ALGOMA CENTRAL CORPORATION

Interim Report to Shareholders

For the Three and Nine Months Ended
September 30, 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 Company's Annual Information Form for the year ended December 31, 2014, which outlines in detail certain key factors that may affect the Company's future results. This should not be considered a complete list of all risks to which the Company may be subject from time to time. When relying on forward looking statements to make decisions with respect to the Company, 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 Company 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.

Use of Non-GAAP Measures

The following summarizes non-GAAP financial measures utilized in the MD&A. As there is no generally accepted method of calculating these financial measures, they may not be comparable to similar measures reported by other corporations.

Operating ratio, which is among the measures we use to assess the cost efficiency of our business units, is equal to operating costs plus general administrative costs plus depreciation expense as a percentage of revenue. The operating ratio is a commonly used metric for transportation companies; however, our method of calculation of operating ratio may not be consistent with the calculation used by others.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

General

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

This Management's Discussion and Analysis ("MD&A") of the Company should be read in conjunction with its interim condensed consolidated financial statements for the three and nine months ended September 30, 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 November 4, 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 Company, including its 2014 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Company's website at *www.algonet.com*.

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

Summary of Quarterly Results

The results for the last eight quarters are as follows:

Year	Quarter	Revenue	Net earnings (loss)	Basic earnings (loss) per share
2015	Quarter 3	$ 133,831	$ 14,842	$ 0.38
	Quarter 2	$ 132,809	$ 23,330	$ 0.60
	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

Impact of Seasonality on the Business

The nature of the Company'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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Performance

Consolidated Results	Three Months Ended September 30 **2015**	Three Months Ended September 30 2014	Nine Months Ended September 30 **2015**	Nine Months Ended September 30 2014
Revenues	**$ 133,831**	$ 163,950	**$ 318,268**	$ 354,021
Segment earnings after income tax	**$ 18,024**	$ 25,879	**$ 20,287**	$ 22,209
Net earnings	**$ 14,842**	$ 24,367	**$ 15,181**	$ 17,448
Basic earnings per share	**$ 0.38**	$ 0.63	**$ 0.39**	$ 0.45
Net earnings excluding gain on cancellation of shipbuilding contracts	**$ 14,987**	$ 24,367	**$ 5,114**	$ 17,448
Basic earnings per share excluding net gain on cancellation of shipbuilding contracts	**$ 0.39**	$ 0.63	**$ 0.13**	$ 0.45
Common shares outstanding			**38,913,733**	38,912,110

The Company is reporting third quarter revenues of $133,831 compared to $163,950 for the same period in 2014. The decrease in revenue was mainly in the Domestic Dry-Bulk and Product Tankers segments reflecting the impact of lower fuel prices and reduced customer shipments. The revenues in the Real Estate segment were higher in 2015 when compared to 2014 due to higher occupancy and the revenues in the Ocean Shipping segment were slightly higher due to currency changes.

Revenues for the nine months ended September 30, 2015 of $318,268 were $35,753 or 10% lower than the revenues for the same period in the prior year. Decreases in revenue in the Domestic Dry-Bulk and the Product Tankers segments were due manly to the impact of lower fuel prices and reduced customer shipments. The Ocean Shipping segment experienced a decrease in revenues in 2015 due to a reduction in operating days from the regulatory dry-docking on one of its vessels. Real estate segment revenues were up reflecting higher occupancy in most properties.

The segment earnings after income taxes of $18,024 for the 2015 third quarter, and the segment earnings after income taxes excluding the impact of the after-tax gain on the contract cancellation of $10,067 (see Page 9) for the 2015 nine month period were lower when compared to similar periods in 2014 due primarily to lower earnings in the Domestic Dry-Bulk segment.

Equinox Project

The Company entered into contracts in 2010 with Nantong Mingde Heavy Industry Co., Ltd. ("Mingde" or the "Shipyard") in China to construct a total of six Equinox Class dry-bulk vessels, continuing the fleet renewal initiative begun with the arrival of the *Radcliffe R. Latimer* in 2009 and the *Algoma Mariner* in 2011.

By June 2014, the Company had taken delivery of two bulkers, the *Algoma Equinox* and the *Algoma Harvester* with the remaining four vessels, all self unloaders, expected to be delivered in 2015 and 2016.

On December 26, 2014, the Shipyard entered a court ordered bankruptcy restructuring process. This process was initiated by Sainty Marine Co. Ltd which is both the largest creditor of the Shipyard and also the seller of record under certain of the ship building contracts held by the Company. All monies paid by the Company against these shipbuilding contracts are supported by refund guarantees issued by Chinese state banks.

During the second quarter of 2015, after consultation with counsel and meeting with the restructuring administrator of the Shipyard, the Company concluded it is unlikely the restructuring process is going to succeed and therefore advised the Shipyard it no longer intended to take delivery of the four vessels. On July 31, 2015, the Tongzhou Court overseeing the bankruptcy ordered a termination of the reorganization proceedings and a compulsory wind-up of the Shipyard.

The Company issued formal cancellation notices on the four contracts, and deposits made to the Shipyard totalling U.S. $65,760 have been re-classified from property, plant, and equipment to other assets. As a result of the cancellation, the Company is recognizing a net gain for the nine months ended September 30, 2015 of $10,067 which is further described later in this report.

Cancellation of the Mingde contracts on their terms entitles the Company to demand repayment of construction instalments paid to date, along with accrued interest. The Company is currently enforcing its rights with respect to these recoveries.

While delayed, the overall fleet renewal program, of which these Equinox Class ships were a part, remains a priority for the Company. In addition to the two new Equinox Class 650' self-unloaders announced in the first quarter, the Company has negotiated contracts with two different shipyards for a total of five Equinox Class 740' self-unloaders in place of the four cancelled Mingde-built vessels. These contracts are not effective until the Company has received appropriate refund guarantees. Management expects the two 650' self-unloaders to be delivered in 2017 and is targeting late 2017 through 2018 for delivery of the five 740' self-unloaders.

