



ALGOMA CENTRAL CORPORATION

ANNUAL INFORMATION FORM

For The Year Ended December 31, 2006

Unless otherwise specified, herein, the information in this Annual Information Form is presented as at March 20, 2007

**ALGOMA CENTRAL CORPORATION
2006 ANNUAL INFORMATION FORM**

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In this Annual Information Form, all dollar amounts quoted are in Canadian dollars and in thousands except for per share data unless otherwise noted.

Copies of the Annual Information Form, as well as copies of the Corporation's 2006 Annual Report and Management Information Circular, may be obtained at www.sedar.com.

ALGOMA CENTRAL CORPORATION

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1. CORPORATE STRUCTURE

Name, Address and Incorporation of Algoma Central Corporation (“Corporation”)

The Corporation was incorporated in 1899 by Special Act of the Parliament of Canada as Algoma Central Railway Company and was continued under the Canada Business Corporations Act in 1986.

The name of the Corporation was changed to The Algoma Central and Hudson Bay Railway Company in 1901, Algoma Central Railway in 1965 and Algoma Central Corporation in 1990.

The Corporation’s registered head office is located at 421 Bay Street, Sault Ste. Marie, ON, P6A 1W7. The Corporation’s executive offices are located at 63 Church Street, Suite 600, St. Catharines, ON, L2R 3C4.

Intercorporate Relationships

The following are the subsidiaries and joint ventures of the Corporation:

<u>Subsidiaries</u>	<u>Jurisdiction of incorporation</u>	Percentage of voting securities beneficially owned or over which control or direction is exercised	Percentage of non-voting securities owned
Algoma Central Properties Inc.	Ontario	100%	N/A
EnerChem Transport Inc.	Ontario	100%	N/A
Algoma Tankers Limited	Canada	100%	N/A
Algoma Tankers (Barbados) Limited	Barbados	100%	N/A
Algoma Shipping Inc.	Barbados	100%	N/A
Algoma Tankers (USA) Inc.	Delaware	100%	N/A
Cleveland Tankers (1991) Inc.	Delaware	100%	N/A
Cleveland Tankers Ship Management	Delaware	100%	N/A
Algoma Tankers (Denmark) Aps	Denmark	100%	N/A

Joint Ventures

Marbulk Canada Inc.	Canada	50%	N/A
75 Corporate Park Drive Limited	Ontario	50%	N/A

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1. CORPORATE STRUCTURE

The Corporation also has other interests through a partnership arrangement with Upper Lakes Shipping Inc. The Corporation has a 58.67% interest in SMT Services (“SMTS”), which in turn has a 99% interest in Seaway Marine Transport (“SMT”), another partnership. Both SMTS and SMT have interests in foreign corporations. SMTS has a 25% interest in Laken Shipping Corporation and SMT has a 100% interest in SMT (USA) Inc., both of which have been incorporated in the State of Delaware.

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2. GENERAL DEVELOPMENT OF THE BUSINESS

Overview

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

The domestic dry-bulk marine transportation segment includes the Corporation's domestic dry-bulk fleet, an interest in one tug/barge unit and a ship repair and marine engineering business. The domestic dry-bulk fleet operates primarily through the Seaway Marine Transport partnership, which is fully consolidated as a variable interest entity in the Corporation's consolidated financial statements. The operational and commercial activities of the domestic dry-bulk fleet are pooled with those of Upper Lakes Shipping Inc., another Canadian ship owner, in the partnership. Each partner owns its vessels separately from the other partner. The partnership includes a total of 34 Canadian flagged vessels, 19 of which are owned by the Corporation. The dry-bulk vessels carry cargoes of raw materials such as coal, grain, iron ore, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. Twenty two vessels have self-unloading gear, which enables them to deliver cargoes at locations where there is no shore-side unloading equipment, and twelve bulker vessels, which unload by means of shore-side equipment.

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

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

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

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2. GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The following is a detailed description of the significant events that have influenced the general development of the business over the course of the last three years.

