# ALGOMA CENTRAL CORPORATION

## Interim Report to Shareholders

## For the Three Months Ended
## March 31, 2015 and 2014

# 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 2015 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 from other transportation providers; reliance on partnering relationships; appropriate maintenance and repair of our existing fleet by third-party contractors; health and safety regulations that affect our operations can change and be onerous and the risk of safety incidents can affect results; a change in applicable laws and regulations, including environmental regulations, could materially affect our results; economic conditions may prevent us from realizing sufficient investment returns to fund our defined benefit plans at the required levels; our ability to raise new equity and debt financing if required; 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 12 to 16 in the Corporation's Annual Information Form for the year ended December 31, 2014, 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.

# ALGOMA CENTRAL CORPORATION

## CONTENTS


| | |
|---|---|
| General | 1 |
| Summary of Quarterly Results | 2 |
| Overall Performance | 2 |
| Winter Weather Conditions | 3 |
| Business Segment Results | 3 |
| Consolidated Results | 7 |
| Financial Condition, Liquidity and Capital Resources | 9 |
| Transactions with Related Parties | 10 |
| Contractual Obligations | 10 |
| New Accounting Standards Not Yet Applied | 11 |
| Interim Condensed Consolidated Statements of Loss | 12 |
| Interim Condensed Consolidated Statements of Comprehensive Loss | 13 |
| Interim Condensed Consolidated Balance Sheets | 14 |
| Interim Condensed Consolidated Statements of Changes in Equity | 15 |
| Interim Condensed Consolidated Statements of Cash Flows | 16 |
| Notes to the Interim Condensed Consolidated Financial Statements | 17 |

# 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 interim condensed consolidated financial statements for the three months ended March 31, 2015 and 2014 and related notes thereto and the consolidated financial statements for the years ending December 31, 2014 and 2013 and has been prepared as of May 1, 2015.

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 2014 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.

### President and Chief Executive Officer

As previously announced, Greg Wight retired as President and CEO on March 31, 2015 and as of April 1, 2015 Ken Bloch Soerensen was appointed President and Chief Executive Officer.

Ken, a native of Denmark and most recently based in Dubai, joins Algoma following a successful career in the international maritime sector. Ken began his career with 18 years at A.P. Moller/Maersk where he held the position of General Manager in several of Maersk's global operating units.

Following his years with Maersk, Ken served as CEO of Swiss Federal Railways Cargo and in later roles focused on container shipping in the Asian, North Atlantic and Middle Eastern markets. Most notably, Ken was CEO of United Arab Shipping Co. from 2005 to 2009. Ken also served for two years as the Executive Director of the European Liner Affairs Association in Brussels, representing the industry on regulatory matters in the European Union and was most recently Managing Director and Partner in IPSA Capital Limited.

## 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 |
|---|---|---|---|---|
| 2015 | Quarter 1 | $ 51,628 | $ (22,992) | $ (0.59) |
| 2014 | Quarter 4 | $ 149,662 | $ 35,318 | $ 0.91 |
| | 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 |

*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.

### Overall Performance

| Consolidated Results | Three Months Ended March 31 2015 | 2014 |
|---|---|---|
| Revenues | **$ 51,628** | $ 51,738 |
| Segment loss after income tax | **$ (21,146)** | $ (20,311) |
| Net loss | **$ (22,992)** | $ (21,866) |
| Basic loss per share | **$ (0.59)** | $ (0.56) |

The Corporation is reporting first quarter revenues of $51,628 compared to $51,738 for the same period in 2014. Increases in the Domestic Dry-Bulk and Real Estate segments were offset by reductions in the Product Tankers and Ocean Shipping segments.

The segment loss after income taxes was $21,146 compared to $20,311 for the first quarter in 2014. The increase in the loss was due primarily to reduced earnings in the Ocean Shipping segment as a result of a regulatory dry-docking. The Domestic Dry-Bulk, Product Tanker and

Real Estate segment earnings after income taxes were all higher in 2015 when compared to the same period for 2014.

Net loss and basic loss per share were $22,992 and $0.59, respectively, compared to $21,866 and $0.56, respectively, for the same period last year.

### Winter Weather Conditions

The winter of 2015 began milder than 2014 but by March the Great Lakes and St. Lawrence were again seeing record ice conditions. Although we were able to operate vessels during January and February this year, and in fact had more operating days than in 2014, by March operations had slowed considerably and conditions were comparable to the prior year. In light of the heavy ice and the significant delays experienced in 2014, the St. Lawrence Seaway delayed its 2015 opening by a week and we adjusted our fleet fit-out schedule accordingly. We expect to have fewer operating days in the beginning of the second quarter compared to last year; however, at this time we expect the weather delays will be less significant.

### Business Segment Results

#### Domestic Dry- Bulk

| | Three Months Ended March 31 | | Favourable |
|---|---|---|---|
| | **2015** | 2014 | (Unfavourable) |
| Revenue | **$ 18,923** | $ 13,798 | $ 5,125 |
| Operating expenses | **(42,227)** | (38,649) | (3,578) |
| General and administrative | **(5,334)** | (4,576) | (758) |
| | **(28,638)** | (29,427) | 789 |
| Depreciation | **(5,826)** | (5,947) | 121 |
| Income taxes | **8,995** | 9,437 | (442) |
| Net loss | **$ (25,469)** | $ (25,937) | $ 468 |
| Operating ratio | **282.1%** | 356.4% | |
| Additions to property, plant and equipment | **$ 12,116** | $ 10,661 | |

| | March 31 **2015** | December 31 2014 |
|---|---|---|
| Total assets | **$ 388,316** | $ 410,856 |

Revenues for the first quarter of 2015 were up 37% when compared to the prior year quarter due to an increase in operating days to meet customer demand in the iron ore and salt markets. Operating days in each month of the first quarter of 2015 exceeded those in the prior year and conditions in January and February this year were generally more favourable. By March, winter conditions had worsened and marine traffic diminished accordingly.

