ALGOMA CENTRAL CORPORATION

Interim Report to Shareholders

For the Three and Nine Months Ended September 30, 2012 and 2011

ALGOMA CENTRAL CORPORATION

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ALGOMA CENTRAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

Algoma Central Corporation (the "Corporation") operates through four segments, Domestic Dry-Bulk, Product Tankers, Ocean Shipping and Real Estate.

This Management's Discussion and Analysis ("MD&A") of the Corporation should be read in conjunction with its consolidated financial statements for the years ending December 31, 2011 and 2010 and the three and nine months months ended September 30,2012 and 2011 and related notes thereto and has been prepared as of October 31, 2012.

The MD&A has been prepared by reference to the disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on the Corporation, including its 2011 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Corporation's website at *www.algonet.com*.

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

Caution Regarding Forward-Looking Statements

Algoma Central Corporation's public communications often include written or oral forward-looking statements. Statements of this type are included in this document and may be included in other filings with Canadian securities regulators or in other communications. All such statements are made pursuant to the safe harbour provisions of any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2012 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price and the results of or outlook for our operations or for the Canadian and U.S. economies. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

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

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates;

operational and infrastructure risks; general political conditions; labour relations with our unionized workforce; the possible effects on our business of war or terrorist activities;disruptions to public infrastructure, such as transportation, communications, power or water supply, including water levels; technological changes; significant competition in the shipping industry and other transportation providers; reliance on partnering relationships; on- time and on- budget delivery of new ships from shipbuilders and appropriate maintenance and repair of our existing fleet by third-party contractors; health and safety regulations that affect our operations can change and be onerous and the risk of safety incidents can affect results; a change in applicable laws and regulations, including environmental regulations, could materially affect our results; economic conditions may prevent us from realizing sufficient investment returns to fund our defined benefit plans at the required levels; our ability to raise new equity and debt financing when required; extreme weather conditions or natural disasters; our ability to attract and retain quality employees; the seasonal nature of our business; and, risks associated with the lease and ownership of real estate.

For more information, please see the discussion on pages 13 to 17 in the Corporation's Annual Information Form for the year ended December 31, 2011, which outlines in detail certain key factors that may affect the Corporation's future results. This should not be considered a complete list of all risks to which the Corporation may be subject from time to time. When relying on forward looking statements to make decisions with respect to the Corporation, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. The Corporation does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives and may not be appropriate for other purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Quarterly Results

The results for the last eight quarters are as follows:

Year	Quarter	Revenue	Net earnings (loss)	Basic earnings (loss) per share
2012	Quarter 3	$ 173,422	$ 29,914	$ 7.69
	Quarter 2	$ 165,648	$ 20,518	$ 5.27
	Quarter 1	$ 66,131	$ (31,140)	$ (8.00)
2011	Quarter 4	$ 185,050	$ 33,358	$ 8.56
	Quarter 3	$ 184,234	$ 35,003	$ 9.00
	Quarter 2	$ 156,220	$ 17,496	$ 4.50
	Quarter 1	$ 57,186	$ (17,013)	$ (4.37)
2010	Quarter 4	$ 122,974	$ 7,693	$ 1.98

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. In addition, significant repair and maintenance costs are incurred in the first quarter to prepare the domestic dry-bulk fleet for the upcoming navigation season. As a result, the first quarter revenues and earnings are significantly lower than the remaining quarters in the year.

In addition, the comparability of the results for the nine months ended September 30, 2012 to the same period in 2011 is impacted significantly by the Corporation's acquisition, in April 2011, of certain vessels and partnership interests owned by Upper Lakes Group in the Corporation's domestic dry-bulk business (the "ULG Transaction"). The Corporation's reported 2011 first quarter results and for part of the second quarter to April 14 reflect only a 59% interest in the business (revenues and the losses incurred by the partnership for the reason noted in the preceding paragraph) and the charter income from the Corporation's vessels. Had the ULG Transaction occurred on January 1, 2011, the financial results for the nine month period ended September 30, 2011 would have included additional revenues totaling $13,300 and the net earnings would have decreased by $15,067 or $3.87 per share, resulting in basic earnings per share of $5.25 for the nine months ended September 30, 2011.

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 shipping fleets operating year round, a somewhat longer season for the domestic dry-bulk fleet and the increase in our real estate portfolio.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Performance

Third Quarter Results

The Corporation is reporting net earnings for the three months ended September 30, 2012 of $29,914 compared to net earnings of $35,003 for the same period in 2011.

The decrease in earnings was due entirely to the change non-cash mark to market adjustment on certain currency contracts related to the Corporation's *Equinox Class* vessel construction contracts. This cost is included in financial expense for the period. The 2012 third quarter includes financial expense of $5,346 versus a recovery of $4,855 for the 2011 third quarter, an increase of $10,201. The mark to market gain or loss is dictated by the change in the value of the Canadian dollar compared to U.S. dollar. In the third quarter of 2012, the Canadian dollar strengthened by 350 basis points resulting in a loss and for the third quarter in 2011, the Canadian dollar weakened by 837 basis points resulting in a gain.

Consolidated operating earnings of the business units increased marginally in the third quarter of 2012 compared to 2011.

The Domestic Dry-Bulk segment operating earnings net of income tax increased from $23,619 in 2011 to $25,018 in 2012. The increase was due primarily to the following factors:

- A decrease in operating days due to a reduction in shipments compared to the same quarter last year was more than offset by an improved mix of business for the self-unloader fleet,
- Lower repairs expense, and
- A reduction in depreciation expense resulting from the disposal of demised vessels earlier this year.

The Product Tanker segment operating earnings net of income tax decreased from $4,922 to $3,581. The main factors contributing to the reduced earnings were reduced operating days due to lower volumes and an increase in professional fees incurred in connection with the arbitration process related to the refund of deposits on rescinded contracts to build three product tankers for international service.

The operating earnings net of income tax for the Ocean Shipping segment for the three months ended September 30, 2012 were $4,974 compared to $2,346 for the same period in 2011. The increase was due primarily to the settlement of a commercial claim relating to annual tonnage commitments and the increase in revenue and lower repair costs related to regulatory dry-dockings. There was one regulatory dry-docking in the 2012 third quarter and two in the 2011 third quarter.

