ALGOMA CENTRAL CORPORATION

Interim Report to Shareholders

For the Three and Nine Months Ended
September 30, 2014 and 2013

ALGOMA CENTRAL CORPORATION

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 2014 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: on-time and on-budget delivery of new ships from shipbuilders; 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; appropriate maintenance and repair of our existing fleet by third-party contractors; health and safety regulations that affect our operations can change and be onerous and the risk of safety incidents can affect results; a change in applicable laws and regulations, including environmental regulations, could materially affect our results; economic conditions may prevent us from realizing sufficient investment returns to fund our defined benefit plans at the required levels; our ability to raise new equity and debt financing if required; 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 15 to 20 in the Corporation's Annual Information Form for the year ended December 31, 2013, 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.

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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 three and nine months ended September 30, 2014 and 2013 and related notes thereto and for the years ending December 31, 2013 and 2012 and it has been prepared as of November 5, 2014.

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 2013 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.

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
2014	Quarter 3	$ 163,950	$ 24,367	$ 0.63
	Quarter 2	$ 138,333	$ 14,946	$ 0.38
	Quarter 1	$ 51,738	$ (21,866)	$ (0.56)
2013	Quarter 4	$ 148,864	$ 22,849	$ 0.59
	Quarter 3	$ 146,948	$ 28,328	$ 0.73
	Quarter 2	$ 144,930	$ 19,381	$ 0.50
	Quarter 1	$ 50,757	$ (28,635)	$ (0.74)
2012	Quarter 4	$ 148,667	$ 24,252	$ 0.62

Impact of Seasonality on the Business

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 the year. Due to the closing of the canal system and the winter weather conditions in the Great Lakes–St. Lawrence Waterway, the majority of the Domestic Dry-Bulk fleet does not operate for most of the first quarter. In addition, significant repair and maintenance costs are incurred in the first quarter to prepare the Domestic Dry-Bulk fleet for the upcoming navigation season. As a result, first quarter revenues and earnings are significantly lower than those of the remaining quarters in the year.

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The winter of 2013/2014 in the Great Lakes and St. Lawrence basin was more severe than normal and ice coverage on the Great Lakes was at levels not experienced in several decades. The extent of the ice coverage resulted in a later than normal opening of the St. Lawrence Seaway, the Welland Canal, and the Soo Locks.

Overall Performance

	Three Months Ended September 30		Nine Months Ended September 30	
Consolidated Results	**2014**	2013	**2014**	2013
Revenue	**$ 163,950**	$ 146,947	**$ 354,021**	$ 342,634
Segment earnings after income tax	**$ 25,879**	$ 29,831	**$ 22,209**	$ 24,573
Net earnings	**$ 24,367**	$ 28,328	**$ 17,448**	$ 19,074
Basic earnings per share	**$ 0.63**	$ 0.73	**$ 0.45**	$ 0.49

Third Quarter Results

The Corporation is reporting third quarter revenues of $163,950 compared to $146,947 for the same period in 2013. Most of the increase in revenue was from the Domestic Dry-Bulk segment as a result of strong customer demand and high fleet utilization. The other three segments reported revenues that were similar in both periods.

Segment earnings after income taxes were $25,879 compared to $29,831 for the third quarter in 2013. The decrease was due to an impairment recorded in the quarter relating to a decline in value of major vessel parts and spares and to costs associated with two incidents in the quarter in the Domestic Dry-Bulk segment. Combined, these factors resulted in a $6,433 reduction in the Domestic Dry-Bulk segment earnings.

Net earnings and basic earnings per share were $24,367 and $0.63, respectively, compared to $28,328 and $0.73, respectively, for the same period last year.

Nine- Month Results

The Corporation is reporting revenues for the 2014 nine month period of $354,021 compared to $342,634 for the first nine months of 2013. The increase was driven primarily by the Domestic Dry-Bulk segment due to strong customer demand and high fleet utilization.

Segment earnings after income taxes were $22,209 for the 2014 nine month period compared to $24,573 for the first nine months of 2013, reflecting the second quarter results that were below expectations resulting primarily from the poor operating conditions in April and early May and to the third quarter factors mentioned above. These items were partially offset by stronger first quarter results related to lower spending on winter maintenance.

The net earnings and basic earnings per share were $17,448 and $0.45, respectively, compared to $19,074 and $0.49, respectively, for the same period last year. The net earnings for 2014 include a lower net gain on foreign currency translation of $913 compared to $2,344 for the same period in 2013. A reduction in the number of currency contracts outstanding and less volatility in the value of the Canadian dollar compared to the US dollar drove the reduction.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Segment Results

Domestic Dry-Bulk

	Three Months Ended September 30		Favourable	Nine Months Ended September 30		Favourable
	2014	2013	(Unfavourable)	**2014**	2013	(Unfavourable)
Revenue	**$ 120,705**	$ 105,235	$ 15,470	**$ 230,676**	$ 220,413	$ 10,263
Operating expenses	**(84,171)**	(69,304)	(14,867)	**(195,882)**	(188,421)	(7,461)
General and administrative	**(3,838)**	(3,568)	(270)	**(11,186)**	(11,761)	575
	32,696	32,363	333	**23,608**	20,231	3,377
Depreciation	**(6,005)**	(6,326)	321	**(18,372)**	(19,263)	891
Impairment on parts and spares	**(4,000)**	-	(4,000)	**(4,000)**	-	(4,000)
Income taxes	**(5,796)**	(6,955)	1,159	**(299)**	(622)	323
Net earnings	**$ 16,895**	$ 19,082	$ (2,187)	**$ 937**	$ 346	$ 591
Operating ratio	**77.9%**	75.3%		**97.7%**	99.6%	
Additions to property, plant and equipment	**$ 811**	$ 9,028		**$ 22,175**	$ 26,001	

	September 30 2014	December 31 2013
Total assets	**$ 421,650**	$ 409,772

Revenues for the 2014 third quarter were up by 14.7% compared to 2013 reflecting continued strong customer demand and high fleet utilization and a corresponding increase in operating days. Substantially all of the revenues that were lost in the 2014 second quarter due to the delays from the harsh winter and ice conditions were recovered in the third quarter.

Revenues for the nine months ended September 30, 2014 were up by 4.7% when compared to the first nine months of 2013. The Corporation operated all available vessels in 2014 including two that were expected to be retired from service in 2014. As a result, the shortfall in operating days in the second quarter of 2014 caused by the harsh winter weather conditions was recovered. In addition, two of our new Equinox Class vessels, the *Algoma Equinox* and the *Algoma Harvester*, are operating this year with the *Equinox* operating for the full year. These vessels are more efficient to operate than the ships they replace and consequently, contribute substantially higher operating income.