2004

The Corporation and Upper Lakes Group Inc. expanded the scope of the Seaway Marine Transport partnership with the vessel management, purchasing, accounting and administrative functions of the respective fleets being integrated with the existing marketing, vessel traffic and administrative function of Seaway Marine Transport. The expansion took effect January 2, 2004.

The domestic product tanker fleet has been modernized with the delivery in 2004 of the newly-constructed tanker, the *Algoscotia*, at a cost of \$40,200 and the commitment to purchase a 1998-built petroleum product carrier, the *Algosea*. The latter acquisition joined the fleet during the summer of 2005 at a delivered cost to Canada of \$36,027. In addition, the transfer to Canadian flag and upgrade of a former US-flagged tanker, in which the Corporation owned a 25% interest, was completed in the first quarter of 2005 at a cost of approximately \$1,860. This new modern tonnage replaced three older tankers, two of which were sold in 2004 and one that was sold in early 2005.

The ocean shipping fleet's capacity was expanded as the Corporation's ownership interest in the self-unloader, *Bahama Spirit* increased from 50% to 100% at a cost of \$17,068. As well, Marbulk, the Corporation's 50% owned joint venture, converted the Panamax –size ship, the *Eastern Power*, to a craned self-load/self-unload vessel to service some of our ocean shipping customers' special requirements.

Algoma Central Properties Inc. diversified its real estate holdings into the Waterloo region with the purchase of two commercial office buildings at a cost of \$18,515 and subsequently agreed to build an additional office building at the Waterloo site through a joint venture. The Corporation's share of the cost of the new building constructed in 2005 in Waterloo was \$1,364.

2005

The composition of the domestic product tanker fleet continued to change in 2005 with the purchase of the *Algosea* (formerly the *Aggersborg*), a 1998 built double hulled petroleum product tanker, and the transfer to Canadian flag of the *Algosar* (formerly the *Gemini*), a double hulled petroleum product tanker.

The *Algosea* was purchased in April 2005 with delivery of the vessel in South Africa. It entered service as a Canadian flag tanker in July 2005 after undergoing modifications in order to comply with Transport Canada and St. Lawrence Seaway requirements. The delivered cost was \$36,027.

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2. GENERAL DEVELOPMENT OF THE BUSINESS

The *Algosar*, a former US flag double hulled petroleum product tanker was transferred to Canadian flag in February 2005 from Cleveland Tankers (1991) Inc. Prior to February 2005, the Corporation had a 25% voting interest in Cleveland Tankers (1991) Inc. and had employed the *Algosar* under a long-term charter arrangement through Algoma Tankers (USA) Inc., a 100% wholly-owned subsidiary. Coincident with the transfer to Canadian flag, the vessel underwent modifications to comply with Transport Canada regulations. These modifications, which cost \$1,860, were completed on March 15, 2005 and the *Algosar* entered service immediately and operated almost continuously for the balance of the season.

The construction of the commercial office development known as 412 Albert Street which commenced in early 2005 was substantially completed in September 2005. This 27,000 square foot building was 50% owned with a joint venture partner. In 2006, the remaining 50% of the building not owned by the Corporation was purchased from the joint venture partner.

2006

The Corporation purchased the *Amalienborg*, a 1998 built double-hulled petroleum product tanker at a cost of \$30,557. The Corporation assumed ownership of the vessel in April and is trading in Europe and the Mediterranean.

The Corporation purchased a used ocean tanker and is constructing a new self-unloading forebody to attach to the aft-end of the tanker. Spending in 2006 totaled approximately \$26 million, half of the expected \$53 million investment. The vessel will join the ocean-going fleet and is expected to enter service early in the third quarter of 2007.

The Corporation purchased the remaining 50% interest of the 412 Albert Street property it did not own from its joint venture partner for \$2,481.

On January 12, 2007 the Corporation entered into a contract for the construction of a new three story 45,000 square foot office building in St. Catharines, Ontario on land owned by the Corporation. The expected cost of the new building is approximately \$6 million and is scheduled for occupancy in late 2007.