Operating expenses for the first quarter were higher than the same period in 2014 due primarily to increased operating days. Annual winter maintenance work was delayed to accommodate the demand for the extra operating days and some of this work has been completed in the second quarter.

The newly arrived CWB Marquis began operating in April 2015 and therefore had no impact on results for the first quarter.

The net loss for the first quarter improved 2% compared to 2014.

## Product Tankers

| | Three Months Ended March 31 | | Favourable |
|---|---|---|---|
| | **2015** | 2014 | (Unfavourable) |
| Revenue | **$ 18,645** | $ 20,340 | $ (1,695) |
| Operating expenses | **(10,752)** | (14,267) | 3,515 |
| General and administrative | **(1,225)** | (1,216) | (9) |
| | **6,668** | 4,857 | 1,811 |
| Depreciation | **(2,589)** | (2,421) | (168) |
| Income taxes | **(851)** | (702) | (149) |
| Net earnings | **$ 3,228** | $ 1,734 | $ 1,494 |
| Operating ratio | **78.1%** | 88.0% | |
| Additions to property, plant and equipment | **$ -** | $ - | |
| | March 31 **2015** | December 31 2014 | |
| Total assets | **$ 146,446** | $ 151,596 | |

Revenue for the first quarter of 2015 was 8.3% lower than in 2014. Customer demand in 2014 was higher than in the current year; however, a significant portion of the demand was serviced on outside charters as a result of the fire on the *Algonova*. Operating days for 2015 increased compared to the prior year, reflecting this out of service period in the prior year.

The Corporation retired the *Algoeast* at the end of 2014 and that ship's capacity has been replaced by the *Algoma Hansa*. Results for the segment for the quarter include a gain on the sale of the *Algoeast*, which has been netted against operating costs.

Operating costs for the 2015 first quarter were lower than the prior year quarter due primarily to the decrease in vessel chartering expenses partially offset with an increase in operating costs for the added days from our own ships and an increase in lay-up expenses compared to the prior year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase in depreciation expense in the first quarter when compared to 2014 is a result of the increased value of the *Algoma Hansa* related to the 2014 impairment reversal.

### Ocean Shipping

| | Three Months Ended March 31 | | Favourable |
|---|---|---|---|
| | **2015** | 2014 | (Unfavourable) |
| Corporation's share of Pool revenue | **$ 10,705** | $ 16,699 | $ (5,994) |
| Less revenues included in earnings of joint arrangements | **4,363** | 6,135 | (1,772) |
| Consolidated segment revenue | **6,342** | 10,564 | (4,222) |
| Operating expenses | **(5,181)** | (6,488) | 1,307 |
| General and administrative | **(831)** | (751) | (80) |
| | **330** | 3,325 | (2,995) |
| Depreciation | **(1,156)** | (1,175) | 19 |
| Income taxes | **2** | - | 2 |
| Earnings from joint venture | **1,482** | 1,534 | (52) |
| Net earnings | **$ 658** | $ 3,684 | $ (3,026) |
| Operating ratio | **113.0%** | 79.6% | |
| Additions to property, plant and equipment | **$ 3,845** | $ - | |
| | March 31 **2015** | December 31 2014 | |
| Total assets | **$ 78,806** | $ 69,082 | |

The Corporation's share of Pool revenues for the first quarter ended March 31, 2015 was down by 36% or $5,994 when compared to the first quarter in 2014. The Corporation's vessel the *Bahama Spirit* underwent a regulatory dry-docking that took essentially all of the 2015 first quarter, resulting in fewer operating days. In addition, the sale of a joint venture vessel in April 2014 has reduced the Corporation's share of the overall Pool. Partially offsetting these decreases in revenue were increases resulting from a weaker Canadian exchange rate used in converting U.S. dollars to Canadian dollars.

Operating costs, reflecting only the 100% owned vessels, were down for the 2015 first quarter due to the regulatory dry-docking in 2015. Partially offsetting these decreases in expenses are increases due the weakening Canadian dollar exchange rate.

Despite the sale of a vessel, the earnings from the joint venture were down only marginally as gains on currency translation offset the marginal earnings from that ship.

**Real Estate**

| | Three Months Ended March 31 | | Favourable |
|---|---|---|---|
| | **2015** | 2014 | (Unfavourable) |
| Revenue | **$ 7,718** | $ 7,036 | $ 682 |
| Add revenue with related parties eliminated on consolidation | **188** | 129 | 59 |
| | **7,906** | 7,165 | 741 |
| Operating expenses | **(4,928)** | (4,747) | (181) |
| General and administrative | **(1,027)** | (1,004) | (23) |
| | **1,951** | 1,414 | 537 |
| Depreciation | **(1,458)** | (1,217) | (241) |
| Income taxes | **(130)** | (61) | (69) |
| Earnings from joint venture | **74** | 72 | 2 |
| Net earnings | **$ 437** | $ 208 | $ 229 |
| Operating ratio | **96.0%** | 99.0% | |
| Average occupancy | **92.4%** | 86.6% | |
| Additions to investment properties | **$ 1,334** | $ 2,275 | |

| | March 31 **2015** | December 31 2014 |
|---|---|---|
| Total assets | **$ 85,157** | $ 84,429 |

Revenue in the Real Estate segment increased by 10% in the first quarter compared to the same period in 2014 due to increased occupancy and better results from our hotel. Occupancy levels increased over the course of 2014 as we were able to fill space in several of our buildings.