The Real Estate segment operating earnings net of income tax decreased from $1,118 to $726. Overall occupancy had risen in the Sault Ste. Marie, Ontario properties, however the decrease in segment operating earnings were mainly due to an increase in amortization on the Station Mall redevelopment completed in late 2011, an increase in unrecoverable amounts as well as reduced occupancy in properties in Waterloo, Ontario. The Station Mall Wal-Mart location in Sault Ste. Marie opened in early October.

An additional factor affecting the comparability of the 2012 three-month results to 2011 was a decrease in the loss on the translation of foreign currency denominated assets and liabilities due to the fluctuation of the value of the Canadian dollar compared to the U.S. dollar.

Nine-Month Results

The Corporation is reporting net earnings for the nine months ended September 30, 2012 of $19,292 compared to net earnings of $35,486 for the same period in 2011.

The Domestic Dry-Bulk segment's operating earnings net of income tax increased from $11,095 in 2011 to $11,368 in 2012. The comparability of the results for 2012 to 2011 for the Domestic Dry Bulk segment has been affected by the April 2011 ULG Transaction, resulting in the Corporation recognizing 100% in 2012 versus 59% in 2011 of the first quarter loss on the domestic dry-bulk fleet. Had the ULG Transaction occurred on January 1, 2011, the Domestic Dry-Bulk segment would have reported a loss for the first nine months of 2011 of $3,972, a decrease of $15,067 compared to the reported figure. Taking this adjustment into account, the operating earnings for the segment have increased significantly in 2012 as a result of a improved mix of business and reductions in repair costs.

The Product Tanker segment operating earnings net of income tax decreased from $9,916 to $7,369 mainly as a result of fewer operating days due to two regulatory dry-dockings in 2012 versus none in the same 2011 period and increased professional fees incurred in connection with the arbitration process related to the refund of deposits on rescinded contracts to build three product tankers for international service.

The operating earnings net of income tax of the Ocean Shipping segment for the 2012 nine-month period were $11,447 compared to $9,387 for the same period in 2011. The increase resulted from the additional operating days and lower repair costs related to three regulatory dry-dockings in 2011 versus one in the current year. In addition, earnings increased due to revenue relating to contract periods prior to 2012 which had not previously met the Corporation's revenue recognition criteria.

The Real Estate segment operating earnings net of income tax decreased from $2,735 to $2,298 due primarily to decreases in the occupancy and rates from rental properties and an increase in depreciation and general and administrative expenses.

Financial expense for 2012 was $10,663 compared to $4,843 for 2011. The increase of $5,820 was due to the mark- to- market adjustment recognizing the change in the period in the fair value of certain currency contracts. Partially offsetting this increase was a decrease in the amortization of financing costs and an increase in interest capitalized on additional installments made on the *Equinox Class* vessels that are currently under construction.

Other factors affecting the comparability of the 2012 nine-month results include an increase in the loss on the translation of foreign-denominated assets and liabilities, a revaluation gain on an asset held for sale and a reversal recorded in the 2011 first quarter of an impairment charge taken in prior years.

During the first quarter of 2011, the Corporation negotiated a conditional conversion of an international product tanker construction contract to a self-unloader construction contract and entered into an agreement with the shipyard to apply the instalments paid to date to fund instalments due on the new contract. As a result of this cancellation, the accumulated impairment provision recorded in prior periods was re-measured, resulting in a reduction of the accumulated impairment provision of $5,066, which has been disclosed in the statement of earnings for the nine months ended September 30, 2011 as a separate line.

Income tax expense for 2012 was $7,902 compared to $5,577 for the previous year. Included in 2012 tax expense is $2,290 relating to the Province of Ontario 2012 announcement that it will indefinitely defer planned reductions to the corporate tax rate.

Results of Operations

Net Earnings

The operating earnings net of income tax by segment are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Operating earnings net of income tax				
Domestic Dry-Bulk	$ 25,018	$ 23,619	$ 11,368	$ 11,095
Product Tankers	3,581	4,922	7,369	9,916
Ocean Shipping	4,974	2,346	11,447	9,387
Real Estate	726	1,118	2,298	2,735
	34,299	32,005	32,482	33,133
Reduction of impairment provision on product tankers	-	-	-	5,066
Gain on revaluation of domestic dry-bulk asset held for sale	-	-	-	1,687
Not specifically identifiable to segments				
Net loss on translation of foreign-denominated monetary assets and liabilities	(396)	(3,163)	(2,394)	(1,908)
Financial expense	(5,346)	4,855	(10,663)	(4,843)
Income tax expense	1,357	1,306	(133)	2,351
	$ 29,914	$ 35,003	$ 19,292	$ 35,486

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue

Revenue by segment is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Domestic Dry-Bulk	$ 122,764	$ 133,436	$ 263,164	$ 255,876
Product Tankers	23,578	24,990	64,842	64,564
Ocean Shipping	19,380	17,993	54,686	54,984
Real Estate	7,700	7,815	22,509	22,216
	$ 173,422	$ 184,234	$ 405,201	$ 397,640

The decrease in revenue for the Domestic Dry-Bulk segment for the three months ended September 30, 2012 compared to 2011 was due primarily to a reduction in operating days related to reduced customer shipments in the current year quarter. The increase in revenue for the Domestic Dry-Bulk segment for the nine months ended September 30, 2012 compared to 2011 was due primarily to a better mix of business with increased operating days for the self-unloader fleet and in addition, the Corporation's share of the domestic dry-bulk fleet operations increasing for the first quarter from a proportionately consolidated 59% in 2011 to 100% in 2012.

Revenue for the Product Tanker segment for the 2012 third quarter decreased when compared to 2011 due to fewer operating days. For the nine-months ended September 30, 2012 decreases in revenue due to two regulatory dry-dockings in 2012 versus none in the previous year were more than offset with increases resulting from improved utilization.

The increase in Ocean Shipping revenue for the three months ended September 30, 2012 compared to 2011 was due primarily to the settlement in the quarter of a commercial claim relating to annual tonnage commitments and the increase in revenue associated with 2011 regulatory dry-dockings. There was one regulatory dry-docking in the 2012 third quarter and two in the 2011 third quarter.