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2. GENERAL DEVELOPMENT OF THE BUSINESS

Safety and Environmental Matters

The Corporation strives to be an exemplary leader in safety and environmental management, and is committed to the protection of the environment, particularly the marine environment, the prevention of human injury and loss of life and the protection of property.

To achieve and sustain these goals our operations are guided by the following seven basic principles:

1. Management, operating, maintenance, health, safety and emergency response practices will be conducted in accordance with documented procedures that meet or exceed the highest national and international standards for the marine industry and ensure compliance with all applicable regulations and legislation.
2. Risks to the safety of ships, health of employees and preservation of the environment, will be constantly evaluated and managed.
3. Specific resources will be dedicated to the continual management of safety, health and environmental protection programs, and to communication and co-operation in that respect with Government Agencies, customers and industry associations.
4. All management systems will be subject to periodical internal and external audit, with specific emphasis on health, safety and environmental protection.
5. New projects will be evaluated for potential risks to employees, customers, the general public and the environment.
6. Education and training will ensure personnel familiarize themselves with all applicable procedures and conduct themselves conscientiously with respect to health, safety and environmental protection.
7. Safety and environmental management will be subject to regular review by the Environmental Health and Safety Committee of the Corporation.

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3. NARRATIVE DESCRIPTION OF THE BUSINESS

The principal services provided by the Corporation are as follows:

1. Domestic dry-bulk which consists of 34 Canadian flagged dry-bulk lake vessels (19 of which are owned by the Corporation), an interest in a tug/barge unit that is under a charter arrangement to the Corporation and a ship repair and marine engineering business. The dry-bulk vessels and the tug/barge unit operate within the Great Lakes, St. Lawrence Seaway and Atlantic Canada.
2. Product tankers consists of five Canadian flagged vessels which operate within the Great Lakes, St. Lawrence Seaway and Atlantic Canada. A sixth, foreign flagged, product tanker operates in Europe and the Mediterranean.
3. Ocean shipping consists of the ownership of one ocean-going dry-bulk self-unloading vessel and an interest in five others that trade world-wide.
4. The real estate segment consists of development, rental, and management of shopping centres, commercial plazas, a hotel, office buildings and an apartment building in Sault Ste. Marie, St. Catharines and Waterloo, Ontario.

Revenue from continuing operations from third-party customers by industry segment and class of service for the two years ending December 31, 2006 and 2005 are as follows:

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

In 2006, revenue from two customers totaled 26% (2005 – 25%) of consolidated revenue and approximately 90% (2005 - 89%) of revenue was earned in the geographic segment of Canada. The three marine operating segments in 2006 include export sales, primarily to the United States, of \$153,821 (2005 - \$135,783).

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3. NARRATIVE DESCRIPTION OF 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 a year. Due to the closing of the canal system and the winter weather conditions in the Great Lakes -St Lawrence Waterway, the majority of the domestic dry-bulk fleet does not operate for much of the first quarter and significant repair and maintenance costs are incurred in the first quarter to prepare the domestic dry-bulk fleet for the upcoming navigation season. As a result, the first quarter revenues and earnings are significantly lower than the remaining quarters in the year.

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

The operating segments of the Corporation's operations are not dependent upon foreign operations, although freight movements between the United States and Canada are important for the Canadian-flag domestic dry-bulk fleet. The ocean-going fleet and one product tanker operate world-wide.

The domestic dry-bulk segment has offices in St. Catharines, Ontario, Winnipeg, Manitoba and Cleveland, Ohio. It also has vessel repair facilities in Port Colborne, Ontario.

The product tanker segment has offices in St. Catharines, Ontario, Bridgetown, Barbados and Copenhagen, Denmark.

The ocean shipping segment has offices in Beverly, Massachusetts and Bridgetown, Barbados.

The real estate segment has office and real estate complexes in Sault Ste. Marie, St. Catharines and Waterloo, Ontario. The complex at Sault Ste. Marie consists of a regional shopping centre, a hotel, two office buildings and an apartment building. In St. Catharines, the Corporation owns two office buildings, two commercial properties, two light industrial buildings, and a 50% interest of another office building and vacant land for future development. In Waterloo, the Corporation owns and manages three commercial office buildings.

