ALGOMA CENTRAL CORPORATION

2011 ANNUAL REPORT

Algoma Central Corporation

Domestic Dry-Bulk		Product Tankers		Ocean Shipping		Real Estate
Dry-bulk Shipping	Fraser Marine & Industrial	Algoma Tankers	Algoma Tankers International Inc.	Algoma Shipping Inc.	Marbulk Canada Inc. Marbulk Shipping	Algoma Central Properties Inc.
Owns 19 self-unloaders & 6 bulkers *6 Equinox Class vessels on order*	**Ship repair**	**Owns 7 domestic tankers**	**Owns 1 foreign-flag tanker**	**Owns 2 self-unloaders & 3 bulkers**	**Owns 5 self-unloaders**	**Sault Ste. Marie St. Catharines Waterloo**
100%	100%	100%	100%	100%	50%	100%

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ABOUT THE COVER

The front cover depicts a new class of dry bulk carriers, the *Equinox Class* of vessels. The *Equinox Class* will include both self-unloaders and gearless bulk carriers. Developed by the Corporation together with a team of world class designers, architects, engineers and researchers, these state-of-the-art vessels represent the next generation of Great Lakes dry-bulk carriers. The *Equinox Class* design balances hull form, power and speed with optimal operating performance and environmental efficiency. These new vessels will improve operating efficiencies while at the same time reducing fuel consumption, air emissions, and other environmental impacts.

About the Corporation

Algoma Central Corporation owns Canada's largest fleet of vessels operating on the Great Lakes - St. Lawrence Waterway. This fleet consists of self-unloading and gearless bulk carriers as well as product tankers. The Corporation has interests in ocean dry-bulk and product tanker vessels operating in international markets. The Corporation owns a diversified ship repair and steel fabrication facility active in the Great Lakes and St. Lawrence regions of Canada. In addition, the Corporation owns and manages commercial real estate properties in Ontario.

The Corporation's origins trace back to its creation as a railway in Sault Ste. Marie, Ontario in 1899. The Corporation's executive offices are located in St. Catharines, Ontario. The Corporation employs approximately 2,100 people worldwide. The Corporation has assets of $874 million at December 31, 2011 and revenues for 2011 of $583 million.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the Corporation's 28 – vessel domestic dry-bulk fleet. The dry-bulk vessels carry cargoes of raw materials such as coal, grain, iron ore, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes a diversified ship repair and steel fabricating facility active in the Great Lakes and St. Lawrence regions of Canada.

The Product Tankers marine transportation segment includes ownership and management of seven Canadian flag tanker vessels operating on the Great Lakes, the St. Lawrence Seaway and the east coast of North America. It also includes the ownership of one product tanker engaged in worldwide trades.

The Ocean Shipping marine transportation segment includes direct ownership of two ocean-going self-unloading vessels and a 50% interest through a joint venture in an ocean-going fleet of five self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide ocean trades.

The real estate segment owns and manages commercial real estate in Sault Ste. Marie, Waterloo and St. Catharines.

Financial Highlights

In thousands except per share figures	2011	2010	Note 2 2010
For the year			
Revenue	$ **582,690**	$ 393,702	$ 536,373
Net earnings	$ **68,844**	$ 18,556	$ 32,602
Operating ratio *(Note 1)*	**80%**	83%	86%
Cash flow generated from operating activities	$ **103,844**	$ 67,539	$ 74,008
Additions to property, plant and equipment and investment properties	$ **38,647**	$ 52,780	$ 48,113
Business acquisition	$ **86,752**	$ -	$ -
Dividends paid per common share	$ **1.80**	$ 1.80	$ 1.80
Basic earnings per common share	$ **17.69**	$ 4.77	$ 8.38
Diluted earnings per common share	$ **16.79**	$ 4.77	$ 8.38
At December 31			
Total assets	$ **874,397**	$ 664,552	$ 741,450
Shareholders' equity	$ **468,720**	$ 409,788	$ 452,522
Long-term debt (including current)	$ **231,982**	$ 118,369	$ 118,369
Equity per common share	$ **120.46**	$ 105.31	$ 116.30
Common shares outstanding	**3,891,211**	3,891,211	3,891,211

Note 1- Operating ratio is defined as operating expenses plus depreciation on property, plant and equipment and investment property as a percent of revenue.

Note 2- As reported under Canadian GAAP.

Message to Shareholders

Algoma Central Corporation had an outstanding and game changing 2011.

We began the year by announcing the start of our domestic dry-bulk fleet renewal program. This initial order from Nantong Mingde Shipyard in China included one gearless bulk carrier and three self-unloading bulk carriers.

This was followed by the announcement that we were acquiring the Upper Lakes Group Inc. (ULG) interest in our joint domestic shipping operation (the "ULG Transaction"). This acquisition included ULG's interest in Seaway Marine Transport (SMT) and related entities along with 11 vessels 100% owned by ULG, ULG's interest in four jointly owned vessels, ULG's interest in a self-unloader under construction at Chengxi Shipyard in China and a gearless bulk carrier that ULG had on order from Nantong Mingde Shipyard. This transaction closed on April 14, 2011 for a total consideration of $88.4 million. This amount consisted of the $85 million purchase price and $3.4 million in closing working capital adjustments.

Immediately upon closing we restructured and consolidated our domestic shipping operations by combining the former SMT group with our domestic product tanker group. This included commercial and operational personnel as well as support functions such as Finance, Information Technology, Procurement and Human Resources. After one-time restructuring costs, we expect to achieve $2.5 million in synergies on an annual basis as a result of this restructuring.

We then followed with an announcement that the domestic fleet renewal order was increasing to eight vessels. The six vessels to be owned by the Corporation are expected to cost $300 million. The other two vessels will be owned by the Canadian Wheat Board but managed both commercially and technically by the Corporation.

These eight vessels, now referred to as *Equinox Class*, are all identical Great Lakes class bulk carriers with the exception of the self-unloading equipment to be installed on four of the vessels. The innovative new design of these *Equinox Class* vessels is a result of our project team working in conjunction with Deltamarin, a leading vessel design firm, for almost two years. The result will be a series of eight vessels that will carry more cargo, at higher speeds while consuming less fuel. In short, the *Equinox Class* of vessels will be considerably more efficient while at the same time will have a significantly reduced environmental footprint.

The Corporation then followed with an announcement in July that it had completed a re-financing of its credit facilities, securing a source of funds to support the *Equinox Class* fleet renewal program and the acquisition of the ULG partnership interest in SMT and related vessels. This re-financing completed a process begun in April when the Corporation issued $69 million of seven-year 6% convertible unsecured subordinated debentures. The new senior secured credit facilities, which are both well priced and long-term in nature, include a $150 million five-year revolving credit facility, provided by a syndicate of six banks, and $150 million ten-year senior secured notes split evenly between a U.S. dollar tranche and a Canadian dollar tranche. A portion of the proceeds from the new facilities was used to repay amounts outstanding under the Corporation's existing credit facility. The balance of the new credit facility is expected to be used to fund the construction of our six new *Equinox Class* vessels on order from Nantong Mingde Shipyard in China and for general corporate purposes.

The *Algoma Mariner*, after being delivered by Chengxi Shipyard in China on May 31, 2011, arrived in Canadian waters on August 2, 2011. This vessel, the first completely new dry-bulk vessel to join our Canadian fleet since 1983, is a maximum Seaway size coastal class self-unloading bulk carrier. The *Algoma Mariner*, constructed with a similar aft-end design as the *Equinox Class*, has a number of environmental and technical improvements. The vessel is designed to carry traditional dry-bulk commodities such as iron ore, coal, salt, aggregates and grain in the Great Lakes – Seaway system and in Atlantic coast waters for the next 30 - 40 years. On August 25, 2011 the *Algoma Mariner* was christened in a special ceremony in Port Colborne, Ontario. The official Port of Registry for the vessel will be Port Colborne, in recognition of the Corporation's long association with this community. The Corporation owns the Port Colborne based ship repair facility, Fraser Marine and Industrial, the largest top-side repair facility operating in the Great Lakes region and the city has long been a major hub for the winter lay-up of vessels and the associated vessel maintenance.

The significant investment in the renewal of the domestic dry-bulk fleet combined with the ULG Transaction is a strong confirmation of the Corporation's commitment to the future of our Canadian marine transportation activities on the Great Lakes – St. Lawrence Waterway. These investments will allow the Corporation to continue its leadership position in domestic dry-bulk transportation and maintain Canadian jobs in this essential sector.

Our international product tanker, the *Algoma Hansa*, has been a participant in the Hanseatic Tanker commercial arrangement since its inception in 2008. Effective November 15, 2011 this commercial arrangement was terminated. We have found alternative employment for the *Algoma Hansa*, a 16,500 deadweight product tanker, by joining the Navig8 Chemicals Brizo8 Pool. This Pool, consisting of approximately 25 product tankers ranging in size from 16,000 to 21,000 deadweight tonnes, operates on a world-wide basis.

The arbitration hearing relating to the Corporation's cancellation (through a wholly-owned subsidiary), of three shipbuilding contracts with Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. (JZU) has been scheduled to be heard in September 2012. These cancellations were issued due to the excessive non-permissible delays incurred by JZU. JZU has disputed our right to rescind the three shipbuilding contracts resulting in the matter being put to arbitration. Payments made to JZU in the amount of US$35.4 million are backed by refund guarantees issued by major Chinese banks. Our right to demand payment on the refund guarantees has been stayed pending the outcome of this arbitration.

In addition to the three shipbuilding contracts referred to above, the Corporation, through a wholly-owned subsidiary, also had shipbuilding contracts with Nantong Mingde Shipyard (NMD) for the construction of two 25,000 deadweight product/chemical tankers. Coincident with the effectiveness of the six *Equinox Class* shipbuilding contracts with NMD, all deposits paid on these two contracts were transferred to the *Equinox Class* projects.

Financial Results

The Corporation is reporting consolidated revenue of $582.7 million compared to $393.7 million for 2010, as restated under IFRS. Our previously reported 2010 Canadian GAAP consolidated revenue, which included 100% of the revenues of SMT, was $536.4 million. The main factors contributing to this increase in revenue from 2010 Canadian GAAP was the increased utilization experienced by both our Domestic Dry-Bulk fleet and our Domestic Product Tanker fleet. The difference in the 2010 IFRS and Canadian GAAP reported revenue was due to the IFRS requirement that we only report the Corporation's share of revenue of SMT prior to completing the ULG Transaction.

Net earnings for 2011 are $68.8 million or $17.69 per share compared to 2010 IFRS net earnings of $18.6 million or $4.77 per share and 2010 Canadian GAAP net earnings of $32.6 million or $8.38. The major factors contributing to this significant increase over 2010 were:

- Strong Domestic Dry-Bulk utilization and improved expense ratios.
- Strong Domestic Product Tanker utilization and continued cost control.
- Accretive impact of Upper Lakes transaction.
- Timing of the Upper Lakes transaction which impacted the accounting for the significant first quarter loss that is typical of the Domestic Dry-Bulk segment.

The domestic dry-bulk business is subject to significant seasonality due to the closure of the St. Lawrence Seaway and Welland Canal during the winter months. As a result, the Corporation completes essentially all of its major planned repairs and vessel enhancements on its dry-bulk fleet during this period of inactivity. The substantial loss incurred during the first quarter of 2011 was shared by the Corporation and its then-partner in SMT. Had the after-tax value of the partner's interest in SMT's loss been reported by the Corporation (i.e.: had the acquisition occurred effective January 1, 2011 instead of April 14, 2011) operating earnings net of tax for the segment would have been reduced by $16.8 million. In fiscal 2012, Algoma will report 100% of the operating loss that the domestic dry-bulk segment normally incurs during this period and as a result, an amount approximating the operating loss shared by our partner in 2011 will be included in our reported income for 2012.

Cash flow for operations showed a significant increase to $103.8 million or $26.69 per share from $67.5 million or $17.36 per share as reported for 2010. This $36.3 million improvement can mainly be attributed to improvement in operating earnings of the business segments.

This cash flow was used to fund dividends of $6.8 million and to fund a portion of the $125.4 million capital expenditure program. Following is a summary of the significant capital projects undertaken in 2011.

- Progress payments of $19.0 million for construction of the *Algoma Mariner*, a second coastal class maximum seaway-sized vessel at Chengxi Shipyard in China.
- Payments totalling $10.9 million in respect of six new *Equinox Class* maximum seaway-sized dry-bulk lake freighters.
- Acquisition of ULG's share of our joint shipping operations and related vessels for $86.8 million (net of acquired cash).
- Re-development of the Station Mall in Sault Ste. Marie for $3.3 million.

Sustainability

As we have stated in previous years, we are committed to maintaining our strategic focus on sustainability, which includes four main tenets, Operations Excellence, Environmental Responsibility, Social Responsibility and Corporate Governance.

Operations Excellence, which is a key focus of both our shipboard and shore side employees, addresses quality performance measured by cost control, reduced incidents and minimized non-productive time. In 2011, as part of our Sustainability strategic focus, we have implemented a "ROCE Improvement Plan". The goal of this Plan is to develop and implement strategies to increase the return on capital employed ("ROCE") for existing assets to our target levels. The key areas of focus for this Plan are cost control, reduced incidents, minimized unproductive time, improved vessel utilization and the integration and consolidation of fleet management. We have already seen some results of this initiative in 2011 and expect further improvements in 2012.

Environmental Responsibility addresses our impact on the environment mainly through the reduction of emissions to the air and water. The *Equinox Class* vessels will contribute significantly to reduced air and water emissions primarily through a 45% reduction in emissions per tonne / kilometre and through installation of more robust waste water treatment equipment. The Corporation has recently announced that it will be installing fresh water, exhaust gas scrubbers on the six new *Equinox Class* vessels it has on order from Nantong Mingde Shipyard. These scrubber units will remove 97% of sulphur oxide emissions generated by the vessel's main engines and auxiliary generators. These scrubber systems will allow the use of lower cost, heavy fuel oils while, at the same time, meet the new Emission Control Area sulphur limits established by the International Maritime Organization (IMO) and adopted by Canada and the United States for the Great Lakes and coastal waters. The installation of scrubber units on our *Equinox Class* vessels fits with our stated objective of improving the efficiency of our fleet while at the same time reducing our environmental impact.

In 2011, the Corporation released its inaugural Environmental Report. With this report, which discusses our environmental accomplishments, challenges and improvement initiatives, we feel the Corporation is launching a new era in environmental leadership.

Social Responsibility addresses employee health and welfare programs, worker safety practises and community involvement. We continue to enhance our worker safety practises and programs which have been instituted in all business segments, with the goal to achieve zero personal injury incidents throughout the Corporation. Although this goal has not yet been achieved throughout the Corporation, I am pleased to report that our Product Tanker segment achieved zero personal injury incidents in 2011. This is a very significant accomplishment and all Product Tanker employees should be commended and congratulated for this achievement. It is proof that our goal is within reach. I am also pleased to note that in 2011 our lost time injury frequency per 200,000 hours for all business units combined was reduced 27% from 2010 and 54% over the last five years.

Governance responsibilities are addressed through clear and transparent policies such as the Code of Conduct Policy, Corporate Disclosure Policy, Insider Trading Policy and Whistle Blower Policy. The Code of Conduct Policy is affirmatively acknowledged by all employees and directors each year.

Outlook for 2012

Following on from 2011, a year when the activity levels experienced by the majority of our customers exceeded our initial expectation, we are cautiously optimistic that this recovery and growth will continue. Unfortunately, the precarious state of the European markets has a dampening effect on any strong optimism for the North American economy which is the key driver for many of our customers' activity. That being said, we feel we have the right business model in place to react to these markets as events unfold. In addition, we look forward to further improvements as the new vessels we have already introduced into our fleets come on line.

On behalf of the Board of Directors, we would like to express our appreciation to our employees, customers and business partners for their support and cooperation through the consolidation and restructuring process we instituted following the Upper Lakes transaction.

The Annual Meeting of Shareholders will be held in St. Catharines on April 27, 2012. We invite you to attend and look forward to seeing you at that time.

Greg D. Wight, FCA
President and Chief Executive Officer

Duncan N. R. Jackman
Chairman of the Board

Management's Discussion and Analysis

General

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

This Management's Discussion and Analysis ("MD&A") of the Corporation should be read in conjunction with its consolidated financial statements for the years ending December 31, 2011 and 2010 and related notes thereto and has been prepared as at February 15, 2012.

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

The Corporation has adopted International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as required by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with the guidelines established by the CICA, the transition date for the implementation of IFRS was January 1, 2010. All amounts for fiscal 2010 reported in this MD&A and the accompanying consolidated financial statements have been restated or reclassified to conform to IFRS and to financial statement presentations adopted for the current period being reported. Note 32 to the 2011 consolidated financial statements contains details of the IFRS accounting principles used by the Corporation to prepare the financial data contained in this MD&A and the consolidated financial statements. Amounts for 2009 and prior periods included in graphs or tables reflect Canadian generally accepted accounting principles in affect prior to the conversion to IFRS.

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

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.

Return on capital employed refers to earnings before financial expense and gains or losses on the translation of foreign currency-denominated assets and liabilities, on an after-tax basis, and expressed as a percentage of average capital. Capital employed is long-term debt including the current portion plus shareholders' equity. The Corporation uses return on capital employed to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders.

Return on equity is net earnings as a percent of average shareholders' equity.

EBITDA refers to earnings before interest, taxes, depreciation, and amortization. EBITDA is not a recognized measure for financial statement presentation under Canadian generally accepted accounting principles as defined by IFRS. EBITDA is not intended to represent cash flow from operations, as defined by GAAP, and it should not be considered as an alternative to net earnings, cash flow from operations, or any other measure of performance prescribed by GAAP. The Corporation's EBITDA may also not be comparable to EBITDA used by other corporations, which may be calculated differently.

The Corporation considers EBITDA to be a meaningful measure to assess its operating performance in addition to GAAP measures. It is included because the Corporation believes it can be useful in measuring its ability to service debt, fund capital expenditures, and expand its business.

Caution Regarding Forward-Looking Statements

The 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 2011 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price and the results of or outlook for our operations or for the Canadian and U.S. economies. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

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

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates; operational and infrastructure risks; general political conditions; labour relations with our unionized workforce; the possible effects on our business of war or terrorist activities; disruptions to public infrastructure, such as transportation, communications, power or water supply, including water levels; technological changes; significant competition in the shipping industry and other transportation providers; reliance on partnering relationships; on time and on budget delivery of new ships from shipbuilders and appropriate maintenance and repair of our existing fleet by third party contractors; health and safety regulations that affect our operations can change and be onerous and the risk of safety incidents can affect results, a change in applicable laws and regulations, including environmental regulations, could materially affect our results; economic conditions may prevent us from realizing sufficient investment returns to fund our defined benefit plans at the required levels; our ability to raise new equity and debt financing when required; extreme weather conditions or natural disasters; our ability to attract and retain quality employees; the seasonal nature of our business; and, risks associated with the lease and ownership of real estate.