Operating expenses were up for the 2015 first quarter reflecting general inflation and higher occupancy levels. Depreciation is higher due to capital improvements to some of our buildings over the course of the past year.

## Consolidated Results

| | Three Months Ended March 31 | | Favourable |
|---|---|---|---|
| | **2015** | 2014 | (Unfavourable) |
| Revenue | **$ 51,628** | $ 51,738 | $ (110) |
| Operating expenses | **(63,088)** | (64,151) | 1,063 |
| General and administrative | **(8,417)** | (7,333) | (1,084) |
| | **(19,877)** | (19,746) | (131) |
| Depreciation | **(11,029)** | (10,760) | (269) |
| Interest expense, net | **(2,629)** | (3,220) | 591 |
| Interest income | **434** | 292 | 142 |
| Foreign currency translation gain | **332** | 720 | (388) |
| Income tax recovery | **8,221** | 9,242 | (1,021) |
| Earnings from joint arrangements | **1,556** | 1,606 | (50) |
| Net loss | **$ (22,992)** | $ (21,866) | $ (1,126) |

*Interest Expense, net*

Interest expense consists of the following:

| | **2015** | 2014 |
|---|---|---|
| Interest expense on borrowings | **$ 3,648** | $ 3,540 |
| Interest on employee future benefits, net | **206** | 132 |
| Amortization of financing costs | **226** | 1,310 |
| Interest capitalized on vessels under construction | **(1,451)** | (1,762) |
| | **$ 2,629** | $ 3,220 |

During the first quarter of 2014, the Corporation decided to prepay certain non-revolving debt and accordingly accelerated the amortization of deferred financing costs associated with these debt facilities.

*Income Taxes*

The income tax recovery for the three months ended March 31, 2015 decreased to $8,221 compared to a recovery of $9,242 for the similar period in 2014. The effective rate for 2015 is 25.1% and for 2014 it was 28.3%.

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

| | | **2015** | | 2014 |
|---|---|---|---|---|
| Combined federal and provincial statutory income tax rate | | **26.5%** | | 26.5% |
| Loss before income tax recovery and earnings of joint ventures | **$** | **(32,769)** | $ | (32,714) |
| Expected income tax recovery | **$** | **(8,684)** | $ | (8,669) |
| Increase (decrease) resulting from: | | | | |
| Effect of items that are not taxable | | **108** | | 96 |
| Foreign tax rates different from statutory rate | | **105** | | (959) |
| Other | | **250** | | 290 |
| | **$** | **(8,221)** | $ | (9,242) |

*Comprehensive Loss*

The comprehensive loss for the 2015 three month period was $11,583 compared to $17,406 for the comparable period in 2014

Included in both the 2015 and 2014 periods are unrealized gains on the translation of financial statements of foreign operations of $12,814 and $4,732 respectively. The gains are due to the weakening of the Canadian dollar in both periods when compared to the U.S. dollar.

Also included in Comprehensive Loss for the three months ended March 31, 2015 and 2014 are employee future benefit net actuarial losses after income tax of $2,126 and $1,255 respectively. The losses are due primarily to decreases in the discount rate used to value the post employment obligations, partially offset by investment returns on assets held by the retirement plans.

*Internal Controls over Financial Reporting*

There have been no changes in the Corporation's internal controls over financial reporting during the quarter ended March 31, 2015 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*

| | 2015 | 2014 | Increase (decrease) in cash |
|---|---|---|---|
| Net loss | **$ (22,992)** | $ (21,866) | $ 1,126 |
| Net operating activities | **$ 11,096** | $ 12,201 | $ 1,105 |
| Net cash used in investing activities | **$ 6,777** | $ 4,951 | $ (1,826) |
| Net financing activities | **$ 9,415** | $ 13,252 | $ 3,837 |

*Net Cash Used In Operating Activities*

The decrease in the use of cash from operating activities of $1,105 for the three months ended March 31, 2015 when compared to the same period in 2014 resulted primarily from working capital.

*Net Cash Used In Investing Activities*

Net cash used in investing activities for the three months ended March 31, 2015 was primarily for costs related to life extensions and capitalized dry-dockings costs on certain vessels, and capital improvements on various investment properties.

*Net Cash Used In Financing Activities*

Included in the net cash used in financing activities in both periods are the payment of dividends to shareholders and payment of interest on debt. Dividends were paid to shareholders at $0.07 per common share for each of the three months ended March 31, 2015 and 2014. Also included in 2014 was the repayment of certain long-term debt.

*Capital Resources*

Management expects that cash and cash equivalents on hand at March 31, 2015 of $241,392, existing credit facilities and projected cash from operations for the remainder of 2015 will be more than sufficient to meet the Corporation's planned operating and capital requirements and other contractual obligations for the balance of 2015.

The Corporation maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. At March 31, 2015, the Corporation had $149,754 undrawn and available under existing credit facilities.

*Contingencies*

For information on contingencies, please refer to Notes 26 and 27 of the consolidated financial statements for the years ending December 31, 2014 and 2013. There have been no significant changes in the items presented since December 31, 2014.

**Transactions with Related Parties**

There were no transactions with related parties for the three month periods ended March 31, 2015 and 2014.