Certain assets of the Corporation have been pledged to the Corporation's bankers as security for borrowings of the Corporation.

All of our marine freight transportation segments are subject to competition directly from other marine carriers and from other modes of transportation.

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3. NARRATIVE DESCRIPTION OF THE BUSINESS

The normal complement of employees is about 1,400, the majority of which are unionized. The Corporation's labour agreements with the collective bargaining units representing the officers and unlicensed crew of the domestic dry-bulk fleet that expired on May 31, 2006 were renewed for a five year term ending May 31, 2011.

Additionally the officers and unlicensed crew that are on vessels in the SMT partnership but not owned by the Corporation, have collective bargaining agreements that expire on May 31, 2007 and March 31, 2008.

The ship repair business has one labour agreement which expired on May 31, 2006 and was successfully renewed until May 31, 2009.

The domestic product tanker fleet has labour agreements with three bargaining units which expire on July 31, 2010.

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4. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The table below provides summarized consolidated financial data for the last three years.

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total revenue	\$548,552	\$508,993	\$466,550
Net earnings	\$ 42,059	\$ 31,476	\$ 23,915
Per common share	\$ 10.81	\$ 8.09	\$ 6.15
Total assets	\$514,299	\$469,801	\$455,569
Total long-term debt	\$ 26,352	\$ 36,124	\$ 51,873
Cash dividends declared per common share	\$ 1.30	\$ 1.00	\$ 1.00
Earnings from continuing operations	\$ 41,575	\$ 30,856	\$ 22,545
Per common share from continuing operations	\$ 10.69	\$ 7.93	\$ 5.80

Factors affecting the comparability of financial data presented above are as follows:

Results in 2004 include the addition of tug-barge assets, the addition of a new tanker which replaced three older tankers, the expansion in December 2004 in the ocean-marine transportation segment as our ownership interest in the self-unloader *Bahama Spirit* increased from 50% to 100%. Also, the real estate segment expanded with the purchase of two commercial office buildings.

In 2005, the Corporation added a tanker in July 2005 and the real estate segment expanded with a 50% interest in a commercial office building in Waterloo, Ontario.

During 2006, the Corporation purchased and entered into service a product tanker that trades in Europe and the Mediterranean. The Corporation purchased the remaining 50% interest it did not own of a property in Waterloo, Ontario from its joint venture partner. The Corporation commenced construction of a new vessel, spending one-half of the estimated \$53 million investment.

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4. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Dividends

The declaration of future dividends is subject to the discretion of the Board of Directors after consideration of earnings available for dividends, financial requirements and other conditions prevailing from time to time.

The credit agreement the Corporation currently has with one of its bankers contains a restriction on the amount the Corporation may pay in annual dividends. At this time, the restriction does not practically limit the payment of dividends by the Corporation.

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5. MANAGEMENT'S DISCUSSION AND ANALYSIS

Please refer to pages 6 to 22 of the Corporation's 2006 Annual Report for Management's Discussion and Analysis of Financial Condition and Results of Operations.

6. MARKET FOR SECURITIES

The common shares of the Corporation are listed on The Toronto Stock Exchange under the symbol of ALC.

The price ranges and volume of common shares of the Corporation traded on the TSX on a monthly basis for 2006 were as follows:

Month	High	Low	Volume Traded
January	\$ 91.00	\$ 87.50	14,162
February	\$ 95.00	\$ 90.00	9,130
March	\$ 96.00	\$ 92.00	12,994
April	\$ 97.00	\$ 93.00	3,816
May	\$ 100.00	\$ 93.05	5,203
June	\$ 100.00	\$ 92.00	24,046
July	\$ 105.00	\$ 98.00	6,633
August	\$ 110.00	\$ 104.00	5,285
September	\$ 110.00	\$ 104.00	4,560
October	\$ 106.95	\$ 100.51	6,574
November	\$ 108.00	\$ 101.66	18,056
December	\$ 127.50	\$ 106.00	8,477

7. CAPITAL STRUCTURE

Capital Structure

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

The holders of common shares of the Corporation are entitled to vote on the election of directors at the annual meeting of shareholders of the Corporation, on the appointment of auditors, and on any other business that may come before the meeting. Each common share carries one voting right.