Real Estate segment revenues for the 2012 quarter decreased slightly when compared to 2011 due to reduced occupancy. For the nine months ended September 30, 2012 revenue was slightly higher when compared to 2011. Decreases in occupancy were more than offset by higher rates and recoverable costs at the Corporation's mall in Sault Ste. Marie.

Operating Expenses

The operating expenses by segment are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Domestic Dry-Bulk	$ 78,185	$ 90,421	$ 214,600	$ 211,542
Product Tankers	13,829	14,529	42,072	39,790
Ocean Shipping	11,723	13,043	35,410	37,787
Real Estate	5,191	4,302	13,652	13,156
	$ 108,928	$ 122,295	$ 305,734	$ 302,275

The decrease in operating expenses for the 2012 three month period when compared to 2011 of the Domestic Dry-Bulk segment was due primarily to a reduction in operating days and reduced repair costs. The increase in operating expenses for the 2012 nine month period when compared to 2011 of the Domestic Dry-Bulk segment was due primarily to the Corporation's share of the domestic-dry bulk fleet operations increasing from 59% to 100% as a result of the ULG Transaction.

The decrease in operating expenses of the Product Tankers segment for the 2012 third quarter was due largely to reduced direct costs. For the nine months ended September 30, 2012, operating expenses increased when compared to the same period in 2011 due primarily to repair costs incurred during the required regulatory dry-docking of two tankers in 2012 versus no similar costs in 2011.

The decrease in operating expenses of the Ocean Shipping segment was due primarily to reduced repair costs associated with regulatory dry-docking completed in 2011.

Real Estate segment operating expenses for the 2012 quarter and nine months ended September 30, 2012 increased mainly as a result of general inflationary increases and an increase in unrecoverable costs.

General and Administrative Expenses

General and administrative expenses for the three months ended September 30, 2012 increased to $8,735 from $6,443 for the same period in 2011 due to professional fees incurred in connection with the arbitration process related to the refund of deposits on rescinded contracts to build three product tankers for international service.

For the nine month period ended September 30, 2012, general and administrative expenses were $23,927 compared to $21,005 for the same period in 2011. The increase is due primarily to the Corporation's share of the general and administrative expenses attributable to the domestic- dry bulk vessels increasing to 100%, an increase in employee compensation and an increase in professional fees related to an on-going arbitration. These increases were partially offset by non-recurring expenses incurred in 2011 related to the ULG Transaction.

Depreciation of Property, Plant and Equipment and Investment Property

Depreciation expense for the three months ended September 30, 2012 decreased when compared to the similar period in 2011 due to the sale in 2012 of several older vessels.

Depreciation expense for the nine months ended September 30, 2012 increased over the similar periods in 2011 due primarily to the ULG Transaction and the addition of the *Algoma Mariner* in mid 2011.

Financial Expense

Financial expense consists of the following:

	Three Months Ended September 30 2012	Three Months Ended September 30 2011	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011
Interest expense on borrowings	$ 3,699	$ 3,869	$ 11,171	$ 9,190
Interest income on cash and cash equivalents	(89)	-	(316)	-
Amortization of financing costs	312	1,198	935	1,999
Interest capitalized	(1,320)	(1,447)	(3,447)	(2,405)
Net interest expense	$ 2,602	$ 3,620	$ 8,343	$ 8,784
Mark to market for derivatives that are not eligible for hedge accounting	2,744	(8,475)	2,320	(3,941)
	$ 5,346	$ (4,855)	$ 10,663	$ 4,843

Interest expense on borrowings increased for the 2012 nine month period compared to 2011 as a result of additional borrowings to finance the 2011 ULG Transaction and the investment in the *Equinox Vessels*.

Amortization of financing costs in 2011 includes pre 2011 financing costs that were written off upon the completion of the Corporation's refinancing in July 2011.

Interest capitalized increased as a result of additional instalments made on the *Equinox Class v*essels.

The increase in the mark to market for derivatives is a result of the fluctuation in the periods of the fair value of certain currency contracts. These contracts are marked to market each quarter and the gain or loss is dictated by the change in the value of the Canadian dollar compared to U.S. dollar.

Net Loss on Translation of Foreign Denominated Assets and Liabilities

The net loss on the translation of foreign denominated assets and liabilities consists of the following:

	Three Months Ended September 30 2012	Three Months Ended September 30 2011	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011
Gain (loss) on U.S. denominated debt	$ 2,618	$ (6,736)	$ 2,535	$ (5,472)
(Loss) gain on U.S. denominated cash	(3,008)	4,288	(3,497)	4,136
Realized loss on return of capital from foreign subsidiaries	-	(162)	(1,349)	(315)
Other	(6)	(553)	(83)	(257)
	$ (396)	$ (3,163)	$ (2,394)	$ (1,908)

The gain and loss on the U.S. dollar denominated debt and cash respectively are related to the translation to Canadian dollars of those items and resulting from changes in the value of the Canadian dollar against the U.S. dollar.

The realized loss on the return of capital from foreign subsidiaries relates to the loss on foreign exchange on cash returned to the Corporation from its foreign operations.

Income Tax

Income tax expense increased marginally to $9,283 for the three months ended September 30, 2012 when compared to $9,258 in 2011.

Income tax expense increased to $7,902 for the nine months ended September 30, 2012 compared to $5,577 in 2011 due mainly to the additional tax expense relating to the announcement by the Province of Ontario that it will defer indefinitely the planned reductions to the corporate tax rates.

The Canadian statutory rates for the Corporation for 2012 and 2011 are 26.3% and 28.3 % respectively. Any variation in the effective income tax rate from the statutory income tax rate is due mainly to the lower income tax rates applicable to foreign subsidiaries, the effect of any non-taxable gains or losses that have been included in earnings and the effect of tax adjustments relating to corporate tax rate changes.

Comprehensive Earnings

Comprehensive earnings for both the 2012 three and nine month periods were lower than the corresponding periods in 2011. For the three months ended September 30, 2012 comprehensive earnings were $20,512 compared to $44,049 for the comparable period in 2011. For the nine months ended September 30, 2012 the comprehensive earnings were $5,340 compared to earnings of $37,482 for 2011.