**Contractual Obligations**

The table below provides aggregate information about the Corporation's contractual obligations at March 31, 2015 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 | $ - | $ - | $ 69,000 | $ 169,995 | $ 238,995 |
| Capital asset commitments | 73,994 | 52,686 | - | - | 126,680 |
| Dividends payable | 1,308 | - | - | - | 1,308 |
| Interest payments | 13,134 | 26,268 | 19,023 | 17,088 | 75,513 |
| Defined benefit pension payments | 2,969 | 5,938 | - | - | 8,907 |
| Total | $ 91,405 | $ 84,892 | $ 88,023 | $ 187,083 | $ 451,403 |

The table above includes commitments related to four Equinox Class vessel construction contracts. On December 26th 2014, a local court in Nantong, China (the Court) approved an application for a court supervised restructuring of the Shipyard that is contracted to build the Equinox Class vessels. There is no certainty on the time required for the completion of the restructuring process or on the likelihood of a successful completion.

To date, the Court has affirmed one construction contract and two contracts have been cancelled by the Corporation and have not been affirmed by the Court. The fourth contract has not yet reached the date on which it can be cancelled by the Corporation, but it has not been affirmed by the Court and its exact status is unclear pending finalization of the restructuring.

Management expects that work will continue on the ship for which the contract has been affirmed and on the ships that are the subject of the two cancelled contracts. The Corporation intends to take delivery of the vessels, provided the Shipyard meets its contractual obligations. The Corporation expects to pay for the Vessels upon delivery and as a result, no construction instalments have been paid since 2012 on undelivered Vessels. The Commitments above include construction instalments that will become payable upon delivery of the Vessels, including amounts payable to the Shipyard related to the fourth Vessel.

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 likely.

During the quarter, the Corporation finalized contracts for the construction of two new 650 foot Equinox Class vessels with a shipyard in Croatia. Under the terms of the contracts, this shipyard has until May 24, 2015 to deliver refund guarantees acceptable to the Corporation in order to make the contracts effective. As these refund guarantees have not yet been provided, the table above does not include any commitments for these vessels.

## New Accounting Standards Not Yet Applied

*Joint Arrangements*

The amendments to IFRS 11 *Joint Arrangements* (IFRS 11), provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3, *Business Combinations* (IFRS 3). The amendment is effective for annual periods beginning on or after January 1, 2016. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The Corporation is currently evaluating the impact of this new amendment.

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## ALGOMA CENTRAL CORPORATION

**Interim Consolidated Financial Statements**
**Condensed Consolidated Statements of Loss**
**For the Three Months Ended March 31, 2015 and 2014**
(Unaudited) (In thousands of dollars except per share figures)

| | Notes | | 2015 | | 2014 |
|---|---|---|---|---|---|
| REVENUE | **14** | **$** | **51,628** | $ | 51,738 |
| EXPENSES | | | | | |
| Operations | **14** | | **63,088** | | 64,151 |
| General and administrative | | | **8,417** | | 7,333 |
| | | | **71,505** | | 71,484 |
| LOSS BEFORE UNDERNOTED ITEMS | | | **(19,877)** | | (19,746) |
| Depreciation of property, plant, and equipment and investment properties | **7, 8** | | **(11,029)** | | (10,760) |
| Interest expense | **5** | | **(2,629)** | | (3,220) |
| Interest income | | | **434** | | 292 |
| Net gain on foreign currency translation | | | **332** | | 720 |
| LOSS BEFORE INCOME TAX RECOVERY AND EARNINGS OF JOINT VENTURES | | | **(32,769)** | | (32,714) |
| INCOME TAX RECOVERY | **6** | | **8,221** | | 9,242 |
| EARNINGS OF JOINT VENTURES | **4** | | **1,556** | | 1,606 |
| NET LOSS | | **$** | **(22,992)** | $ | (21,866) |
| BASIC AND DILUTED LOSS PER SHARE | | **$** | **(0.59)** | $ | (0.56) |

See accompanying notes to the interim condensed consolidated financial statements.

# ALGOMA CENTRAL CORPORATION

**Interim Consolidated Financial Statements**
**Condensed Consolidated Statements of Comprehensive Loss**
**For the Three Months Ended March 31, 2015 and 2014**
(Unaudited) (In thousands of dollars)

| | **2015** | 2014 |
|---|---|---|
| NET LOSS | **$ (22,992)** | $ (21,866) |
| OTHER COMPREHENSIVE EARNINGS | | |
| Items that may be subsequently reclassified to net earnings: | | |
| Unrealized gain on translation of financial statements of foreign operations | **12,814** | 4,732 |
| Unrealized gain on hedging instruments, net of income tax | **721** | 983 |
| Items that will not be subsequently reclassified to net earnings: | | |
| Employee future benefits | | |
| Actuarial loss, net of income tax | **(2,126)** | (1,255) |
| | **11,409** | 4,460 |
| COMPREHENSIVE LOSS | **$ (11,583)** | $ (17,406) |

See accompanying notes to the interim condensed consolidated financial statements.