Business Segment Results

Domestic Dry- Bulk

	Three Months Ended September 30		Favourable	Nine Months Ended September 30		Favourable
	2015	2014	(Unfavourable)	**2015**	2014	(Unfavourable)
Revenue	**$ 93,108**	$ 120,705	$ (27,597)	**$ 207,471**	$ 230,676	$ (23,205)
Operating expenses	**(67,787)**	(84,171)	16,384	**(187,671)**	(195,882)	8,211
General and administrative	**(3,150)**	(3,838)	688	**(12,908)**	(11,186)	(1,722)
	22,171	32,696	(10,525)	**6,892**	23,608	(16,716)
Depreciation	**(7,011)**	(6,005)	(1,006)	**(19,629)**	(18,372)	(1,257)
Impairment on parts and spares	**-**	(4,000)	4,000	**-**	(4,000)	4,000
Gain on cancellation of shipbuilding contracts	**(197)**	-	(197)	**13,697**	-	
Income taxes	**(4,105)**	(5,796)	1,691	**(671)**	(299)	(372)
Net earnings	**$ 10,858**	$ 16,895	$ (6,037)	**$ 289**	$ 937	$ (14,345)
Operating ratio	**83.7%**	77.9%		**106.1%**	97.7%	
Additions to property, plant and equipment	**$ 20,559**	$ 1,052		**$ 71,607**	$ 22,175	

	September 30 2015	December 31 2014
Total assets	**$ 460,814**	$ 410,856

Revenues for the third quarter and for the nine months ended September 30 of 2015 are lower when compared to the similar periods in the prior year. The decrease in revenue for both periods was due largely to reduced shipments of agricultural, aggregate, and iron and steel related commodities, lower revenue from the fuel component of our freight rates as a result of lower fuel prices, and a reduction in net freight rates in some markets.

Operating expenses for the third quarter of 2015 are lower than the same period in 2014 due largely to fewer operating days, reduced fuel costs due to lower prices and lower costs for vessel incidents.

Operating expenses for the nine months ended September 30, 2015 were lower than the same period in 2014 due to reduced fuel costs, lower costs related to vessel incidents and fewer operating days. Higher winter lay-up expenses partially offset these decreases in operating expenses in 2015.

Depreciation expense for the three and nine months ended September 30, 2015 is higher than the two corresponding periods in 2014. Depreciation on two new vessels, the *Harvestor* and the *Integrity,* and depreciation on capitalized dry-dock expenses, account for the increase.

The net segment earnings for the third quarter of 2015 of $10,858 are $6,037 less than the comparable 2014 period earnings of $16,895 due to the factors cited above (excludes the impairment of parts and spares net of income tax of $2,940). The net segment earnings for the 2015 nine month period were $289 compared to net segment earnings of $937 for 2014. The earnings for the 2015 period are net of an after-tax gain on cancellation of the Mingde contracts of $10,067.

Product Tankers

	Three Months Ended September 30		Favourable	Nine Months Ended September 30		Favourable
	2015	2014	(Unfavourable)	**2015**	2014	(Unfavourable)
Revenue	**$ 20,751**	$ 25,168	$ (4,417)	**$ 58,909**	$ 69,931	$ (11,022)
Operating expenses	**(12,194)**	(15,185)	2,991	**(35,797)**	(46,813)	11,016
General and administrative	**(1,067)**	(447)	(620)	**(3,423)**	(2,767)	(656)
	7,490	9,536	(2,046)	**19,689**	20,351	(662)
Depreciation	**(2,489)**	(2,416)	(73)	**(7,446)**	(7,261)	(185)
Income taxes	**(1,235)**	(2,180)	945	**(2,846)**	(3,852)	1,006
Net earnings	**$ 3,766**	$ 4,940	$ (1,174)	**$ 9,397**	$ 9,238	$ 159
Operating ratio	**75.9%**	71.7%		**79.2%**	81.3%	
Additions to property, plant and equipment	**$ -**	$ 4		**$ -**	$ 581	

	September 30 2015	December 31 2014
Total assets	**$ 143,752**	$ 151,596

Revenues for the third quarter of 2015 were lower than the comparable period in 2014 due to significantly lower customer shipments resulting in reduced operating days and the impact of lower prices for fuel, which forms a portion of our freight rate.

Revenues for the nine months ended September 30 were lower in 2015 compared to 2014 due to the reduced customer shipments in the third quarter and lower fuel prices, partially offset by higher rates. A significant portion of the higher volume of shipments in 2014 occurred in the first six months and was carried on in-chartered capacity on which the Company earns a nominal margin. As a result, the impact on net segment earnings from the year-to-date reduction in volumes was limited; however, this reduction in demand is expected to continue into the fourth quarter as our major customer has changed its product sourcing for east coast markets. While this change in demand will free up capacity to service other customers, the nature and amount of such new demand is uncertain at this time.

The reduction in customer demand during the third quarter has coincided with the lay-up of a ship due to a mechanical issue, the cost of which is largely covered by insurance. Operating expenses for the 2015 third quarter were lower than the prior year period due to the reduced operating days and lower fuel costs. In addition to these factors, operating expenses for the nine months ended September 30 are lower due to the reduction in in-chartered capacity.

Ocean Shipping

	Three Months Ended September 30		Favourable	Nine Months Ended September 30		Favourable
	2015	2014	(Unfavourable)	**2015**	2014	(Unfavourable)
Corporation's share of Pool revenue	**$ 14,456**	$ 13,658	$ 798	**$ 42,214**	$ 46,983	$ (4,769)
Less revenues included in earnings of joint arrangements	**3,238**	3,521	(283)	**14,272**	15,791	(1,519)
Consolidated segment revenue	**11,218**	10,137	1,081	**27,942**	31,192	(3,250)
Operating expenses	**(7,454)**	(6,492)	(962)	**(18,297)**	(19,470)	1,173
General and administrative	**(732)**	(742)	10	**(2,345)**	(2,244)	(101)
	3,032	2,903	129	**7,300**	9,478	(2,178)
Depreciation	**(1,469)**	(1,159)	(310)	**(4,002)**	(3,495)	(507)
Income taxes	**(22)**	23	(45)	**(18)**	23	(41)
Earnings from joint venture	**805**	1,317	(512)	**5,253**	4,321	932
Net earnings	**$ 2,346**	$ 3,084	$ (738)	**$ 8,533**	$ 10,327	$ (1,794)
Operating ratio	**85.5%**	83.0%		**85.5%**	80.9%	
Additions to property, plant and equipment	**$ 20**	$ -		**$ 4,204**	$ -	

	September 30 2015	December 31 2014
Total assets	**$ 77,501**	$ 69,082

The Company's share of Pool revenues for the third quarter ended September 30, 2015 increased marginally when compared to the comparable period in 2014 due primarily to a weaker Canadian dollar. This offset the decrease in revenue resulting from the sale of a joint venture vessel in April 2014 that reduced the Company's share of the overall Pool revenue.

Revenues for the nine months ended September 30, 2015 were $4,769 lower than the comparable 2014 period. The Company's vessel the *Bahama Spirit* underwent a regulatory dry-docking in the 2015 first quarter, resulting in fewer revenue days. Partially offsetting the decreases were increases in revenue resulting from a weaker Canadian dollar.

Operating expenses, reflecting only the 100% owned vessels, were up for the 2015 third quarter when compared to 2014 due the Company's share of the Pool's losses on fuel derivative contracts. In addition, operating expenses were higher due to the lower Canadian dollar.