The decrease for both periods was due to lower earnings from operations and a reduction in the gain on the translation of financial statements of foreign operations. Partially offsetting these amounts was a decrease to the actuarial loss on employee future benefits due largely to a reduction in the discount rate used to value the obligations.

Internal Controls over Financial Reporting

There have been no changes in the Corporation's internal controls over financial reporting during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Financial Condition, Liquidity and Capital Resources

Excerpts from the Statement of Cash Flows

Three months ended September 30	2012	2011	Increase (decrease) in cash
Net earnings	$ 29,914	$ 35,003	$ (5,089)
Net cash generated from operating activities	$ 35,444	$ 36,078	$ (634)
Net cash used in investing activities	$ 10,027	$ 8,537	$ (1,490)
Net cash (used in) provided by financing activities	$ (3,794)	$ 16,414	$ (20,208)

Nine months ended September 30	2012	2011	Increase (decrease) in cash
Net earnings	$ 19,292	$ 35,486	$ (16,194)
Net cash generated from operating activities	$ 54,481	$ 36,531	$ 17,950
Net cash used in investing activities	$ 39,080	$ 115,280	$ 76,200
Net cash (used in) provided by financing activities	$ (10,591)	$ 110,738	$ (121,329)

Net Cash Generated From Operating Activities

Net cash generated from operating activities for the three months ended September 30, 2012 remained at approximately at the same level as 2011.

Net cash generated from operating activities for the nine months ended September 30, 2012 increased when compared to the similar period in 2011 largely due to less cash invested in working capital.

Net Cash Used In Investing Activities

Cash used in investing activities for both the three and nine months ended September 30, 2012 of $10,027 and $39,080, respectively, was primarily for construction instalments on the *Equinox Class* vessels, life extensions on three vessels and capitalized dry-dockings costs on certain vessels, and leasehold improvements on various rental properties.

Cash used in investing activities for the nine months ended September 30, 2011 was primarily for the ULG Transaction, instalments on the *Algoma Mariner* and the re-development of the mall in Sault Ste. Marie, Ontario.

Net Cash (Used In) Provided By Financing Activities

Included in the net cash used in financing activities in both periods are the repayments of debt and the payment of dividends to shareholders. Dividends were paid to shareholders at $0.60 and $0.45 per common share in the 2012 and 2011 third quarters respectively, and $1.60 and $1.35 for the nine month periods in 2012 and 2011 respectively.

Cash used in financing activities for the three and nine months ended September 30, 2011 included the net proceeds from long-term debt required to assist in the financing of property, plant and equipment acquisitions and for repairs and maintenance of domestic dry-bulk vessels during the annual winter lay-up period.

Capital Resources

Management expects that cash and cash equivalents on hand at September 30, 2012 of $134,506, credit facilities and projected cash from operations for the remainder of 2012 will be more than sufficient to meet the Corporation's planned operating and capital requirements and other contractual obligations for the year.

The Corporation maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. At September 30, 2012, the Corporation had $148,733 undrawn and available under existing credit facilities.

Contingencies

For information on contingencies, please refer to Note 26 of the consolidated financial statements for the years ending December 31, 2011 and 2010. There have been no significant changes in the items presented since December 31, 2011.

Transactions with Related Parties

There were no transactions with related parties for the three and nine month periods ended September 30, 2012 and 2011 other than transactions prior to April 14, 2011 with the Seaway Marine Transport partnership.

Contractual Obligations

The table below provides aggregate information about the Corporation's contractual obligations at September 30, 2012 that affect the Corporation's liquidity and capital resource needs.

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Repayment of long-term debt including equity debenture component	$ 6,000	$ 10,500	$ 4,500	$ 217,740	$ 238,740
Purchase of new *Equinox Class* vessels	145,904	76,356	-	-	222,260
Defined benefit pension payments	3,287	6,574	825	-	10,686
Other commitments	250	500	500	562	1,812
Total	$ 155,441	$ 93,930	$ 5,825	$ 218,302	$ 473,498

Unaudited Condensed Consolidated Statements of Earnings
For the Three and Nine Months Ended September 30, 2012 and 2011
(In thousands of dollars except per share figures)

	Notes	Three Months Ended September 30 2012	Three Months Ended September 30 2011	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011
REVENUE		**$ 173,422**	$ 184,234	**$ 405,201**	$ 397,640
EXPENSES					
Operations		**108,928**	122,295	**305,734**	302,275
General and administrative		**8,735**	6,443	**23,927**	21,005
		117,663	128,738	**329,661**	323,280
EARNINGS BEFORE UNDERNOTED ITEMS		**55,759**	55,496	**75,540**	74,360
Depreciation of property, plant and equipment and investment properties		**(10,820)**	(12,927)	**(35,289)**	(33,299)
Reversal of impairment of property, plant and equipment		**-**	-	**-**	5,066
Financial (expense) recovery	**4**	**(5,346)**	4,855	**(10,663)**	(4,843)
Gain on revaluation of asset held for sale		**-**	-	**-**	1,687
Net loss on translation of foreign-denominated assets and liabilities		**(396)**	(3,163)	**(2,394)**	(1,908)
EARNINGS BEFORE INCOME TAX EXPENSE		**39,197**	44,261	**27,194**	41,063
INCOME TAX EXPENSE		**(9,283)**	(9,258)	**(7,902)**	(5,577)
NET EARNINGS		**$ 29,914**	$ 35,003	**$ 19,292**	$ 35,486
BASIC EARNINGS PER SHARE	**7**	**$ 7.69**	$ 9.00	**$ 4.96**	$ 9.12
DILUTED EARNINGS PER SHARE	**7**	**$ 7.14**	$ 8.26	**$ 4.96**	$ 8.54

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Comprehensive Earnings
For the Three and Nine Months Ended September 30, 2012 and 2011
(In thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	**2012**	2011
NET EARNINGS	**$ 29,914**	$ 35,003	**$ 19,292**	$ 35,486
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Unrealized (loss) gain on translation of financial statements of foreign operations	**(6,452)**	16,980	**(7,093)**	9,764
Employee future benefits				
Actuarial loss, net of income tax	**(2,756)**	(8,347)	**(6,404)**	(8,347)
Unrealized (loss) gain on hedging instruments, net of income tax	**(194)**	413	**(455)**	579
	(9,402)	9,046	**(13,952)**	1,996
COMPREHENSIVE EARNINGS	**$ 20,512**	$ 44,049	**$ 5,340**	$ 37,482