# ALGOMA CENTRAL CORPORATION

**Interim Consolidated Financial Statements**
**Condensed Consolidated Balance Sheets**
**March 31, 2015 and December 31, 2014**
(Unaudited) (In thousands of dollars)

| | Notes | | March 31 2015 | | December 31 2014 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| CURRENT | | | | | |
| Cash and cash equivalents | | **$** | **241,392** | $ | 256,896 |
| Accounts receivable | | | **29,910** | | 66,631 |
| Materials and supplies | | | **10,068** | | 9,810 |
| Prepaid expenses | | | **7,402** | | 5,016 |
| Income taxes recoverable | | | **16,781** | | 3,397 |
| | | | **305,553** | | 341,750 |
| EMPLOYEE FUTURE BENEFITS | | | **1,004** | | 1,439 |
| PROPERTY, PLANT, AND EQUIPMENT | **7** | | **545,242** | | 530,726 |
| GOODWILL | | | **7,910** | | 7,910 |
| INVESTMENT PROPERTIES | **8** | | **78,704** | | 78,493 |
| INVESTMENT IN JOINT VENTURES | **4** | | **17,107** | | 13,737 |
| | | **$** | **955,520** | $ | 974,055 |
| **LIABILITIES** | | | | | |
| CURRENT | | | | | |
| Accounts payable and accrued charges | | **$** | **51,212** | $ | 65,491 |
| Dividends payable | | | **1,308** | | 1,242 |
| | | | **52,520** | | 66,733 |
| DEFERRED INCOME TAXES | | | **51,669** | | 53,143 |
| EMPLOYEE FUTURE BENEFITS | | | **25,674** | | 23,325 |
| LONG-TERM DEBT | **9** | | **232,204** | | 223,755 |
| | | | **309,547** | | 300,223 |
| COMMITMENTS | **12** | | | | |
| **SHAREHOLDERS' EQUITY** | | | | | |
| SHARE CAPITAL | | | **8,319** | | 8,319 |
| CONTRIBUTED SURPLUS | | | **11,917** | | 11,917 |
| CONVERTIBLE DEBENTURES | | | **4,632** | | 4,632 |
| ACCUMULATED OTHER COMPREHENSIVE EARNINGS | **10** | | **24,624** | | 11,089 |
| RETAINED EARNINGS | | | **543,961** | | 571,142 |
| | | | **593,453** | | 607,099 |
| | | **$** | **955,520** | $ | 974,055 |

See accompanying notes to the interim condensed consolidated financial statements.

## Interim Consolidated Financial Statements
## Condensed Consolidated Statements of Changes in Equity
## For the Three Months Ended March 31, 2015 and 2014
(Unaudited) (In thousands of dollars)

| | Share capital | Contributed Surplus and Convertible debentures | Accumulated Other Comprehensive Earnings (Note 10) | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| **BALANCE AT DECEMBER 31, 2013** | $ 8,319 | $ 16,549 | $ 1,791 | $ 534,427 | $ 561,086 |
| Net loss | - | - | - | (21,866) | (21,866) |
| Dividends declared | - | - | - | (2,722) | (2,722) |
| Other comprehensive earnings (loss) | - | - | 5,715 | (1,255) | 4,460 |
| Refundable dividend tax on hand | - | - | - | 406 | 406 |
| **BALANCE AT MARCH 31, 2014** | $ 8,319 | $ 16,549 | $ 7,506 | $ 508,990 | $ 541,364 |
| **BALANCE AT DECEMBER 31, 2014** | $ 8,319 | $ 16,549 | $ 11,089 | $ 571,142 | $ 607,099 |
| Net loss | - | - | - | (22,992) | (22,992) |
| Dividends declared | - | - | - | (2,722) | (2,722) |
| Other comprehensive earnings (loss) | - | - | 13,535 | (2,126) | 11,409 |
| Refundable dividend tax on hand | - | - | - | 659 | 659 |
| **BALANCE AT MARCH 31, 2015** | $ 8,319 | $ 16,549 | $ 24,624 | $ 543,961 | $ 593,453 |

See accompanying notes to the interim condensed consolidated financial statements.

# ALGOMA CENTRAL CORPORATION

**Interim Consolidated Financial Statements**
**Condensed Consolidated Statements of Cash Flows**
**For the Three Months Ended March 31, 2015 and 2014**
(Unaudited) (In thousands of dollars)

| | Notes | 2015 | 2014 |
|---|---|---|---|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES | | | |
| OPERATING | | | |
| Net loss | | **$ (22,992)** | $ (21,866) |
| Earnings of joint ventures | **4** | **(1,556)** | (1,606) |
| Items not affecting cash | | | |
| Depreciation of property, plant, and equipment and investment properties | **7, 8** | **11,029** | 10,760 |
| Net gain on foreign currency translation | | **(332)** | (720) |
| Income tax recovery | **6** | **(8,221)** | (9,242) |
| Interest expense | **5** | **2,629** | 3,220 |
| Gain on sale of property, plant, and equipment | | **(664)** | (11) |
| | | **(20,107)** | (19,465) |
| Net change in non-cash operating working capital | | **16,835** | 10,512 |
| | | **(3,272)** | (8,953) |
| Income taxes paid | | **(7,032)** | (2,057) |
| Employee future benefits paid | | **(792)** | (1,191) |
| Net cash used in operating activities | | **(11,096)** | (12,201) |
| INVESTING | | | |
| Additions to property, plant, and equipment | **14** | **(7,875)** | (2,676) |
| Additions to investment properties | **14** | **(1,334)** | (2,275) |
| Proceeds on sale of property, plant and equipment | | **2,432** | - |
| Net cash used in investing activities | | **(6,777)** | (4,951) |
| FINANCING | | | |
| Interest paid | | **(6,693)** | (7,530) |
| Repayment of long-term debt | | **-** | (3,000) |
| Dividends paid | | **(2,722)** | (2,722) |
| Cash used in financing activities | | **(9,415)** | (13,252) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | **(27,288)** | (30,404) |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES | | **11,784** | 4,299 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | **256,896** | 216,057 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | | **$ 241,392** | $ 189,952 |

See accompanying notes to the interim 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 interim condensed consolidated financial statements of the Corporation for the three month period ended March 31, 2015 and 2014 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 17 self-unloading dry-bulk carriers, six gearless dry bulk carriers and seven product tankers. The Corporation also currently has four Equinox Class vessels under construction for domestic dry-bulk service.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Corporation’s 23 – 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 four vessels owned by other ship-owners.