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

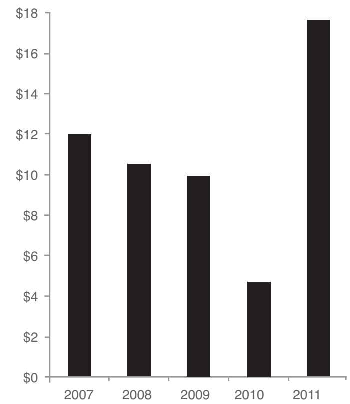
Overall Performance

The Corporation is reporting net earnings for 2011 of $68,844 compared to net earnings of $18,556 for 2010.

The increase was due primarily to the acquisition of the non-controlling interest in Seaway Marine Transport ("SMT"), improved overall operating results of the business units and a positive impact of the mark-to-market adjustment to recognize the fair value of certain foreign exchange forward contracts. In addition, the Corporation's results were improved in the year due to an impairment reversal for certain property, plant and equipment compared to an impairment charge in 2010. Partially offsetting these improvements were the adverse impact of higher financing costs and an increase in foreign exchange losses.

Basic Earnings Per Share

(IN DOLLARS)



Note: 2007 to 2009 reported under Canadian GAAP
2010 and 2011 reported under IFRS

The Domestic Dry-Bulk segment's operating earnings net of income tax increased from $3,438 to $36,573. The improvement was due to the increase in the Corporation's share of earnings in SMT and an overall improvement in domestic dry-bulk operating results. Effective April 14, 2011, the Corporation acquired the Upper Lakes Group Inc. ("ULG") fleet of domestic dry-bulk vessels and its partnership interest in SMT and related entities ("the ULG Transaction") resulting in all of the earnings of SMT post acquisition being attributable to the Corporation compared to approximately 59% of the earnings prior to the acquisition. Operating results also improved due to an increase in operating days and an improved mix of cargoes for the fleet. Higher operating costs on certain vessels partially offset these improvements.

The Product Tanker segment operating earnings net of income tax increased from $11,694 to $13,695, mainly as a result of more operating days due to an increase in market demand which was partially offset by an increase in direct operating expenses.

The operating earnings net of income tax of the Ocean Shipping segment for the 2011 were $15,476 compared to $14,186 for the same period in 2010. The earnings for 2011 included the impact of two regulatory dry-dockings, resulting in reduced revenue and higher operating expenses for the cost of the dry-dockings not eligible to be capitalized. Earnings and costs in 2010 were lower as a result of regulatory dry-dockings of three dry-bulk vessels in preparation for the transfer to Great Lakes dry-bulk service.

The Real Estate segment operating earnings net of income tax increased from $3,123 to $3,383.

A loss for the year on the translation of foreign- denominated monetary assets and liabilities resulted largely from translating U.S dollar-denominated long-term debt net of cash on hand to Canadian dollars for reporting purposes.

Financial expense for 2011 decreased to $8,568 from $9,503 in 2010. Net interest expense for 2011 was $9,935 compared to $6,139 in 2010. The increase reflects higher debt levels and additional amortization of costs related to financings. Financial expense also includes the change in both years of the fair value of certain forward exchange contracts. In 2011, the mark-to-market adjustment was a gain of $1,367 versus a loss of $3,364 in 2010.

Selected Annual Information

	2011	2010	2009
For year ended December 31 - *Note 1*			
Revenues	**$ 582,690**	$ 393,702	$ 520,147
Net earnings	**$ 68,844**	$ 18,556	$ 38,845
Basic earnings per common share	**$ 17.69**	$ 4.77	$ 9.98
Diluted earnings per common share	**$ 16.79**	$ 4.77	$ 9.98
At December 31 - *Note 2*			
Total assets	**$ 874,397**	$ 664,552	$ 630,773
Total long-term financial liabilities	**$ 231,982**	$ 118,369	$ 112,953

Note 1 - 2011 and 2010 are reported under IFRS. 2009 is reported under Canadian GAAP.
Note 2 - 2011, 2010 and 2009 are reported under IFRS.

The increase in assets in 2011 of $209,845 was due to the following:

- an increase in cash of $89,514 primarily from the issue of the senior secured notes and cash from operations.
- accounts receivable increase of $28,448 was due primarily to the ULG Transaction.
- an increase in property, plant and equipment, again due primarily to the ULG Transaction.
- payments made on the *Algoma Mariner* and installments on the new *Equinox Class* vessels.

Long-term financial liabilities, which consist of long-term debt including the current portion, increased by $113,613 primarily from the issue of the convertible unsecured subordinated debentures and the senior secured notes.

Results of Operations

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

	2011	2010
Operating earnings net of income tax		
Domestic Dry-Bulk	**$ 36,573**	$ 3,438
Product Tankers	**13,695**	11,694
Ocean Shipping	**15,476**	14,186
Real Estate	**3,383**	3,123
	69,127	32,441
Impairment provisions on product tankers	**4,501**	(11,301)
Not specifically identifiable to segments		
Net (loss) gain on translation of foreign-denominated monetary assets and liabilities	**(2,073)**	677
Financial expense	**(8,568)**	(9,503)
Income tax	**5,857**	6,242
	$ 68,844	$ 18,556

The Corporation's MD&A on the results of operations for the year ended December 31, 2011 compared to 2010 is contained in the Overall Performance section on page 10. Additional information on certain line items from the earnings statement follows.

Revenues

Revenue by business segment is as follows:

	2011	2010
Domestic Dry-Bulk	$ 389,172	$ 203,620
Product Tankers	88,436	75,462
Ocean Shipping	75,089	85,654
Real Estate	29,993	28,966
	$ 582,690	$ 393,702

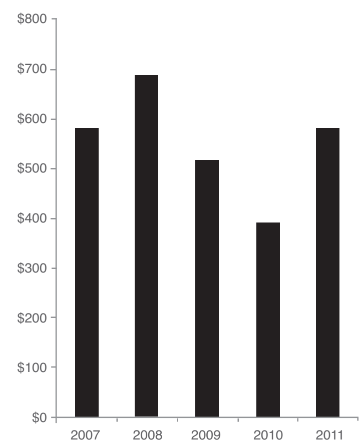
The increase in revenue for the Domestic Dry-Bulk segment for 2011 when compared to 2010 was due primarily to the Corporation's share of the domestic dry-bulk revenue increasing from a proportionately consolidated 59% to 100% as of April 14, 2011 because of the ULG Transaction, an increase in operating days including those for three gearless bulk carriers transferred to the Domestic Dry-Bulk segment from the Ocean Shipping segment during 2010, and an increase in fuel costs recovered through fuel surcharges.

The increase in revenue for the Product Tanker segment for 2011 when compared to 2010 was due primarily to an increase in market demand leading to increased operating days.

Ocean Shipping revenue decreased in 2011 compared to 2010 due primarily to two regulatory dry-dockings in 2011 and lower revenues in 2011 due to the three gearless bulk-carriers that were formerly part of the ocean fleet moving to domestic service.

Revenue

(IN MILLIONS)



Note: 2007 to 2009 reported under Canadian GAAP
2010 and 2011 reported under IFRS

The increase in revenue for the Real Estate segment was due primarily to higher occupancy and rates at the hotel property in Sault Ste. Marie, which re-opened in early 2010 following renovations.

Operations Expenses

The operations expenses by business segment are as follows:

	2011	2010
Domestic Dry-Bulk	$ 295,310	$ 167,279
Product Tankers	54,714	45,179
Ocean Shipping	49,471	58,481
Real Estate	17,442	17,392
	$ 416,937	$ 288,331

The increase in operating expenses of the Domestic Dry-Bulk segment was due primarily to the Corporation's share of the SMT partnership expenses increasing to 100% because of the ULG Transaction, an increase in operating days including the operating days for three gearless bulk carriers transferred to the Domestic Dry-Bulk segment from the Ocean Shipping segment in 2010 and an increase in fuel costs.

The increase in operating expenses of the Product Tankers segment was due largely to higher direct operating expenses from additional operating days.

The decrease in operating expenses of the Ocean Shipping segment was due primarily to the three vessels which were formerly operating and reported in the Ocean Shipping segment now working in domestic service and the costs incurred in 2010 associated with the regulatory dry-dockings for these same vessels.

General and Administrative

General and administrative expenses for 2011 increased by $6,323 over 2010. The increase is due primarily to the Corporation's share of the SMT partnership general and administrative expenses increasing to 100% and expenses of $2,651 related to the ULG Transaction, including related restructuring costs.

Depreciation of Property, Plant and Equipment and Investment Properties

Depreciation expense was $47,148 for 2011 compared to $39,747 in 2010. Increases in depreciation resulted primarily from the vessels acquired from ULG and the addition of the *Algoma Mariner* in mid-2011.

Financial Expense

Financial expense consists of the following:

	2011	2010
Interest expense on borrowings	$ **13,506**	$ 9,555
Interest income on cash and cash equivalents	**(965)**	-
Amortization of financing costs	**2,200**	2,092
Interest capitalized	**(4,806)**	(5,508)
Net interest expense	$ **9,935**	$ 6,139
Mark to market for derivatives that are not eligible for hedge accounting	**(1,367)**	3,364
Net financial expense	$ **8,568**	$ 9,503

Net interest expense increased due to higher borrowing levels including financing for the ULG Transaction. Interest capitalized decreased in 2011 when compared to 2010 primarily as a result of the cancellation of the three shipbuilding contracts with Jiangxi Jiangzhou Union Shipbuilding Co., Ltd.

Net (Loss) Gain on Translation of Foreign Assets and Liabilities

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

		2011		2010
(Loss) gain on U.S. long-term debt	$	**(3,132)**	$	2,368
Gain on U.S. cash		**1,836**		-
Realized loss on return of capital from foreign subsidiaries		**(315)**		(1,673)
Other		**(462)**		(18)
	$	**(2,073)**	$	677

On July 19, 2011, the Corporation completed an issuance of long-term debt that included $75,000 denominated in U.S. dollars. A significant portion of the proceeds of this debt issuance remained in cash at the end of 2011. The loss or gain on the U.S. denominated debt and cash respectively are related to the translation to Canadian dollars of those items and reflect the change in value of the Canadian dollar against the U.S. dollar.

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

Income Tax Provision

Income tax expense increased to $13,685 for 2011 when compared to $3,628 in 2010 due mainly to higher earnings.

The Canadian statutory rate for the Corporation for 2011 and 2010 are 28.3% and 31.0 % respectively. Any variation in the effective income tax rate from the statutory income tax rate is due mainly to the lower income tax rates applicable to foreign subsidiaries and the effect of any non-taxable gains or losses that have been included in earnings.

Comprehensive Earnings

Comprehensive earnings for 2011 were $61,214 compared to $7,210 for 2010.

The increase was due primarily to higher earnings and the change in the unrealized gain or loss in the periods on the translation of the net investment in foreign operations. The latter was due to the change in the Canadian dollar against the U.S. dollar. These improvements were partially offset with an increase in the actuarial losses on employee future benefits.

Internal Controls over Financial Reporting

There have been no changes in the Corporation’s internal controls over financial reporting during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Corporation’s internal controls over financial reporting.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

	2011	2010	Increase
Net earnings	$ 68,844	$ 18,556	$ 50,288
Cash generated from operating activities	$ 103,844	$ 67,539	$ 36,305
Cash used in investing activities	$ 122,027	$ 35,710	$ 86,317
Cash provided from financing activities	$ 106,888	$ 868	$ 106,020

Cash Generated from Operating Activities

The increase in cash generated from operating activities in 2011 of $36,305 over 2010 was due primarily to the increase in earnings from the ULG Transaction and a general improvement in the operating earnings of the business segments. This was partially offset by a net change in cash invested in working capital, resulting from the acquisition of the SMT interest previously owned by ULG.

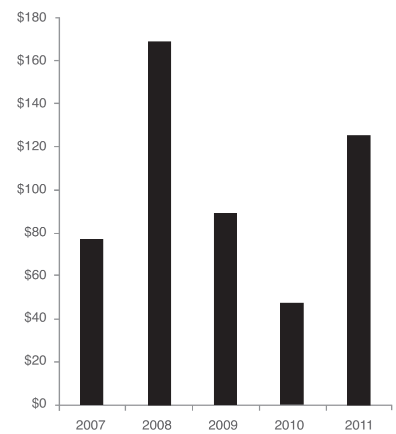
Cash Used in Investing Activities

Cash used in investing activities in 2011 of $122,027 was related primarily to installments on the *Algoma Mariner* of $19,056, $86,752 for the ULG Transaction, $10,917 paid on the new *Equinox Class* vessels, $4,119 on improvements to the *John B. Aird* and $3,292 on the re-development of the Station Mall in Sault Ste. Marie, Ontario. The *Algoma Mariner* was delivered to the Corporation by the shipyard on May 31st and entered service in the domestic dry-bulk fleet in August 2011.

Cash used in investing activities in 2010 was for installments on the *Algoma Mariner* of $9,925, $4,267 on the five ocean product tankers primarily for interest capitalized on installments, $9,000 for the purchase of the *Algoma Dartmouth*, $2,224 for the hotel modernization in Sault Ste. Marie and $12,362 for capital improvements on the *Algoma Discovery*, *Algoma Guardian* and *Algoma Spirit*.

Additions to Property, Plant and Equipment and Investment Properties

(IN MILLIONS)



Note: 2007 to 2009 reported under Canadian GAAP
2010 and 2011 reported under IFRS

Cash Provided from Financing Activities

In 2011, the Corporation raised $208,497 (net of debt issuance costs) through the issuance of U.S. $75,000 and Canadian $75,000 of long-term notes payable and the issuance of convertible unsecured subordinated debentures of $69,000. The proceeds of these three issues of debt were used in the year primarily to retire existing debt of $120,577 and to finance the ULG Transaction.

The U.S. dollar denominated senior secured notes bear interest of 5.11% and the senior secured notes denominated in Canadian dollars incur interest of 5.52%. Both tranches of this debt are due on July 19, 2021.

Dividends were paid to shareholders at $1.80 per common share in each of 2011 and 2010.

Capital Resources

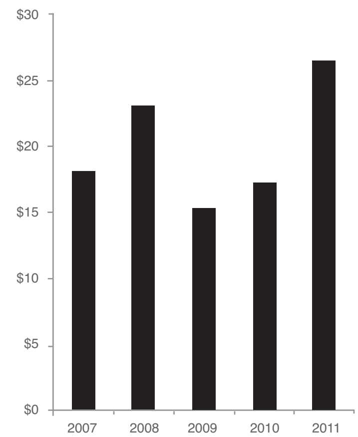
Cash and cash equivalents on hand at December 31, 2011 of $132,316, credit facilities and projected future cash from operations should be sufficient to meet the Corporation's planned operating and capital requirements and other contractual obligations for the year.

The Corporation maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. The total authorized credit facilities at December 31, 2011 with the Corporations bank syndicate were $175,500, consisting of $150,000 in a revolving facility and $25,500 in two non-revolving term facilities. At December 31, 2011, the Corporation had $149,173 available under these existing credit facilities.

On July 19, 2011, the Corporation completed a refinancing of its credit facilities, securing a source of funds to support the Corporation's previously announced fleet renewal program and the ULG Transaction. The refinancing completes a process begun earlier in 2011 when the Corporation issued $69,000 of seven-year 6% convertible unsecured subordinated debentures.

Cash Generated from Operations per Share

(IN DOLLARS)



Note: 2007 to 2009 reported under Canadian GAAP
2010 and 2011 reported under IFRS

The new senior secured credit facilities total $300,000 and include a $150,000 five-year senior secured revolving facility and ten-year senior secured notes, comprising two tranches, one for U.S. $75,000 and one for Canadian $75,000. A portion of the proceeds from the new facilities was used to repay amounts outstanding under the Corporation's expiring credit facility, including amounts borrowed earlier this year to complete the ULG Transaction. The balance of the new credit capacity is expected to be used to fund the construction of the six *Equinox Class* vessels on order from Nantong Mingde Shipyard in China and for general corporate purposes.

Contingencies

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

Transactions with Related Parties

The Corporation's ultimate controlling party is The Honourable Henry N. R. Jackman, a Canadian resident, together with a trust created in 1969 by his father, Henry R. Jackman.

There were no transactions with related parties in 2011 and 2010 other than transactions prior to April 14, 2011 with the Seaway Marine Transport partnership as outlined in Note 5 in the notes to the consolidated financial statements.

Three-Month Results Ending December 31, 2011 and 2010

The Corporation is reporting net earnings for the three months ended December 31, 2011 of $33,358 compared to net earnings of $7,693 for the same period in 2010. The improvement was due primarily to the ULG Transaction and better operating results from business units. In addition, the 2010 fourth quarter included asset impairment charges on certain international tanker construction contracts and our foreign-flagged tanker of $11,301 reflecting a declining outlook for that industry. These increases were partially offset with higher financial expense and an increase in the loss on the translation of foreign-denominated assets and liabilities.

	2011	2010
Operating earnings net of income tax		
Domestic Dry-Bulk	$ 23,791	$ 8,913
Product Tankers	3,779	6,036
Ocean Shipping	6,089	4,860
Real Estate	648	606
	34,307	20,415
Impairment provisions on product tankers	(565)	(11,301)
Not specifically identifiable to segments	-	-
Net (loss) gain on translation of foreign-denominated	-	-
monetary assets and liabilities	(165)	820
Financial expense	(3,725)	(6,924)
Income tax recovery	3,506	4,683
	$ 33,358	$ 7,693

The Domestic Dry-Bulk segment's operating earnings net of income tax improved from $8,913 in 2010 to earnings of $23,791 in 2011. The increase in earnings resulted from the ULG Transaction and improved overall fleet performance.

The Product Tanker segment operating earnings net of income tax decreased from $6,036 to $3,779 due primarily to increased direct costs.

The operating earnings net of income tax of the Ocean Shipping segment increased to $6,089 in 2011 compared to $4,860 for the same period in 2010 due primarily to the timing of regulatory dry-dockings and strong revenues in the international pool in 2011.

The Real Estate segment operating earnings net of income tax increased from $606 to $648 due primarily to additional earnings realized from the hotel.