See accompanying notes to the unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Financial Position
September 30, 2012 and December 31, 2011
(In thousands of dollars)

	Notes	September 30 2012	December 31 2011
ASSETS			
CURRENT			
Cash and cash equivalents		$ **134,506**	$ 132,316
Accounts receivable		**78,535**	77,469
Materials and supplies		**12,755**	13,016
Prepaid expenses		**6,282**	3,666
Income taxes recoverable		**18,035**	21,255
		250,113	247,722
DEPOSITS ON VESSEL CONSTRUCTION		**33,544**	35,971
ASSETS HELD FOR SALE		**-**	5,305
PROPERTY, PLANT AND EQUIPMENT	**5**	**498,011**	505,125
GOODWILL		**7,910**	7,910
INVESTMENT PROPERTIES		**71,746**	72,364
		$ **861,324**	$ 874,397
LIABILITIES			
CURRENT			
Accounts payable and accrued charges		$ **64,797**	$ 77,342
Dividends payable		**1,041**	906
Current portion of long-term debt	**6**	**4,754**	4,754
		70,592	83,002
DERIVATIVE LIABILITIES		**5,072**	2,489
DEFERRED INCOME TAXES		**48,872**	50,835
LONG-TERM DEBT	**6**	**221,630**	227,228
EMPLOYEE BENEFITS		**47,324**	42,123
		322,898	322,675
COMMITMENTS	**11**	**-**	**-**
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	**7**	**8,319**	8,319
CONTRIBUTED SURPLUS		**11,917**	11,917
CONVERTIBLE DEBENTURES	**7**	**4,632**	4,632
ACCUMULATED OTHER COMPREHENSIVE LOSS	**8,9**	**(13,783)**	(6,235)
RETAINED EARNINGS		**456,749**	450,087
		467,834	468,720
		$ **861,324**	$ 874,397

See accompanying notes to the unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Changes in Equity
September 30, 2012 and 2011
(In thousands of dollars except per share figures)

	Share capital	Contributed Surplus/ Convertible debentures	(Note 8) Cash Flow Hedging Reserve	(Note 9) Foreign Currency Translation Reserve	Retained Earnings	Total Equity
BALANCE AT DECEMBER 31, 2010	$ 8,319	$ 11,917	$ (1,294)	$ (10,369)	$ 401,220	$ 409,793
Net earnings	-	-	-	-	35,486	35,486
Dividends declared	-	-	-	-	(5,253)	(5,253)
Convertible debentures		6,186				6,186
Other comprehensive earnings (loss)	-	-	579	9,764	(8,347)	1,996
BALANCE AT SEPTEMBER 30, 2011	$ 8,319	$ 18,103	$ (715)	$ (605)	$ 423,106	$ 448,208
BALANCE AT DECEMBER 31, 2011	$ 8,319	$ 16,549	$ (418)	$ (5,817)	$ 450,087	$ 468,720
Net earnings	-	-	-	-	19,292	19,292
Dividends declared	-	-	-	-	(6,226)	(6,226)
Other comprehensive loss	-	-	(455)	(7,093)	(6,404)	(13,952)
BALANCE AT SEPTEMBER 30, 2012	$ 8,319	$ 16,549	$ (873)	$ (12,910)	$ 456,749	$ 467,834

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Cash Flows
For the Three and Nine Months Ended September 30, 2012 and 2011
(In thousands of dollars except per share figures)

	Notes	Three Months Ended September 30 2012	Three Months Ended September 30 2011	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES					
OPERATING					
Net earnings		**$ 29,914**	$ 35,003	**$ 19,292**	$ 35,486
Items not affecting cash					
Depreciation of property, plant and equipment and investment property		**10,820**	12,927	**35,289**	33,299
Net loss on translation of foreign-denominated assets and liabilities		**396**	3,163	**2,394**	1,908
Reversal of impairment of property, plant and equipment		**-**	-	**-**	(5,066)
Income tax expense		**9,283**	9,258	**7,902**	5,577
Financial expense (recovery)		**5,346**	(4,855)	**10,663**	4,843
Employee future benefits		**(699)**	(351)	**(3,513)**	(1,274)
Other		**(602)**	2,548	**(481)**	(42)
		54,458	57,693	**71,546**	74,731
Net change in non-cash operating working capital		**(16,362)**	(17,769)	**(458)**	(26,545)
Cash generated from operations		**38,096**	39,924	**71,088**	48,186
Interest paid		**(4,181)**	(2,870)	**(13,299)**	(7,547)
Income taxes recovered (paid)		**1,529**	(976)	**(3,308)**	(4,108)
Net cash generated from operating activities		**35,444**	36,078	**54,481**	36,531
INVESTING					
Additions to property, plant and equipment and investment properties		**(11,766)**	(8,171)	**(45,175)**	(31,900)
Proceeds on sale of vessels		**1,739**	(366)	**6,095**	3,372
Business acquisition		**-**	-	**-**	(86,752)
Net cash used in investing activities		**(10,027)**	(8,537)	**(39,080)**	(115,280)
FINANCING					
Proceeds from issue of long-term debt		**-**	144,267	**-**	209,351
Repayment of long-term debt		**(1,500)**	(126,184)	**(4,500)**	(93,513)
Dividends paid		**(2,294)**	(1,669)	**(6,091)**	(5,100)
Net cash (used in) provided by financing activities		**(3,794)**	16,414	**(10,591)**	110,738
NET CHANGE IN CASH AND CASH EQUIVALENTS		**21,623**	43,955	**4,810**	31,989
EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		**(2,695)**	2,451	**(2,620)**	2,149
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**115,578**	30,534	**132,316**	42,802
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 134,506**	$ 76,940	**$ 134,506**	$ 76,940

See accompanying notes to the unaudited condensed consolidated financial statements.

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Algoma Central Corporation (the "Corporation") is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Corporation's registered office is 63 Church St, Suite 600, St. Catharine's, Ontario, Canada. The condensed consolidated financial statements of the Corporation for the three and nine month periods ended September 30, 2012 and 2011 comprise the Corporation, its subsidiaries and the Corporation's interest in associated and jointly controlled entities.