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.

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 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, 2014 and 2013. The financial statements should be read in conjunction with the Corporation's Consolidated Financial Statements for the years ended December 31, 2014 and 2013.

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 May 1, 2015.

## 3. NEW ACCOUNTING STANDARDS NOT YET APPLIED

***Joint Arrangements***

The amendments to IFRS 11 *Joint Arrangements* (IFRS 11), provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3, *Business Combinations* (IFRS 3). The amendment is effective for annual periods beginning on or after January 1, 2016. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The Corporation is currently evaluating the impact of this new amendment.

## 4. INTERESTS IN JOINT VENTURES

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

The revenues, expenses and net earnings of the jointly controlled operations, for the three months ended March 31, 2015 and 2014 are as follows:

**Notes to Interim Condensed Consolidated Financial Statements**
(Unaudited) (In thousands of dollars)

| | | **2015** | | 2014 |
|---|---|---|---|---|
| Revenue | **$** | **9,148** | $ | 12,658 |
| Operating expenses | | **(5,606)** | | (8,460) |
| General and administrative | | **(154)** | | (134) |
| Depreciation | | **(1,074)** | | (712) |
| Earnings before income taxes | | **2,314** | | 3,352 |
| Income tax (recovery) expense | | **(798)** | | 140 |
| Net earnings | **$** | **3,112** | $ | 3,212 |

The Corporation's share of the jointly controlled operations, for the three months ended March 31, 2015 and 2014 are as follows:

| | | | | |
|---|---|---|---|---|
| Marbulk Canada Inc. | **$** | **1,482** | $ | 1,534 |
| Seventy-Five Corporate Park Drive Ltd. | | **74** | | 72 |
| | **$** | **1,556** | $ | 1,606 |

The assets and liabilities of the jointly controlled operations at March 31, 2015 and December 31, 2014 are as follows:

| | | **March 31 2015** | | December 31 2014 |
|---|---|---|---|---|
| Cash and cash equivalents | **$** | **6,692** | $ | 4,390 |
| Other current assets | | **4,198** | | 3,592 |
| Property, plant, and equipment | | **24,948** | | 21,924 |
| Investment property | | **3,140** | | 3,166 |
| Current liabilities | | **(2,450)** | | (2,818) |
| Deferred income taxes | | **(2,314)** | | (4,458) |
| | **$** | **34,214** | $ | 25,796 |

The Corporation's net investment at March 31, 2015 and December 31, 2014 is as follows:

| | | | | |
|---|---|---|---|---|
| Marbulk Canada Inc. | **$** | **15,322** | $ | 11,875 |
| Seventy-Five Corporate Park Drive Ltd. | | **1,785** | | 1,862 |
| | **$** | **17,107** | $ | 13,737 |

(Unaudited) (In thousands of dollars)

At March 31, 2015, the Corporation had certain property, plant, and equipment in Marbulk Canada Inc. which was determined to be no longer required and will be sold for its scrap value which approximated the carrying value. The asset has a net book value of $2,008.

## 5. INTEREST EXPENSE

The components of interest expense for the three months ended March 31, 2015 and 2014 are as follows:

| | | **2015** | | 2014 |
|---|---|---|---|---|
| Interest expense on borrowings | **$** | **3,648** | $ | 3,540 |
| Interest on employee future benefits, net | | **206** | | 132 |
| Amortization of financing costs | | **226** | | 1,310 |
| Interest capitalized on vessels under construction | | **(1,451)** | | (1,762) |
| | **$** | **2,629** | $ | 3,220 |

During the first quarter of 2014, the Corporation decided to prepay certain non-revolving long-term debt and accordingly accelerated the amortization of deferred financing costs associated with these debt facilities.

## 6. INCOME TAXES

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

| | | **2015** | | 2014 |
|---|---|---|---|---|
| Combined federal and provincial statutory income tax rate | | **26.5%** | | 26.5% |
| Loss before income tax recovery and earnings of joint ventures | **$** | **(32,769)** | $ | (32,714) |
| Expected income tax recovery | **$** | **(8,684)** | $ | (8,669) |
| Increase (decrease) resulting from: | | | | |
| Effect of items that are not taxable | | **108** | | 96 |
| Foreign tax rates different from statutory rate | | **105** | | (959) |
| Other | | **250** | | 290 |
| | **$** | **(8,221)** | $ | (9,242) |

(Unaudited) (In thousands of dollars)

## 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, 2014 | $ 754,609 | $ 235,127 | $ 88,228 | $ 1,077,964 |
| Additions | 12,116 | - | 3,833 | 15,949 |
| Disposals | (5,706) | (11,657) | - | (17,363) |
| Write-off of fully depreciated assets | - | - | (2,180) | (2,180) |
| Effect of foreign currency exchange differences | 5,631 | 3,102 | 7,616 | 16,349 |
| Balance March 31, 2015 | $ 766,650 | $ 226,572 | $ 97,497 | $ 1,090,719 |

| **Accumulated depreciation** | Domestic Dry-Bulk | Product Tankers | Ocean Shipping | Total |
|---|---|---|---|---|
| Balance at December 31, 2014 | $ 411,675 | $ 97,957 | $ 37,606 | $ 547,238 |
| Depreciation expense | 5,820 | 2,589 | 1,245 | 9,654 |
| Disposals | (4,867) | (10,824) | - | (15,691) |
| Write-off of fully depreciated assets | - | - | (2,180) | (2,180) |
| Effect of foreign currency exchange differences | 1,832 | 1,605 | 3,019 | 6,456 |
| Balance March 31, 2015 | $ 414,460 | $ 91,327 | $ 39,690 | $ 545,477 |

| **Net Book Value** | Domestic Dry-Bulk | Product Tankers | Ocean Shipping | Total |
|---|---|---|---|---|
| March 31, 2015 | | | | |
| Cost | $ 766,650 | $ 226,572 | $ 97,497 | $ 1,090,719 |
| Accumulated depreciation | 414,460 | 91,327 | 39,690 | 545,477 |
| | $ 352,190 | $ 135,245 | $ 57,807 | $ 545,242 |