The decrease in earnings due to the loss on the translation of foreign-denominated monetary assets and liabilities was a result of the weakening of the Canadian dollar against the U.S. dollar.

Financial expense decreased from $6,924 in 2010 to $3,725 in 2011. The decrease was due primarily to additional interest capitalized on vessel construction as our progress payments on the *Equinox Class* vessels increase and a decrease in the mark-to-market adjustment of the fair value of certain foreign exchange contracts. These decreases were partially offset with additional interest on the new long-term debt.

Critical Accounting Estimates

The Corporation's significant accounting policies are described in Note 3 to the consolidated financial statements. Some of these accounting policies require management to make estimates and assumptions about matters that are uncertain at the time the estimates and assumptions are made. Management believes that the estimates are reasonable; however, different estimates could potentially have a material impact on the Corporation's financial position or results of operations.

Employee Future Benefits

The Corporation provides pensions and post-retirement benefits including health care, dental care and life insurance to certain employees. The determination of the obligations and expense for the employee future benefits is dependent on the selection of certain assumptions used by the Corporation in calculating such amounts. Those assumptions are disclosed in Note 17 to the Corporation's consolidated financial statements, the most significant of which are the discount rate, the rate of increase of compensation, expected rates of return on plan assets, the rate of increase in the cost of health care and the estimated average remaining service lives of employees. The assumptions are reviewed annually and the impact of any changes in the assumptions is reflected in accounting gains or losses as disclosed in Note 17 to the consolidated financial statements. The significant accounting assumptions adopted are internally consistent and reflect the long-term nature of employee future benefits. Significant changes in assumptions could materially affect the Corporation's reported employee future benefit obligations and future expense.

Property, Plant and Equipment and Investment Properties

The Corporation reviews on a regular basis the depreciation periods of property, plant and equipment and investment properties for changes in estimated useful lives. The Corporation reviews for impairment whenever indications exist and at a minimum on an annual basis whether there are any signs of impairment in accordance with the Corporation's accounting policy.

Change in Accounting Estimates

Employee Future Benefits

Effective December 31, 2011 the Corporation lowered its assumed discount rate for purposes of calculating the accrued benefit obligation at December 31 from 5.3% to 4.5%. At December 31, 2010 the discount rate was lowered from 6.4% to 5.3%. The discount rate assumption is based on long-term corporate bond rates which fluctuate due to market conditions. In general, a decrease in the assumed discount rate will result in an increase in the accrued benefit obligation.

The adoption of these new assumptions has had the following effect on the consolidated financial statements.

	2011	2010
Increase in accrued benefit obligation	$ 12,378	$ 14,140
Increase in actuarial loss	$ 12,378	$ 14,140

Future Accounting Changes

International Financial Reporting Standards

The Corporation is currently assessing the impact on it's consolidated financial statements of the following future accounting changes.

Consolidated Financial Statements

In May 2011, the International Accounting Standards Board ("IASB") issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"). This IFRS replaces portions of IAS 27, "Consolidated and separate Financial Statements" ("IAS 27") that addresses consolidation and supersedes SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended for the issuance of IFRS 10 and retains guidance only for separate financial statements.

Joint Arrangements

In May 2011, the IASB issued IFRS 11, "Joint Ventures" ("IFRS 11"). IFRS 11 supersedes IAS 31, "Interest Joint Ventures" and Standing Interpretations Committee ("SIC") -13, "Jointly Controlled Entities – Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements that are controlled jointly.

As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") has been amended to correspond to the guidance provided in IFRS 10 and IFRS 11.

Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"). This IFRS requires extensive disclosures relating to a corporation's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This IFRS enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance.

IFRS 10, 11 and 12 and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, so long as IFRS 10, 11 and 12 and the amendments to IAS 27 and 28 are adopted at the same time. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12.

Fair Value Measurement

In May 2011, the IASB issued IFRS 13, "Fair Value Measurement", which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted.

Employee Benefits

In June 2011, the IASB revised IAS 19, "Employee Benefits". The revisions include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The amendments enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual periods beginning on or after July 1, 2012.

International Financial Reporting Standards

The Corporation adopted IFRS in the first quarter of fiscal year 2011. The Corporation's analysis of IFRS as reported in 2010 when compared with Canadian GAAP identified a number of differences which were previously reported in the 2010 Management's Discussion and Analysis.

Set out below is a reconciliation of the equity as previously reported by the Corporation to the initial IFRS financial statements.

	As at January 1, 2010	As at December 31, 2010
Total equity under Canadian GAAP	$ 438,733	$ 452,522
Componentization of dry docking expenses	8,018	6,692
Impairments recognized	(20,192)	(31,493)
Actuarial losses recognized	(11,036)	(24,147)
Unamortized transitional asset	1,737	1,737
Past service costs	(1,465)	(1,465)
Minimum funding liability recorded	(11,173)	(485)
	(34,111)	(49,161)
Tax effect of the above	4,870	6,427
Total adjustment to equity	(29,241)	(42,734)
Total equity under IFRS	$ 409,492	$ 409,788

Set out below are the key areas where changes in accounting policies as a result of the transition to IFRS have impacted the Corporation's consolidated financial statements. The list and comments below should not be regarded as a complete list of changes that result from the transition to IFRS. It is intended to highlight those areas thought to be most significant.

Property Plant and Equipment

Former accounting policy

The cost of an item of property, plant and equipment was stated at cost less accumulated amortization and amounts written down to net recoverable value. All major components were amortized over the same estimated life.

IFRS accounting policy

Historical cost accounting was selected instead of the revaluation model which is consistent with the Corporation's former accounting policy. The Corporation has elected not to take the IFRS 1 election to revalue property, plant and equipment to fair value.

Under IFRS, property, plant and equipment, consisting primarily of vessels, will consist of two separate components, regulatory dry-docking costs and vessels that will be amortized separately.

Accounting impact on our continuing operations

IFRS requires capitalization and amortization of regulatory dry-docking costs as a separate component of the vessel. The former policy of the Corporation was to expense these costs as incurred. This change in accounting policy did not have a significant impact on the financial statements.

Employee Benefits

Former accounting policy

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets was not immediately recognized in earnings but was amortized over the remaining service period of active employees.

Past service costs of defined benefit plans were amortized over the estimated average remaining service life of plan members.

The expected return on plan assets and the interest on the liability were recorded as part of pension expense.

IFRS accounting policy

Actuarial gains and losses for the defined benefit plans will be recognized in the period in which they occur in other comprehensive earnings. The Corporation has taken the IFRS 1 election to recognize in opening accumulated other comprehensive earnings at January 1, 2010, the cumulative net unrecognized actuarial gains and losses, unamortized past service costs and unamortized transitional obligation.

Vested past service costs will be expensed immediately while unvested past service costs will be amortized over the vesting period.

Under certain circumstances, an additional minimum liability will be recognized under the rules of IFRIC 14, "The limit on a defined benefit asset, minimum funding requirements and their interaction". Changes to this amount will be recorded in other comprehensive earnings.

Accounting impact on our continuing

All actuarial gains and losses incurred in the period will be recorded directly to other comprehensive earnings. This policy choice will give rise to more fluctuation in other comprehensive earnings.

Volatility in the accrued benefit assets and liabilities and equity will arise as a result of the changes due to the rules of IFRIC 14.

Investment Property

Former accounting policy

The Corporation's real estate assets were stated at cost less accumulated amortization and included in capital assets.

IFRS accounting policy	The Corporation's real estate assets will be classified separately as investment property on the balance sheet and accounted for using the cost model. The fair value disclosure will be included in the notes to the financial statements.
Accounting impact on continuing operations	No effect on continuing operations.

Impairment of Long-Lived Assets

Former accounting policy	The Corporation reviewed whenever indications existed and at a minimum on an annual basis, whether there are any signs of impairment of its capital assets and identifiable intangible assets ("long-lived assets"). The impairment of a long-lived asset was measured by comparing the expected future undiscounted cash flows to the carrying value of the asset. If the carrying value exceeded the amount recoverable, the carrying values were written down to estimated fair value.
IFRS accounting policy	Under IFRS, if there are indicators of impairment, impairment testing is a one-step process; the carrying value of the asset is directly compared to the recoverable amount, which is the higher of fair value less costs to sell and value in use. Value in use is calculated using the discounted future cash flows expected to result from the use and eventual disposition of the asset.
Accounting impact on our continuing operations	This one-step impairment test under IFRS may result in more frequent write-downs of assets. Reversals of previous write-downs may be required in future periods, in particular with the assets under construction if the ship building contracts are cancelled.

Foreign Currency Translation Adjustment (CTA)

Current accounting policy	Foreign exchange gains or losses arising from the translation into Canadian dollars of foreign self-sustaining operations were included in accumulated other comprehensive earnings, which is a separate component of shareholders' equity.
IFRS accounting policy	No significant changes have been identified from our current accounting policy.
Accounting impact on our continuing	Future translation gains or losses will result from the operations translation into Canadian dollars of foreign self-sustaining operations at the exchange rate in effect. The changes due to the translations will be included in Currency Translation Adjustment. The Corporation does not expect a significant impact on continuing operations.

Joint Ventures

Former accounting policy	Prior to the ULG transaction the Corporation had an interest in a joint venture, which was reported in accordance with accounting for variable interest entities and therefore was fully consolidated in the results of the Corporation with the non-controlling interests share separately identified. All other joint ventures were accounted for using the proportionate consolidation method.
IFRS accounting policy	Under the current IAS 31 Interest in Joint Ventures ("IAS 31"), the Corporation will be accounting for all of its joint ventures using proportionate consolidation.
Accounting impact on our continuing operations	The revised accounting policy will have no effect on net earnings but revenues and expenses will be reduced by the non-controlling interest's share and the non-controlling interests line items will be eliminated.

Internal Controls and Disclosure Controls over Financial Reporting

In accordance with the requirements of *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Corporation's management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), have evaluated the operating effectiveness of the Corporation's internal controls over financial reporting. Under the supervision of and with the participation of the CEO and the CFO, management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management assessed the effectiveness of the Corporation's internal controls over financial reporting as of December 31, 2011. Based on this assessment, the CEO and CFO have concluded that the Corporation's internal controls over financial reporting are operating effectively as of December 31, 2011. Management determined that there were no material weaknesses in the Corporation's internal controls over financial reporting as of December 31, 2011. There have been no changes in the Corporation's internal controls over financial reporting during the year ended December 31, 2011, that have materially affected, or are reasonably likely to materially affect its internal controls over financial reporting.

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is reported to the CEO and CFO on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at the financial year ended December 31, 2011, an evaluation of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures was carried out under the supervision of and with the participation of the CEO and CFO in accordance with *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*. Based on that evaluation, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures are effective as of December 31, 2011, to provide reasonable assurance that material information relating to the Corporation and its consolidated subsidiaries would be made known to them by others within those entities.

Derivative Financial Instruments

The Corporation utilizes interest rate swap agreements on certain of its debt instruments to manage risks associated with interest rate movements. At December 31, 2011 and 2010, the interest rate swap agreements had a negative fair value of $1,178 and $2,135 respectively. The amounts have been recorded on the financial statements in accordance with the Corporation's hedge accounting policy.

In addition to the interest rate swap agreements, the Corporation utilizes foreign exchange forward contracts to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join the Corporation's domestic dry-bulk fleet.

The Corporation has entered into foreign exchange forward contracts with major financial institutions for $164,037 and $131,495 as of December 31, 2011 and 2010 respectively. The foreign exchange forward contracts relate to the payments under shipbuilding contracts for the construction of the six *Equinox Class* vessels. Foreign exchange forward contracts totalling U.S. $44,720 have options at various dates in 2012 and 2013 to purchase U.S. funds at an average rate of 1.01. The remaining contracts totalling $119,317 have options at various dates throughout 2012, 2013 and 2014 to purchase U.S. funds at a rate not exceeding Canadian 1.05 and a barrier or floor rate of Canadian 0.99. The Corporation has not applied hedge accounting to these contracts and at December 31, 2011 and 2010, the fair market value for these contracts was unfavourable to the Corporation by $1,311 and $3,452 respectively.

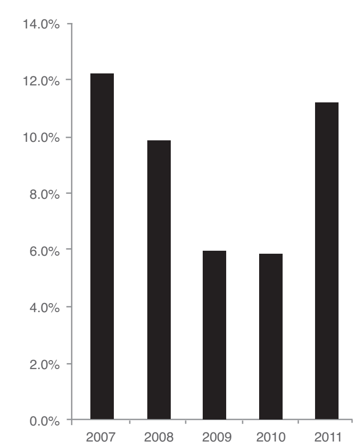
Return on Capital Employed

The Corporation uses Return on Capital Employed (ROCE) to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders.

The Corporation defines ROCE as earnings before financial expense and gains or losses on the translation of foreign-denominated assets and liabilities, on an after-tax basis, and expressed as a percentage of average capital employed. Capital employed is long-term debt, including the current portion plus shareholders' equity.

The ROCE in 2011 increased to 11.3% from 5.9% in 2010 primarily as a result of increased earnings and a decrease in shareholders' equity resulting from the transition from Canadian GAAP to IFRS.

Return on Capital Employed



Note: 2007 to 2009 reported under Canadian GAAP
2010 and 2011 reported under IFRS

Summary of Quarterly Results

The results for the last eight quarters are as follows with amounts in thousands of dollars except per share figures:

Year	Quarter	Revenue	Net earnings (loss)	Basic earnings (loss) per share
2011	Quarter 4	$ 185,050	$ 33,358	$ 8.56
	Quarter 3	$ 184,234	$ 35,003	$ 9.00
	Quarter 2	$ 156,220	$ 17,496	$ 4.50
	Quarter 1	$ 57,186	$ (17,013)	$ (4.37)

2010	Quarter 4	$ 122,974	$ 7,693	$ 1.98
	Quarter 3	$ 108,111	$ 17,126	$ 4.40
	Quarter 2	$ 107,852	$ 10,939	$ 2.81
	Quarter 1	$ 54,765	$ (17,202)	$ (4.42)

The nature of the Corporation's business is such that the earnings in the first quarter of each year are not indicative of the results for the other three quarters in a year. Due to the closing of the canal system and the winter weather conditions in the Great Lakes–St. Lawrence Waterway, the majority of the domestic dry-bulk fleet does not operate for much of the first quarter. In addition, significant repair and maintenance costs are incurred in the first quarter to prepare the domestic dry-bulk fleet for the upcoming navigation season. As a result, the first quarter revenues and earnings are significantly lower than the remaining quarters in the year.

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

Contractual Obligations

The table below provides aggregate information about the Corporation's contractual obligations at December 31, 2011 that affect the Corporation's liquidity and capital resource needs.

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Repayment of long-term debt including equity component	$ 6,000	$ 12,000	$ 7,500	$ 220,275	$ 245,775
Capital asset commitments	103,228	143,942	-	-	247,170
Employee future benefit payments	2,000	4,001	2,000	-	8,001
Other	250	500	500	750	2,000
	$ 111,478	$ 160,443	$ 10,000	$ 221,025	$ 502,946

The Corporation has contracts for the construction of six new *Equinox Class* vessels with Nantong Mingde Heavy Industries of China. Four of the contracts were entered into in 2010 and during 2011, as a result of the ULG Transaction, the Corporation acquired a contract for the construction of the fifth *Equinox Class* vessel. Later in 2011, the Corporation converted a product tanker contract and replaced it with a contract for a sixth *Equinox Class* vessel having approximately equal value, the payments for which are included in the commitments table above. Delivery of these vessels is expected to commence in early 2013 and continuing into 2014. The Corporation expects to satisfy a portion of the remaining instalment obligations by applying deposits to these vessels, subject to certain conditions, totalling U.S. $29,940 currently held by the shipyard in connection with the converted product tanker contract.

During fiscal 2010, the Corporation formally cancelled construction contracts with Jiangxi Jiangzhou Union Shipyard Ltd. related to the construction of three product tankers. The parties are currently in arbitration proceedings related to the cancellation. Under the original contract terms, the Corporation has unpaid instalment obligations totalling $59,453. The Corporation believes that it is able to support its position that the cancellation of these contracts occurred within the permitted cancellation terms; consequently, these cancelled commitments are excluded from the table above.

Risks and Uncertainties

The following section describes both general and specific risks that could affect the Corporation's financial performance. The risks described below are not the only risks facing the Corporation. Additional risks and uncertainties that are not currently known or that are currently considered immaterial may also materially and adversely affect the Corporation's business operations.

Shipboard Personnel

The long term challenge of recruiting and retaining skilled crews in the marine industry continues to be an area of focus. The limited number of training schools, the challenge of recruiting new employees into the marine industry and competition for skilled labour from other sectors are all factors to be addressed by the marine industry as a whole. A lack of properly skilled shipboard employees could lead to service delays and outages. The Corporation continues to work with industry groups, its unions and educators to develop and enhance training programs to ensure an adequate supply of labour is available to meet its future needs. In 2010, this group submitted a business case for a Marine Sector Council to Human Resources and Skill Development Canada (HRSDC) to address the long-term human resources challenges facing the industry and is currently waiting to hear from HRSDC about the development of a Marine Sector Council.

Unions

The majority of the positions on the Corporation's domestic vessels are unionized. Failure to enter into new collective agreements with any of the unions representing workers could result in service outages. The Corporation believes it has strong relations with each union representing its workers and does not expect service interruptions.

Partnering

The Corporation operates a portion of its property, plant and equipment capital assets jointly with third parties. Partnerships are seen by the Corporation as an effective tool to expand the business on a global basis. The expanded service capacity a partnership can provide includes additional stability and flexibility to its customer base. The success of its partnerships depends on the on-going cooperation and liquidity of its partners. The Corporation believes it has chosen partners who have similar goals and values and the financial strength to execute the strategies set out by each of the partnerships.

Outsourcing

The Corporation contracts certain of its information technology and technical ship management activities to third parties. The selection of the proper service providers is important to ensure the Corporation's high performance standards are applied consistently. Agents not performing to the expectations of the Corporation could have a significant impact on the reputation and financial results of the Corporation. The Corporation takes great care in ensuring the performance of parties selected to perform outsourced services on its behalf match its high quality standards. The Corporation deals with leading companies in the world for these services.

Service Failure

The Corporation's customers demand a high standard of operational excellence in order to ensure timely and safe delivery of their cargos. Incomplete or non-performance of services could expose the Corporation to customer complaints, penalties, litigation or loss of reputation. Failure to manage its fleet maintenance and capital improvements could impact the ability to generate revenue. The Corporation maintains stringent operational and maintenance plans to ensure assets perform to their maximum capability, and "Operations Excellence" is a high priority for each business unit.