Operating expenses, for the nine months ended September 30, 2015 were lower by $1,173 due largely to lower fuel costs, reduced outside charters by the Pool, and operating costs associated with the *Bahama Spirit* dry-docking in 2015, which are capitalized under IFRS. Partially offsetting these decreases in expenses are increases due to the cost of regular maintenance completed during the dry-docking, losses related to fuel derivative contracts and the weakening Canadian dollar.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The decrease in the 2015 third quarter earnings from the joint venture was due primarily to its share of the Pool's losses on fuel derivative contracts. For the nine months ended September 30, 2015, the earnings of the joint venture increased by $932 when compared to the previous year due mostly to the gain on the sale of a vessel in April 2015 and lower income tax expense. Partially offsetting these increases in earnings are decreases due to the regulatory dry-docking, losses related to fuel derivative contracts and the weakening Canadian dollar.

Real Estate

	Three Months Ended September 30		Favourable	Nine Months Ended September 30		Favourable
	2015	2014	(Unfavourable)	**2015**	2014	(Unfavourable)
Revenue	**$ 8,754**	$ 7,940	$ 814	**$ 23,946**	$ 22,222	$ 1,724
Add revenue with related parties eliminated on consolidation	**188**	291	(103)	**564**	549	15
	8,942	8,231	711	**24,510**	22,771	1,739
Operating expenses	**(5,100)**	(4,700)	(400)	**(14,323)**	(13,839)	(484)
General and administrative	**(997)**	(956)	(41)	**(3,107)**	(2,973)	(134)
	2,845	2,575	270	**7,080**	5,959	1,121
Depreciation	**(1,515)**	(1,348)	(167)	**(4,571)**	(3,880)	(691)
Income taxes	**(350)**	(334)	(16)	**(661)**	(577)	(84)
Earnings from joint venture	**74**	67	7	**220**	205	15
Net earnings	**$ 1,054**	$ 960	$ 94	**$ 2,068**	$ 1,707	$ 361
Operating ratio	**87.0%**	88.2%		**91.9%**	93.1%	
Average occupancy				**93.2%**	87.7%	
Additions to investment properties	**$ 1,172**	$ 2,113		**$ 4,624**	$ 9,416	

	Spetember 30 2015	December 31 2014
Total assets	**$ 86,865**	$ 84,429

Revenue in the Real Estate segment increased for both the third quarter of 2015 and for the nine months ended September 30, 2015 compared to the same periods in 2014 due primarily to increased occupancy in several of our buildings and the resulting increase in the recoverable share of common area costs.

Improved occupancy rates in several of our buildings over the past two years have led to increasing net earnings from the Real Estate segment.

Consolidated Results

	Three Months Ended September 30			Favourable	Nine Months Ended September 30			Favourable
	2015	2014		(Unfavourable)	**2015**	2014		(Unfavourable)
Revenue	**$ 133,831**	$ 163,950		$ (30,119)	**$ 318,268**	$ 354,021		$ (35,753)
Operating expenses	**(92,534)**	(110,548)		18,014	**(256,088)**	(276,004)		19,916
General and administrative	**(5,946)**	(5,954)		8	**(21,783)**	(19,141)		(2,642)
	35,351	47,448		(12,097)	**40,397**	58,876		(18,479)
Depreciation	**(12,485)**	(10,929)		(1,556)	**(35,648)**	(33,008)		(2,640)
Impairment on parts and spares	**-**	(4,000)		4,000	**-**	(4,000)		4,000
(Loss) gain on cancellation of shipbuilding contracts	**(197)**	-		(197)	**13,697**	-		13,697
Interest expense	**(4,289)**	(2,390)		(1,899)	**(9,515)**	(7,571)		(1,944)
Interest income	**202**	147		55	**946**	47		899
Foreign currency translation gain (loss)	**1,192**	(792)		1,984	**3,231**	913		2,318
Income tax expense	**(5,811)**	(6,501)		690	**(3,400)**	(2,335)		(1,065)
Earnings from joint ventures	**879**	1,384		(505)	**5,473**	4,526		947
Net earnings	**$ 14,842**	$ 24,367		$ (9,525)	**$ 15,181**	$ 17,448		$ (2,267)

General and Administrative

General and administrative expenses for the three months ended September 30, 2015 were approximately the same as the corresponding 2014 period. For the nine months ended September 30, 2015 expenses increased by $2,642 when compared to the respective periods in the previous year reflecting certain costs related to senior management transition, as well as higher compensation and professional fees.

Impairment on Parts and Spares

For the nine month period ended September 30, 2014, an impairment of $4,000 was recognized due to a significant decline in the market value of certain major vessel parts and spares that the Company deemed to be surplus and not useable on the Company's marine assets.

Gain on Cancellation of Shipbuilding Contracts

As previously described in this report, as a result of the cancellation of the Mingde shipbuilding contracts, the Company incurred $197 of professional and consulting fees in the third quarter related to protecting its interests during the bankruptcy. For the nine months ended September 30, 2015, the Company recognized a net gain of $10,067 as a result of the bankruptcy and the related contract cancellation consisting of the following items:

	Three Months Ended September 30 2015	Nine Months Ended September 30 2015
Write-off of capitalized costs related to ship construction	**$ -**	**$ (4,406)**
Gain on conversion of amounts designated as a purchase commitment hedge of future construction payments	**-**	**18,300**
Ongoing costs related to the cancellation	**(197)**	**(197)**
(Loss) gain before income taxes	**(197)**	**13,697**
Income tax recovery (expense)	**52**	**(3,630)**
Net (loss) gain	**$ (145)**	**$ 10,067**

Interest Expense

Interest expense consists of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	**2015**	2014
Interest expense on borrowings	**$ 3,810**	$ 3,579	**$ 11,122**	$ 10,621
Interest on employee future benefits, net	**210**	109	**627**	373
Amortization of financing costs	**269**	102	**721**	1,637
Interest capitalized on vessels under construction	**-**	(1,400)	**(2,955)**	(5,060)
	$ 4,289	$ 2,390	**$ 9,515**	$ 7,571

In 2014, the Company prepaid certain non-revolving debt and accordingly accelerated the amortization of deferred financing costs associated with these debt facilities.

The interest capitalized on vessels under construction relates to interest incurred on payments made to the Shipyard for the construction of the Equinox vessels. The capitalization of interest ceased in the 2015 second quarter with the cancellation of the shipbuilding contracts.