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

The Corporation has commitments for a significant investment in six state of the art new *Equinox Class* vessels for domestic dry-bulk service. The *Equinox Class* will provide much needed improvements in operating efficiency and environmental performance.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Corporation's 26 – vessel domestic dry-bulk fleet. 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. This segment also includes a diversified ship repair and steel fabricating facility active in the Great Lakes and St. Lawrence regions of Canada.

The Product Tankers marine transportation segment includes ownership and management of the operational and commercial activities of seven Canadian flag tanker vessels operating 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 worldwide trades.

The Ocean Shipping marine transportation segment includes direct ownership of two ocean-going self-unloading vessels 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 worldwide ocean trades.

The Corporation also owns commercial real estate in Sault Ste. Marie, Waterloo and St. Catharine's, Ontario.

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. In addition, significant repair and maintenance costs are incurred in the first quarter to prepare the domestic dry-bulk fleet for the upcoming navigation season. As a result, the first quarter revenues and earnings are typically 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 shipping fleets operating year round, a somewhat longer season for the domestic dry-bulk fleet and the Corporation's real estate portfolio.

In addition, the comparability of the results for the nine months ended September 30, 2012 to the same period in 2011 is impacted significantly by the Corporation's acquisition, in April 2011, of certain vessels and partnership interests owned by Upper Lakes Group in the Corporation's domestic dry-bulk business (the "ULG Transaction"). The Corporation's reported 2011 first quarter results and for part of the second quarter to April 14 reflect only a 59% interest in the business (revenues and the losses incurred by the partnership for the reason noted in the preceding paragraph) and the charter income from the Corporation's vessels. Had the ULG Transaction occurred on January 1, 2011, the financial results for the nine month period ended September 30, 2011 would have included additional revenues totaling $13,300 and the net earnings would have decreased by $15,067 or $3.87 per share, resulting in basic net earnings per share of $5.25 for the nine months ended September 30, 2011.

2. STATEMENT OF COMPLIANCE

The unaudited condensed consolidated financial statements are prepared on a going concern basis. The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Corporation's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2011 and 2010. These financial statements should be read in conjunction with the Corporation's Consolidated Financial Statements for the years ended December 31, 2011 and 2010.

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

The financial statements were approved by the Board of Directors and authorized for issue on October 31, 2012.

3. INTERESTS IN JOINT VENTURES

Prior to April 14, 2011, the Corporation had an interest in Seaway Marine Transport, a partnership with an unrelated party. The Corporation's vessels were commercially and operationally managed by Seaway Marine Transport.

The Corporation, through its wholly owned subsidiary Algoma Shipping Inc. and through a joint venture interest in Marbulk Canada Inc. owns and operates ocean-going vessels. Both the Algoma Shipping Inc. and Marbulk Canada Inc. vessels are participants in an international commercial arrangement. The management and maintenance of these vessels is outsourced.

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

(In thousands of dollars except per share figures)

The Corporation as of November 15, 2011, through its wholly owned subsidiary Algoma Tankers International Inc., participates in the Navig8 Chemical Group's Brizo8 Pool. This pool was established in March 2007 and has operations worldwide. The Navig8 pool has more than 40 members with 135 vessels serving many commercial segments. This pool is not accounted for as a joint venture as the Corporation does not exercise joint control. Prior to November 15, 2011 the Corporation participated in Hanseatic Tankers, a foreign joint venture, which has been dissolved.

The Corporation's interests in joint ventures are accounted for using the proportionate consolidation method. With the exception of the ULG Transaction and the dissolution of Hanseatic Tankers, there has been no change in the Corporation's ownership or voting interests in these joint ventures for the reported periods.

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

	September 30 2012	December 31 2011
Current assets	$ 18,059	$ 15,214
Non-current assets	$ 13,667	$ 15,244
Current liabilities	$ 9,354	$ 6,740
Non-current liabilities	$ 3,816	$ 3,546

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Revenue	$ 17,825	$ 17,631	$ 53,437	$ 76,768
Expenses	13,236	14,737	39,736	100,044
Operating earnings (loss)	$ 4,589	$ 2,894	$ 13,701	$ (23,276)
Other comprehensive earnings	$ -	$ -	$ -	$ 367

(In thousands of dollars except per share figures)

4. FINANCIAL EXPENSE

The components of financial expense are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Interest expense on borrowings	$ 3,699	$ 3,869	$ 11,171	$ 9,190
Interest income on cash and cash equivalents	(89)	-	(316)	-
Amortization of financing costs	312	1,198	935	1,999
Interest capitalized	(1,320)	(1,447)	(3,447)	(2,405)
Net interest expense	$ 2,602	$ 3,620	$ 8,343	$ 8,784
Mark to market loss (gain) for derivatives that are not eligible for hedge accounting	2,744	(8,475)	2,320	(3,941)
	$ 5,346	$ (4,855)	$ 10,663	$ 4,843

5. PROPERTY, PLANT AND EQUIPMENT

The Corporation finalized the conversion of two product tanker construction contracts in 2012 to orders for two *Equinox Class* vessels having approximately equal value. The Corporation made initial instalments on these two construction contracts of U.S. $32,640 which were previously included with the Product Tankers segment property, plant and equipment.

The Corporation has satisfied a portion of the instalment obligations on the *Equinox Class* vessels by applying the deposits made on the converted product tankers contracts to these vessels and, accordingly, these deposits were reclassified to the domestic dry-bulk segment.

(In thousands of dollars except per share figures)

6. LONG-TERM DEBT

	September 30 2012	December 31 2011
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.0%	$ 63,618	$ 63,044
Senior secured notes, due July 19, 2021		
U.S. $75,000, interest fixed at 5.11%	73,740	76,275
Canadian $75,000, interest fixed at 5.52%	75,000	75,000
Senior secured non-revolving term loan, due October 20, 2014, interest fixed at 5.90%	4,500	6,000
Senior secured non-revolving term loan, due October 20, 2016, interest fixed at 5.02% to May 30, 2013	16,500	19,500
	233,358	239,819
Less unamortized financing expenses	6,974	7,837
	226,384	231,982
Current portion	4,754	4,754
	$ 221,630	$ 227,228

The Corporation is subject to restrictive and financial covenants with respect to maintaining certain financial ratios and other conditions under the terms of the bank facility and the senior secured notes. At September 30, 2012 and December 31, 2011, the Corporation was in compliance with all of the covenants.