Health and Safety

The Corporation places significant emphasis on health and safety management, and is committed to the prevention of human injury and loss of life. An unsatisfactory safety record could lead to significant fines and penalties and a reduction in customer confidence in the ability to perform the required service. In the case of a significant customer, it could also lead to the termination of the service agreement.

Property, Plant and Equipment

The non-performance of a shipyard to complete the construction of a vessel under development would impact on the Corporation's ability to replace existing assets and expand the business. The Corporation has remaining commitments of approximately $247,000 for the construction of six *Equinox Class* vessels with delivery dates currently estimated to extend to 2014. These vessels are important to the modernization and service capacity of its fleet and to the business strategy of the Corporation. The shipbuilders have been carefully selected and a knowledgeable supervision team is in place at the shipyard to ensure successful completion. In addition, the Corporation receives refund guarantees from the shipyard's bankers for installments made by the Corporation.

The Corporation through a wholly owned subsidiary entered into contracts to build three 16,500 – deadweight product tankers at the Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. In China. Each contract contained provisions that allowed for cancellation due to excessive delivery delays, which has occurred. Due to the excessive non-permissible delays, the Corporation has issued formal notices of its intention to rescind the three shipbuilding contracts. The Corporation is currently in discussions with the shipyard and a formal arbitration proceeding has commenced.

A significant portion of the funding for the additions to property, plant and equipment will come from internally generated cash flows, but due to the magnitude of the commitments, additional financing was required. The Corporation has secured credit facilities expiring on various dates through July 2021, including a revolving bank facility with a syndicate of six leading banks that will meet the cash requirements for its existing commitments.

Competitive Markets

The marine transportation and real estate businesses are competitive on both domestic and international fronts. Marine transportation is subject to competition from other forms of transportation such as road and rail freight. Competition may decrease the profitability associated with any particular contract and may increase the cost of acquisitions. The Corporation strives to differentiate itself from the competition with superior customer service, having vessels suited to each customer's needs and maintaining a compliant, safe, efficient and reliable fleet.

Changes in general economic conditions or conditions specific to a particular customer may affect the demand for vessel capacity. The Corporation believes that due to the long-term nature of its service contracts, vessel configurations and geographic diversity that it is well positioned in the market place and is able to withstand fluctuations in market conditions.

The Corporation believes the effect on earnings due to inflation or specific price changes will be immaterial.

Real estate assets are well maintained to provide long-term capacity to tenants and their users.

The geographic and operational diversity of the Corporation will help to mitigate negative economic impact to the sectors in which it operates.

Environmental

The Corporation is focused on the protection of the environment throughout its operations. Environmental protection is a dominant topic on the world legislative agenda. A change in legislation could have a significant impact on the Corporation's future operations and profitability. Environmental issues such as aquatic invasive species, pollutant air emissions (SOx and NOx), greenhouse gases, cargo residue and other recycled water are being scrutinized worldwide.

The year 2012 marks the commencement of implementation of progressively stricter rules for marine air emissions in North America. The North American Emissions Control Area (ECA) which regulates the coasts and the U.S. Environmental Protection Agency's rules regulating the U.S. waters of the Great Lakes, both come into force on August 1, 2012. The US ECA rule limits the sulphur content of marine fuels to 1.5% effective as of August 1, 2012 and 0.1% effective as of August 1, 2015. Under a planned reciprocal agreement between the US and Canada, a 'Fleet Averaging' framework for Canadian flag vessels, including those of the Corporation, is expected to be put in place to coincide with the imposition of U.S. ECA rules. The Fleet Averaging framework is intended to allow Canadian flag ship owners to achieve a reduction in emissions across their fleets that will be equivalent to the US ECA rules through the period ending 2020. The Fleet Averaging framework recognizes that reductions in marine emissions will be achieved through a variety of improvement programs such as the addition of new more efficient vessels, the use of exhaust gas scrubbers, fuel switching to low sulphur content fuels and other efficiency gains. The Corporation's addition of highly efficient *Equinox Class* ships and its recent announcement to install exhaust gas scrubbers on these ships will satisfy the maximum sulphur content limit of the ECA rules. The Corporation's other vessels are capable of using lower sulphur fuels although the cost and availability of low sulphur fuels may be a risk.

The U.S. Environmental Protection Agency (EPA) recently released the draft version of the next revision to the Vessel General Permit (VGP), the federal permit regulating vessel discharges to water, including a long anticipated federal ballast water discharge standard. The draft permit proposes an International Maritime Organization (IMO) treatment standard and prescribes a timeline and conditions for implementation of ballast water treatment equipment on various vessel types. The Corporation and other stakeholders have long argued that the ability to treat ballast water discharges on existing domestic flag vessels operating in the Great Lakes and St. Lawrence waterway (Lakers) is constrained by the unavailability of technology that is proven to operate in the unique Great Lakes operating conditions and is certified and approved for this use. New vessels such as the *Equinox Class* vessel have been designed to accommodate ballast water treatment equipment in the future once such equipment is developed to meet the unique Great Lakes operating conditions and is certified and approved for such use. The Corporation and other stakeholders have also expressed their concern that individual states are able to 'add-on' state specific requirements to the EPA VGP permit.

In 2012, efforts will continue to be directed at informing the Canadian and U.S. Federal Governments of the need for a common bi-national ballast water treatment standard based on the IMO standard and a reasonable regulatory framework that recognizes the current inavailability of ballast water treatment systems suitable for existing Lakers. The final requirements for the installation and use of ballast water treatment systems remains uncertain and therefore the impact on the Corporation is also uncertain.

The Corporation is certified to the International Safety Management Code, ISO 9001 Quality Management System and ISO 14001 Environmental Management System standards in its domestic dry-bulk and product tanker operations. In addition, the Corporation is a member of the industry's "Green Marine" initiative to communicate and demonstrate its commitment to playing a leading role in environmental management of its domestic shipping operations. Participants are required to implement specific best practices that will reduce the impact on the environment of their business activities. The results are communicated annually to the general public.

Marine transportation remains the most environmentally friendly method for the transportation of large quantities of bulk commodities.

Regulatory

A change in governmental policy could impact the ability to transport certain cargos. A policy change could threaten the Corporation's competitive position and its capacity to efficiently offer programs or services. Often several different jurisdictions are able to exercise authority over marine transportation and vessel operations. For example, within the Great Lakes – St. Lawrence Waterway there are eight U.S. state governments and two Canadian provincial governments plus both Federal Governments. The Corporation expects sufficient warning of a policy change providing it time to adjust and minimize the impact on the organization. Any such regulatory change would have a similar impact on our waterborne competitors.

Corporation employees participate in a number of industry associations that advise and provide feedback on potential regulatory change to ensure current knowledge of the regulatory environment.

Water Levels

The Corporation's domestic dry-bulk vessels and product tankers operate primarily in the Great Lakes and the St. Lawrence Seaway. Declining water levels in ports in which the vessels load and unload have the effect of reducing cargo sizes and therefore reducing the profitability of these vessels. In 2011, water levels on Lakes Superior, Michigan and Huron tracked the same or slightly higher than in 2010 while the levels of Lake Erie and Lake Ontario were significantly higher than in 2010. Although not an exact science, it is generally thought that global warming may have a negative effect on Great Lakes water depths.

Further drops in water levels in the Great Lakes and the St. Lawrence Seaway, which the Corporation has no control over, could have a significant impact on the future operations and profitability of the domestic dry-bulk vessels and product tankers.

The geographic diversity of the Corporation helps to mitigate the potential impact that could result from adverse effects due to lowering water levels and, in addition, a significant number of the domestic dry-bulk and product tanker customer contracts have freight rate adjustment clauses that provide financial protection for decreasing water levels.

Catastrophic Loss

A major disaster could impact the Corporation's ability to sustain certain operations and provide essential programs and services. The Corporation's assets may be subject to factors external to its control. The Corporation has emergency response and security plans for each fleet and vessel that is tested annually in accordance with statutory requirements. The Corporation maintains comprehensive insurance coverage on its assets and assesses the adequacy of this coverage annually.

Foreign Exchange

The Corporation operates internationally and is exposed to risk from changes in foreign currency rates. The foreign currency exchange risk to the Corporation results primarily from changes in exchange rates between the Corporation's reporting currency, the Canadian dollar, and the U.S. dollar. The Corporation's exchange risk on earnings of foreign subsidiaries is largely diminished due to both cash inflows and outflows being denominated in the same currency.

The Corporation has significant commitments due for payment in U.S. dollars. The Corporation mitigates the risk associated with the U.S. dollar payments principally through foreign exchange forward contracts.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from its customers. The Corporation believes that the credit risk for accounts receivable is limited due to the tight credit terms given to customers, minimal bad debts experience and a customer base that consists of a relatively few large industrial concerns in diverse industries and quasi-governmental agencies. Credit reviews are performed on an on-going basis.

Employee Future Benefits

Economic conditions may prevent the Corporation from realizing sufficient investment returns to fund the defined benefit pension plans at existing levels. Any resulting increase in the funding requirements for the Corporation's defined benefit pension plans, although a use of resources, is not expected to have a material impact on its cash flows. Effective January 1, 2010, the Corporation adopted a defined contribution plan for all new employees.

Domestic Dry-Bulk

The Domestic Dry-Bulk segment includes the activities of the Corporation's Canadian flag dry-bulk vessels and our ship repair and steel fabrication business.

At the commencement of 2011, the Corporation's Canadian flag dry-bulk vessels were managed by Seaway Marine Transport ("SMT"). SMT's responsibilities included marketing and sales, vessel traffic, vessel operations management, purchasing, accounting and administrative functions for the Corporation's dry-bulk vessels and the Canadian flag dry-bulk vessels owned by Upper Lakes Group Inc. ("ULG"). In addition, SMT held a 25% indirect interest in a U.S. flag 5,000 HP tug and 10,200 net ton capacity self-unloading barge. These U.S. flag assets have since been sold.

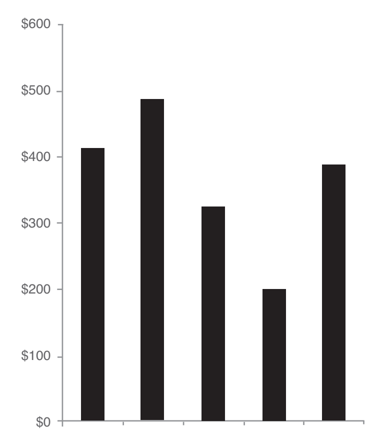
On April 14, 2011 the Corporation acquired from ULG its partnership interest in SMT and related entities along with the vessels and assets owned by ULG and its affiliates and used by SMT in its Great Lakes – St. Lawrence Waterway dry-bulk freight business. Under the terms of the transaction, the Corporation acquired 11 vessels outright and ULG's interest in four jointly owned vessels. In addition, the Corporation acquired ULG's interest in a fifth vessel to be named the *Algoma Mariner* that was under construction in China and one new *Equinox Class* gearless bulk carrier on order by ULG at the time (the "ULG Transaction").

Immediately upon closing the acquisition of ULG's interests in SMT, the Corporation announced a consolidation of its domestic shipping shore-based organization with the former SMT organization creating an integrated and streamlined operating and commercial management team under the Corporation's strong and familiar brand "Algoma Central Corporation". Under the mantra "One Vision, One Purpose, One Team" our highly skilled and experienced vessel operating and management team made the transition to a single cohesive organization smoothly and without any disruption to performance or service. In addition the purchasing, accounting and administrative functions were consolidated within the Corporation.

Revenue

Domestic Dry Bulk

(IN MILLIONS)



Note: 2007 to 2009 reported under Canadian GAAP
2010 and 2011 reported under IFRS

On December 21, 2010, the Corporation had announced the signing of an agreement for the purchase of four new maximum St. Lawrence Seaway-sized dry-bulk lake freighters, named *Equinox Class*, from Nantong Mingde Shipyard in China ("NMD"). The original order included one gearless bulk freighter and three self-unloading vessels. As a result of the ULG Transaction, the Corporation also acquired a second gearless bulk freighter on order from NMD bringing the total *Equinox Class* order to five vessels. Subsequently, an agreement was reached with NMD to construct a sixth *Equinox Class* vessel, the fourth new self-unloader. In February 2011, the Canadian Wheat Board announced it has contracted with NMD for two new *Equinox Class* gearless bulk carriers which will be managed by the Corporation. The first new *Equinox Class* vessel is expected to arrive in Canada in early 2013 and successive deliveries are planned to follow at two to three month intervals.

The Corporation's new *Equinox Class* vessels will bring significant improvements to the Corporation's Domestic Dry-Bulk segment. They will be able to carry significantly more cargo and move faster than conventional vessels. Newer engine technology will result in reduced fuel consumption, which means lower fuel costs and lower emissions. The new ships will be 45% more efficient than existing conventional vessels measured on a cargo tonne kilometer basis. In addition, the Corporation announced on January 30, 2012 that it had signed agreements to install exhaust gas scrubbers on its six new Equinox Class vessels. The scrubbers will remove 97% of the sulphur oxides emissions generated by vessel engines. The *Equinox Class* vessels are expected to be among the most efficient and environmentally advanced vessels operating in the world.

The Corporation's Canadian flag dry-bulk fleet is the largest and most diversified dry-bulk cargo fleet operating on the Great Lakes. The size of the fleet, together with a variety of unique vessel configurations, allows the Corporation to accommodate almost every dry-bulk shipping requirement. The Corporation's fleet complies with and is certified under the ISO: 9001 Quality Management standard, the ISM Code and the ISO 14001 Environmental Management standard. Certification is performed by Lloyds Register. In addition, all Corporation vessels have approved security plans that fully comply with Canadian and U.S. regulations and the International Ship and Port Security Code.

The Corporation's Canadian flag dry-bulk fleet consists of 19 self-unloading bulk carriers and nine gearless bulk carriers. Self-unloading bulk carriers discharge their cargo using onboard equipment. Cargo flows from the cargo hold through gates to conveyors located below the cargo hold. The cargo is carried through the ship, and then elevated to an unloading boom at deck level. Unloading booms are 75-80 metres long and can be moved up to 90 degrees from each side of the vessel. Self-unloaders either discharge cargo to stockpiles or directly into receiving storage facilities. Due to the flexibility of self-unloaders, the demand for this type of vessel is high. Traditional bulk carriers require shore-side facilities to discharge cargo. This type of vessel is primarily deployed in the movement of grain cargoes and iron ore for steel production.

The Corporation, together with several other marine industry stakeholders, is a founding member of Green Marine, a collaboration of marine industry stakeholder groups from both Canada and the U.S. that have implemented a voluntary environmental performance measurement and reporting program for the Great Lakes – Seaway Waterway. The goal of this program is to demonstrate and communicate the maritime industry's environmental performance and its commitment to improving both performance and its profile on environmental matters.

The successful delivery of the Corporation's new self-unloader *Algobay* in 2010 was followed in August 2011 with the delivery of another new self-unloader, *Algoma Mariner*. The *Algoma Mariner* started out as a project similar to the *Algobay* to replace the cargo carrying forebody and completely refurbish the aft end and machinery of an older self-unloading vessel owned by the Corporation. In this case, however, the original vessel, *Algoport*, which was to be mated with the new forebody, broke up and was lost at sea while under an un-manned tow to Chengxi Shipyard in China where the forebody had already been launched.

The Corporation commissioned DeltaMarin, designers of Algoma's new *Equinox Class* dry-bulk cargo vessels, to develop a completely new stern for the vessel that would take advantage of as many of the innovations used in the design of the new *Equinox Class* vessels as possible. The resulting *Algoma Mariner* has proven to be a very successful vessel.

This new vessel is powered by a single slow speed engine which provides excellent fuel efficiency. This combined with the controllable pitch propeller and a modern advanced control system that interprets the power demand from the bridge and responds with the most efficient combination of engine speed and propeller pitch at any load, giving a significant improvement in performance compared to other vessels currently in our dry-bulk fleet. The engine room has been designed as an Unmanned Machinery Space (UMS) which provides for remote and redundant alarm and monitoring systems. The electric power generation and distribution system also takes full advantage of electronic control and monitoring from the same platform as the propulsion control system. A power management system (PMS) monitors vessel power demand and ensures that sufficient generating capacity is available at all times. The PMS starts and stops generators automatically based on the power demand as well as having various operating modes to accommodate specific operating conditions such as unloading and transiting the St. Lawrence Seaway locks, ensuring sufficient capacity is available at all times.

The living areas on the *Algoma Mariner* are well equipped and comfortable. Individual crew cabins feature specially designed private washrooms, sleep, work and sitting areas and each cabin is equipped with connections to broadband internet and satellite TV. The accommodations also include comfortable crew recreation facilities.

The *Algoma Mariner* was delivered to the Corporation on May 31, 2011 by Chengxi Shipyard in China. The vessel sailed across the Pacific Ocean, through the Panama Canal and arrived at the anchorage of its first Canadian port of call, Port Cartier, Quebec, on August 2, 2011. The *Algoma Mariner* — the first completely new Canadian flag dry-bulk carrier to be brought into service on the Great Lakes in over 25 years — was christened in a special ceremony in Port Colborne, Ontario on August 25, 2011.

Like the *Algobay*, this latest addition to the Corporation's fleet is a Seaway-max Coastal Class self-unloader. It is 740' (225.6 mtrs) long and 78' (23.7 mtrs) wide. It has six cargo holds and a maximum deadweight of about 38,000 tonnes. Both vessels are classed by Lloyds Register for Great Lakes, St. Lawrence and coastal (North and South America) service and were built under Canadian Flag and to full SOLAS standards. In addition, the *Algoma Mariner* has a number of environmental and technical improvements, including being 25% more fuel efficient. It will carry traditional dry-bulk commodities such as iron ore, coal, salt, aggregates and grain in the Great Lakes-Seaway system and in Atlantic coastal waters for the next 30-40 years.

The North American economic recovery continued in 2011. The total number of operating days increased in 2011 by 2.4% over the prior year. Self-unloader days increased by 4.7% from the prior year, primarily due to the additional operating days of the *Algoma Mariner* which commenced service in early August, 2011. Gearless bulker operating days decreased by 2.6% in 2011. Despite the net increase in vessel operating days the total amount of cargo carried was virtually unchanged from 2010 levels, falling only slightly by 0.1% due to changes in vessel trading patterns.