Net Gain on Foreign Currency Translation

The net gain on foreign currency translation consists of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	**2015**	2014
Total gain on U.S. cash	**$ 7,519**	$ 5,479	**$ 7,983**	$ 5,932
Portion of the gain on U.S. cash recorded in Other Comprehensive Income	**(6,327)**	(5,180)	**(6,327)**	(5,684)
Realized gain on return of capital from foreign joint venture	**-**	208	**1,575**	208
Mark-to-market for derivatives that are not eligible for hedge accounting	**-**	(1,111)	**-**	340
Other	**-**	(188)	**-**	117
	$ 1,192	$ (792)	**$ 3,231**	$ 913

As of October 1, 2013 the Company began designating a portion of its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments relating to the Equinox Class project with the Nantong Mingde Shipyard. In June 2015, the cash hedge against the U.S. dollar purchase commitments became ineffective as a result of the cancellation of the shipbuilding contracts. Gains and losses on the translation of the U.S. dollar cash from the date on which the respective hedges were designated to the date on which the hedge ceased to be so designated, were recorded in other comprehensive earnings.

As of July 1, 2015, the Company re-designated its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments for two new Equinox Class 650' self unloaders with a Croatian shipyard. Gains and losses on the translation of the U.S. dollar cash from the date on which these respective hedges were designated to the end of the financial reporting period are being recorded in other comprehensive earnings.

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:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	**2015**	2014
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Earnings before income tax expense and earnings of joint ventures	**$ 19,774**	$ 29,484	**$ 13,108**	$ 15,257
Expected income tax expense	**$ 5,240**	$ 7,813	**$ 3,474**	$ 4,043
Increase (decrease) resulting from:				
Effect of items that are not taxable	**546**	(295)	**237**	(103)
Foreign tax rates different from statutory rate	**(323)**	(839)	**(1,154)**	(2,692)
Adjustments of prior years taxes on filing	**673**	(202)	**673**	368
Other	**(325)**	24	**170**	719
	$ 5,811	$ 6,501	**$ 3,400**	$ 2,335

Comprehensive Earnings

The comprehensive earnings for the 2015 third quarter were $23,087 compared to $27,664 for the comparable period in 2014. For the nine months ended September 30, 2015 the comprehensive earnings were $21,617 compared to $17,205 for the same period in 2014.

The decrease in comprehensive earnings for the 2015 third quarter compared to the same period in 2014 of $4,577 was due primarily to reduced net earnings of $10,113 partially offset by unrealized foreign exchange gains of $6,154 on the translation of financial statements of foreign subsidiaries.

The increase in comprehensive earnings for the 2015 nine month period compared to 2014 of $4,412 was due primarily to an increase in the unrealized gains and losses on the translation of financial statements of foreign operations of $15,149 due to the weakening of the Canadian dollar, and a decrease in the actuarial losses on employee future benefits of $4,167. Partially offsetting these increases in comprehensive earnings was a decrease in net earnings.

Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Financial Condition, Liquidity and Capital Resources

Excerpts from the Statement of Cash Flows

	Nine Months Ended September 30		Favourable
	2015	2014	(Unfavourable)
Net earnings	**$ 15,181**	$ 17,448	$ (2,267)
Net cash generated from operating activities	**$ 23,097**	$ 46,407	$ (23,310)
Net cash used in investing activities	**$ 74,806**	$ 32,304	$ (42,502)
Net cash used in financing activities	**$ 19,209**	$ 34,255	$ 15,046

Net Cash Generated from Operating Activities

The reduced net cash from operating activities in 2015 when compared to 2014 resulted from lower operating income and additional net cash required for corporate income tax instalments compared to 2014 when the Company received a tax refund related to a settled tax dispute. These decreases were partially offset with favourable changes in cash provided from working capital.

Net Cash Used In Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2015 was primarily for the purchase of a used self-unloading bulker, the *Algoma Integrity*, instalments on the two new 650' self unloaders being constructed in Croatia, 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 are the payment of dividends to shareholders and the payment of interest on debt. Dividends were paid to shareholders at $0.21 per common share for each of the nine months ended September 30, 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 September 30, 2015 of $204,404, existing credit facilities and projected cash from operations for the remainder of 2015 will be more than sufficient to meet the Company's planned operating and capital requirements and other contractual obligations for the balance of 2015.

The Company maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. At September 30, 2015, the Company had $146,951 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 and nine month periods ended September 30, 2015 and 2014.

Contractual Obligations

The table below reflects the aggregate information about the Company's contractual obligations including the items mentioned above that affect the Company'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	$ 2,802	$ 68,975	$ -	$ 175,088	$ 246,865
Capital asset commitments	26,129	72,577	-	-	98,706
Dividends payable	1,440	-	-	-	1,440
Interest payments	13,393	24,717	18,509	9,138	65,757
Defined benefit pension payments	1,150	2,300	919	-	4,369
Total	$ 44,913	$ 168,569	$ 19,428	$ 184,226	$ 417,137

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 Company is currently evaluating the impact of this new amendment.

Interim Condensed Consolidated Financial Statements
Statements of Earnings
For the Three and Nine Months Ended September 30, 2015 and 2014
(Unaudited and in thousands of dollars except per share figures)

	Notes	Three Months Ended September 30 2015	Three Months Ended September 30 2014	Nine Months Ended September 30 2015	Nine Months Ended September 30 2014
REVENUE	**17**	**$ 133,831**	$ 163,950	**$ 318,268**	$ 354,021
EXPENSES					
Operations	**17**	**92,534**	110,548	**256,088**	276,004
General and administrative		**5,946**	5,954	**21,783**	19,141
		98,480	116,502	**277,871**	295,145
EARNINGS BEFORE UNDERNOTED ITEMS		**35,351**	47,448	**40,397**	58,876
Depreciation of property, plant, and equipment and investment properties	**9, 10**	**(12,485)**	(10,929)	**(35,648)**	(33,008)
Net (loss) gain on cancellation of shipbuilding contracts	**5**	**(197)**	-	**13,697**	-
Impairment on parts and spares	**9**	**-**	(4,000)	**-**	(4,000)
Interest expense	**6**	**(4,289)**	(2,390)	**(9,515)**	(7,571)
Interest income		**202**	147	**946**	47
Net gain (loss) on foreign currency translation	**7**	**1,192**	(792)	**3,231**	913
EARNINGS BEFORE INCOME TAX EXPENSE AND EARNINGS OF JOINT VENTURES		**19,774**	29,484	**13,108**	15,257
INCOME TAX EXPENSE	**8**	**(5,811)**	(6,501)	**(3,400)**	(2,335)
EARNINGS OF JOINT VENTURES	**4**	**879**	1,384	**5,473**	4,526
NET EARNINGS		**$ 14,842**	$ 24,367	**$ 15,181**	$ 17,448
BASIC EARNINGS PER SHARE	**13**	**$ 0.38**	$ 0.63	**$ 0.39**	$ 0.45
DILUTED EARNINGS PER SHARE	**13**	**$ 0.37**	$ 0.59	**$ 0.39**	$ 0.45

See accompanying notes to the interim condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
Statements of Comprehensive Earnings
For the Three and Nine Months Ended September 30, 2015 and 2014
(Unaudited and in thousands of dollars)

