	\$ 41.00	\$ 29.00
Dividends per share	\$ 1.30	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Shareholders' equity per share	\$ 85.71	\$ 75.56	\$ 68.76	\$ 64.44	\$ 63.55

The above Five-Year Summary should be read in conjunction with the Corporation's audited consolidated financial statements for these years.

Note 1. Net earnings excluding corporate tax rate changes is net earnings before the effect on income tax expense of substantially enacted corporate income tax rate changes.

Note 2. Return on Capital Employed is earnings before interest expense and gains or losses on the translation of foreign-denominated long-term assets and liabilities, on an after-tax basis, expressed as a percent of average capital. Capital is long-term debt including the current portion plus shareholders' equity.

Note 3. Return on Equity is net earnings as a percent of average shareholders' equity.

Directors

H. Michael Burns (2) (3)

Vaughan, Ontario,
Corporate Director

William J. Corcoran, B.A. LL.B. (1) (2) (4) (5)

Kleinburg, Ontario,
Vice Chairman, Jarislowsky Fraser Limited

Peter R. Cresswell, P. Eng. (3)

Sault Ste. Marie, Ontario,
Corporate Director

Tim S. Dool, C.A. (4) (5)

St. Catharines, Ontario,
President and Chief Executive Officer,
Algoma Central Corporation

E.M. Blake Hutcheson (1)

Toronto, Ontario,
President and Chairman,
CB Richard Ellis Limited

Duncan N. R. Jackman (1) (2) (3) (4)

Toronto, Ontario,
Chairman and Chief Executive Officer,
E-L Financial Corporation Limited

The Honourable Henry N. R. Jackman

O.C., K.St.J., O.Ont., C.D., LL.D.,
Toronto, Ontario,
Honourary Chair,
The Empire Life Insurance Company

Bruce J. Jodrey (1)

Windsor, Nova Scotia,
Chairman and Chief Executive Officer,
CKF Inc.

Radcliffe R. Latimer (1) (2) (3) (4) (5)

Toronto, Ontario,
Corporate Director

The Honourable Roy MacLaren, P.C. (2) (3) (5)

Toronto, Ontario,
Corporate Director

Clive P. Rowe (2)

New York, New York,
Partner, SLS Capital

Harold S. Stephen (1)

Mississauga, Ontario,
Chairman and Chief Executive Officer,
Stonecrest Capital Inc.

William S. Vaughan, B.C.L. (3)

Toronto, Ontario,
Partner, Heenan Blaikie, LLP

- (1) Member of the Audit Committee
- (2) Member of the Corporate Governance Committee
- (3) Member of the Environmental, Health and Safety Committee
- (4) Member of the Executive Committee
- (5) Member of the Seaway Marine Transport Committee

Principal Officers

Radcliffe R. Latimer

Chairman

Tim S. Dool, C.A.

President & Chief Executive Officer

Greg D. Wight, C.A.

Executive Vice President &
Chief Financial Officer

Robert E. Leistner, C.A.

Vice President,
Algoma Central Properties Inc.

Al J. Vanagas, C.E.T.

Vice President, Marine

David G. Allen, C.A.

Vice President, Finance

William S. Vaughan, B.C.L.

Secretary

Shareholder Information

Banker:

The Bank of Nova Scotia

Auditors:

Deloitte & Touche LLP

Solicitors:

McMillan Binch Mendelsohn, LLP

The Toronto Stock Exchange Symbol:

ALC

Share Registrar and Transfer Agent:

CIBC Mellon Trust Company

320 Bay Street, P. O. Box 1
Toronto, Ontario M5H 4A6
(416) 643-5500; (800) 387-0825

Shareholders' Meeting:

The Annual Meeting of Shareholders will be held at 11:30 a.m., Wednesday, May 9, 2007, at the St. Catharines Golf & Country Club, 70 Westchester Avenue, St. Catharines, Ontario

Contact Information

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ALGOMA TANKERS LIMITED

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Chelston Park, St. Michaels,
Barbados

ALGOMA SHIPPING INC.

ALGOMA TANKERS (BARBADOS) LIMITED

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Bridgetown, Barbados

ALGOMA TANKERS (DENMARK) ApS

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SEAWAY MARINE TRANSPORT

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www.seawaymarinetransport.com

LAKEN SHIPPING CORPORATION

SMT (USA) INC.

1250 Old River Road, Suite 2N,
Cleveland, Ohio, 44113
(216) 771-1999

Fleet

Cargo capacity in tonnes

Algoma Central Corporation Self-Unloaders

CAPT. HENRY JACKMAN	GL	31,050
JOHN B. AIRD	GL	31,496
PETER R. CRESSWELL	GL	31,115
AGAWA CANYON	GL	24,435
ALGOBAY (inactive)	GL/ES	34,381
ALGOLAKE	GL	33,508
ALGOMARINE	GL	26,548
ALGOPORT	GL/ES	31,902
ALGORAIL	GL	24,191
ALGOSOO	GL	32,004
ALGOSTEEL	GL	26,534
ALGOWAY	GL	24,486
ALGOWOOD	GL	32,760
SAUNIERE	GL/ES	23,805

Algoma Central Corporation Bulk Carriers

ALGOCAPE	GL	27,125
ALGOISLE	GL	26,527
ALGONORTH	GL	29,210
ALGONTARIO	GL	28,591
ALGOVILLE	GL	31,182

Algoma Tankers Petroleum Tankers

ALGOEAST	GL/ES	9,300
ALGONOVA (sold January 2007)	GL/ES	6,445
ALGOSAR	GL	11,500
ALGOSCOTIA	UO	17,980
ALGOSEA	UO	16,175
AMALIENBORG	UO	16,175

Algoma Shipping Inc. Self-Unloaders

BAHAMA SPIRIT	UO	43,789
HONOURABLE HENRY JACKMAN (contract delivery date May 2007)	UO	74,000

Marbulk Canada Inc. Self-Unloaders

AMBASSADOR	UO	36,663
EASTERN POWER	UO	67,833
NELVANA	UO	74,374
PIONEER	UO	36,848
WESER STAHL	UO	46,657

GL - Great Lakes and St. Lawrence River
ES - Eastern Seaboard of Canada
UO - Unlimited Ocean



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