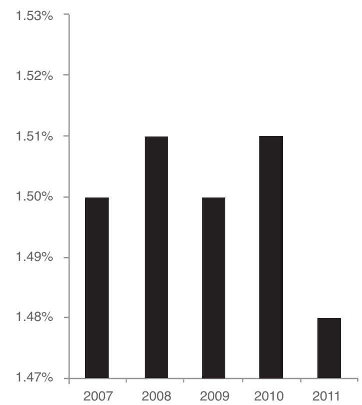
Under IFRS, the Corporation is required to account for only its share of the SMT joint venture. For fiscal 2010 the Corporation reported approximately 59% of the revenues of SMT in its domestic dry-bulk business. The acquisition from ULS of the portion of SMT that the Corporation did not previously own occurred very close to the beginning of the 2011 navigation season. As a result, for 2011, the Corporation is reporting revenues for 100% of the domestic dry-bulk business for essentially the entire revenue generating season. The increase in the reported share of revenues accounts for 74%

of the 95% increase in domestic dry-bulk revenues compared to 2010, with the balance of the increase resulting from a 16% year-over-year increase in revenues from the underlying domestic dry-bulk business. Improved freight rates, better product mix, higher fuel prices, and increased revenue days more than offset a marginal decrease in total tonnage shipped.

Incident Costs

Domestic Dry-Bulk

(PERCENTAGE OF NET REVENUE)



Segment operating earnings net of tax for 2011 were $36,573 compared to $3,438 for 2010. This increase reflects substantially improved operating results but it is also impacted significantly by the timing of the ULG Transaction. Operating earnings for 2011 excludes $23,465 of the non-controlling interest in the pre-tax loss of SMT during the period January 1 to completion of the ULG Transaction on April 14 2011. The domestic dry-bulk business is subject to significant seasonality due to the closure of the St Lawrence Seaway and Welland Canal during the winter months. As a result, the Corporation completes essentially all of its major planned repairs and vessel enhancements on its domestic dry-bulk fleet during this period of inactivity. The resultant substantial loss incurred during the first quarter was shared by the Corporation and its then-partner in SMT. Had the after-tax value of the partner's interest in the SMT loss been reported by the Corporation (i.e. had the acquisition occurred effective January 1, 2011 instead of April 14, 2011) operating earnings net of tax for the segment would have been $19,730, an increase of $16,292 compared to fiscal 2010.

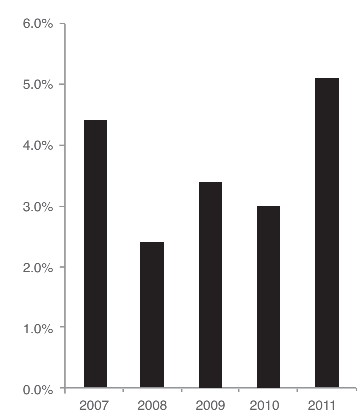
Effective cost control, operations excellence and continuous improvement are critical to the Corporation's goal of being the most competitive marine transportation service provider on the Great Lakes - St. Lawrence Seaway Waterway. Two key measures of quality performance are incident costs and non-productive days. In 2011, incident costs, as a percentage of net revenue was virtually unchanged from the 2010 level of 1.5%. Unfortunately, non-productive days as a percentage of available days increased to 5.1% in 2011 from the 2010 level of 3.0%. We continue to focus our attention on improving these measures.

The Corporation serves a wide variety of major industrial segments, including iron and steel producers, aggregate producers, cement and building material producers, electric utilities, salt producers and agriculture product producers. Our customer base includes leading organizations in each market sector and service relationships are typically long-term in nature.

Non Productive Days

Domestic Dry-Bulk

(PERCENTAGE OF AVAILABLE DAYS)



Note: 2007 to 2009 reported under Canadian GAAP
2010 and 2011 reported under IFRS

Although total shipments of commodities were virtually unchanged in 2011 from 2010 levels there were large fluctuations by individual sector. Each of these major sectors is discussed below in more detail.

The demand for aggregates and construction materials across the Great Lakes region remained relatively flat in 2011 as compared to 2010. The Lake Carrier's Association reported that in 2011 Great Lakes based limestone shipments increased by 1% over 2010. Increased demand for metallurgical grade stone used by the iron and steel industry offset reduced demand for construction grade stone. The Corporation's vessel utilization in this sector decreased by 3.5% in 2011 due to reduced demand from its customers.

In 2011, the North American steel industry continued its recovery, albeit at a slower pace, from the 2008 - 2009 recession. After reporting that raw steel production in Canada and the U.S. increased by 30% and 38% respectively in 2010 over 2009, the World Steel Association (WSA) has reported that North American raw steel production increased by a further 6.8% in 2011 over 2010 levels (up 0.6% in Canada and 7.1% in the U.S.). Again in 2011, stronger automotive demand led the way. The WSA also reports that world crude steel production in 2011 increased by 6.8% over 2010 and, for the second consecutive year, set a new record for global crude steel production. The American Iron and Steel Institute reported improved domestic steel production in 2011 with a capacity utilization increased to 74.7% from 70% in 2010. The Corporation's vessel utilization in this sector rose by 18.8% in 2011.

The Corporation's vessel utilization in the agricultural sector increased by 6.7% in 2011. The extension of the Russian ban of grain exports to the end of June (due to that country's wide-spread drought in 2010) created opportunities for North American grain producers to export additional cargoes in 2011. In Western Canada, approximately 10% of available acreage went unseeded in 2011 due to above normal precipitation during the planting season. While still a high number compared to the long term average, it was an improvement over 2010 when about 17% went unseeded due to above normal precipitation during the planting season. As a result, the Western Canadian wheat crop improved in 2011. Statistics Canada's final estimate for the 2011 crop determined the Western Canadian wheat crop was 8% higher than in 2010. Wheat quality was well above average in 2011 while in 2010 quality was below normal. According to the United States Department of Agriculture (USDA) estimates, yields and production for wheat, corn and soybeans in the U.S. were all lower in 2011 as compared to 2010. The USDA estimates that 2011 wheat production was down 9.4%. Higher seeded acreage for corn offset lower yields, putting U.S. corn production down only 0.5%. U.S. soybean production is estimated to be 8.2% lower than in 2010. The USDA also estimates that global wheat stocks grew by ten million tonnes in 2011 over 2010.

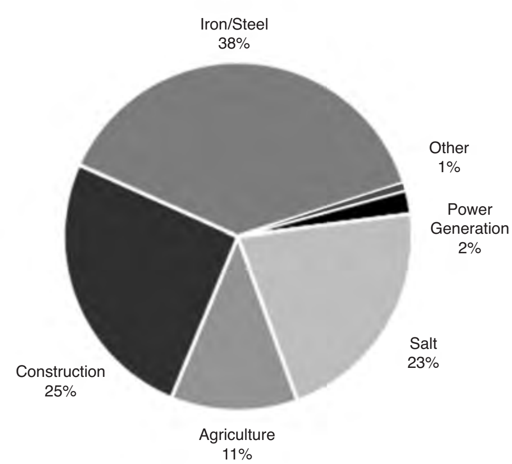
The Corporation's shipments of coal for power generation in Ontario continued to fall in 2011 as lower demand for electricity and increased use of gas fired generation by Ontario Power Generation ("OPG") led to further reduction in OPG's coal inventories inline to meet the Ontario Government's plan to phase out coal-fired power generation by the end of 2014. Vessel utilization declined 64.3% from 2010 activity. In future years, the Corporation expects very little or no coal shipping activity for OPG.

Salt shipments in 2011 returned to more historic levels with a 44.8% increase in utilization over 2010 when salt shipments were 35% lower than 2009 due to abnormally mild winter conditions experienced throughout the Great Lakes region. A devastating tornado hit Goderich, Ontario on August 21, 2011 causing significant damage to the Sifto Canada's salt producing and delivery facility, the largest of its kind in the world and one of the Corporation's largest customers. Sifto's ship loader and several of their above ground storage buildings were destroyed. As a result of the storm, Sifto was forced to temporarily idle production and shipping. As a consequence, the Corporation temporarily laid up two of its vessels. Sifto was able to resume production and shipping, albeit at reduced levels, by mid-September with the use of portable conveyors and the Corporation returned the temporarily laid-up ships to service. The reduction in shipping activity nevertheless had a negative impact on the

Industry Segments

Domestic Dry-Bulk

(BY TONNES)



Corporation's 3rd and 4th quarter operating results. Sifto is working on a plan to return salt production and shiploading efficiency to pre-tornado levels by mid-2012. The Corporation is continuing to work with Sifto to ensure the continued flow of salt to markets.

Fiscal 2011 exceeded our initial expectations, as strong customer shipments added to the significant growth in our reported results related to the acquisition of the minority interest in SMT. As we begin 2012, there is a sense of cautious optimism that is tempered by uncertainty related, particularly, to the potential for a financial calamity in Europe to lead to a repeat of the 2008-2009 downturn. Early indications from customers are supportive of our expectation for continued modest growth and we continue to monitor market conditions to ensure our fleet deployment is appropriate.

Ship Repair

The Corporation's ship repair business operates as Fraser Marine & Industrial ("FMI"). FMI provides diversified ship repair, steel fabrication, machine shop and electrical repair services to the Corporation's vessels, as well as other fleets on the Great Lakes - St. Lawrence Waterway. From their Port Colborne, Ontario location, FMI provides marine repair services in Owen Sound, Sarnia, Hamilton, Toronto, Montreal and the Welland Canal area. Supervision and core skills are provided from Port Colborne and local, temporary labour is hired for the work in specific ports. These are the ports that the Great Lakes vessels generally use for winter lay-up berths. Although these ports are the main winter repair centers, FMI can quickly mobilize a work force in any Great Lakes port if required.

The FMI motto of "Anytime … Anywhere" recognizes the round-the-clock, mobile nature of the marine industry. During the summer months a core staff of supervisors and skilled workers is available for unscheduled and emergency repair work that inevitably occurs on both domestic and foreign vessels on the Great Lakes. During these months, FMI continues to work with its customers and provides competitive rates for prefabrication of material that is anticipated for the coming winter. This allows utilization of shop facilities and labour during slower summer months and efficient use of more limited resources in the winter.

A focus on operational strengths and efficiencies has allowed FMI to increase revenues, gross margins and operating earnings in 2011.

Annual revenue fluctuations are a result of shipping companies year to year repair variances. FMI continues to make positive contributions to the Domestic Dry-Bulk financial results.

FMI is the premier top-side ship repair firm on the Great Lakes and has demonstrated its ability to take on very large and complex projects and complete them in the short winter repair period. They have an enviable reputation of finishing these projects on time, on budget and to a high standard of quality.

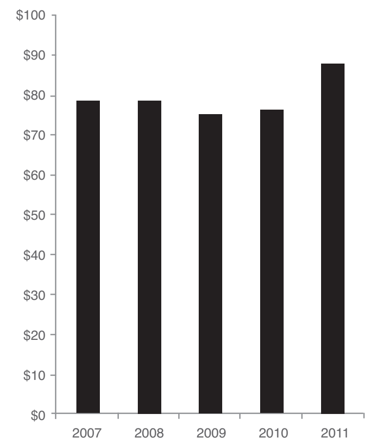
Product Tankers

The Corporation's Product Tankers segment serves both domestic and international markets. This segment consists of seven product tankers employed in domestic Canadian flag service and one product tanker trading in international markets. The Corporation experienced a significant increase in both revenues and earnings from this segment in 2011. Gross freight revenues increased by 15.3% to $88,436. The gains occurred in the domestic product tanker fleet where utilization increased by 13.9% and the amount of cargo carried increased by 15.8%. Revenues in the international product tanker segment dropped slightly during the year but as we describe below, steps taken in the last quarter of 2011 have resulted in improved performance which we expect to carry forward into 2012 and beyond. Operating earnings net of income tax for the Product Tankers segment increased by 17.1% to $13,695 during 2011.

Revenue

Product Tankers

(IN MILLIONS)



The Corporation's fully double-hulled domestic Canadian flag product tanker fleet consists of the *Algonova* and *AlgoCanada* (both built in 2008), *Algoma Dartmouth* (built in 2007), *Algoscotia* (built in 2004), *Algosea* (built in 1998), *Algosar* (built in 1978) and the *Algoeast* (built in 1977 and converted to a full double hull in 2000). The Corporation has invested significantly over the last eleven years to create and sustain the most modern tanker fleet operating in the Great Lakes, St. Lawrence and Atlantic Canada market areas.

The domestic Canadian flag product tanker fleet provides safe and reliable transportation services for liquid petroleum products throughout the Great Lakes, St. Lawrence Seaway and Atlantic Canada regions. Customers include major oil refiners, leading wholesale distributors and large consumers of petroleum products who demand the highest levels of quality and service. Our goal is to achieve "Flawless Execution" in delivering oil products to our customers. To help achieve this goal, our fleet operates under an ISO 14001 compliant Environmental Management System, the International Safety Management (ISM) Code and an ISO 9001 Quality Management System.

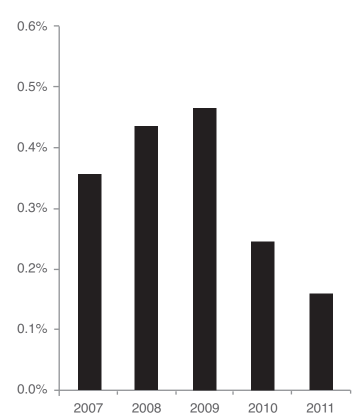
Further enhancing the Corporation's focus on environmental performance is its voluntary membership in the industry led "Green Marine" environmental initiative. The Corporation, together with several other marine industry stakeholders from both Canada and the U.S., is an active member of Green Marine. The members of Green Marine have implemented a voluntary environmental performance measurement and reporting program for the Great Lakes-St. Lawrence Waterway. The goal of this program is to demonstrate and communicate the maritime industry's environmental performance and its commitment to improving both performance and its profile on environmental matters.

The domestic Canadian flag product tanker fleet's technical and commercial operations are managed by the Corporation's own team of professionals located in St. Catharines, Ontario. This group is focused on Operations Excellence which comprises customer service, continual improved quality and safety performance and environmental responsibilities. Two key performance indicators tracked are incident costs, expressed as a percentage of net revenue and non-productive days, expressed as a percentage of available days. Over the past year, incident costs as a percentage of net revenue decreased from 0.25% in 2010 to 0.16% in 2011. Importantly, 2011 marked the first full year that the Corporation's domestic Canadian flag product tanker operation achieved zero lost time incidents. This is an outstanding accomplishment and all employees are congratulated.

Incident Costs

Domestic Tankers

(PERCENTAGE OF NET REVENUE)



Non-productive days increased from 1.23% in 2010 to 2.25% of total available days in 2011. This increase did not result in any personal injury, loss or damage to cargo or any adverse environmental impact, however, the Corporation nevertheless considers all non-productive time to be very serious. It thoroughly reviews all incidents and modifies onboard operating and management procedures and shore management procedures as indicated.

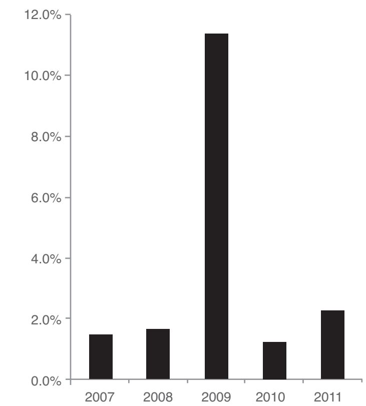
The Corporation's foreign flag product tanker, the *Algoma Hansa* is owned by a wholly owned subsidiary Algoma Tankers International Inc. ("ATI") This vessel is a sistership to the

Algosea, which trades in our domestic product tanker fleet. As of October 31, 2011, the Hanseatic Tankers fleet consisted of eight 16,500 deadweight tonne product tankers, including the *Algoma Hansa* plus one 25,000 deadweight product tanker. Concerns over the market performance of Hanseatic Tankers and the prospects for success in the future in the face of stiff competition from larger product tanker pools led to a review of alternative marketing arrangements for the *Algoma Hansa* during the fall of 2011. At the same time talks were underway among participants in Hanseatic Tankers regarding the potential windup of this arrangement. On November 15, 2011 an agreement was reached to wind-up Hanseatic Tankers.

Non Productive Days

Domestic Tankers

(PERCENTAGE OF AVAILABLE DAYS)



Effective the same day, the *Algoma Hansa* joined the Navig8 Chemical Group's Brizo8 Pool. ATI reviewed other international product tanker ventures and concluded that the Navig8 Chemicals Group provided the best opportunity for improved financial and market performance. The Navig8 Group was established in March 2007 and has operations across the entire tanker shipping value chain. The Navig8 pools have more than 40 members with in excess of 135 vessels across all segments. They have offices world-wide, including ones in Singapore, London, New York, Shanghai, Mumbia, Seoul and Dubai. The Brizo8 Pool focuses on product tankers in the 16,000 – 21,000 deadweight tonne size range. In November, 2011, the Brizo 8 Pool consisted of 25 vessels. Since joining the Navig8 Brizo8 pool, ATI has enjoyed significant improvements both in earnings and in the quality of markets served. We are optimistic that these improvements will continue in the future.

As reported last year, ATI had originally intended to enter into the Hanseatic Tankers fleet a further three new 16,500-deadweight product tankers to be built at the Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. ("JZU Shipyard") in China and two new 25,000 deadweight product tankers to be built at Nantong Mingde Shipyard in China ("NMD"). On August 7, 2010 ATI served notice to JZU Shipyard that it was rescinding the three 16,500-deadweight product tanker contracts (the "JZU Contracts") due to excessive non-permissible delivery delays in relation to a third-party sistership. JZU Shipyard has exercised its right to submit this matter to arbitration. The arbitration process is in accordance with English law and will take place in London, England in September 2012. Prior to the cancellation, ATI made installments to the JZU Shipyard totalling U.S. $35,370. The Corporation believes it has a strong case that the contracts were properly cancelled and ATI expects to receive a refund of the installments it has made to JZU Shipyard. These installments are guaranteed by major Chinese banks.

ATI had also made instalment payments of US $32,640 for two new 25,000 deadweight tonne product tankers to be built by NMD. Under agreements with NMD, these installments have been converted to the Corporation's *Equinox Class* new building projects.

Vessel management and maintenance of the *Algoma Hansa* is outsourced to Bernhard Schulte Shipmanagement, a leading ship management company. Technical experts employed by ATI maintain oversight responsibility for the *Algoma Hansa*.

The Corporation expects that the gains realized in this segment in 2011 will be sustained through 2012.