	Notes	Three Months Ended September 30 2015	Three Months Ended September 30 2014	Nine Months Ended September 30 2015	Nine Months Ended September 30 2014
NET EARNINGS		**$ 14,842**	$ 24,367	**$ 15,181**	$ 17,448
OTHER COMPREHENSIVE EARNINGS (LOSS)					
Items that may be subsequently reclassified to net earnings:					
Unrealized gain on translation of financial statements of foreign operations		**11,966**	5,812	**21,444**	6,295
Unrealized (loss) gain on hedging instruments, net of income tax		**(435)**	91	**166**	(300)
Foreign exchange gains on purchase commitment hedge reserve transferred to:					
Net earnings	**5**	**-**	-	**(13,444)**	-
Property, plant, and equipment		**(478)**	-	**(478)**	(819)
Items that will not be subsequently reclassified to net earnings:					
Employee future benefits					
Actuarial loss, net of income tax		**(2,808)**	(2,606)	**(1,252)**	(5,419)
		8,245	3,297	**6,436**	(243)
COMPREHENSIVE EARNINGS		**$ 23,087**	$ 27,664	**$ 21,617**	$ 17,205

See accompanying notes to the interim condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
Balance Sheets
September 30, 2015 and December 31, 2014
(Unaudited and in thousands of dollars)

	Notes		September 30 2015		December 31 2014
ASSETS					
CURRENT					
Cash and cash equivalents		**$**	**204,404**	$	256,896
Accounts receivable			**62,927**		66,631
Materials and supplies			**8,871**		9,810
Prepaid expenses			**5,777**		5,016
Income taxes recoverable			**19,292**		3,397
			301,271		341,750
EMPLOYEE FUTURE BENEFITS			**702**		1,439
PROPERTY, PLANT, AND EQUIPMENT	**9**		**501,871**		530,726
GOODWILL			**7,910**		7,910
INVESTMENT PROPERTIES	**10**		**79,173**		78,493
OTHER ASSETS	**11**		**85,699**		-
INVESTMENT IN JOINT VENTURES	**4**		**15,047**		13,737
		$	**991,673**	$	974,055
LIABILITIES					
CURRENT					
Accounts payable and accrued charges		**$**	**49,424**	$	65,491
Dividends payable			**1,440**		1,242
Current portion of long-term debt	**12**		**2,802**		-
			53,666		66,733
DEFERRED INCOME TAXES			**54,259**		53,143
EMPLOYEE FUTURE BENEFITS			**23,749**		23,325
LONG-TERM DEBT	**12**		**238,257**		223,755
			316,265		300,223
COMMITMENTS	**15**				
SHAREHOLDERS' EQUITY					
SHARE CAPITAL	**13**		**8,344**		8,319
CONTRIBUTED SURPLUS			**11,917**		11,917
CONVERTIBLE DEBENTURES			**4,630**		4,632
ACCUMULATED OTHER COMPREHENSIVE EARNINGS	**14**		**18,777**		11,089
RETAINED EARNINGS			**578,074**		571,142
			621,742		607,099
		$	**991,673**	$	974,055

See accompanying notes to the interim condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
Statements of Changes in Equity
For the Nine Months Ended September 30, 2015 and 2014
(Unaudited and in thousands of dollars)

	Share capital	Contributed Surplus and Convertible debentures	Accumulated Other Comprehensive Earnings	Retained Earnings	Total Equity
	(Note 13)		(Note 14)		
BALANCE AT DECEMBER 31, 2013	$ 8,319	$ 16,549	$ 1,791	$ 534,427	$ 561,086
Net earnings	-	-	-	17,448	17,448
Dividends declared	-	-	-	(8,171)	(8,171)
Other comprehensive earnings (loss)	-	-	5,176	(5,419)	(243)
Refundable dividend tax on hand	-	-	-	494	494
BALANCE AT SEPTEMBER 30, 2014	$ 8,319	$ 16,549	$ 6,967	$ 538,779	$ 570,614
BALANCE AT DECEMBER 31, 2014	$ 8,319	$ 16,549	$ 11,089	$ 571,142	$ 607,099
Net earnings	-	-	-	15,181	15,181
Dividends declared	-	-	-	(8,171)	(8,171)
Other comprehensive earnings (loss)	-	-	7,688	(1,252)	6,436
Conversion of debentures	25	(2)	-	-	23
Refundable dividend tax on hand	-	-	-	1,174	1,174
BALANCE AT SEPTEMBER 30, 2015	$ 8,344	$ 16,547	$ 18,777	$ 578,074	$ 621,742

See accompanying notes to the interim condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Interim Condensed Consolidated Financial Statements
Statements of Cash Flows
For the Nine Months Ended September 30, 2015 and 2014
(Unaudited and in thousands of dollars)

	Notes	September 30 2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
OPERATING			
Net earnings		**$ 15,181**	$ 17,448
Earnings of joint ventures	**4**	**(5,473)**	(4,526)
Dividends received from joint ventures		**6,666**	2,715
Items not affecting cash			
Depreciation of property, plant, and equipment and investment properties	**9, 10**	**35,648**	33,008
Net gain on foreign currency translation		**(3,231)**	(913)
Income tax expense	**8**	**3,400**	2,335
Interest expense	**6**	**9,515**	7,571
Gain on cancellation of shipbuilding contracts	**5**	**(13,697)**	-
Impairment on parts and spares		**-**	4,000
Gain on sale of property, plant, and equipment		**(589)**	(64)
		47,420	61,574
Net change in non-cash operating working capital		**(6,035)**	(12,864)
Income taxes paid		**(15,121)**	(1,682)
Employee future benefits paid		**(3,167)**	(621)
Net cash generated from operating activities		**23,097**	46,407
INVESTING			
Additions to property, plant, and equipment		**(73,869)**	(23,423)
Additions to investment properties		**(4,624)**	(9,416)
Proceeds on sale of property, plant and equipment		**3,687**	535
Net cash used in investing activities		**(74,806)**	(32,304)
FINANCING			
Interest paid		**(13,839)**	(12,584)
Proceeds (repayment) of long-term debt		**2,802**	(13,500)
Dividends paid		**(8,172)**	(8,171)
Cash used in financing activities		**(19,209)**	(34,255)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(70,918)**	(20,152)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		**18,426**	5,906
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**256,896**	216,057
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 204,404**	$ 201,811

See accompanying notes to the interim condensed consolidated financial statements.

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Algoma Central Corporation (the "Company") is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Company's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The interim condensed consolidated financial statements of the Company for the three and nine month periods ended September 30, 2015 and 2014 comprise the Company, its subsidiaries and the Company'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 Company's Canadian flag fleet consists of 18 self-unloading dry-bulk carriers, six gearless dry bulk carriers and seven product tankers.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Company's 24 – 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 shipowners.