Operating expenses for the third quarter were 20.6% higher than the same period in 2013 primarily as a result of additional operating days resulting in higher variable costs such as fuel and crew costs. In addition operating costs were higher due to insurance deductibles related to vessel incidents.

Operating expenses for the year to date in 2014 were higher by 3.7% driven mainly by the increase in operating days. Increases in variable costs due to high utilization and higher insurance costs were partially offset by lower overall spending on maintenance, the majority of which is incurred in the first quarter in each year.

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Depreciation expense in the third quarter and for the year to date is lower than the same period in the prior year. Depreciation decreased due to the end of service lives of certain vessels; however, this decrease was offset by depreciation expense for the *Algoma Equinox*, which joined the fleet late in 2013 and the *Algoma Harvester*, which joined the fleet in July 2014.

Product Tankers

	Three Months Ended September 30		Favourable	Nine Months Ended September 30		Favourable
	2014	2013	(Unfavourable)	**2014**	2013	(Unfavourable)
Revenue	**$ 25,168**	$ 24,112	$ 1,056	**$ 69,931**	$ 71,447	$ (1,516)
Operating expenses	**(15,185)**	(13,024)	(2,161)	**(46,813)**	(46,165)	(648)
General and administrative	**(447)**	(1,112)	665	**(2,767)**	(3,391)	624
	9,536	9,976	(440)	**20,351**	21,891	(1,540)
Depreciation	**(2,416)**	(2,462)	46	**(7,261)**	(7,180)	(81)
Income taxes	**(2,180)**	(1,856)	(324)	**(3,852)**	(4,136)	284
Net earnings	**$ 4,940**	$ 5,658	$ (718)	**$ 9,238**	$ 10,575	$ (1,337)
Operating ratio	**71.7%**	68.8%		**81.3%**	79.4%	
Additions to property, plant and equipment	**$ -**	$ 322		**$ 581**	$ 2,962	

	September 30 2014	December 31 2013
Total assets	**$ 145,791**	$ 146,597

Revenue for domestic product tankers increased in the 2014 third quarter due primarily to the incremental revenue from the *Algoma Hansa* operating in Great Lakes service as of July 2014.

Revenue for the Product Tankers segment for the nine months ended September 30, 2014 decreased by $1,516 or 2.1% when compared to a very strong fiscal 2013. Strong customer shipments in 2013 resulted in the utilization of outside charters to meet customer demand; however, outside charters generate only limited operating income. Demand has moderated somewhat in 2014. During the third quarter of 2014 the *Algoma Hansa* was transferred from ocean service to the domestic tanker fleet to minimize our reliance on outside charters. Revenue earned by the *Algoma Hansa* in domestic service is higher than that generated in ocean trades.

Operating costs for the 2014 third quarter were 20.9% higher than 2013 due primarily to an increase in variable costs due to additional operating days. In addition, costs associated with the transfer of the *Algoma Hansa* to domestic service were incurred in the third quarter. Operating expenses for the nine months ended September 30, 2014 were 2.6% higher than 2013. Increases in vessel charter expense and variable costs were partially offset with decreases in fuel due to lower prices. In addition, maintenance costs were lower as the *Algoma Hansa* dry-docked in the prior year.

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Ocean Shipping

	Three Months Ended September 30		Favourable	Nine Months Ended September 30		Favourable
	2014	2013	(Unfavourable)	**2014**	2013	(Unfavourable)
Corporation's share of Pool revenue	**$ 13,658**	$ 16,726	$ (3,068)	**$ 46,983**	$ 48,251	$ (1,268)
Less revenues included in earnings of joint arrangements	**3,521**	6,366	(2,845)	**15,791**	18,498	(2,707)
Consolidated segment revenue	**10,137**	10,360	(223)	**31,192**	29,753	1,439
Operating expenses	**(6,492)**	(6,092)	(400)	**(19,470)**	(17,642)	(1,828)
General and administrative	**(760)**	(633)	(127)	**(2,262)**	(2,127)	(135)
	2,885	3,635	(750)	**9,460**	9,984	(524)
Depreciation	**(1,160)**	(1,038)	(122)	**(3,495)**	(3,256)	(239)
Income taxes	**41**	268	(227)	**41**	268	(227)
Earnings from joint venture	**1,318**	1,493	(175)	**4,321**	4,918	(597)
Net earnings	**$ 3,084**	$ 4,358	$ (1,274)	**$ 10,327**	$ 11,914	$ (1,587)
Operating ratio	**83.0%**	74.9%		**80.9%**	77.4%	
Additions to property, plant and equipment	**$ -**	$ -		**$ -**	$ -	

	September 30 2014	December 31 2013
Total assets	**$ 66,944**	$ 64,541

The Corporation's share of Pool revenues was down 18.3% for the third quarter and down 2.6% for the year to date when compared to the same periods in 2013. The decrease in revenue for both periods is due primarily to the loss of revenue resulting from the retirement of a 50% owned vessel in July 2014. This decrease was partially offset by a weaker Canadian dollar.

Consolidated segment revenue was down 2.2% in the third quarter but was 4.8% higher for the year to date. The year to date results relates principally to the timing of the dry-docking in 2013 of the Corporation's two ocean-going vessels.

Operating costs, reflecting only our 100% owned vessels, were up for both the third quarter and the year to date due primarily to an increase in commercial costs.

Depreciation expense was up marginally for the third quarter and for the first nine months of 2014 compared to the same prior-year periods. The increase was a result of regulatory dry-docking costs incurred in 2013.

Our joint venture generated lower earnings in both the third quarter and first nine months of 2014 relative to the same periods in the prior year. Lower earnings in 2014 were a result of lower operating days compared to the prior period due to the retirement of the 50% owned vessel.

Real Estate

	Three Months Ended September 30			Favourable	Nine Months Ended September 30			Favourable
	2014	2013		(Unfavourable)	**2014**	2013		(Unfavourable)
Revenue	**$ 7,940**	$ 7,240		$ 700	**$ 22,222**	$ 21,021		$ 1,201
Add revenue with related parties eliminated on consolidation	**291**	143		148	**549**	501		48
	8,231	7,383		848	**22,771**	21,522		1,249
Operating expenses	**(4,700)**	(4,423)		(277)	**(13,839)**	(13,142)		(697)
General and administrative	**(949)**	(946)		(3)	**(2,966)**	(2,988)		22
	2,582	2,014		568	**5,966**	5,392		574
Depreciation	**(1,348)**	(1,117)		(231)	**(3,880)**	(3,328)		(552)
Income taxes	**(341)**	(249)		(92)	**(584)**	(580)		(4)
Earnings from joint venture	**67**	85		(18)	**205**	254		(49)
Net earnings	**$ 960**	$ 733		$ 227	**$ 1,707**	$ 1,738		$ (31)
Operating ratio	**88.1%**	89.6%			**93.1%**	92.6%		
Average occupancy					**87.7%**	86.2%		
Additions to investment properties	**$ 2,113**	$ 2,149			**$ 9,416**	$ 4,398		

	September 30 2014	December 31 2013
Total assets	**$ 83,410**	$ 76,342

Revenue in the Real Estate segment increased by 11.5% in the third quarter and 5.8% in the first nine months compared to the same periods in 2013 primarily due to higher occupancy in certain buildings.