Ocean Shipping

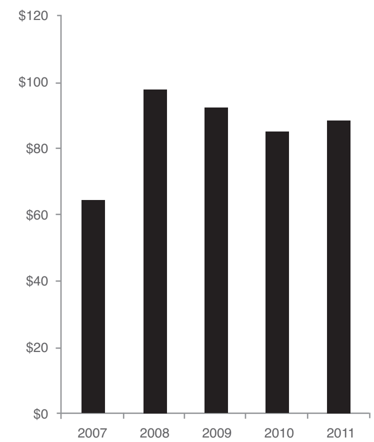
The Corporation's interest in Ocean Shipping consists of a joint interest in five ocean-going self-unloaders and direct ownership of two wholly owned ocean-going self-unloading vessels. The seven ocean self-unloaders are part of a 23 vessel ocean going self-unloader fleet, the largest of its kind, providing ocean going self-unloader transportation services.

The major commodities carried by ocean self-unloaders include coal for power generation, crushed aggregates for construction and gypsum for wallboard manufacturing. Ocean self-unloaders also provide transportation services for steel industry and for salt shippers. Markets are centered in North and South America; however, activities can be worldwide. Service is provided under long-term contracts to leading companies in each sector. As a result, the ocean self-unloader sector is considerably less volatile than the general international shipping market.

Revenue

Ocean Shipping

(IN MILLIONS)



Since 2008, the ocean self-unloader pool of which we are a member has retired six vessels belonging to other owners. This adjustment in vessel supply helped to match the contraction of the market that took place since the onset of the recession in 2008. The retirements also will make way for the renewal of five vessels which will join the pool starting in 2012 and extending into 2013.

In 2011, the total tonnage shipped by the ocean self-unloader pool dropped by 11.1%, reflecting in part the reduction in pool size of two vessels during the year. With vessel supply and demand in close balance, however, vessel utilization has remained high.

Coal transportation for power generation represents the largest single market segment served by ocean self-unloaders. During 2011, coal shipments were reduced by 22.5%. Lingering impacts of the North American recession on the demand for electricity and increased competition from natural gas are primary causes. Notwithstanding these adverse impacts, the movement of coal for power generation continues to be an important market segment for ocean self-unloaders. It is expected that coal imports into the U.S. will increase in the coming years and growth in Central and South American coal requirements is expected to increase as these regions invest heavily in their infrastructure.

Aggregate product transportation remains the second largest market segment served by ocean self-unloaders. Tonnages declined slightly, dropping by 2.8% in 2011. The third largest market segment served by ocean self-unloaders, gypsum, also declined by 6.9% in 2011. Housing starts in the U.S. rebounded slightly in 2011, increasing by 1.2% from 2010 levels but remain well below pre-recession levels. Continuing economic recovery is expected to lead these sectors slowly back to levels of activity approaching historic norms. Shipments of iron ore increased slightly, growing by 1.1% in 2011.

Ocean Shipping revenues fell from $85,654 in 2010 to $75,089 in 2011. Nearly 60% of the decrease in revenues is attributable to the decision to transfer, during 2010, three bulk carriers owned by Algoma Shipping Inc. to our domestic dry-bulk segment. The remaining portion of the decrease in revenues is explained by changes in the markets served, including a reduction in low margin transhipping revenues compared to 2010. Operating earnings net of income tax increased by 9.1% from $14,186 in 2010 to $15,476 in 2011. Several factors affected operating earnings of Ocean Shipping in 2011. The average rate of earnings of the ocean self-unloader pool increased in 2011 due to strong market earnings realized in certain trades served by the ocean self-unloader pool and high vessel utilization.

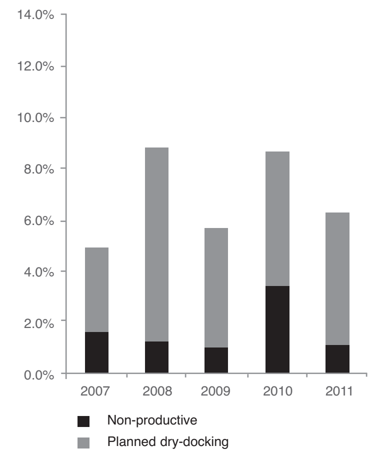
The transfer of the three bulk carriers to Domestic Dry Bulk partway through 2010 necessitated completion of dry-docking, the costs of which were borne by the Ocean Shipping segment. These factors more than offset the negative earnings impact of the vessel dry-dockings required in 2011.

Planned dry-docking days as a percentage of available days fell slightly from 5.2% in 2010 to 5.1% in 2011. Total non-productive operating days (excluding dry-docking days) dropped from 3.5% in 2010 to 1.2% in 2011.

Non Productive Days

Ocean Shipping

(PERCENTAGE OF AVAILABLE DAYS)



Vessel management and maintenance of the *Honourable Henry Jackman*, *Bahama Spirit* and *Weser Stahl* is outsourced to Bernhard Schulte Shipmanagement and the other four ocean going self-unloading vessels are managed by V-Ships. The ship management companies used by the Corporation are all leading companies in this area. Technical experts employed by the Corporation's subsidiaries and its partners maintain oversight responsibilities for the ocean shipping fleet. The Corporation and its ship managers continue to focus on productivity, operational excellence, safety, security and environmental protection.

In 2012, revenues and operating earnings of the Ocean Shipping segment are expected to be adversely affected by an increase in the cost and duration of required regulatory dry-dockings as both of our wholly owned ships require this regulatory dry-docking in 2012. In addition, the positive impact of the strong market earnings realized in certain trades served by the ocean self-unloader pool in 2011 are not expected to be repeated in 2012. On a positive note, however, we remain optimistic that the gradual economic recovery of the markets served by Ocean Shipping will continue in 2012 and believe the sector is positioned positively for 2013 and beyond

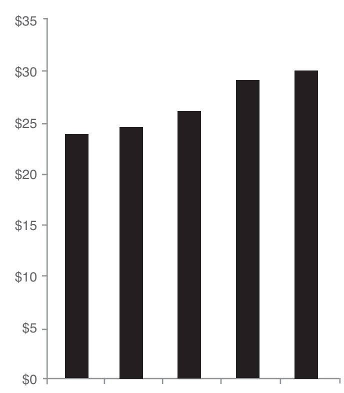
Real Estate

Algoma Central Properties Inc. ("ACP") is the real estate segment of the Corporation. This segment owns and manages properties in Sault Ste. Marie, St. Catharines, and Waterloo, Ontario.

Revenue

Real Estate

(IN MILLIONS)



In Sault Ste. Marie, the location of the majority of ACP's holdings, ACP owns and manages Station Mall, the largest mall in the region, Station '49', a residential apartment building, and the Station Tower and 289 Bay Street office buildings. ACP also owns, but does not manage, the Delta Sault Ste. Marie Waterfront Hotel and Conference Centre.

In St. Catharines, ACP owns and manages three office buildings – 63 Church Street, 20 Corporate Park Drive, and 25 Corporate Park Drive – as well as two commercial plazas, Ridley Square and Huntington Square, and a light industrial plaza known as Martindale Business Centre. In addition, ACP manages an office building in St. Catharines jointly owned with the lead tenant. ACP also owns and manages three office buildings in Waterloo, known collectively as the Waterloo Technology Campus.

While this year we experienced a great deal of leasing activity in the portfolio, much of the activity will only reap benefits in future years. Revenue increased by $1,088 in 2011 to $29,993, compared to 2010 revenue of $28,966. The revenue increase is attributable primarily to the hotel which was open for the entire year following the renovations which were completed in early 2010. ACP's overall operating earnings net of income tax increased by 8.3% to $3,383 in 2011 from $3,123 in 2010.

Sault Ste. Marie, Ontario

Station Mall revenue remained essentially unchanged for the period. A new SportChek store opened for business in the latter part of the year and overall vacancy levels remained the same for the rest of the property.

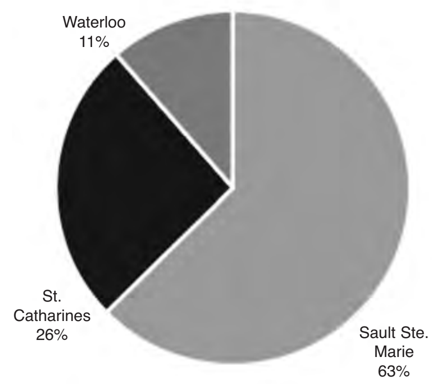
The Delta Sault Ste. Marie Waterfront Hotel and Conference Centre had its first full year of operations since the renovation was completed and the hotel performed very well relative to the remainder of the Sault Ste. Marie hotel industry. This market continues to be challenged.

Other Sault Ste. Marie properties were unchanged from 2010.

Geographic Diversification

Real Estate

(BY SQUARE FOOT)



St. Catharines, Ontario

The downtown St Catharines office market continues to be challenging and is not expected to improve in the coming year. The downtown office building, 63 Church Street, which also houses the Corporation's executive offices, experienced decreased occupancy.The St. Catharines suburban office space office market is also weak and we experienced no change in the occupancy at the Henley Corporate Park properties with 20 Corporate Park and 75 Corporate Park, our joint venture building, both continuing to perform well with 95% and 100% respective occupancy. 25 Corporate Park is currently at 63% occupied. We are hopeful that this market will improve in 2012.

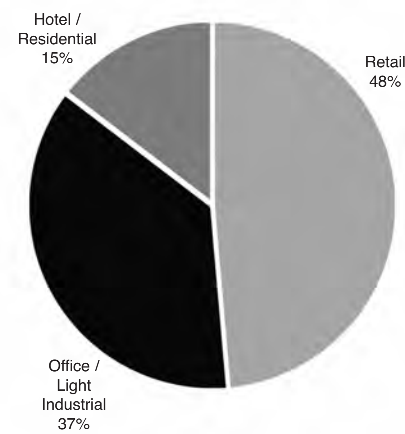
At Ridley Square, retail leasing activity was stronger in 2011 than in 2010 however, occupancy did not increase until the latter half of the year bringing net operating income down for the year by 8%. Huntington Square saw little change throughout the year with no change in occupancy or net operating income.

Martindale Business Centre occupancy improved slightly which resulted in a modest 7% increase in net operating income.

Asset Mix

Real Estate

(BY SQUARE FOOT)



Waterloo, Ontario

At the Waterloo Technology Campus we were able to renew two major tenants, Sandvine and MKS, each for ten years. These renewals initiated substantial construction and relocation of tenancies which meant that 2011 results were almost unchanged for 2010; however, we anticipate that 2012 results will benefit from these moves.

Labour Update

The majority of our shipboard employees, along with hourly employees of FMI and the Delta hotel in Sault Ste. Marie are unionized. Details of the status of union agreements are provided below.

Domestic Dry-Bulk

As a result of the acquisition of ULG's domestic dry-bulk fleet, approximately 500 employees of Upper Lakes Shipping became employees of Algoma Great Lakes Shipping Inc. ("AGLS"), a 100%

subsidiary of the Corporation, effective April 14, 2011 and are employed in the operation of the former ULG vessels. AGLS shipboard employees are covered by various collective agreements.

The AGLS Captains and Chief Engineers are represented by the Canadian Masters and Chiefs Association ("CMCA"). Their collective agreement, which was set to expire on February 29, 2012, has been renewed for three years to February 28, 2015.

Navigation and Engineering Officers of AGLS are represented by separate bargaining units of the Canadian Merchant Service Guild ("CMSG"). The previous labour agreements with both units of the CMSG had expired on May 31, 2010 and the parties were able to renew these collective agreements. The current agreements will expire on May 31, 2012.

The AGLS unlicensed employees are represented by the Canadian Maritime Union ("CMU"), a unit of the Canadian Autoworkers Union. The collective bargaining agreement with the CMU expired on March 31, 2011 and it is expected that the negotiation process will begin with this group early in 2012.

The Corporation's other domestic dry-bulk shipboard employees, who were unaffected by the acquisition, are also covered by various collective bargaining agreements.

The Captains and Chiefs Association represents the Captains and Chief Engineers of this fleet. A first collective agreement was negotiated between the parties and was ratified in December 2011. This agreement expires on February 28, 2013.

The collective agreements of the Navigation and Engineering Officers of this fleet expired on May 31, 2011 and negotiations with these groups of employees are expected to begin early in 2012.

The Seafarers' International Union ("SIU") represents the unlicensed employees of this fleet. The previous labour agreement with the SIU expired on May 31, 2011 and the parties have entered into a new five year agreement which will expire on May 31, 2016.

Product Tankers

With the exception of our captains and chief engineers, shipboard employees on the domestic product tanker vessels are unionized.

The Navigation and Engineering Officers are represented by separate bargaining units of the CMSG and the Seafarers' International Union represents unlicensed workers onboard domestic product tanker vessels.

Collective bargaining agreements, all of which expired on July 31, 2010, were renewed in 2011. These new agreements will expire on July 31, 2013.

Fraser Marine & Industrial

The collective agreement between FMI and its hourly paid workers, who are represented by the United Steelworkers ("USW"), expires on May 31, 2012. It is expected that negotiations will commence with the USW sometime in the second quarter of 2012.

Algoma Central Properties

The Delta Sault Ste Marie Waterfront Hotel & Conference Centre's hourly paid workers are represented by the Retail, Wholesale and Department Store Union ("RWDSU"). The current collective agreement with the Corporation and the RWDSU will expire on July 5, 2012.

Responsibility for Financial Statements

The consolidated financial statements of Algoma Central Corporation and its subsidiaries, and all information in this annual report, are the responsibility of management and have been approved by the Board of Directors.

The financial statements were prepared by management in accordance with International Financial Reporting Standards and necessarily include some amounts that are based on estimates and judgments. Information used elsewhere in this annual report is consistent with that in the financial statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss and that financial records are reliable.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, which consists solely of outside directors. The Audit Committee meets periodically with management and the auditors to review results of audit examinations and financial reporting matters. The independent auditors appointed by the shareholders have full access to the Audit Committee, with and without management present.

The Audit Committee reviewed the financial statements in this report and recommended that they be approved by the Board of Directors.

Greg D. Wight, FCA
President and Chief Executive Officer
February 15, 2012

Peter D. Winkley, CA
Vice President, Finance and Chief Financial Officer
February 15, 2012

Independent Auditor’s Report

To the Shareholders of
Algoma Central Corporation

We have audited the accompanying consolidated financial statements of Algoma Central Corporation which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of earnings, comprehensive earnings, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Algoma Central Corporation as at December 31, 2011, December 31, 2010, January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
February 15, 2012

Consolidated Statements of Earnings

Years ended December 31, 2011 and 2010
(In thousands of dollars, except per share figures)

	Notes	2011	2010
REVENUE		$ 582,690	$ 393,702
EXPENSES			
Operations		416,937	288,331
General and administrative		29,636	23,313
		446,573	311,644
EARNINGS BEFORE UNDERNOTED ITEMS		136,117	82,058
Depreciation of property, plant and equipment and investment properties		(47,148)	(39,747)
Impairment reversal (impairment) of property, plant and equipment	14	3,114	(11,301)
Financial expense	8	(8,568)	(9,503)
Gain on revaluation of asset held for sale	6	1,087	-
Net (loss) gain on translation of foreign-denominated assets and liabilities		(2,073)	677
EARNINGS BEFORE INCOME TAXES		82,529	22,184
INCOME TAX PROVISION	9	13,685	3,628
NET EARNINGS		$ 68,844	$ 18,556
BASIC EARNINGS PER SHARE		$ 17.69	$ 4.77
DILUTED EARNINGS PER SHARE		$ 16.79	$ 4.77

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Earnings

Years ended December 31, 2011 and 2010
(In thousands of dollars)

	2011	2010
NET EARNINGS	$ 68,844	$ 18,556
OTHER COMPREHENSIVE (LOSS) EARNINGS		
Unrealized gain (loss) on translation of financial statements of foreign self-sustaining operations	4,552	(10,369)
Actuarial losses on employee future benefits, net of income tax recovery of $5,279 and $3,086	(13,407)	(8,781)
Minimum funding liability, net of income taxes of $137 and $2,992	349	7,695
Unrealized gain on hedging instruments, net of income tax of $361 and $165	876	109
	(7,630)	(11,346)
COMPREHENSIVE EARNINGS	$ 61,214	$ 7,210

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

December 31, 2011 and 2010 and January 1, 2010
(In thousands of dollars)

	Notes	December 31, 2011	December 31, 2010	January 1, 2010
ASSETS				
CURRENT				
Cash and cash equivalents	10	**$ 132,316**	$ 42,802	$ 10,554
Accounts receivable	11	**77,469**	49,021	44,391
Materials and supplies		**13,016**	8,368	8,510
Prepaid expenses		**3,666**	9,590	3,122
Income taxes recoverable		**21,255**	16,271	12,057
		247,722	126,052	78,634
DEFERRED INCOME TAXES		**-**	448	467
DEPOSITS ON VESSEL CONSTRUCTION	12	**35,971**	-	-
ASSETS HELD FOR SALE	13	**5,305**	2,241	2,368
PROPERTY, PLANT AND EQUIPMENT	14	**505,125**	464,477	477,268
GOODWILL	6	**7,910**	-	-
INVESTMENT PROPERTY	15	**72,364**	71,334	72,036
		$ 874,397	$ 664,552	$ 630,773
LIABILITIES				
CURRENT				
Accounts payable and accrued charges	16	**$ 77,342**	$ 66,297	$ 41,598
Dividends payable		**906**	820	772
Current portion of long-term debt	18	**4,754**	94,670	4,232
		83,002	161,787	46,602
DERIVATIVE LIABILITIES		**2,489**	5,587	2,093
DEFERRED INCOME TAXES		**50,835**	42,960	43,131
EMPLOYEE FUTURE BENEFITS	17	**42,123**	20,731	20,734
LONG-TERM DEBT	18, 19	**227,228**	23,699	108,721
COMMITMENTS AND CONTINGENCIES	25, 26	**-**	-	-
		322,675	92,977	174,679
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	20	**8,319**	8,319	8,319
CONTRIBUTED SURPLUS		**11,917**	11,917	11,917
CONVERTIBLE DEBENTURES	19	**4,632**	-	-
ACCUMULATED OTHER COMPREHENSIVE LOSS	21, 22	**(6,235)**	(11,663)	(1,403)
RETAINED EARNINGS		**450,087**	401,215	390,659
		468,720	409,788	409,492
		$ 874,397	$ 664,552	$ 630,773

APPROVED BY THE BOARD

Director   Director

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

Years ended December 31, 2011 and 2010
(In thousands of dollars except per share figures)

	Share capital	Contributed surplus/ Convertible debentures	(Note 21) Cash flow hedging reserve	(Note 22) Foreign currency translation reserve	Retained earnings	Total equity
BALANCE AT JANUARY 1, 2010	$ 8,319	$ 11,917	$ (1,403)	$ -	$ 390,659	$ 409,492
Net earnings	-	-	-	-	18,556	18,556
Other comprehensive earnings (loss)	-	-	109	(10,369)	(1,086)	(11,346)
Dividends declared	-	-	-	-	(6,914)	(6,914)
BALANCE AT DECEMBER 31, 2010	$ 8,319	$ 11,917	$ (1,294)	$ (10,369)	$ 401,215	$ 409,788
Net earnings	-	-	-	-	68,844	68,844
Other comprehensive earnings (loss)	-	-	876	4,552	(13,058)	(7,630)
Dividends declared	-	-	-	-	(6,914)	(6,914)
Convertible debentures	-	4,632	-	-	-	4,632
BALANCE AT DECEMBER 31, 2011	$ 8,319	$ 16,549	$ (418)	$ (5,817)	$ 450,087	$ 468,720

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010
(In thousands of dollars)

	Notes	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
OPERATING			
Net earnings		$ 68,844	$ 18,556
Items not affecting cash			
Depreciation of property, plant and equipment and investment property		47,148	39,747
Net loss (gain) on translation of foreign-denominated assets and liabilities		2,073	(677)
Impairment (reversal) impairment of property, plant and equipment		(3,114)	11,301
Income tax expense		13,685	3,628
Financial expense		8,568	9,503
Other		(3,155)	(1,368)
		134,049	80,690
Net change in non-cash operating working capital	23	(17,298)	5,321
Cash generated from operations		116,751	86,011
Interest paid		(7,014)	(10,796)
Income taxes paid		(5,892)	(7,676)
Net cash generated from operating activities		103,844	67,539
INVESTING			
Additions to property, plant and equipment and investment properties		(38,647)	(52,780)
Business acquisition	6	(86,752)	-
Duty refunds on vessels		-	15,301
Proceeds on sale of property, plant and equipment		3,322	1,769
Net cash used in investing activities		(122,077)	(35,710)
FINANCING			
Proceeds from issue of long-term debt		208,497	13,729
Net repayment of long-term debt		(94,786)	(6,000)
Dividends paid		(6,823)	(6,861)
Net cash generated from financing activities		106,888	868
NET CHANGE IN CASH AND CASH EQUIVALENTS		88,655	32,697
EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		859	(449)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		42,802	10,554
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 132,316	$ 42,802

See accompanying notes to the consolidated financial statements.