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 two ocean-going self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide ocean trades.

The Company also owns commercial real estate in Sault Ste. Marie, Waterloo and St. Catharines, Ontario.

The nature of the Company'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 those for 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 Company'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 Company'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 share data.

The financial statements were approved by the Board of Directors and authorized for issue on November 4, 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 Company is currently evaluating the impact of this new amendment.

4. INTERESTS IN JOINT VENTURES

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

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

The revenues, expenses and net earnings of the jointly controlled operations, for the three and nine months ended September 30, 2015 and 2014 are as follows:

	Three Months Ended September 30		Nine Months Ended Septemer 30	
	2015	2014	**2015**	2014
Revenue	**$ 6,894**	$ 7,416	**$ 29,782**	$ 32,700
Operating expenses	**(5,396)**	(5,156)	**(16,104)**	(22,050)
Gain on sale of assets	**482**	1,388	**482**	1,388
General and administrative	**(118)**	(134)	**(428)**	(392)
Depreciation	**(876)**	(728)	**(2,802)**	(2,146)
Earnings before income taxes	**986**	2,786	**10,930**	9,500
Income tax recovery (expense)	**772**	(16)	**16**	(448)
Net earnings	**$ 1,758**	$ 2,770	**$ 10,946**	$ 9,052

The Company's share of the jointly controlled operations, for the three and nine months ended Septemer 30, 2015 and 2014 are as follows:

Marbulk Canada Inc.	**$ 805**	$ 1,318	**$ 5,253**	$ 4,321
Seventy-Five Corporate Park Drive Ltd.	**74**	67	**220**	205
	$ 879	$ 1,385	**$ 5,473**	$ 4,526

(Unaudited) (In thousands of dollars)

The assets and liabilities of the jointly controlled operations at September 30, 2015 and December 31, 2014 are as follows:

	September 30 2015	December 31 2014
Cash and cash equivalents	**$ 6,976**	$ 4,390
Other current assets	**2,728**	3,592
Property, plant, and equipment	**20,456**	21,924
Investment property	**3,250**	3,166
Current liabilities	**(3,278)**	(2,818)
Deferred income taxes	**(38)**	(4,458)
	$ 30,094	$ 25,796

The Company's net investment of the jointly controlled operations at September 30, 2015 and December 31, 2014 is as follows:

Marbulk Canada Inc.	**$ 13,256**	$ 11,875
Seventy-Five Corporate Park Drive Ltd.	**1,791**	1,862
	$ 15,047	$ 13,737

5. (LOSS) GAIN ON CANCELLATION OF SHIPBUILDING CONTRACTS

The Company entered into contracts in 2010 and 2011 to construct a total of six Equinox Class dry-bulk vessels.

The Company took delivery of two gearless dry-bulk ships, the *Algoma Equinox* in 2013 and the *Algoma Harvester* in 2014. The remaining four ships, all self unloaders, were expected to be delivered in 2015 and 2016. Although progress on this construction project had been slower than anticipated, the Company still intended to take delivery of the vessels, provided the Shipyard, Nantong Mingde Heavy Industry Co., Ltd., met its contractual obligations.

On December 26, 2014, the Shipyard entered a court ordered bankruptcy restructuring process. This process was initiated by Sainty Marine Co. Ltd which is both the largest creditor of the Shipyard and also the seller of record under certain of the ship building contracts held by the Company. All monies paid by the Company against these shipbuilding contracts are supported by refund guarantees issued by Chinese state banks.

(Unaudited) (In thousands of dollars)

During the second quarter of 2015, after consultation with counsel and meeting with the restructuring administrator of the Shipyard, Management concluded it is unlikely the restructuring process was going to succeed and therefore advised the shipyard it no longer intended to take delivery of the four vessels. On July 31, 2015, the Tongzhou Court overseeing the bankruptcy ordered a termination of the reorganization proceedings and a compulsory wind-up of the Shipyard.

The Company has issued formal cancellation notices on the four contracts, and deposits made to the Shipyard totalling U.S. $65,760 have been re-classified from property, plant, and equipment to other assets.

During the third quarter, the Company incurred $197 of expenses relating to protecting its interest during bankruptcy. The Company has recognized a net gain for the nine months ended September 30, 2015 of $10,067 consisting of the following items:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	**2015**	2014
Write-off of capitalized costs relating to ship construction	**$ -**	$ -	**$ (4,406)**	$ -
Gain on conversion of amounts designated as a purchase commitment hedge of future construction payments	**-**	-	**18,300**	-
Ongoing costs related to the cancellation	**(197)**	-	**(197)**	-
Pre-tax gain	**$ (197)**	-	**$ 13,697**	$ -
Income tax recovery (expense)	**52**	-	**(3,630)**	-
	$ (145)	$ -	**$ 10,067**	$ -

(Unaudited) (In thousands of dollars)

6. INTEREST EXPENSE

The interest expense consists of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	**2015**	2014
Interest expense on borrowings	**$ 3,810**	$ 3,579	**$ 11,122**	$ 10,621
Interest on employee future benefits, net	**210**	109	**627**	373
Amortization of financing costs	**269**	102	**721**	1,637
Interest capitalized on vessels under construction	**-**	(1,400)	**(2,955)**	(5,060)
	$ 4,289	$ 2,390	**$ 9,515**	$ 7,571

The interest capitalized on vessels under construction relates to interest incurred on payments made to the Shipyard for the construction of the Equinox vessels. The capitalization of interest ceased in the 2015 second quarter with the cancellation of the shipbuilding contracts (Note 5)

7. NET GAIN (LOSS) ON FOREIGN CURRENCY TRANSLATION

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	**2015**	2014
Total gain on U.S. cash	**$ 7,519**	$ 5,479	**$ 7,983**	$ 5,932
Portion of the gain on U.S. cash recorded in Other Comprehensive Earnings	**(6,327)**	(5,180)	**(6,327)**	(5,684)
Realized gain on return of capital from foreign joint venture	**-**	208	**1,575**	208
Mark-to-market for derivatives that are not eligible for hedge accounting	**-**	(1,111)	**-**	340
Other	**-**	(188)	**-**	117
	$ 1,192	$ (792)	**$ 3,231**	$ 913

As of October 1, 2013 the Company began designating a portion of its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments relating to the Equinox Class project with the Nantong Mingde Shipyard. In June, 2015, the cash hedge against the U.S. dollar purchase commitments became ineffective as a result of the cancellation of the shipbuilding contracts (see Note 5). Gains and losses on the translation of the U.S. dollar cash from the date on which the respective hedges were designated to the date on which the hedge ceased to be so designated, were recorded in other comprehensive earnings.