Operating expenses were up for the third quarter and the nine months year to date in 2014, reflecting general inflation and the impact of the harsh 2014 winter conditions that resulted in significantly higher utility and snow removal costs.

Depreciation expense was up for the third quarter and for the first nine months of 2014 relative to the same period in the prior year, reflecting capitalized improvements made to various properties.

Consolidated Results

	Three Months Ended September 30		Favourable	Nine Months Ended September 30		Favourable
	2014	2013	(Unfavourable)	**2014**	2013	(Unfavourable)
Revenue	**$ 163,950**	$ 146,947	$ 17,003	**$ 354,021**	$ 342,634	$ 11,387
Operating expenses	**(110,548)**	(92,843)	(17,705)	**(276,004)**	(265,370)	(10,634)
General and administrative	**(5,954)**	(6,194)	240	**(19,141)**	(20,266)	1,125
	47,448	47,910	(462)	**58,876**	56,998	1,878
Depreciation	**(10,929)**	(10,943)	14	**(33,008)**	(33,027)	19
Impairment on parts and spares	**(4,000)**	-	(4,000)	**(4,000)**	-	(4,000)
Interest expense, net	**(2,390)**	(2,043)	(347)	**(7,571)**	(7,157)	(414)
Interest income	**147**	154	(7)	**47**	353	(306)
Foreign currency translation (loss) gain	**(792)**	(453)	(339)	**913**	2,344	(1,431)
Income tax expense	**(6,501)**	(7,875)	1,374	**(2,335)**	(5,609)	3,274
Earnings from joint ventures	**1,384**	1,578	(194)	**4,526**	5,172	(646)
Net earnings	**$ 24,367**	$ 28,328	$ (3,961)	**$ 17,448**	$ 19,074	$ (1,626)

General and Administrative

General and administrative expenses for the three and nine months ended September 30, 2014 were down relative to the respective periods in the previous year primarily due to a reduction in professional fees.

Impairment on Parts and Spares

During the third quarter, management reviewed its plans related to the utilization of certain mechanical parts and spares and determined that the parts and spares were not likely to be used on existing vessels and were unlikely to be sold at values that would result in the recovery of the carrying value of these assets. As a result, the Corporation has recorded an impairment provision to reduce the carrying value of these parts and spares to their realizable value based on an estimate of expected proceeds from a sale of the equipment

MANAGEMENT'S DISCUSSION AND ANALYSIS

Interest Expense, net

Interest expense consists of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	**2014**	2013
Interest on borrowings	**$ 3,579**	$ 3,630	**$ 10,621**	$ 10,924
Interest on employee future benefits	**109**	105	**373**	1,115
Amortization of deferred financing costs	**102**	302	**1,637**	905
Interest capitalized on vessels under construction	**(1,400)**	(1,994)	**(5,060)**	(5,787)
	$ 2,390	$ 2,043	**$ 7,571**	$ 7,157

The lower interest capitalized on vessels under construction accounted for the majority of the increase in interest expense in the third quarter and for the nine month period ended September 30, 2014. Capitalized interest has decreased due to the *Algoma Equinox* and *Algoma Harvester* entering service and the slow progress towards construction milestones that drive further instalment obligations on our remaining Equinox Class vessel contracts.

In 2014, the Corporation prepaid certain non- revolving debt and accordingly accelerated the amortization of deferred financing costs associated with these debt facilities. This resulted in an increase of $732 in amortization of deferred financing costs incurred during the first nine months of 2014. This was almost entirely offset by lower interest on employee future benefits resulting from a reduced net liability for employee future benefit plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Foreign Currency Translation (Loss) Gain

The foreign currency translation (loss) gain consists of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	**2014**	2013
Gain (loss) on long-term debt	**$ -**	$ 915	**$ -**	$ (3,352)
Gain (loss) on U.S. cash not designated as a hedge	**299**	(749)	**248**	3,934
Realized gain (loss) on return of capital from foreign operations	**208**	(5)	**208**	(330)
(Loss) gain on mark-to-market for derivatives that are not eligible for hedge accounting	**(1,111)**	(614)	**340**	2,092
Other	**(188)**	-	**117**	-
	$ (792)	$ (453)	**$ 913**	$ 2,344

As of July 13, 2013 the Corporation designated a portion of its investment in foreign subsidiaries as a hedge against its U.S. dollar denominated debt. As of October 1, 2013 the Corporation designated a portion of its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments relating to the Equinox Class vessel contracts. From the date on which the respective hedges were designated to the end of the financial reporting period, gains and losses on the translation of the U.S. dollar debt and cash designated as a hedge from the date on which the respective hedges were designated to the end of the financial reporting period are being recorded in Other Comprehensive Earnings.

Income Tax Expense

Income tax expense of $6,501 for the three months ended September 30, 2014 was $1,374 lower than the $7,875 for the third quarter of 2013. The decrease in the expense is due mainly to reduced earnings before income tax expense and earnings of joint ventures.

The income tax expense for the nine months ended September 30, 2014 was $2,335 when compared to $5,609 for the similar period in 2013. The expense for the prior year includes provisions of $1,313 related primarily to a tax dispute that was settled later in the year. Excluding this item, the decrease in income tax expense compared to the prior year is due to the decrease in earnings before income tax.

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The Canadian statutory rate for the Corporation for both 2014 and 2013 was 26.5%. Any variation in the effective income tax rate from the statutory income tax rate is due mainly to the lower income tax rates applicable to foreign subsidiaries and changes to income tax provisions related to tax filings for prior periods.