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8. DIRECTORS AND OFFICERS

The following are the names and municipalities of residence of the directors and officers of the Corporation, their positions and principal occupations within the past five years and the period during which each director has served as director of the Corporation. The bylaws of the Corporation provide that all of the directors hold office until the next annual meeting of shareholders or until their respective successor is elected.

Directors

H. Michael Burns, Vaughan, Ontario

During the last five years Mr. Burns has been a Corporate Director.

He has served as a director of the Corporation since 1981.

William J. Corcoran, Kleinburg, Ontario

During the last five years Mr. Corcoran has been Vice Chairman, Jarislowsky Fraser Limited

He has served as a director of the Corporation since 1992.

Peter R. Cresswell, Sault Ste. Marie, Ontario

During the last five years, Mr. Cresswell has been a Corporate Director.

He has served as a director of the Corporation since 1978

Tim S. Dool, St. Catharines, Ontario

During the last five years, Mr. Dool has been President and Chief Executive Officer of the Corporation.

He has served as a director of the Corporation since 2001.

E. M. Blake Hutcheson, Toronto, Ontario

During the last five years, Mr. Hutcheson has been Chairman and President of CB Richard Ellis Limited.

He has served as a director of the Corporation since 2003.

Duncan N. R. Jackman, Toronto, Ontario

During the last five years, Mr. Jackman has been Chairman and Chief Executive Officer, E-L Financial Corporation Limited and Managing Director, The Fulcrum Investment Company Limited.

He has served as a director of the Corporation since 1997.

The Honourable Henry N. R. Jackman, Toronto, Ontario

During the last five years The Honourable Henry N. R. Jackman has been the Honourary Chair, The Empire Life Insurance Company and President and Chairman, E-L Financial Corporation Limited.

He has served as a director of the Corporation since 1997. Previously, he served as a director from 1971 to 1991.

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8. DIRECTORS AND OFFICERS

Bruce J. Jodrey, Windsor, Nova Scotia

During the last five years, Mr. Jodrey has been Chairman and Chief Executive Officer CKF Inc. He has served as a director of the Corporation since 1990.

Radcliffe R. Latimer, Toronto, Ontario

During the last five years, Mr. Latimer has been Chairman of the Corporation and a Corporate Director.

He has served as a director of the Corporation since 1982.

The Honourable Roy MacLaren, Toronto, Ontario

During the last five years, Mr. MacLaren has been a Corporate Director.

He has served as a director of the Corporation since 2000.

Clive P. Rowe, New York, New York

During the last five years, Mr. Rowe has been a partner in the firm SLS Capital.

He has served as a director of the Corporation since 1999.

Harold S. Stephen, Mississauga, Ontario

During the last five years, Mr. Stephen has been the Chairman and Chief Executive Officer, Stonecrest Capital Inc.

He has served as a director of the Corporation since 2002.

William S. Vaughan, Toronto, Ontario

During the last five years, Mr. Vaughan has been a partner in the firm Heenan Blaikie LLP and McMillan Binch Mendelsohn, LLP.

He has served as a director of the Corporation since 2000.

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8. DIRECTORS AND OFFICERS

Officers

Radcliffe R. Latimer, Toronto, Ontario
Chairman

Tim S. Dool, St. Catharines, Ontario
President and Chief Executive Officer

Greg D. Wight, St. Catharines, Ontario
Executive Vice President and Chief Financial Officer
During the last five years, Mr. Wight has been Executive Vice President and Chief Financial Officer, and Vice President, Finance of Algoma Central Corporation.

Robert E. Leistner, St. Catharines, Ontario
Vice President, Algoma Central Properties Inc.
During the last five years, Mr. Leistner has been Vice President, Algoma Central Properties Inc.

Al J. Vanagas, St. Catharines, Ontario
Vice President, Marine
During the last five years, Mr. Vanagas has been Vice President – Marine and General Manager – Ship Management of Algoma Central Corporation.