At March 31, 2015, the Corporation had certain property, plant, and equipment in the Domestic Dry-Bulk segment which were determined to no longer be required and will be sold for their respective scrap values which approximate the carrying value. These assets have a combined net book value of $2,704 and $4,057 at March 31, 2015 and December 31, 2014, respectively.

(Unaudited) (In thousands of dollars)

### 8. INVESTMENT PROPERTIES

Details of investment properties are as follows:

| | Cost | Accumulated Depreciation | Net book value |
|---|---|---|---|
| Balance December 31, 2014 | $ 139,036 | $ 60,543 | $ 78,493 |
| Additions | 1,353 | 1,459 | (106) |
| Disposal | (407) | (724) | 317 |
| Balance March 31, 2015 | $ 139,982 | $ 61,278 | $ 78,704 |

### 9. LONG-TERM DEBT

| | **March 31 2015** | December 31 2014 |
|---|---|---|
| Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.0% | **$ 65,791** | $ 65,554 |
| Senior Secured Notes (Notes), due July 19, 2021 | | |
| U.S. $75,000, interest fixed at 5.11% | **94,995** | 87,008 |
| Canadian $75,000, interest fixed at 5.52% | **75,000** | 75,000 |
| | **235,786** | 227,562 |
| Less unamortized financing expenses | **3,582** | 3,807 |
| | **$ 232,204** | $ 223,755 |

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 March 31, 2015 and December 31, 2014 the Corporation was in compliance with all of the covenants.

(Unaudited) (In thousands of dollars)

## 10. ACCUMULATED OTHER COMPREHENSIVE EARNINGS

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

| | Reserves | | | |
|---|---|---|---|---|
| | Hedges | | Foreign | |
| | Net Investment | Purchase commitment | exchange translation | Total |
| Balance December 31, 2014 | $ (7,840) | $ 7,059 | $ 11,870 | $ 11,089 |
| Gain (loss) | (7,988) | 10,408 | 12,814 | 15,234 |
| Income tax (expense) recovery | 1,058 | (2,757) | - | (1,699) |
| Net gain (loss) | (6,930) | 7,651 | 12,814 | 13,535 |
| **Balance March 31, 2015** | **$ (14,770)** | **$ 14,710** | **$ 24,684** | **$ 24,624** |

## 11. 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 ending December 31, 2014 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.

(Unaudited) (In thousands of dollars)

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 10.4% over the five years ended December 31, 2014.

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

The debt to shareholders' equity ratio is as follows:

| | **March 31 2015** | December 31 2014 |
|---|---|---|
| Total long-term debt | **$ 235,786** | $ 227,562 |
| Shareholders' equity | **$ 593,453** | $ 607,099 |
| Debt to shareholders' equity ratio | **0.40 to 1** | 0.37 to 1 |

## 12. COMMITMENTS

The Corporation has commitments at March 31, 2015 of $135,587.

The commitments relate primarily to the purchase of four Equinox Class vessels and the required payments for its employee future benefit plans.

Annual expected payments are as follows:

| | |
|---|---|
| Due in 2015 | **$ 76,963** |
| Due in 2016 | **55,655** |
| Due in 2017 | **2,969** |
| Due in 2018 | **-** |
| | **$ 135,587** |

The commitment to the shipyard relating to the purchase of four Equinox Class vessels is U.S. $98,640.

On December 26th 2014, a local court in Nantong, China (the Court) approved an application for a court supervised restructuring of the Shipyard that is contracted to build the Equinox Class vessels. There is no certainty on the time required for the completion of the restructuring process or on the likelihood of a successful completion.

To date, the Court has affirmed one construction contract and two contracts have been cancelled by the Corporation and have not been affirmed by the Court. The fourth contract has not yet reached the date on which it can be cancelled by the Corporation, but it has not been affirmed by the Court and its exact status is unclear pending finalization of the restructuring.

Management expects that work will continue on the ship for which the contract has been affirmed and on the ships that are the subject of the two cancelled contracts. The Corporation intends to take delivery of the vessels, provided the Shipyard meets its contractual obligations. The Corporation expects to pay for the Vessels upon delivery and as a result, no construction instalments have been paid since 2012 on undelivered Vessels. The Commitments above include construction instalments that will become payable upon delivery of the Vessels, including amounts payable to the Shipyard related to the fourth Vessel.

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 likely.

During the quarter, the Corporation finalized contracts for the construction of two new 650 foot Equinox Class vessels with a shipyard in Croatia. U nder the terms of the contracts, this shipyard has until May 24, 2015 to deliver refund guarantees acceptable to the Corporation in order to make the contracts effective. As these refund guarantees have not yet been provided, the table above does not include any commitments for these vessels.