Comprehensive Earnings (Loss)

	Three Months Ended September 30		Favourable	Nine Months Ended September 30		Favourable
	2014	2013	(Unfavourable)	**2014**	2013	(Unfavourable)
Net earnings	**$ 24,367**	$ 28,328	$ (3,961)	**$ 17,448**	$ 19,074	$ (1,626)
Unrealized gain (loss) on translation of financial statements of foreign operations	**5,812**	(3,395)	9,207	**6,295**	5,803	492
Unrealized gain (loss) on hedging instruments, net of income tax	**91**	476	(385)	**(300)**	1,500	(1,800)
Reclass to property, plant and equipment	**-**	-	-	**(819)**	-	(819)
Actuarial (loss) gains on employee future benefits, net of income tax	**(2,606)**	3,934	(6,540)	**(5,419)**	14,539	(19,958)
	$ 27,664	$ 29,343	$ (1,679)	**$ 17,205**	$ 40,916	$ (23,711)

The comprehensive earnings for the 2014 third quarter were $27,664 compared to $29,343 for the comparable period in 2013. The comprehensive earnings for the nine months ended September 30, 2014 were $17,205 when compared to earnings of $40,916 for the similar period in 2013.

The three and nine month periods ended September 2014 experienced unrealized gains on the translation of financial statements of foreign operations of $5,812 and $6,295 respectively whereas the 2013 third quarter had a unrealized loss of $3,395 and for the nine months ended September 30, 2013 there was a gain of $5,803. The gains and losses for 2014 and 2013 in all periods are a result of the Canadian dollar fluctuation when compared to the U.S. dollar.

Employee future benefits for the nine months ended September 30, 2014 experienced an actuarial loss, net of income tax, of $5,419 compared to a net actuarial gain of $14,539 for the same period in 2013. The net loss in 2014 includes an actuarial loss related to the discount rate changing from 4.7% to 4.0% year to date. This loss was partially offset by investment returns on pension fund assets and an adjustment on implementing the new Canadian mortality table. The discount rate, which is based on long-term interest rates, is used to value the liabilities of the post-employment plans. Included in 2013 are actuarial gains resulting from investment returns and an increase in the discount rate from 4.0% to 4.6%.

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, 2014 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Condition, Liquidity and Capital Resources

Excerpts from the Consolidated Statement of Cash Flows

	Three Months Ended September 30		Favourable	Nine Months Ended September 30		Favourable
	2014	2013	(Unfavourable)	**2014**	2013	(Unfavourable)
Net earnings	**$ 24,367**	$ 28,328	$ (3,961)	**$ 17,448**	$ 19,074	$ (1,626)
Net cash generated from operating activities	**$ 52,993**	$ 30,039	$ 22,954	**$ 46,407**	$ 57,867	$ (11,460)
Net cash used in investing activities	**$ 2,164**	$ 5,133	$ (2,969)	**$ 32,304**	$ 20,200	$ 12,104
Cash used in financing activities	**$ 8,626**	$ 10,538	$ (1,912)	**$ 34,255**	$ 26,306	$ 7,949

Net Cash Generated From Operating Activities

The increase in cash generated from operating activities of $22,954 for the three months ended September 30 is attributable primarily to an increase in cash related to operating activities and an increase in cash from working capital.

For the nine months ended September 30, 2014 the decrease in cash from operating activities of $11,460 relates primarily to higher accounts receivable balances reflecting strong revenues and the timing of payments to suppliers.

Net Cash Used In Investing Activities

Cash used in investing activities for the three and nine months ended September 30, 2014 was primarily for costs related to the Equinox Class vessels, life extensions and capitalized dry-dockings costs on certain vessels, and capital improvements on various real estate properties..

Cash Used In Financing Activities

Included in the cash used in financing activities in both periods are the repayments of debt, including the prepayment in 2014 of certain non-revolving debt, payment of interest on the debt and the payment of dividends to shareholders.

Dividends were paid to shareholders at $0.21 per common share for each of the nine months ended September 30, 2014 and 2013, respectively.

Capital Resources

Management expects that cash and cash equivalents on hand at September 30, 2014 of $201,811, existing credit facilities and projected cash from operations for the remainder of 2014 will be more than sufficient to meet the Corporation's planned operating and capital requirements and other contractual obligations for the balance of 2014.

The Corporation maintains credit facilities and these facilities are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. At September 30 2014, the Corporation had $149,754 undrawn and available under existing credit facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contingencies

For information on contingencies, please refer to Note 27 of the consolidated financial statements for the years ending December 31, 2013 and 2012. There have been no significant changes in the items presented since December 31, 2013.

Transactions with Related Parties

There were no transactions with related parties for the three and nine month periods ended September 30, 2014 and 2013.

Contractual Obligations

The table below provides aggregate information about the Corporation's contractual obligations at September 30, 2014 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 component	$ -	$ -	$ 69,000	$ 159,000	$ 228,000
Capital asset purchases	75,655	57,067	-	-	132,722
Employee future benefit payments	1,781	4,750	2,971	-	9,502
Total	$ 77,436	$ 61,817	$ 71,971	$ 159,000	$ 370,224

Equinox Class Vessels

Following negotiations between the Corporation, the shipyard, and other parties, an agreement has been reached that sets out the terms for amendments to the contracts for the construction of certain of the remaining Equinox Class vessels. If completed, the amendments will result in the replacement of the original co-seller with a new co-seller on these contracts.

New Accounting Standards

Applied

Financial Assets and Financial Liabilities

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* (IAS 32). The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retroactively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements.

Levies

In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies.* IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retroactively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

Disclosure of Recoverable Amounts

In May 2013, the IASB issued amendments to IAS 36 *Impairment of Assets* (IAS 36). The amendments in IAS 36 are effective for annual periods beginning on or after January 1, 2014 and are to be applied retroactively. The amendments reverse the unintended requirement in IFRS 13 to disclose the recoverable amount for every cash generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under these amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed.

The Corporation has applied these new standards in the financial statements for the annual period beginning January 1, 2014. The amendments did not have a material impact on the financial statements.

Not Applied

Revenue Recognition

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRS guidance. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities.

Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgements and estimates. The standard is effective for annual periods beginning on or after January 1, 2017; early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Corporation is required to disclose the impact by financial line item as a result of the adoption of the new standard.

Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9"), which replaces IAS 39 Financial Instruments: Recognition and Measurement. This final version of IFRS 9 represents the completion of the IASB's project on financial instruments and it includes the requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This final version of IFRS 9 supersedes all prior versions of IFRS 9 and is mandatorily effective for annual periods beginning on or after January 1, 2018, with early application permitted.