William S. Vaughan, Toronto, Ontario
Secretary

David G. Allen, Oakville, Ontario
Vice President, Finance
During the last five years Mr. Allen has been Vice President, Finance of Algoma Central Corporation, Group Financial Controller of Norbord Inc. and Assistant Controller of Nexfor Inc.

Shareholdings of Directors and Officers

The directors and senior officers of the Corporation as a group beneficially own, directly or indirectly, or exercise control or direction over 2,234,661 or 57.4% of the common shares of the Corporation.

Committees of the Board of Directors

Executive Committee

The members of the Executive Committee are William J. Corcoran, Tim S. Dool, Radcliffe R. Latimer and Duncan N. R. Jackman.

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8. DIRECTORS AND OFFICERS

Audit Committee

The Corporation is required to have an Audit Committee of the Board of Directors. Please refer to pages 17 to 20 of this Annual Information Form for additional information on the Audit Committee.

Corporate Governance Committee

The members of the Corporate Governance Committee are H. Michael Burns, William J. Corcoran, Duncan N. R. Jackman, Radcliffe R. Latimer, The Honourable Roy MacLaren and Clive P. Rowe.

Environmental Health and Safety Committee

The members of the Environmental Health and Safety Committee are H. Michael Burns, Peter R. Cresswell, Duncan N. R. Jackman, Radcliffe R. Latimer, The Honourable Roy MacLaren and William S. Vaughan.

Seaway Marine Transport Committee

The members of the Seaway Marine Transport Committee are William J. Corcoran, Tim S. Dool, Radcliffe R. Latimer and The Honourable Roy MacLaren.

9. LEGAL PROCEEDINGS

There are no legal proceedings involving a material amount outstanding against the Corporation.

10. TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company ("CIBC Mellon") is the registrar and transfer agent for the common shares of the Corporation. CIBC Mellon keeps the Register of Holders and the Register of Transfers for the common shares at its principal stock transfer office in the City of Toronto.

11. INTERESTS OF EXPERTS

Deloitte & Touche LLP is the auditor of the Corporation and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

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12. AUDIT COMMITTEE

Mandate of the Audit Committee

The purpose of the Audit Committee is to augment and improve financial disclosure by the Corporation and to ensure compliance by the Corporation with all applicable legal requirements in this connection.

In fulfilling this role, the Committee reviews quarterly and annual financial statements prior to Board approval. As part of this process, the Committee reviews all financial statements to satisfy itself with the fairness and consistency of the accounting practices used in creating the statements, ensuring that the Corporation's financial statements comply with Canadian GAAP and present the approved financial statements to the Board for final approval. The Committee is also required to review all news releases containing financial information prior to their release.

The Committee also has responsibility for ensuring the integrity of the external audit process. The Committee is mandated to act as an independent liaison between external auditors and the Corporation. Additionally, the Committee is to ensure that its Auditors are independent and ultimately accountable to the Committee and the Board as representatives of the shareholders. Similarly, the Committee is expected to monitor external audits to ensure sufficient managerial independence and reporting.

The Committee is also responsible for administering the policy regarding employee complaints on accounting and auditing matters. This process allows for confidential employee submissions concerning any accounting or auditing matters.

Composition of the Audit Committee

The Audit Committee is to be composed of only independent directors. The Chair of this Committee must have significant accounting or related financial experience and should not hold more than 20% of the Corporation's issued and outstanding shares. Similarly, current corporate governance standards would require that any member of the Committee holding more than 20% of the issued and outstanding shares of the Corporation cannot be permitted to vote on any matter within the Committee's mandate. There are no members of the current Audit Committee which this restriction applies to.

The members of the Audit Committee are Harold S. Stephen (Chair), William J. Corcoran, E. M. Blake Hutcheson, Duncan N. R. Jackman, Bruce J. Jodrey and Radcliffe R. Latimer.

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12. AUDIT COMMITTEE

Each member of the Audit Committee is financially literate and independent.