Years ended December 31, 2011 and 2010 (In thousands of dollars)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Algoma Central Corporation (the "Corporation") is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Corporation's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The consolidated financial statements of the Corporation for the years ended December 31, 2011 and 2010 comprise the Corporation, its subsidiaries and the Corporation's interest in associated and jointly controlled entities.

Algoma Central Corporation owns and operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway. The Corporation's Canadian flag fleet, including the acquisition of vessels on April 14, 2011 from Upper Lakes Group Inc., consists of nineteen self-unloading dry-bulk carriers, nine gearless dry bulk carriers and seven product tankers.

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

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Corporation's 28 – vessel domestic dry-bulk fleet. The dry-bulk vessels carry cargoes of raw materials such as coal, grain, iron ore, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes a diversified ship repair and steel fabricating facility active in the Great Lakes and St. Lawrence regions of Canada.

The Product Tankers marine transportation segment includes ownership and management of the operational and commercial activities of seven Canadian flag tanker vessels operating on the Great Lakes, the St. Lawrence Seaway and the east coast of North America. It also includes the ownership of one product tanker through a wholly owned foreign subsidiary engaged in worldwide trades.

The Ocean Shipping marine transportation segment includes ownership of two ocean-going self-unloading vessels and a 50% interest through a joint venture in an ocean-going fleet of five self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide ocean trades.

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

The nature of the Corporation's business is such that the earnings in the first quarter of each year are not indicative of the results for the other three quarters in a year. Due to the closing of the canal system and the winter weather conditions in the Great Lakes–St. Lawrence Waterway, the majority of the domestic dry-bulk fleet does not operate for much of the first quarter. In addition, significant repair and maintenance costs are incurred in the first quarter to prepare the domestic dry-bulk fleet for the upcoming navigation season. As a result, 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 shipping fleets operating year round, a somewhat longer season for the domestic dry-bulk fleet and the increase in the Corporation's real estate portfolio.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Corporation's first consolidated financial statements prepared in accordance with IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in Note 32.

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

The financial statements were approved by the Board of Directors and authorized for issue on February 15, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The following are the principal accounting policies of the Corporation:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and entities (including special purpose entities) controlled by the Corporation (its subsidiaries). Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

Earnings and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of earnings from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-company transactions, balances, earnings and expenses are eliminated on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Corporation, liabilities incurred by the Corporation to the former owners of the acquiree and the equity interests issued by the Corporation in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value. The Corporation measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Corporation and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic, financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

The Corporation reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Corporation's share of the assets, liabilities, earnings and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Corporation's interest in a jointly controlled entity is accounted for in accordance with the Corporation's accounting policy for goodwill arising in a business combination.

Cash and cash equivalents

Cash and cash equivalents comprise cash in the bank less outstanding cheques and short-term deposits with maturities of less than 90 days that are readily convertible into a known amount of cash and are subject to a minimal change in value.

Materials and supplies

Materials and supplies consist primarily of fuel on board vessels and are recorded at the lower of cost and net realizable value with cost being determined on a weighted average basis. The net realizable value of fuel on board vessels is the estimated revenue generated from the voyage less the cost associated with the voyage.

Property, plant and equipment

Vessels

Vessels include domestic dry- bulk, product tankers and ocean shipping vessels. They are measured at cost less accumulated depreciation and accumulated impairments. Cost includes expenditures that are directly attributable to the acquisition up to the time when the asset is ready for use and include installation costs, mobilization costs to the operating location, sea trial costs and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010. All major components of the vessels, except for the dry-docking costs, are depreciated on a straight-line basis to the estimated residual value over their useful lives, which the Corporation initially estimates to be 25 years.

Depreciation

Depreciation is based on cost less residual value. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the scrap value per ton. The remaining useful life and residual value of the vessels are reviewed at least annually and depreciation for remaining future periods is adjusted accordingly.

Dry-docking

From time to time, vessels are required to be dry-docked for inspection and re-licensing, at which time replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, are generally performed. These dry-docking costs are capitalized and depreciated on a straight-line basis over the estimated period until the next dry-docking, which may vary from 2.5 to 5 years. The residual value of such components is estimated at nil. The useful life of the dry-docking costs are reviewed at least annually based on market conditions, regulatory requirements and the Corporation's business plans.

A portion of the cost of acquiring a new vessel is allocated to the components expected to be replaced or refurbished at the next dry-docking. For new vessels, the initial dry docking asset is estimated based on the expected costs related to the first dry-docking. The estimate is based on experience and history for similar vessels.

At subsequent dry-dockings, the net costs comprise the actual costs incurred. Dry-docking costs may include the cost of hiring crews to effect replacements and repairs and the cost of parts and materials used, cost of travel, lodging and supervision of the Corporation's personnel and the cost of hiring third party personnel to oversee a dry-docking, netted with any revenue which may be earned during the dry-docking period.

The useful life of the dry docking component depends on the multi-year maintenance schedule for the vessel.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and accumulated impairments. Cost includes transaction costs and any directly attributable expenses. Real estate assets, including site improvements, are amortized on a straight-line basis over their lives, which the Corporation initially estimates to be 35 years.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the period in which the property is de-recognized.

Impairment of long-lived assets

At the end of each reporting period, the Corporation reviews the carrying values of its long-lived assets to determine whether there is any indication that those assets have suffered impairment.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings.

Where an impairment loss subsequently reverses, the carrying value of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, not to exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in net earnings.

Goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying value of each asset in the unit. Any impairment loss for goodwill is recognized directly in earnings in the consolidated statement of comprehensive earnings. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Operating segments

The Corporation’s operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The President and Chief Executive Officer has authority for resource allocation and assessment of the Corporation’s performance and is therefore the chief operating decision-maker.

Revenue recognition

Revenues from marine operations are recognized ratably over the term of a voyage and are measured at the fair value of consideration received or receivable. Revenues from real estate rental operations with contractual rent increases are recognized on a straight-line basis over the terms of the respective leases. Revenue is only recognized when there is persuasive evidence that an arrangement exists, the amount is fixed or determinable and collection is probable.

Foreign currency

The individual financial statements of each group entity are maintained in the currency of the primary economic environment in which the entity operates (its functional currency). For purposes of the consolidated financial statements, the results and financial position of each group entity are expressed in Canadian dollars which is the functional currency of the Corporation and the presentation currency for the consolidated financial statements.

Transactions in currencies other than the Canadian dollar are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in earnings in the period in which they arise.

The assets and liabilities of the Corporation's foreign operations are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Earnings and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive earnings and accumulated in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that take a substantial period of time to prepare for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in earnings in the period in which they are incurred.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying value is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee future benefits

The Corporation sponsors defined benefit pension plans, defined contribution pension plans and other post-retirement benefits including life insurance and health care. The employee future benefit plans are further described in Note 17.

The asset or liability recognized in the balance sheets is the present value of the obligation of the plans at the balance sheet date less the fair value of plan assets.. In addition, the liability includes the present value of the obligations as determined by discounting the estimated future required contributions using interest rates of high-quality long-term corporate bonds. All actuarial gains and losses that arise in calculating the present value of the obligations and the fair value of plan assets are recognized immediately in the statement of comprehensive earnings.

The cost of defined benefit and defined contribution pensions and other post-retirement benefits that relate to employees' current service is charged to earnings annually. The cost for the defined benefit plans is computed on an actuarial basis using the projected unit credit method prorated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. For calculating the expected return on plan assets, the assets are valued at fair value.

The discount rate used to measure the interest cost on the accrued employee future benefit obligation is set with reference to market interest rates on high-quality debt instruments. Actuarial gains and losses arising from the employee future benefit plans are recognized immediately in other comprehensive earnings. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The Corporation's portion of the cost of defined contribution pensions is expensed as earned by employees.

Income taxes

Income tax expense represents the sum of the tax currently payable, deferred tax and refundable tax.

Current tax

Current tax is based on taxable earnings for the period. Taxable earnings may differ from earnings as reported in the consolidated statement of earnings because of items of income and expenses that are taxable or deductible in other years and items that will never be taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying values of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

Financial Instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation's financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Corporation's designation of such instruments.

The Corporation is required to classify all financial assets either as fair value through profit or loss, available-for-sale, held-to-maturity, or loans and receivables and, financial liabilities are classified as either fair value through profit or loss, or other liabilities. The standards require that all financial assets and financial liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, available-for-sale financial assets that do not have quoted market prices in an active market and whose fair value cannot be reliably estimated and other liabilities.

The Corporation's cash and cash equivalents and accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, dividends payable and long-term debt are classified as other financial liabilities, which are also measured at amortized cost.

The Corporation takes its own credit risk into account and that of the relevant counterparties when determining the fair value of financial assets and financial liabilities, including derivative instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, including cash and cash equivalents and accounts receivable, are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those recorded at fair value as adjusted through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, because of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the assets carrying value and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying value is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

The impairment loss on receivables is based on a review of all outstanding amounts at period end. The Corporation has established percentages for the allowance for doubtful accounts which are based on historical collection trends for each payer type and age of the receivables. Accounts that are considered to be uncollectible are reserved for in the allowance until they are written off or collected.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through earnings to the extent that the carrying value of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Other financial liabilities

Other financial liabilities, including accounts payable and accrued liabilities, dividends payable and long-term debt, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Transaction costs

Transaction costs related to financial assets and liabilities measured at fair value as adjusted through net earnings are included in financial expense. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are amortized over the expected life of the instrument using the effective interest method.

Derivative financial instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 27.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured and adjusted to their fair value at the end of each reporting period. The resulting gain or loss is recognized in net earnings immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in net earnings depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contracts, the terms of the embedded derivative are the same as those of a free standing derivative, and the combined instrument or contract is not measured at fair value, with changes in fair value recognized in net earnings.

Hedges

In keeping with its risk management strategy, the Corporation has elected to apply hedge accounting to its interest rate swaps and designate them as cash flow hedges. At inception of the hedge relationship, the Corporation documents the relationship between the hedging instrument and the hedged item, along with its risk management objective and its strategy for undertaking various hedge transactions. Furthermore, at inception of the hedge and on an ongoing basis, the Corporation documents whether the hedging instrument is highly effective in offsetting the changes in cash flows of the hedged item attributable to the hedged risk. These derivatives are marked-to-market at each period end and resulting gains or losses are recognized in other comprehensive earnings to the extent the hedging relationship is effective.

The gain or loss relating to the ineffective portion is recognized immediately in net earnings and is included in the financial expense line item.

Comprehensive Earnings

Other comprehensive earnings includes unrealized gains and losses on foreign currency translation of the net investment in self-sustaining operations, changes in the fair market value of derivative instruments designated as cash flow hedges and the actuarial gains or losses on employee benefits, all net of income taxes. The components of comprehensive earnings or loss are disclosed in the Consolidated Statements of Comprehensive Earnings. Accumulated Other Comprehensive Loss is included on the Consolidated Balance Sheets.

Earnings per Share

Basic earnings per share are calculated using the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by adjusting the consolidated profit or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

4. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and earnings. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical accounting estimates and judgements are those that have a significant risk of causing material adjustment. Management believes that the following are the significant accounting estimates and judgements used in the preparation of the consolidated financial statements.

Long – Lived Assets

Long-lived assets of the Corporation currently include property, plant and equipment made up primarily of vessels and investment property.

The Corporation evaluates the carrying values of the long-lived assets to determine if events have occurred that would require a modification of their carrying values. The valuation of long-lived assets is reviewed based on events and changes in circumstances that would indicate that the carrying value of the assets might not be recovered. In assessing the recoverability of the long-lived assets, the Corporation reviews certain indicators of potential impairment such as reported sale and purchase prices, market demand and general market conditions. Furthermore, market valuations from leading, independent and internationally recognized shipbrokers and real estate valuators as required will be part of the review for potential impairment indicators. If an indication of impairment is identified, the need for recognizing an impairment loss is assessed by comparing the carrying value of the long-lived asset to the higher of the fair value less costs to sell and the value in use.

The review for potential impairment indicators and projection of future undiscounted and discounted cash flows related to the property, plant and equipment is complex and requires the Corporation to make various estimates including future freight rates, earnings from the vessels and discount rates. All of these items have been historically volatile. The carrying values of the Corporation's property, plant and equipment may not represent their fair market value at any point in time as market prices of second-hand vessels to a certain degree tend to fluctuate with changes in charter rates and the cost of new vessels. However, if the estimated future cash flow or related assumptions in the future experience change, an impairment of property, plant and equipment may be required.

Depreciation on long-lived assets is based on cost less estimated residual value. Residual value for vessels is estimated as the lightweight tonnage of each vessel multiplied by the scrap value per ton. The useful life and residual value of the vessels are reviewed at least each financial year end.

Investment properties are amortized on a straight-line basis over their useful lives, which the Corporation estimates to be 35 years.

Taxation

Income taxes are accrued to the extent practicable by applying the annual effective income tax rates for each taxing jurisdiction to the pre-tax earnings in those jurisdictions. Estimates of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income before they expire.

The Corporation is subject to taxation in several jurisdictions. Significant judgment is required in determining the total provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at each balance sheet date. Where the final tax outcome of these matters differs from the amount provided, it will be recorded in the period in which that final determination arises.

Employee Benefits

Management considers a number of factors in developing the pension assumptions, including an evaluation of relevant discount rates, expected long-term returns on plan assets, plan asset allocations, mortality, expected changes in wages and retirement benefits, analysis of current market conditions and input from actuaries and other consultants.

Costs of the programmes are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits.

A 1.00% increase in the discount rate assumption would decrease the net periodic service costs component by $536 (2010- $356). A 1.00% decrease in the discount rate assumption would increase the net periodic service costs component by $690 (2010-$421).

A 1.00% increase in the discount rate assumption for the employee future benefit obligation would reduce the obligation by $12,430 (2010- $10,383). A 1.00% decrease in the discount rate assumption for the employee future benefit obligation would increase the obligation by $15,240 (2010- $14,288).

5. FUTURE ACCOUNTING STANDARDS

Consolidated Financial Statements

In 2011, the International Accounting Standards Board ("IASB") issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"). This IFRS replaces portions of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") that addresses consolidation and supersedes SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended for the issuance of IFRS 10 and retains guidance only for separate financial statements.

Joint Arrangements

In May 2011, the IASB issued IFRS 11, "Joint Ventures" ("IFRS 11"). IFRS 11 supersedes IAS 31, "Interest in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements that are controlled jointly.

As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, "Investments in Associates " ("IAS 28") has been amended to correspond to the guidance provided in IFRS 10 and IFRS 11.

Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"). This IFRS requires extensive disclosures relating to a corporation's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This IFRS enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance.

IFRS 10, 11 and 12 and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, so long as IFRS 10, 11 and 12 and the amendments to IAS 27 and 28 are adopted at the same time. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12.

Fair Value Measurement

In May 2011, the IASB issued IFRS 13, "Fair Value Measurement", which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted.

Employee Benefits

In June 2011, the IASB revised IAS 19, "Employee Benefits". The revisions include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The amendments enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual periods beginning on or after July 1, 2012.

The Corporation is currently assessing the impact of these new standards and amendments on its consolidated financial statements.

6. BUSINESS COMBINATION

On April 14, 2011, the Corporation concluded an agreement with Upper Lakes Group Inc. ("ULG") to acquire from ULG its 41% partnership interest in Seaway Marine Transport and related entities (collectively, "SMT") along with the vessels and assets owned by ULG and its affiliates and used by SMT in its Great Lakes – St. Lawrence Waterway domestic dry-bulk freight business (the "ULG Transaction").

Under the terms of the transaction, the Corporation acquired 11 vessels previously owned by ULG, consisting of four gearless and seven self-unloading bulk freighters. The Corporation also acquired ULG's interest in two gearless and two self-unloading bulk freighters that were owned jointly by the Corporation and ULG, as well as ULG's interest in a self-unloader then under construction at Chengxi Shipyard in China. In addition, ULG has novated in favour of the Corporation a contract for the construction of one gearless bulk freighter and the Corporation has reimbursed ULG for an instalment payment made in respect of that contract.