The Corporation will evaluate the impact of these standards and intends to adopt them in its consolidated financial statements for the annual periods beginning January 1, 2017 and 2018, respectively.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Earnings
For the Three and Nine Months Ended September 30, 2014 and 2013
(In thousands of dollars except per share figures)

	Notes	Three Months Ended September 30 2014	Three Months Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
REVENUE	**15**	**$ 163,950**	$ 146,947	**$ 354,021**	$ 342,634
EXPENSES					
Operations	**15**	**110,548**	92,843	**276,004**	265,370
General and administrative		**5,954**	6,194	**19,141**	20,266
		116,502	99,037	**295,145**	285,636
EARNINGS BEFORE UNDERNOTED ITEMS		**47,448**	47,910	**58,876**	56,998
Depreciation of property, plant and equipment and investment properties	**7, 8**	**(10,929)**	(10,943)	**(33,008)**	(33,027)
Impairment on parts and spares	**7**	**(4,000)**	-	**(4,000)**	-
Interest expense	**5**	**(2,390)**	(2,043)	**(7,571)**	(7,157)
Interest income		**147**	154	**47**	353
Net (loss) gain on foreign currency translation	**6**	**(792)**	(453)	**913**	2,344
EARNINGS BEFORE INCOME TAX EXPENSE AND EARNINGS OF JOINT VENTURES		**29,484**	34,625	**15,257**	19,511
INCOME TAX EXPENSE		**(6,501)**	(7,875)	**(2,335)**	(5,609)
EARNINGS OF JOINT VENTURES	**4**	**1,384**	1,578	**4,526**	5,172
NET EARNINGS		**$ 24,367**	$ 28,328	**$ 17,448**	$ 19,074
BASIC EARNINGS PER SHARE		**$ 0.63**	$ 0.73	**$ 0.45**	$ 0.49
DILUTED EARNINGS PER SHARE		**$ 0.59**	$ 0.68	**$ 0.45**	$ 0.49

See accompanying notes to the unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Comprehensive Earnings
For the Three and Nine Months Ended September 30, 2014 and 2013
(In thousands of dollars except per share figures)

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	**2014**	2013
NET EARNINGS	**$ 24,367**	$ 28,328	**$ 17,448**	$ 19,074
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Items that may be subsequently reclassified to net earnings:				
Unrealized gain (loss) on translation of financial statements of foreign operations	**5,812**	(3,395)	**6,295**	5,803
Unrealized gain (loss) on hedging instruments, net of income tax	**91**	476	**(300)**	1,500
Reclass to property, plant and equipment	**-**	-	**(819)**	-
Items that will not be subsequently reclassified to net earnings:				
Employee future benefits				
Actuarial (loss) gain, net of income tax	**(2,606)**	3,934	**(5,419)**	14,539
	3,297	1,015	**(243)**	21,842
COMPREHENSIVE EARNINGS	**$ 27,664**	$ 29,343	**$ 17,205**	$ 40,916

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Balance Sheets
September 30, 2014 and December 31, 2013
(In thousands of dollars)

	Notes	September 30 2014	December 31 2013
ASSETS			
CURRENT			
Cash and cash equivalents		$ **201,811**	$ 216,057
Accounts receivable		**75,043**	61,820
Derivative assets		**-**	1,055
Materials and supplies		**12,039**	10,437
Prepaid expenses		**5,941**	3,305
Income taxes recoverable		**11,635**	10,530
		306,469	303,204
EMPLOYEE FUTURE BENEFITS		**3,568**	7,458
PROPERTY, PLANT AND EQUIPMENT	7	**524,550**	529,734
GOODWILL		**7,910**	7,910
INVESTMENT PROPERTIES	8	**77,610**	72,074
INVESTMENT IN JOINT VENTURES	4	**14,702**	11,974
		$ **934,809**	$ 932,354
LIABILITIES			
CURRENT			
Accounts payable and accrued charges		$ **60,205**	$ 63,093
Dividends payable		**1,336**	1,139
Current portion of long-term debt	9	**-**	4,576
		61,541	68,808
DEFERRED INCOME TAXES		**59,130**	59,535
EMPLOYEE FUTURE BENEFITS		**23,235**	20,373
LONG-TERM DEBT	9	**220,289**	222,552
COMMITMENTS	13	**-**	-
		302,654	302,460
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	10	**8,319**	8,319
CONTRIBUTED SURPLUS		**11,917**	11,917
CONVERTIBLE DEBENTURES		**4,632**	4,632
ACCUMULATED OTHER COMPREHENSIVE EARNINGS	11	**6,967**	1,791
RETAINED EARNINGS		**538,779**	534,427
		570,614	561,086
		$ **934,809**	$ 932,354

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Changes in Equity
For Three and Nine Months Ended September 30, 2014 and 2013
(In thousands of dollars)

	Share capital	Contributed Surplus and Convertible debentures	Accumulated Other Comprehensive (Loss) Earnings (Note 11)	Retained Earnings	Total Equity
BALANCE AT DECEMBER 31, 2012	$ 8,319	$ 16,549	$ (10,602)	$ 484,188	$ 498,454
Net earnings	-	-	-	19,074	19,074
Dividends declared	-	-	-	(8,171)	(8,171)
Other comprehensive earnings	-	-	7,303	14,539	21,842
BALANCE AT SEPTEMBER 30, 2013	$ 8,319	$ 16,549	$ (3,299)	$ 509,630	$ 531,199
BALANCE AT DECEMBER 31, 2013	$ 8,319	$ 16,549	$ 1,791	$ 534,427	$ 561,086
Net earnings	-	-	-	17,448	17,448
Dividends declared	-	-	-	(8,171)	(8,171)
Other comprehensive earnings (loss)	-	-	5,176	(5,419)	(243)
Refundable dividend tax on hand	-	-	-	494	494
BALANCE AT SEPTEMBER 30, 2014	$ 8,319	$ 16,549	$ 6,967	$ 538,779	$ 570,614

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, 2014 and 2013
(In thousands of dollars except per share figures)