(Unaudited) (In thousands of dollars)

As of July 1, 2015, the Company re-designated its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments for two new Equinox Class 650' self unloaders with a Croatian shipyard. Gains and losses on the translation of the U.S. dollar cash from the date on which these respective hedges were designated to the end of the financial reporting period are being recorded in other comprehensive earnings.

8. 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:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	**2015**	2014
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Earnings before income tax expense and earnings of joint ventures	**$ 19,774**	$ 29,484	**$ 13,108**	$ 15,257
Expected income tax expense	**$ 5,240**	$ 7,813	**$ 3,474**	$ 4,043
Increase (decrease) resulting from:				
Effect of items that are not taxable	**546**	(295)	**237**	(103)
Foreign tax rates different from statutory rate	**(323)**	(839)	**(1,154)**	(2,692)
Adjustments of prior years taxes on filing	**673**	(202)	**673**	368
Other	**(325)**	24	**170**	719
	$ 5,811	$ 6,501	**$ 3,400**	$ 2,335

(Unaudited) (In thousands of dollars)

9. 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	71,607	-	4,204	75,811
Disposals	(8,030)	(11,122)	-	(19,152)
Cancellation of shipbuilding contracts (Note 5)	(90,106)	-	-	(90,106)
Fully depreciated assets no longer in use	(1,520)	(535)	(2,180)	(4,235)
Effect of foreign currency exchange differences	12,800	5,081	12,763	30,644
Balance September 30, 2015	$ 739,360	$ 228,551	$ 103,015	$ 1,070,926

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	19,628	7,446	4,002	31,076
Disposals	(5,783)	(10,378)	-	(16,161)
Fully depreciated assets no longer in use	(1,520)	(446)	(2,180)	(4,146)
Effect of foreign currency exchange differences	2,990	2,595	5,463	11,048
Balance September 30, 2015	$ 426,990	$ 97,174	$ 44,891	$ 569,055

Net Book Value	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
September 30, 2015				
Cost	$ 739,360	$ 228,551	$ 103,015	$ 1,070,926
Accumulated depreciation	426,990	97,174	44,891	569,055
	$ 312,370	$ 131,377	$ 58,124	$ 501,871

At September 30, 2015, the Company had certain property, plant, and equipment in the Domestic Dry-Bulk segment 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 $937 and $1,905 at September 30, 2015 and December 31, 2014, respectively.

(Unaudited) (In thousands of dollars)

For the period ended September 30, 2014, an impairment of $4,000 was recognized on certain major vessel parts and spares due to a significant decline in the market value. The Company concluded these vessel components are not useable on the Company's marine assets.

10. 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	4,935	4,572	**363**
Disposal	(407)	(724)	**317**
Balance September 30, 2015	$ 143,564	$ 64,391	**$ 79,173**

11. OTHER ASSETS

Other assets consist of the following:

	September 30 2015
Construction payments made to Shipyard	**$ 67,369**
Interest related to construction payments	**18,330**
	$ 85,699

The Company has a claim against Nantong Mingde Heavy Industries Co., Ltd. for the return of U.S. $65,760 of instalment payments on cancelled construction contracts. Under IFRS, these claims do not meet the standard for recognition as a financial instrument as a result of the ongoing arbitration, and consequently, the asset is carried at its historic book value as set out above. As at the balance sheet date, the estimated recoverable amount of these claims, which includes the amount of the deposits plus accrued interest and restated to its Canadian dollar equivalent value is $109,413. These instalments and the associated accrued interest are supported by guarantees issued by Chinese national banks.

(Unaudited) (In thousands of dollars)

12. LONG-TERM DEBT

		September 30 2015		December 31 2014
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.0%	$	**66,254**	$	65,554
Senior Secured Notes, due July 19, 2021				
U.S. $75,000, interest fixed at 5.11%		**100,088**		87,008
Canadian $75,000, interest fixed at 5.52%		**75,000**		75,000
Non-revolving loan, due July 19, 2016				
U.S. $2,100, interest floating at U.S. base rate in Canada of 3.75% plus 1%		**2,802**		-
		244,144		227,562
Less unamortized financing expenses		**3,085**		3,807
	$	**241,059**	$	223,755
Current portion		**2,802**		-
	$	**238,257**	$	223,755

The Company is subject to covenants with respect to maintaining certain financial ratios and other restrictions under the terms of the Bank Facility and the Senior Secured Notes. At September 30, 2015 and December 31, 2014 the Company was in compliance with all of the covenants.

13. SHARE CAPITAL

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

The Company has 38,913,733 and 38,912,110 common shares outstanding at September 30, 2015 and December 31, 2014, respectively.

At September 30, 2015 and December 31, 2014 there were no preferred shares issued and outstanding.

The Company’s Board of Directors on November 4, 2015 authorized payment of a dividend to shareholders of $0.07 per common share. The dividend is payable on December 1, 2015 to shareholders of record on November 17, 2015.

(Unaudited) (In thousands of dollars)

The basic and diluted net earnings are computed as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	**2015**	2014
Net earnings for basic earnings per share	**$ 14,842**	$ 24,367	**$ 15,181**	$ 17,448
Interest expense on debentures, net of tax	**1,036**	1,023	**-**	-
Net earnings for diluted earnings per share	**15,878**	25,390	**15,181**	17,448
Basic weighted average common shares	**38,913,733**	38,912,110	**38,912,831**	38,912,110
Shares due to dilutive effect of debentures	**4,478,896**	4,480,519	**-**	-
Diluted weighted average common shares	**43,392,629**	43,392,629	**38,912,831**	38,912,110
Basic earnings per common share	**$ 0.38**	$ 0.63	**$ 0.39**	$ 0.45
Diluted net earnings per common share	**$ 0.37**	$ 0.59	**$ 0.39**	$ 0.45

The impact of the convertible debentures is anti-dilutive for the nine months ended September 30, 2015 and 2014.

14. ACCUMULATED OTHER COMPREHENSIVE (LOSS) EARNINGS

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

	Reserves			
	Hedges			
	Net Investment	Purchase commitment (Note 7)	Foreign exchange translation	Total
Balance December 31, 2014	$ (7,840)	$ 7,059	$ 11,870	$ 11,089
(Loss) gain	(13,080)	15,022	21,444	23,386
Reclassified to earnings (Note 5)	-	(18,300)	-	(18,300)
Income tax recovery	1,733	869	-	2,602
Net (loss) gain	(11,347)	(2,409)	21,444	7,688
Balance September 30, 2015	**$ (19,187)**	**$ 4,650**	**$ 33,314**	**$ 18,777**

(Unaudited) (In thousands of dollars)

15. COMMITMENTS

The table below reflects the commitments as at September 30, 2015.