7. SHARE CAPITAL AND DILUTED NET EARNINGS

Share capital

Authorized share capital consists of an unlimited number of common and preferred shares with no par value. At September 30, 2012 and December 31, 2011, there were 3,891,211 common shares and no preferred shares issued and outstanding.

(In thousands of dollars except per share figures)

Basic and diluted net earnings

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Net earnings for basic earnings per share	$ 29,914	$ 35,003	$ 19,292	$ 35,486
Dilutive effect of debentures	1,053	837	-	1,569
Net earnings for diluted earnings per share	$ 30,967	$ 35,840	$ 19,292	$ 37,055
Diluted weighted average common shares	4,339	4,339	4,339	4,339
Basic net earnings per common share	$ 7.69	$ 9.00	$ 4.96	$ 9.12
Diluted net earnings per common share	$ 7.14	$ 8.26	$ 4.96	$ 8.54

The debentures are dilutive, but were not included in the calculation of diluted earnings per common share because they are antidilutive for the nine month period ended September 30, 2012.

8. CASH FLOW HEDGING RESERVE

	September 30	
	2012	2011
Balance, beginning of year	$ (418)	$ (1,294)
(Loss) gain arising on change in fair value of hedging instruments entered into for cash flow hedges	(765)	806
Income tax recognized in other comprehensive income	310	(227)
Balance, end of period	$ (873)	$ (715)

(In thousands of dollars except per share figures)

9. FOREIGN CURRENCY TRANSLATION RESERVE

	September 30 2012	September 30 2011
Balance, beginning of year	$ (5,817)	$ (10,369)
Exchange differences on translating net assets of foreign operations	(7,093)	9,764
Balance, end of period	$ (12,910)	$ (605)

10. CAPITAL DISCLOSURES

The Corporation's objectives for managing capital are as follows:

- Provide sustained growth of shareholder value by earning long- term returns on capital employed in the 10% to 12% range.

- Maintain a strong capital base to gain investor, creditor and market confidence and to sustain future growth. In this regard, the Corporation will target to maintain a long-term debt to equity ratio of no greater than one to one. The Corporation views a one to one ratio as a maximum rate due to the capital intensive nature of the business.

- Payment of regular quarterly dividends to shareholders.

The returns on capital employed over the five years ending December 31, 2011 of the Corporation averaged 9.1% and ranged from 5.9% to 12.3%.

Included in capital employed are shareholders' equity and long term-debt including the current portion.

The Corporation's Board of Directors reviews the return on capital employed target on an annual basis and it reviews the level of dividends to be paid to the Corporation's shareholders on a quarterly basis. The nature of the Corporation's business results in periods in which the Corporation makes significant capital expenditures over extended periods. During these times, a large portion of the capital employed in the business is invested in assets that are not yet generating revenues and operating earnings, and therefore the return on capital employed may be lower than the targeted range. Adjusting capital employed in this manner results in a return on capital employed average over the five years ending December 31, 2011 of 10.9%.

The Corporation is not subject to any capital requirements imposed by a regulator.

(In thousands of dollars except per share figures)

The debt to shareholders' equity ratio at September 30, 2012, and December 31, 2011 are as follows:

	September 30 2012	December 31 2011
Total long-term debt	$ 233,358	$ 239,819
Shareholders' equity	$ 467,834	$ 468,720
Debt to shareholders' equity ratio	0.50 to 1	0.51 to 1

11. COMMITMENTS

The Corporation has commitments for capital expenditures and other commitments at September 30, 2012 and December 31, 2011 of $234,758 and $257,171, respectively.

The commitments relate primarily to the purchase of four new maximum seaway size self-unloading and two gearless bulker vessels and commitments relating to required payments for its employee future benefit plans.

Expected payments are as follows: $15,662 due in last quarter of 2012, $134,851 due in 2013, $79,894 due in 2014 and $4,351 due in 2015 and beyond.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Corporation's financial instruments that are included in the consolidated statements of financial position comprise cash and cash equivalents, accounts receivable, accounts payable and accrued charges, dividends payable, derivative liabilities and long-term debt.

Fair value

The carrying value is equal to the fair value of financial assets consisting of cash and cash equivalents and accounts receivable and financial liabilities consisting of accounts payable and accrued charges, dividends payable and derivative liabilities.

The values for long-term debt are as follows:

	September 30 2012	December 31 2011
Carrying value of long-term debt	$ 233,358	$ 239,819
Fair value of long-term debt	$ 247,725	$ 246,961

(In thousands of dollars except per share figures)

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

Fair value measurements recognized in the consolidated statements of financial position

The fair value measurements, as provided by financial institutions, in the consolidated statements of financial position include derivative assets (Level 2) of nil (December 31, 2011 - $594) and derivative liabilities (Level 2) of $5,072 as of September 30, 2012 (December 31, 2011 - $3,083).

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

Risk management and financial instruments

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

Credit risk

The Corporation's principal financial assets are cash and cash equivalents and accounts receivable.

Cash and cash equivalents are denominated primarily in Canadian and U.S. dollars and consist of the following:

	September 30 2012		December 31 2011	
	Base currency	Canadian equivalent	Base currency	Canadian equivalent
Canadian dollar balances	$ 21,936	$ 21,936	$ 61,085	$ 61,085
U.S. dollar balances	$ 114,494	$ 112,570	$ 70,040	$ 71,231
		$ 134,506		$ 132,316

Canadian and U.S. dollar cash and cash equivalents are held primarily with a major Canadian financial institution and the risk of default of this institution is considered remote. Cash balances outside of Canada are also held with major financial institutions and are generally kept to a minimum.

(In thousands of dollars except per share figures)

Liquidity risk

The contractual maturities of non-derivative financial liabilities at September 30, 2012 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 64,797	$ -	$ -	$ -	$ 64,797
Dividends payable	1,041	-	-	-	1,041
Long-term debt including equity portion	6,000	10,500	4,500	217,740	238,740
Total	$ 71,838	$ 10,500	$ 4,500	$ 217,740	$ 304,578

Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation may borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts.