	Notes	Three Months Ended September 30 2014	Three Months Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES					
OPERATING					
Net earnings		**$ 24,367**	$ 28,328	**$ 17,448**	$ 19,074
Earnings of joint ventures	4	**(1,384)**	(1,578)	**(4,526)**	(5,172)
Dividends received from joint ventures		**2,715**	-	**2,715**	5,608
Items not affecting cash					
Depreciation of property, plant and equipment and investment property	7, 8	**10,929**	10,943	**33,008**	33,027
Net gain (loss) on foreign currency translation	6	**792**	453	**(913)**	(2,344)
Income tax expense		**6,501**	7,875	**2,335**	5,609
Interest expense, net	5	**2,243**	1,889	**7,524**	6,804
Impairment on parts and spares	7	**4,000**	-	**4,000**	-
Other		**(140)**	(556)	**(64)**	(1,555)
		50,023	47,354	**61,527**	61,051
Net change in non-cash operating working capital		**2,085**	(14,064)	**(12,817)**	10,775
		52,108	33,290	**48,710**	71,826
Income taxes paid		**(574)**	(1,829)	**(1,682)**	(9,241)
Employee future benefits paid		**1,459**	(1,422)	**(621)**	(4,718)
Net cash generated from operating activities		**52,993**	30,039	**46,407**	57,867
INVESTING					
Additions to property, plant and equipment	15	**(586)**	(2,975)	**(23,423)**	(16,615)
Additions to investment properties	15	**(2,113)**	(2,150)	**(9,416)**	(4,399)
Proceeds on sale of property, plant and equipment		**535**	(8)	**535**	814
Net cash used in investing activities		**(2,164)**	(5,133)	**(32,304)**	(20,200)
FINANCING					
Interest paid, net		**(5,903)**	(6,315)	**(12,584)**	(13,635)
Repayment of long-term debt		**-**	(1,500)	**(13,500)**	(4,500)
Dividends paid		**(2,723)**	(2,723)	**(8,171)**	(8,171)
Cash used in financing activities		**(8,626)**	(10,538)	**(34,255)**	(26,306)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**42,203**	14,368	**(20,152)**	11,361
EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		**6,083**	(2,768)	**5,906**	2,881
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**153,525**	127,136	**216,057**	124,494
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 201,811**	$ 138,736	**$ 201,811**	$ 138,736

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. Catharines, Ontario, Canada. The condensed consolidated financial statements of the Corporation for the three and nine month periods ended September 30, 2014 and 2013 comprise the Corporation, its subsidiaries and the Corporation's interest in 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 eighteen self-unloading dry-bulk carriers, seven gearless dry bulk carriers and eight product tankers, including one that is under charter from the Corporation's ocean tanker subsidiary.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Corporation's 25 – 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 and the operational management of certain vessels owned by other ship-owners.

The Product Tankers marine transportation segment includes ownership and management of the operational and commercial activities of the eight Canadian flag tanker vessels operating on the Great Lakes, the St. Lawrence Seaway and the east coast of North America. One of these product tankersis owned by a foreign subsidiary and was previously 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 three 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. Catharines, 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, first quarter revenues and earnings are typically significantly lower than the remaining quarters in the year.

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 International Accounting Standard ("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, 2013 and 2012, except for the changes described below in Note 3. The financial statements should be read in conjunction with the Corporation's Consolidated Financial Statements for the years ended December 31, 2013 and 2012.

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 November 5, 2014.

3. NEW ACCOUNTING STANDARDS

Applied

Financial Assets and Financial Liabilities

In December 2011, the IASB issued amendments to IAS 32, Financial Instruments: Presentation (IAS 32). The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retroactively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements.

Levies

In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, Levies. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retroactively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

Disclosure of Recoverable Amounts

In May 2013, the IASB issued amendments to IAS 36 Impairment of Assets (IAS 36). The amendments in IAS 36 are effective for annual periods beginning on or after January 1, 2014 and are to be applied retroactively. The amendments reverse the unintended requirement in IFRS 13 to disclose the recoverable amount of every cash generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under these amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed.

The Corporation has applied these new standards in the financial statements for the annual period beginning January 1, 2014. The new standards did not have a material impact on the financial statements.

Not Yet Applied

Revenue Recognition

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRS guidance. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities.

Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgements and estimates. The standard is effective for annual periods beginning on or after January 1, 2017; early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Corporation is required to disclose the impact by financial line item as a result of the adoption of the new standard.

Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9"), which replaces IAS 39 Financial Instruments: Recognition and Measurement. This final version of IFRS 9 represents the completion of the IASB's project on financial instruments and it includes the requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This final version of IFRS 9 supercedes all prior versions of IFRS 9 and is mandatorily effective for annual periods beginning on or after January 1, 2018, with early application permitted.

The Corporation will evaluate the impact of these standards and intends to adopt them in its consolidated financial statements for the annual periods beginning January 1, 2017 and 2018, respectively.

(In thousands of dollars except per share figures)

4. INTERESTS IN JOINT VENTURES

The Corporation has a 50% interest in Seventy-Five Corporate Park Drive Ltd. with an unrelated corporation. This joint venture owns an office building. The Corporation also has a 50% interest in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement.

The Corporation's share in the revenues, expenses and net earnings of the jointly controlled operations for the three and nine months ended September 30, 2014 and 2013 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	**2014**	2013
Revenue	**$ 3,707**	$ 6,571	**$ 16,350**	$ 19,113
Operating expenses	**(2,578)**	(3,857)	**(11,025)**	(11,566)
Gain on sale of asset	**694**	-	**694**	-
General and administrative	**(67)**	(63)	**(196)**	(186)
Depreciation	**(364)**	(631)	**(1,073)**	(1,871)
Earnings before income taxes	**1,392**	2,020	**4,750**	5,490
Income tax expense	**8**	442	**224**	318
Net earnings	**$ 1,384**	$ 1,578	**$ 4,526**	$ 5,172
Seventy-Five Corporate Park Drive Ltd.	**$ 67**	$ 85	**$ 205**	$ 254
Marbulk Canada Inc	**1,317**	1,493	**4,321**	4,918
	$ 1,384	$ 1,578	**$ 4,526**	$ 5,172

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

The Corporation's share in the assets, liabilities and net investment of the jointly controlled operations at September 30, 2014 and December 31, 2013 are as follows:

	September 30 2014	December 31 2013
Current assets consisting primarily of cash	**$ 6,636**	$ 5,263
Property, plant and equipment	**11,767**	11,482
Investment property	**1,570**	1,609
Accounts payable and accrued charges	**(2,038)**	(1,674)
Income taxes payable	**-**	(860)
Deferred income taxes	**(3,233)**	(3,846)
	$ 14,702	$ 11,974
Seventy-Five Corporate Park Drive Ltd.	**$ 2,011**	$ 1,906
Marbulk Canada Inc	**12,691**	10,068
	$ 14,702	$ 11,974

During the 2014 third quarter a reclassification was recorded to the December 31, 2013 consolidated balance sheet. The property, plant and equipment of the Ocean Shipping segment was reduced by $3,969 with a corresponding increase in the joint ventures property, plant and equipment.

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

5. INTEREST EXPENSE

The components of interest expense for the three and nine months ended September 30, 2014 and 2013 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	**2014**	2013
Interest expense on borrowings	**$ 3,579**	$ 3,630	**$ 10,621**	$ 10,924
Interest on employee future benefits	**109**	105	**373**	1,115
Amortization of deferred financing costs	**102**	302	**1,637**	905
Interest capitalized on vessels under construction	**(1,400)**	(1,994)	**(5,060)**	(5,787)
	$ 2,390	$ 2,043	**$ 7,571**	$ 7,157

During the first quarter, the Corporation elected to prepay certain non-revolving debt and accordingly accelerated the amortization of deferred financing costs associated with these debt facilities.