According to Multilateral Instrument 52-110 – Audit Committees (“MI 52-110”), an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements. According to MI 52-110, a member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation.

Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is described below:

Audit Committee Member

Education and Experience

Harold S. Stephen - Chairman

Mr. Stephen is a Chartered Accountant, a Licensed Trustee in Bankruptcy, and a former partner in the accounting firm of Ernst and Young. He has over 35 years experience advising companies in financing and capital restructuring in court supervised and informal reorganization proceedings.

William J. Corcoran

Mr. Corcoran is Vice Chairman of Jarislowsky Fraser. He has a legal background and over 40 years experience in the investment industry which requires working knowledge of accounting principles.

E. M. Blake Hutcheson

Mr. Hutcheson has over 20 years of experience in the real estate investment and finance business. For the last six years he has been the Chairman and President of CB Richard Ellis in Canada, a large fully integrated commercial real estate services company with over 1,000 employees and has led the finance team of the company on all day-to-day matters and through several acquisitions and mergers. He also sits on several Boards of Directors and has been actively involved in the finance aspects of those businesses.

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12. AUDIT COMMITTEE

One of those Boards is the parent company's Americas Operating Management Board that oversees the operations of a US\$1.7 billion services company. He also has a strong academic background and holds a Graduate Diploma from the London School of Economics (Award of Distinction) and a Masters Degree in Real Estate Development and Finance from Columbia University in New York.

Duncan N. R. Jackman

Mr. Jackman has over 15 years in the investment and finance industries. He has been a corporate director since 1997. He has been employed as a financial analyst with a corporate banking group and a portfolio manager for an investment manager.

Bruce J. Jodrey

Mr. Jodrey has been a corporate director since 1970 serving on many corporate boards across the country. He has over 43 years of experience in manufacturing operations and in financial institutions. During this time Mr. Jodrey has served and is still serving on audit committees in both “for profit” and “not-for-profit” organizations. He is Chair and Chief Executive Officer of a major multimillion dollar Canadian wide manufacturing business with extensive exports to the U.S. Mr. Jodrey is Vice-Chairman of a leading Canadian holding company. He continues to maintain corporate directorships where he is Chair, Vice Chair and President of a number of these companies.

Radcliffe R. Latimer

Mr. Latimer has been a corporate director since 1979. He has served as the Chief Executive Officer of a major corporation for six years. He has also served on the audit committee of several companies including a major bank, and in each case has been chair of the audit committee for a number of years.

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12. AUDIT COMMITTEE

Pre-Approval Policies and Procedures

The Audit Committee has a process for approval of all audit and non-audit services to be provided by its current external auditor.

The process for the audit services requires that an annual client services plan be provided to and pre-approved by the Audit Committee prior to the commencement of services by the auditor.

All requests for non-audit services must be submitted in writing and must provide adequate details as to the particular services to be provided by the external auditor. The Audit Committee must be informed about each non-audit service provided and may not delegate its approval authority to management. Services may be approved by the Chairman of the Audit Committee for non-audit services up to \$25 and the Chairman of the Audit Committee advises the Audit Committee of any such pre-approved services at its next meeting.

External Auditor Service Fees

The aggregate fees for services provided by the external auditor in each of the last two years are as follows:

	<u>2006</u>	<u>2005</u>
Audit Fees	\$346	\$311
Audit-Related Fees	\$ 91	\$ 44
Related to other statutory audit requirements and corporate governance issues.		
Tax Fees	\$ 100	\$125
Primarily related to fees for commodity tax reviews, research and development claims and various tax advice in connection with foreign operations.		
Other	\$203	\$ 14
Bill 198 CEO/CFO certification work.		

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13. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's management information circular for its most recent annual meeting of shareholders which involved the election of directors. Additional financial information is provided in the Corporation's comparative financial statements for its most recently completed financial year.

Requests for additional information should be directed to the Executive Vice President & Chief Financial Officer, Algoma Central Corporation at 63 Church Street, Suite 600, St. Catharines, Ontario, L2R 3C4.

Additional information relating to the Corporation is available on SEDAR at www.sedar.com.