At September 30, 2012 and December 31, 2011, the Corporation did not have any cash flow exposure to interest rate movements for its outstanding debt, since all of the Corporation's debt have interest rates that have been fixed.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting periods.

	Average Fixed Rate		Notional Principal		Fair Value	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
2 to 5 years						
Canadian dollar	5.90%	5.90%	$ 4,861	$ 6,319	$ 223	$ 379
Canadian dollar	5.02%	5.02%	$ 18,425	$ 20,288	$ 353	$ 799
			$ 23,286	$ 26,607	$ 576	$ 1,178

The interest rate swaps settle on a monthly basis.

Foreign currency exchange risk

At September 30, 2012 and December 31, 2011, 33% and 32% respectively, of the Corporation's total assets were denominated in U.S. dollars.

(In thousands of dollars except per share figures)

The Corporation's exposure to foreign currency fluctuations is related to its cash balances, deposits on vessel construction, net investment in foreign subsidiaries and long-term debt denominated in U.S. dollars. The Corporation does not hedge its investments in the subsidiaries as the currency positions are considered long-term in nature. At September 30, 2012 and December 31, 2011, the net investment in U.S. dollar foreign subsidiaries was U.S. $176,110 and $223,250, respectively, and the foreign currency denominated long-term debt outstanding was U.S. $75,000.

The Corporation has significant commitments due for payment in U.S. dollars. The Corporation utilizes foreign exchange forward contracts to manage its foreign exchange risk associated with payments required under ship building contracts with foreign shipbuilders for vessels that will join the Corporation's Canadian flag domestic dry-bulk fleet. For payments due in U.S. dollars for foreign vessels, the Corporation mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt.

The foreign exchange forward contracts are as follows:

	Notional Principal		Fair Value	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
U.S. dollar denominated contracts	$ 114,376	$ 164,037	$ 4,533	$ 1,311

U.S. dollar denominated contracts of $11,755 mature during the last quarter of 2012; $81,909 mature in 2013 and $20,712 mature in 2014.

Foreign Currency Sensitivity Analysis (after income tax)

Based on the Corporation's estimates, a ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would reduce net earnings in the current year by $885.

Based on the balances at September 30, 2012 and December 31, 2011:

- A ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would decrease Other Comprehensive Earnings by $19,161 and $22,325, respectively.
- A ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would reduce total assets by $28,438 and $27,820, respectively.
- A ten-cent strengthening in the Canadian dollar relative to the U.S dollar would reduce total liabilities by $7,500.

For a ten cent weakening in the Canadian dollar relative to the U.S. dollar, there would be an equal but opposite impact to the amounts stated above.

(In thousands of dollars except per share figures)

13. SEGMENT DISCLOSURES

The following presents the Corporation's results from operations by reportable segment for the three and nine months ended September 30, 2012 and 2011:

	Three Months Ended September 30		Nine Months Ended September 30	
Revenues	2012	2011	2012	2011
Domestic Dry-Bulk	$ 122,764	$ 133,436	$ 263,164	$ 255,876
Product Tankers	23,578	24,990	64,842	64,564
Ocean Shipping	19,380	17,993	54,686	54,984
Real Estate	7,700	7,815	22,509	22,216
	$ 173,422	$ 184,234	$ 405,201	$ 397,640

	Three Months Ended September 30		Nine Months Ended September 30	
Net Earnings	2012	2011	2012	2011
Operating earnings net of income tax				
Domestic Dry-Bulk	$ 25,018	$ 23,619	$ 11,368	$ 11,095
Product Tankers	3,581	4,922	7,369	9,916
Ocean Shipping	4,974	2,346	11,447	9,387
Real Estate	726	1,118	2,298	2,735
	34,299	32,005	32,482	33,133
Reduction of impairment provision on product tankers	-	-	-	5,066
Gain on revaluation of domestic dry-bulk asset held for sale	-	-	-	1,687
Not specifically identifiable to segments				
Net loss on translation of foreign-denominated monetary assets and liabilities	(396)	(3,163)	(2,394)	(1,908)
Financial (expense) recovery	(5,346)	4,855	(10,663)	(4,843)
Income tax expense	1,357	1,306	(133)	2,351
	$ 29,914	$ 35,003	$ 19,292	$ 35,486

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

Operating Expenses	Three Months Ended September 30 2012	Three Months Ended September 30 2011	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011
Domestic Dry-Bulk	$ 78,185	$ 90,421	$ 214,600	$ 211,542
Product Tankers	13,829	14,529	42,072	39,790
Ocean Shipping	11,723	13,043	35,410	37,787
Real Estate	5,191	4,302	13,652	13,156
	$ 108,928	$ 122,295	$ 305,734	$ 302,275

Assets	September 30 2012	December 31 2011
Domestic Dry-Bulk	$ 368,009	$ 372,895
Product Tankers	189,108	214,458
Ocean Shipping	74,961	77,994
Real Estate	76,705	70,063
	708,783	735,410
Not specifically identifiable to segments		
Current assets	152,541	138,987
	$ 861,324	$ 874,397

Additions to Property, Plant and Equipment and Investment Property	Three Months Ended September 30 2012	Three Months Ended September 30 2011	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011
Domestic Dry-Bulk	$ 9,823	$ 5,542	$ 40,120	$ 24,464
Product Tankers	-	219	677	219
Ocean Shipping	27	436	1,201	1,709
Real Estate	1,351	1,593	1,718	4,799
	11,201	7,790	$ 43,716	$ 31,191
Amounts included in working capital	565	381	1,459	709
Total per statement of cash flows	$ 11,766	$ 8,171	$ 45,175	$ 31,900

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

Depreciation of Property, Plant and Equipment and and Investment Properties	Three Months Ended September 30 2012	Three Months Ended September 30 2011	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011
Domestic Dry-Bulk	$ 5,702	$ 7,739	$ 20,018	$ 18,177
Product Tankers	2,312	2,285	6,903	6,851
Ocean Shipping	1,705	2,161	5,039	5,516
Real Estate	1,101	742	3,329	2,755
	$ 10,820	$ 12,927	$ 35,289	$ 33,299

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