6. NET (LOSS) GAIN ON FOREIGN CURRENCY TRANSLATION

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	**2014**	2013
Gain (loss) on long-term debt	**$ -**	$ 915	**$ -**	$ (3,352)
Gain (loss) on U.S. cash not designated as hedge	**299**	(749)	**248**	3,934
Realized gain (loss) on return of capital from foreign operations	**208**	(5)	**208**	(330)
(Loss) gain on mark-to-market for derivatives that are not eligible for hedge accounting	**(1,111)**	(614)	**340**	2,092
Other	**(188)**	-	**117**	-
	$ (792)	$ (453)	**$ 913**	$ 2,344

(In thousands of dollars except per share figures)

As of July 13, 2013 the Corporation designated a portion of its investment in foreign subsidiaries as a hedge against its U.S. dollar denominated debt. As of October 1, 2013 the Corporation began designating a portion of its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments relating to the Equinox Class project. Gains and losses on the translation of the U.S. dollar debt and cash from the date on which the respective hedges were designated to the end of the financial reporting period are being recorded in Other Comprehensive Income.

7. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are as follows:

Cost	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at December 31, 2013	$ 726,242	$ 232,157	$ 81,069	$ 1,039,468
Additions	22,175	581	-	22,756
Disposals	(2,822)	(373)	-	(3,195)
Effect of foreign currency exchange differences	2,982	884	4,184	8,050
Balance September 30, 2014	$ 748,577	$ 233,249	$ 85,253	$ 1,067,079

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

Accumulated depreciation	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at December 31, 2013	$ 381,959	$ 98,262	$ 29,513	$ 509,734
Depreciation expense	18,372	7,261	3,495	29,128
Disposals	(2,652)	(409)	-	(3,061)
Impairment on parts and spares	4,000	-	-	4,000
Effect of foreign currency exchange differences	764	480	1,484	2,728
Balance September 30, 2014	$ 402,443	$ 105,594	$ 34,492	$ 542,529

Net Book Value	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
September 30, 2014				
Cost	$ 748,577	$ 233,249	$ 85,253	$ 1,067,079
Accumulated depreciation	402,443	105,594	34,492	542,529
	$ 346,134	$ 127,655	$ 50,761	$ 524,550

For the period ended September 30, 2014, an impairment of $4,000 was recognized on certain major vessel parts and spares that the Corporation deemed to be surplus. The Corporation has been reviewing the value assigned to these assets and determined in the 2014 third quarter that they are impaired due to a significant decline in the market value as a result of the Corporation concluding these vessel components are not useable on the Corporation's marine assets.

The impairment recognized was based on the difference between the carrying amount of the assets and their estimated fair value based on the expected sale proceeds from external sources expressing interest in acquiring the assets.

8. INVESTMENT PROPERTY

Details of investment property are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Balance December 31, 2013	$ 124,256	$ 52,182	$ 72,074
Additions	9,416	3,880	5,536
Balance September 30, 2014	$ 133,672	$ 56,062	$ 77,610

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

9. LONG-TERM DEBT

	September 30 2014	December 31 2013
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.0%	**$ 65,322**	$ 64,652
Senior secured notes, due July 19, 2021		
U.S. $75,000, interest fixed at 5.11%	**84,000**	79,770
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%	**-**	2,000
Senior secured non-revolving term loan, due October 20, 2016, interest floating at BA rate plus 0.85%	**-**	11,500
	224,322	232,922
Less unamortized deferred financing expenses	**4,033**	5,794
	220,289	227,128
Current portion	**-**	4,576
	$ 220,289	$ 222,552

The Corporation is subject to covenants with respect to maintaining certain financial ratios and other restrictions under the terms of the Bank Facility and the Notes.

At September 30, 2014 and December 31, 2013 the Corporation was in compliance with all of the covenants.

10. SHARE CAPITAL

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

At September 30, 2014, and December 31, 2013 there were 38,912,110 common shares and no preferred shares issued and outstanding.

(In thousands of dollars except per share figures)

11. ACCUMULATED OTHER COMPREHENSIVE (LOSS) EARNINGS

The components of accumulated other comprehensive (loss) earnings are as follows:

	Reserves				
	Hedges			Foreign	
	Cash Flow	Net Investment	Purchase Commitment	Foreign Exchange Translation	Total
Balance December 31, 2013	$ 489	$ (1,561)	$ 1,138	$ 1,725	$ 1,791
(Loss) gain	(664)	(4,230)	4,136	6,295	5,537
Income tax recovery (expense)	175	560	(1,096)	-	(361)
Net gain (loss)	(489)	(3,670)	3,040	6,295	5,176
Balance September 30, 2014	**$ -**	**$ (5,231)**	**$ 4,178**	**$ 8,020**	**$ 6,967**

12. 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 (ROCE) 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.
- Pay regular quarterly dividends to shareholders.

The Corporation's Board of Directors reviews the ROCE target on an annual basis and it reviews the level of dividends to be paid to the Corporation's shareholders on a quarterly basis.

Included in capital employed are shareholders' equity and long term-debt. The returns on capital employed over the last five years ended December 31, 2013 of the Corporation ranged from 5.9% to 8.2%.

The Corporation also uses Adjusted Return on Capital Employed (AROCE) to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders and, in conjunction with other measures of operating performance, is one of the metrics for purposes of determining incentive compensation.

(In thousands of dollars except per share figures)

The Corporation defines AROCE as segment operating earnings after income tax expressed as a percentage of adjusted average capital employed. Adjusted average capital employed is total long-term debt plus shareholders' equity less the average cash in excess of $10 million and less the average amount of instalments on shipbuilding contracts reflecting the fact that these assets are currently not generating operating earnings.

The AROCE has averaged 9.74% over the five years ended December 31, 2013.

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

The debt to shareholders' equity ratio is as follows:

	September 30 2014	December 31 2013
Total long-term debt	**$ 224,322**	$ 232,922
Shareholders' equity	**$ 570,614**	$ 561,086
Debt to shareholders' equity ratio	**0.39 to 1**	0.42 to 1

13. COMMITMENTS

The Corporation has commitments at September 30, 2014 of $142,224.

The commitments relate primarily to the purchase of four additional Equinox Class vessels and the payments required for employee future benefits.

The annual expected payments are as follows:

Due in 2014	**$ 1,160**
Due in 2015	**76,870**
Due in 2016	**59,444**
Due in 2017	**2,375**
Due in 2018	**2,375**
	$ 142,224

The commitment to the shipyard relating to the purchase of four additional Equinox Class vessels is U.S. $97,735.