(Unaudited) (In thousands of dollars)

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### *Financial instruments*

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

| | **March 31 2015** | December 31 2014 |
|---|---|---|
| Financial assets carrying and fair value | | |
| Cash and cash equivalents | **$ 241,392** | $ 256,896 |
| Accounts receivable | **$ 29,910** | $ 66,631 |
| Financial liabilities carrying and fair value | | |
| Accounts payable and accrued charges | **$ 51,212** | $ 65,491 |
| Carrying value of long-term debt | **$ 235,786** | $ 227,562 |
| Fair value of long-term debt | **$ 258,576** | $ 247,106 |

### *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.

*Liquidity risk*

The contractual maturities of non-derivative financial liabilities at March 31, 2015 are as follows:

| | Within one year | 2-3 years | 4-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Accounts payable and and accrued charges | $ 51,212 | $ - | $ - | $ - | $ 51,212 |
| Dividends payable | 1,308 | - | - | - | 1,308 |
| Long-term debt including equity portion | - | - | 69,000 | 169,995 | 238,995 |
| Interest payments | 13,134 | 26,268 | 19,023 | 17,088 | 75,513 |
| Total | $ 65,654 | $ 26,268 | $ 88,023 | $ 187,083 | $ 367,028 |

(Unaudited) (In thousands of dollars)

*Foreign currency exchange risk*

At March 31, 2015 and December 31, 2014, 31% and 28%, respectively, of the Corporation's total assets were denominated in U.S. dollars.

The assets include U.S. cash of $109,166 and $113,185 at March 31, 2015 and December 31, 2014, respectively.

## 14. SEGMENT DISCLOSURES

The following presents the Corporation's results from operations by reportable segment, including joint ventures, for the three months ended March 31, 2015 and 2014:

| **Revenues** | 2015 | 2014 |
|---|---|---|
| Domestic Dry-Bulk | $ 18,923 | $ 13,798 |
| Product Tankers | 18,645 | 20,340 |
| Ocean Shipping | 10,705 | 16,700 |
| Real Estate | 7,929 | 7,229 |
| | $ 56,202 | $ 58,067 |
| Revenues of the joint ventures | (4,574) | (6,329) |
| | $ 51,628 | $ 51,738 |

**Notes to Interim Condensed Consolidated Financial Statements**
(Unaudited) (In thousands of dollars)

| **Net Loss** | 2015 | 2014 |
|---|---|---|
| Operating (loss) income net of income tax | | |
| Domestic Dry-Bulk | $ (25,469) | $ (25,937) |
| Product Tankers | 3,228 | 1,734 |
| Ocean Shipping | 658 | 3,684 |
| Real Estate | 437 | 208 |
| | (21,146) | (20,311) |
| Not specifically identifiable to segments | | |
| Net gain on translation of foreign-denominated monetary assets and liabilities | 332 | 720 |
| Interest expense | (2,629) | (3,220) |
| Interest income | 434 | 292 |
| Income tax recovery | 17 | 653 |
| | $ (22,992) | $ (21,866) |

| **Operating Expenses** | 2015 | 2014 |
|---|---|---|
| Domestic Dry-Bulk | $ 42,227 | $ 38,649 |
| Product Tankers | 10,752 | 14,267 |
| Ocean Shipping | 7,881 | 10,631 |
| Real Estate | 5,031 | 4,834 |
| | 65,891 | 68,381 |
| Operating expenses of the joint ventures | (2,803) | (4,230) |
| | $ 63,088 | $ 64,151 |

**Notes to Interim Condensed Consolidated Financial Statements**
(Unaudited) (In thousands of dollars)

| **Assets** | March 31 2015 | December 31 2014 |
|---|---|---|
| Domestic Dry-Bulk | $ 388,316 | $ 410,856 |
| Product Tankers | 146,446 | 151,596 |
| Ocean Shipping | 78,806 | 69,082 |
| Real Estate | 85,157 | 84,429 |
| Total assets allocated to segments | 698,725 | 715,963 |
| Not specifically identifiable to segments | 259,177 | 261,728 |
| | $ 957,902 | $ 977,691 |
| Liabilities in investment in the joint ventures | (2,382) | (3,636) |
| Total assets | $ 955,520 | $ 974,055 |

| **Additions to Property, Plant, and Equipment** | 2015 | 2014 |
|---|---|---|
| Domestic Dry-Bulk | $ 12,116 | $ 10,663 |
| Product Tankers | - | - |
| Ocean Shipping | 3,845 | - |
| | $ 15,961 | $ 10,663 |
| Less additions by the joint ventures | (12) | |
| Total per property, plant, and equipment note (Note 7) | $ 15,949 | $ 10,663 |
| Capitalized interest | (1,451) | $ (1,762) |
| Amounts included in working capital | (6,623) | (6,225) |
| Total per cash flow statement | $ 7,875 | $ 2,676 |

| **Additions to Investment Properties** | 2015 | 2014 |
|---|---|---|
| Investment properties | $ 1,361 | $ 2,275 |
| Less additions by the joint ventures | (8) | - |
| Total per investment properties note (Note 8) | $ 1,353 | $ 2,275 |
| Amounts included in working capital | (19) | - |
| Total per cash flow statement | $ 1,334 | $ 2,275 |

**Notes to Interim Condensed Consolidated Financial Statements**
(Unaudited) (In thousands of dollars)

| Depreciation of Property, Plant, and Equipment and Investment Properties | 2015 | 2014 |
|---|---|---|
| Domestic Dry-Bulk | $ 5,826 | $ 5,947 |
| Product Tankers | 2,589 | 2,421 |
| Ocean Shipping | 1,672 | 1,510 |
| Real Estate | 1,479 | 1,238 |
| | $ 11,566 | $ 11,116 |
| Depreciation of the joint ventures | (537) | (356) |
| | $ 11,029 | $ 10,760 |

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