650' Equinox Class vessels	**$**	**98,706**
Employee future benefit payments		**4,369**
		103,075

Annual expected payments are as follows:

Due in 2015	**$**	**96**
Due in 2016		**35,988**
Due in 2017		**47,600**
Due in 2018		**18,567**
Due in 2019		**824**
	$	**103,075**

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

		September 30 2015		December 31 2014
Financial assets carrying and fair value				
Cash and cash equivalents	**$**	**204,404**	$	256,896
Accounts receivable	**$**	**62,927**	$	66,631
Financial liabilities carrying and fair value				
Accounts payable and accrued charges	**$**	**49,424**	$	65,491
Carrying value of long-term debt	**$**	**244,144**	$	227,562
Fair value of long-term debt	**$**	**262,498**	$	247,106

(Unaudited) (In thousands of dollars)

Risk management and financial instruments

The Company 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 September 30, 2015 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 49,424	$ -	$ -	$ -	$ 49,424
Dividends payable	1,440	-	-	-	1,440
Long-term debt including convertible debenture equity portion	2,802	68,975	-	175,088	246,865
Interest payments	13,393	24,717	18,509	9,138	65,757
Total	$ 67,059	$ 93,692	$ 18,509	$ 184,226	$ 363,486

Foreign currency exchange risk

At September 30, 2015 and December 31, 2014, 41% and 28%, respectively, of the Company’s total assets were denominated in U.S. dollars.

The assets include U.S. cash of $95,241 and $113,185 at September 30, 2015 and December 31, 2014, respectively.

17. SEGMENT DISCLOSURES

The following presents the Company’s results from operations by reportable segment, including joint ventures, for the three and nine months ended September 30, 2015 and 2014:

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

Revenues	Three Months Ended September 30 2015	Three Months Ended September 30 2014	Nine Months Ended September 30 2015	Nine Months Ended September 30 2014
Domestic Dry-Bulk	**$ 93,108**	$ 120,705	**$ 207,471**	$ 230,676
Product Tankers	**20,751**	25,168	**58,909**	69,931
Ocean Shipping	**14,456**	13,658	**42,214**	46,983
Real Estate	**8,963**	8,127	**24,565**	22,781
	$ 137,278	167,658	**$ 333,159**	$ 370,371
Revenues of the joint ventures	**(3,447)**	(3,708)	**(14,891)**	(16,350)
	$ 133,831	$ 163,950	**$ 318,268**	$ 354,021

Net Earnings	Three Months Ended September 30 2015	Three Months Ended September 30 2014	Nine Months Ended September 30 2015	Nine Months Ended September 30 2014
Operating income (loss) net of income tax				
Domestic Dry-Bulk	**$ 11,003**	$ 19,835	**$ (9,778)**	$ 3,877
Impairment on parts and spares	**-**	(2,940)	**-**	(2,940)
(Loss) gain on cancellation of shipbuilding contracts	**(145)**	-	**10,067**	-
	10,858	16,895	**289**	937
Product Tankers	**3,766**	4,940	**9,397**	9,238
Ocean Shipping	**2,346**	3,084	**8,533**	10,327
Real Estate	**1,054**	960	**2,068**	1,707
	18,024	25,879	**20,287**	22,209
Not specifically identifiable to segments				
Net gain (loss) on translation of foreign-denominated monetary assets and liabilities	**1,192**	(792)	**3,231**	913
Interest expense	**(4,289)**	(2,390)	**(9,515)**	(7,571)
Interest income	**202**	147	**946**	47
Income tax (expense) recovery	**(287)**	1,523	**232**	1,850
	$ 14,842	$ 24,367	**$ 15,181**	$ 17,448

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

Operating Expenses	Three Months Ended September 30 2015	Three Months Ended September 30 2014	Nine Months Ended September 30 2015	Nine Months Ended September 30 2014
Domestic Dry-Bulk	**$ 67,787**	$ 84,171	**$ 187,671**	$ 195,882
Product Tankers	**12,194**	15,185	**35,797**	46,813
Ocean Shipping	**9,810**	8,289	**25,813**	29,548
Real Estate	**5,200**	4,788	**14,618**	14,093
	94,991	112,433	**263,899**	286,336
Operating expenses of the joint ventures	**(2,457)**	(1,885)	**(7,811)**	(10,332)
	$ 92,534	$ 110,548	**$ 256,088**	$ 276,004

Assets	September 30 2015	December 31 2014
Domestic Dry-Bulk	$ 460,814	$ 410,856
Product Tankers	143,752	151,596
Ocean Shipping	77,501	69,082
Real Estate	86,865	84,429
Total assets allocated to segments	768,932	715,963
Not specifically identifiable to segments	224,397	261,728
	$ 993,329	$ 977,691
Liabilities in investment in the joint ventures	(1,656)	(3,636)
Total assets	$ 991,673	$ 974,055

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

Additions to Property, Plant, and Equipment	Three Months Ended September 30 2015	2014	Nine Months Ended September 30 2015	2014
Domestic Dry-Bulk	**$ 20,559**	$ 1,052	**$ 71,607**	$ 22,175
Product Tankers	**-**	4	**-**	581
Ocean Shipping	**24**	-	**6,228**	-
	$ 20,583	$ 1,056	**$ 77,835**	$ 22,756
Less additions by the joint venture	**(4)**	-	**(2,024)**	-
Total additions property, plant, and equipment (Note 9)	**$ 20,579**	$ 1,056	**$ 75,811**	$ 22,756
Capitalized interest			**(2,955)**	(5,060)
Amounts included in working capital			**1,013**	5,727
Total per cash flow statement			**$ 73,869**	$ 23,423

Additions to Investment Properties	Three Months Ended September 30 2015	2014	Nine Months Ended September 30 2015	2014
Investment properties	**$ 1,524**	$ 2,138	**$ 5,041**	$ 9,441
Less additions by the joint venture	**(41)**	(25)	**(106)**	(25)
Total additions investment properties (Note 10)	**$ 1,483**	$ 2,113	**$ 4,935**	$ 9,416
Amounts included in working capital			**(311)**	-
Total per cash flow statement			**$ 4,624**	$ 9,416

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

Depreciation of Property, Plant, and Equipment and Investment Properties	Three Months Ended September 30 **2015**	Three Months Ended September 30 2014	Nine Months Ended September 30 **2015**	Nine Months Ended September 30 2014
Domestic Dry-Bulk	**$ 7,012**	$ 6,005	**$ 19,629**	$ 18,372
Product Tankers	**2,489**	2,416	**7,446**	7,261
Ocean Shipping	**1,885**	1,503	**5,339**	4,505
Real Estate	**1,537**	1,369	**4,635**	3,943
	$ 12,923	$ 11,293	**$ 37,049**	$ 34,081
Depreciation of the joint ventures	**(438)**	(364)	**(1,401)**	(1,073)
	$ 12,485	$ 10,929	**$ 35,648**	$ 33,008

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