The current production schedule, as provided by the shipyard, estimates that two of the Algoma vessels will be delivered in 2015 and the remaining two in 2016. These deliveries will follow completion of two Equinox Class vessels being constructed for CWB Inc., of which one was delivered in late October 2014 with the second to follow in early 2015.

(In thousands of dollars except per share figures)

Following negotiations between the Corporation, the shipyard, and other parties, an agreement has been reached that sets out the terms for amendments to the contracts for the construction of certain of the remaining Equinox Class vessels. If completed, the amendments will result in the replacement of the original co-seller with a new co-seller on these contracts.

Although the Corporation's investment to date in these ships remains secured with refund guarantees, currently there is uncertainty regarding the construction schedule and further delay in the delivery of the remaining vessels is possible.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

		September 30 2014		December 31 2013
Financial assets carrying and fair value				
Cash and cash equivalents	**$**	**201,811**	$	216,057
Accounts receivable	**$**	**75,043**	$	61,820
Derivative assets	**$**	**-**	$	1,055
Financial liabilities carrying and fair value				
Accounts payable and accrued charges	**$**	**60,205**	$	63,093
Dividends payable	**$**	**1,336**	$	1,139
Carrying value of long-term debt	**$**	**224,322**	$	232,922
Fair value of long-term debt	**$**	**240,548**	$	249,431

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.

(In thousands of dollars except per share figures)

Liquidity risk

The contractual maturities of non-derivative financial liabilities at September 30, 2014 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 60,205	$ -	$ -	$ -	$ 60,205
Dividends payable	1,336	-	-	-	1,336
Long-term debt including equity portion	-	-	69,000	159,000	228,000
Interest payments	12,572	25,145	17,900	17,283	72,900
Total	$ 74,113	$ 25,145	$ 86,900	$ 176,283	$ 362,441

Foreign currency exchange risk

At September 30, 2014 and December 31, 2013, 28% and 26%, respectively, of the Corporation’s total assets were denominated in U.S. dollars.

Total assets include U.S. cash of $106,963 and $94,676 at September 30, 2014 and December 31, 2013, respectively.

(In thousands of dollars except per share figures)

15. SEGMENT DISCLOSURES

The following presents the Corporation's results from operations by reportable segment for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30		Nine Months Ended September 30	
Revenues	**2014**	2013	**2014**	2013
Domestic Dry-Bulk	**$ 120,705**	$ 105,235	**$ 230,676**	$ 220,413
Product Tankers	**25,168**	24,112	**69,931**	71,447
Ocean Shipping	**10,137**	10,360	**31,192**	29,753
Real Estate	**7,940**	7,240	**22,222**	21,021
	$ 163,950	$ 146,947	**$ 354,021**	$ 342,634

	Three Months Ended September 30		Nine Months Ended September 30	
Net Earnings	**2014**	2013	**2014**	2013
Operating earnings net of income tax				
Domestic Dry-Bulk	**$ 19,835**	$ 19,082	**$ 3,877**	$ 346
Impairment on parts and spares	**(2,940)**	-	**(2,940)**	-
	16,895	19,082	**937**	346
Product Tankers	**4,940**	5,658	**9,238**	10,575
Ocean Shipping	**3,084**	4,358	**10,327**	11,914
Real Estate	**960**	733	**1,707**	1,738
	25,879	29,831	**22,209**	24,573
Not specifically identifiable to segments				
Net (loss) gain on translation of foreign-denominated monetary assets and liabilities	**(792)**	(453)	**913**	2,344
Interest expense	**(2,390)**	(2,043)	**(7,571)**	(7,157)
Interest income	**147**	154	**47**	353
Income tax recovery (expense)	**1,523**	839	**1,850**	(1,039)
	$ 24,367	$ 28,328	**$ 17,448**	$ 19,074

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

Operating Expenses	Three Months Ended September 30 **2014**	Three Months Ended September 30 2013	Nine Months Ended September 30 **2014**	Nine Months Ended September 30 2013
Domestic Dry-Bulk	**$ 84,171**	$ 69,304	**$ 195,882**	$ 188,421
Product Tankers	**15,185**	13,024	**46,813**	46,165
Ocean Shipping	**6,492**	6,092	**19,470**	17,642
Real Estate	**4,700**	4,423	**13,839**	13,142
	$ 110,548	$ 92,843	**$ 276,004**	$ 265,370

Additions to Property, Plant and Equipment and Investment Property	Three Months Ended September 30 **2014**	Three Months Ended September 30 2013	Nine Months Ended September 30 **2014**	Nine Months Ended September 30 2013
Domestic Dry-Bulk	**$ 811**	$ 9,028	**$ 22,175**	$ 26,001
Product Tankers	**-**	322	**581**	2,962
Ocean Shipping	**-**	-	**-**	-
Real Estate	**2,113**	2,149	**9,416**	4,398
	$ 2,924	$ 11,499	**$ 32,172**	$ 33,361
Capitalized interest	**(1,400)**	(1,994)	**(5,060)**	(5,787)
Amounts included in working capital	**1,175**	(4,380)	**5,727**	(6,560)
Total per consolidated statement of cash flows	**$ 2,699**	$ 5,125	**$ 32,839**	$ 21,014

Depreciation of Property, Plant and Equipment and Investment Property	Three Months Ended September 30 **2014**	Three Months Ended September 30 2013	Nine Months Ended September 30 **2014**	Nine Months Ended September 30 2013
Domestic Dry-Bulk	**$ 6,005**	$ 6,326	**$ 18,372**	$ 19,263
Product Tankers	**2,416**	2,462	**7,261**	7,180
Ocean Shipping	**1,160**	1,038	**3,495**	3,256
Real Estate	**1,348**	1,117	**3,880**	3,328
	$ 10,929	$ 10,943	**$ 33,008**	$ 33,027

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

Assets	September 30 2014	December 31 2013
Domestic Dry-Bulk	$ 421,650	$ 409,772
Product Tankers	145,791	146,597
Ocean Shipping	66,944	64,541
Real Estate	83,410	76,342
	717,795	697,252
Not specifically identifiable to segments		
Current assets	217,014	235,102
	$ 934,809	$ 932,354

Share Registrar and Transfer Agent:
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Montreal, QC, H3B 3K3
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Algoma Central Corporation
63 Church Street, Suite 600, St. Catharines, Ontario L2R 3C4
(905) 687-7888
www.algonet.com

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63 Church Street, Suite 600, St. Catharines, Ontario L2R 3C4
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