The Corporation recognized a gain before income taxes of $1,087 as a result of measuring at fair value its interest in a certain asset held for sale and owned by SMT before the business combination. The gain has been shown as a separate line in the Corporation's 2011 consolidated statement of earnings. In addition, the Corporation recognized a gain before income taxes of $340 for unrealized foreign exchange balances which has been included the net (loss) gain on translation of foreign denominated assets and liabilities in the Corporation's 2011 consolidated statement of earnings. The fair value of the Corporation's previously held equity interest in SMT at the acquisition date net of intercompany balances was $19,504.

The preliminary allocation of the net purchase price for accounting purposes is as follows:

Cash and cash equivalents	$ 1,603
Accounts receivable	13,092
Materials and supplies	3,585
Prepaid expenses	1,271
Income taxes receivable	610
Asset held for sale	1,750
Property, plant and equipment	81,597
Accounts payable and accrued charges	(14,427)
Employee future benefits	(3,897)
Deferred tax liabilities	(4,739)
Total identifiable assets	80,445
Goodwill	7,910
Total cash consideration paid to vendor	$ 88,355
Less cash and cash equivalents acquired	1,603
Total reported on consolidated cash flow statement	$ 86,752

The costs related to the acquisition and restructuring of $2,651 relating to severance costs and professional fees and have been recorded in general and administrative expenses.

The revenue and net earnings of the acquiree since the acquisition date included in the consolidated statement of earnings for 2011 were $152,025 and $25,456 respectively.

The revenue and net earnings for the Corporation and the acquiree combined for 2011 as though the acquisition date for the business combination that occurred during the year had been as of January 1, 2011 would have been $595,690 and $52,001 respectively.

7. INTERESTS IN JOINT VENTURES

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

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

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

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

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

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

	December 31, 2011	December 31, 2010	January 1, 2010
Current assets	**$ 15,214**	$ 47,923	$ 44,100
Non-current assets	**$ 15,244**	$ 44,902	$ 49,597
Current liabilities	**$ 6,740**	$ 33,569	$ 29,428
Non-current liabilities	**$ 3,546**	$ 3,894	$ 3,368

	2011	2010
Revenue	**$ 115,904**	$ 289,251
Expenses	**$ 127,023**	$ 260,004
Operating (loss) earnings	**(11,119)**	29,247

8. FINANCIAL EXPENSE

The components of financial expense are as follows:

	2011	2010
Interest expense on borrowings	**$ 13,506**	$ 9,555
Interest income on cash and cash equivalents	**(965)**	-
Amortization of financing costs	**2,200**	2,092
Interest capitalized on vessels under construction	**(4,806)**	(5,508)
Net interest expense	**$ 9,935**	$ 6,139
Mark to market for derivatives that are not eligible for hedge accounting	**(1,367)**	3,364
	$ 8,568	$ 9,503

9. INCOME TAXES

	2011	2010
Current tax		
Current tax expense in respect of the current year	$ 2,583	$ 3,870
Deferred tax		
Deferred tax expense recognized in the current year	11,649	1,805
Adjustments to deferred tax relating to changes in tax rates	(547)	(2,047)
	11,102	(242)
	$ 13,685	$ 3,628

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

	2011	2010
Combined federal and provincial statutory income tax rate	28.3%	31.0%
Earnings before income taxes	$ 82,529	$ 22,184
Expected income tax provision	$ 23,314	$ 6,877
Increase (decrease) resulting from:		
Effect of items that are not taxable	(1,395)	(53)
Foreign tax rates different from statutory rate	(5,328)	(773)
Effect of items taxable in the future at lower rates	(2,346)	(2,034)
Net operating loss carried back to year with higher statutory rate	(722)	-
Other	162	(389)
	$ 13,685	$ 3,628

Deferred income tax expense (recovery) recognized in other comprehensive earnings is as follows:

	2011	2010
Unrealized gain on hedging instruments	$ 361	$ 165
Actuarial losses on employee future benefits	(5,279)	(3,086)
Minimum funding liability	136	2,992
	$ (4,782)	$ 71

An analysis of the deferred income tax liability is as follows:

December 31, 2011	Opening balance	Recognized in earnings	Recognized in other comprehensive earnings and in equity	Closing balance
Deferred tax assets/(liabilities):				
Partnership profits	$ (16,026)	$ (7,502)	$ -	$ (23,528)
Property, plant and equipment	(30,901)	(4,023)	-	(34,924)
Investment property	(2,562)	(832)	-	(3,394)
Employee future benefits	3,818	156	5,143	9,117
Foreign exchange differences	(3,343)	(1,161)	-	(4,504)
Tax losses	3,784	-	-	3,784
Convertible debentures	-	-	(1,555)	(1,555)
Tax provisions and other	2,270	2,260	(361)	4,169
	$ (42,960)	$ (11,102)	$ 3,227	$ (50,835)

December 31, 2010	Opening balance	Recognized in earnings	Recognized in other comprehensive earnings and in equity	Closing balance
Deferred tax assets/(liabilities):				
Partnerships profits	$ (15,225)	$ (801)	$ -	$ (16,026)
Property, plant and equipment	(28,152)	(2,749)	-	(30,901)
Investment property	(2,832)	270	-	(2,562)
Employee future benefits	4,165	(441)	94	3,818
Foreign exchange differences	(2,182)	(1,161)	-	(3,343)
Tax losses	1,745	2,039	-	3,784
Tax provisions and other	(650)	3,085	(165)	2,270
	$ (43,131)	$ 242	$ (71)	$ (42,960)

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash balances with banks and investments in short term deposits with maturities of less than 90 days and consist of the following:

	2011	2010	January 1, 2010
Cash in banks	**$ 132,316**	$ 32,802	$ 10,291
Short-term deposits	**-**	10,000	263
	$ 132,316	$ 42,802	$ 10,554

11. ACCOUNTS RECEIVABLE

	2011	2010	January 1, 2010
Due from customers	$ 59,177	$ 43,633	$ 37,686
Accrued revenue	2,815	2,353	2,540
Business acquisition receivable	4,648	-	-
Commodity taxes	4,683	3,149	1,170
Other	6,146	(114)	2,995
	$ 77,469	$ 49,021	$ 44,391

12. DEPOSITS ON VESSEL CONSTRUCTION

In September 2007, the Corporation entered into contracts to build three product tankers at the Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. in China. Each contract contained provisions that allowed for cancellation in the event of excessive delivery delays, which delays have occurred. Because of the excessive non-permissible delays, the Corporation has issued formal notices of rescission of the three shipbuilding contracts.

The Corporation has made installments to the shipyard totalling U.S. $35,370. Payments made to the shipyard are backed by refund guarantees issued by major Chinese banks. The Corporation is currently in arbitration with the shipyard seeking full refund of these deposits.

The amount the Corporation may realize from the arbitration proceeding is uncertain.

13. ASSETS HELD FOR SALE

At December 31, 2011, 2010 and January 1, 2010 the Corporation has certain property, plant and equipment which has been determined to be no longer required. The expected proceeds on disposal approximate the carrying value.

14. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are as follows:

Cost	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at January 1, 2010	$ 488,328	$ 287,662	$ 175,389	$ 951,379
Additions	22,567	13,657	12,137	48,361
Transfers between segments	46,485	-	(46,485)	-
Effect of foreign currency exchange differences	(2,507)	(5,558)	(11,182)	(19,247)
Disposals	(1,780)	-	-	(1,780)
Balance at December 31, 2010	553,093	295,761	129,859	978,713
Additions	35,936	3	1,585	37,524
Business acquisition (Note 6)	81,597	-	-	81,597
Effect of foreign currency exchange differences	1,179	303	2,940	4,421
Disposals	(47,836)	-	-	(47,836)
Reclassification between segments	31,287	(31,287)	-	-
Reclassification to deposits on vessel construction	-	(35,971)	-	(35,971)
Reclassification to assets held for sale	(1,805)	-	-	(1,805)
Business combination revaluation	(8,886)	-	-	(8,886)
Balance December 31, 2011	$ 644,565	$ 228,808	$ 134,384	$ 1,007,757

Accumulated depreciation	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at January 1, 2010	$ 364,497	$ 56,030	$ 53,584	$ 474,111
Depreciation expense	16,485	11,877	8,059	36,421
Impairment losses	-	11,301	-	11,301
Effect of foreign currency exchange differences	(219)	(1,288)	(6,090)	(7,597)
Balance at December 31, 2010	380,763	77,920	55,553	514,236
Impairments	1,500	(4,614)	-	(3,114)
Depreciation expense	26,428	9,201	7,268	42,897
Disposals	(44,374)	-	-	(44,374)
Effect of foreign currency exchange differences	185	156	1,532	1,873
Business combination revaluation	(8,886)	-	-	(8,886)
Balance December 31, 2011	$ 355,616	$ 82,663	$ 64,353	$ 502,632

Net book value	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Cost	$ 644,565	$ 228,808	$ 134,384	$ 1,007,757
Accumulated depreciation	355,616	82,663	64,353	502,632
Balance December 31, 2011	$ 288,949	$ 146,145	$ 70,031	$ 505,125

The Corporation has converted two product tanker construction contracts with an order for two Equinox Class vessels having approximately equal value. The Corporation made initial installments on these two construction contracts of U.S. $32,640 which were previously included with the Product Tankers segment property, plant and equipment. The Corporation expects to satisfy a portion of the instalment obligations on the Equinox Class vessels by applying deposits made on the converted product tankers contracts to these vessels, subject to certain conditions and, accordingly, these deposits have been reclassified to the domestic dry-bulk segment. The deposits are currently held by the shipyard.

Depreciable assets at December 31, 2011 includes progress payments on new *Equinox Class* vessels of $51,189 (December 31, 2010 - $22,320). Depreciation on these assets will commence when they are ready for use, which is expected to occur at various dates commencing in late 2013. In addition, the Corporation has capitalized $4,806 (2010- $2,755) of interest related to these vessels.

Impairment losses and reversals

In 2007, the Corporation entered into contracts for three new 16,500 tonne deadweight product tanker contracts and two new 25,000 deadweight tonne product tankers with shipyards located in China. Delivery of all the vessels was originally expected to occur during late 2010 and 2011, at which time these new vessels were expected to join the Algoma Hansa in the Hanseatic Tanker Pool.

In the period since the Corporation acquired the Algoma Hansa and entered into the product tanker construction contracts, the international product tanker market has sustained a dramatic and prolonged downturn. Under IFRS, the Corporation is required to review the carrying value of its long-lived assets by comparing the carrying value of each asset to its recoverable value, which is the higher of its fair value less costs to sell or its value-in-use as measured by its discounted expected future cash flows.

On transition to IFRS, the Corporation recorded asset impairment charges related to these product tankers, including the tanker construction projects, because the expected recoverable amount of those assets was less than the carrying value of the instalment payments and other capitalized costs associated with those assets. Impairment charges totalling $20,192 were recorded as a transition adjustment on January 1, 2010.

During fiscal 2010, the Corporation formally cancelled construction contracts related to the construction of the three 16,500 deadweight tonne product tankers and conditionally converted one 25,000 deadweight tonne product tanker. As a result, the recoverable value of these assets was re-measured based on the likelihood of collecting a refund of the instalment payments made to date and a portion of the impairment charge was reversed, resulting in a recovery of $4,926, which was recorded in the fourth quarter of fiscal 2010. The remaining vessel was also re-measured, resulting in further charges totalling $16,227, which were also recorded during the fourth quarter of fiscal 2010.

During the first quarter of 2011, the Corporation negotiated the conversion of the final tanker contract to a new Equinox Class vessel. The new agreement with the shipyard will allow the Corporation to utilize the installments paid to date on the tanker to fund installments due on the sixth Equinox Class vessel construction contract net of a conversion fee. As a result of this change, the accumulated impairment provision recorded in prior periods has been re-measured, resulting in a reduction of the previous recognized impairments of $5,066.

The impairment (reversal) of property, plant and equipment for the twelve months ended December 31, 2011 and 2010 includes the following:

	2011	2010
Reversal of prior period impairments on construction contracts	**$ 5,066**	$ 4,926
Impairment on product tanker	**-**	(16,227)
Other asset impairments	**(1,952)**	-
	$ 3,114	$ (11,301)

15. INVESTMENT PROPERTY

Investment property comprises a number of commercial properties that are leased to third parties. The majority of the leases contain an initial non-cancellable period of between 5 and 10 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

The fair value of investment properties as at December 31, 2010 was estimated to be $170,000 and there has been no material change to December 31, 2011. The fair value of the property was determined by estimating yearly cash flows and then dividing this number by an appropriate capitalization rate which is determined using a number of factors, including property type, location, age, quality of tenants and other risk factors.

Details of investment property are as follows:

	Cost	Accumulated depreciation	Net book value
Balance at January 1, 2010	$ 110,416	$ 38,380	$ 72,036
Additions	2,624	3,326	(702)
Balance at December 31, 2010	113,040	41,706	71,334
Additions	5,281	4,251	1,030
Balance December 31, 2011	$ 118,321	$ 45,957	$ 72,364

The cost of investment property at January 1, 2010 included $4,317 relating to progress payments on a hotel modernization which was completed during the first quarter of 2010 when depreciation commenced.

16. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2011	2010	January 1, 2010
Due to suppliers and accrued operating costs	$ 52,528	$ 42,439	$ 36,871
Deferred revenue	267	6,454	1,959
Due to shipyard for vessel construction	15,894	15,894	-
Interest on long-term debt	5,478	-	-
Commodity taxes payable	3,175	1,510	2,768
	$ 77,342	$ 66,297	$ 41,598

17. EMPLOYEE FUTURE BENEFITS

The Corporation maintains two funded and one unfunded defined benefit pension plans and two defined contribution pension plans, which cover substantially all of its employees except for the majority of shipboard employees, who belong to pension plans not sponsored by the Corporation.

The defined benefit plans provide retirement income based on length of service and final average earnings or an amount per month for each year of credited service. The Corporation also provides other post-retirement benefits including life insurance and health care to certain employees.

The Corporation measures its accrued benefit obligations and the fair value of the plan assets for accounting purposes at December 31 of each year.

The most recent actuarial valuations of the obligations for the two defined benefit plans for funding purposes were as of January 1, 2011. The next required valuation for the defined benefit plans will be as of January 1, 2012.

Information, in aggregate, regarding the Corporation's benefit plans for the years 2011 and 2010 is presented below.

December 31, 2011	Pension Plans	Other Benefit Plans	Total
Present value of employee future benefit obligation	$ 134,869	$ 13,628	$ 148,497
Fair value of plan assets	105,623	751	106,374
Net liability arising from employee future benefit obligations	$ 29,246	$ 12,877	$ 42,123

December 31, 2010	Pension Plans	Other Benefit Plans	Total
Present value of employee future benefit obligation	$ 117,581	$ 7,611	$ 125,192
Fair value of plan assets	104,461	-	104,461
Net liability arising from employee future benefit obligations	$ 13,120	$ 7,611	$ 20,731

January 1, 2010	Pension Plans	Other Benefit Plans	Total
Present value of employee future benefit obligation	$ 114,309	$ 6,356	$ 120,665
Fair value of plan assets	99,931	-	99,931
Net liability arising from employee future benefit obligations	$ 14,378	$ 6,356	$ 20,734

Movements in the fair value of the plan assets and present value of the obligations are as follows:

2011

Employee Future Benefit Assets	Pension Plans	Other Benefit Plans	Total
Fair value, beginning of year	$ 104,461	$ -	$ 104,461
Expected return on plan assets	6,214	-	6,214
Actuarial loss	(4,377)	-	(4,377)
Benefits paid	(6,574)	-	(6,574)
Benefit plan acquired	-	751	751
Employee contributions to plans	228	-	228
Employer contributions to plans	5,671	-	5,671
Fair value, end of year	$ 105,623	$ 751	$ 106,374
Employee Future Benefit Obligations			
Obligations, beginning of year	$ 117,581	$ 7,611	$ 125,192
Current service cost	4,948	540	5,488
Interest cost	6,274	404	6,678
Benefits paid	(7,065)	(267)	(7,332)
Benefit plan acquired	-	4,649	4,649
Actuarial loss	13,131	691	13,822
Obligations, end of year	$ 134,869	$ 13,628	$ 148,497

2010

Employee Future Benefit Assets		Pension Plans		Other Benefit Plans		Total
Fair value, beginning of year	$	99,931	$	-	$	99,931
Expected return on plan assets		5,929		-		5,929
Actuarial gain		811		-		811
Benefits paid		(6,476)		-		(6,476)
Employee contributions to plans		227		-		227
Employer contributions to plans		4,039		-		4,039
Fair value, end of year	$	104,461	$	-	$	104,461

Employee Future Benefit Obligations						
Obligations, beginning of year	$	114,309	$	6,356	$	120,665
Current service cost		2,644		242		2,886
Interest cost		6,464		398		6,862
Benefits paid		(6,926)		(200)		(7,126)
Change in assumptions		1,090		815		1,905
Obligations, end of year	$	117,581	$	7,611	$	125,192

The deficit of the employee future benefit plans consist of the following:

		December 31, **2011**		December 31, 2010		January 1, 2010
The Employee Pension Plan of Algoma Central Corporation	$	**(19,246)**	$	(5,159)	$	(7,182)
The Union Employee Pension Plan of Fraser Marine & Industrial		**(132)**		294		98
Supplementary Employee Retirement Plan		**(9,868)**		(8,255)		(7,302)
Other benefit plans		**(12,877)**		(7,611)		(6,348)
	$	**(42,123)**	$	(20,731)	$	(20,734)

The Corporation's net expense for the employee future benefit plans is as follows:

2011		Pension Plans		Other Benefit Plans		Total
Current service cost	$	4,948	$	540	$	5,488
Interest cost on plan obligations		6,274		404		6,678
Expected return on plan assets		(6,214)		-		(6,214)
Net benefit expense		5,008		944		5,952

2010	Pension Plans	Other Benefit Plans	Total
Current service cost	$ 2,644	$ 242	$ 2,886
Interest cost on plan obligations	6,464	398	6,862
Expected return on plan assets	(5,929)	-	(5,929)
Net benefit expense	3,179	640	3,819

The actuarial losses recognized in other comprehensive earnings are as follows:

	2011	2010
Cumulative amount at January 1	**$ 11,867**	$ -
Recognized during the period	**18,686**	11,867
	$ 30,553	$ 11,867

In addition, $485 (2010 - $10,687) has been recognized in other comprehensive income for the minimum funding liability for the defined benefit plans.

The fair value of plan assets by major investment type is as follows:

	2011	2010	January 1, 2010
Short term notes	**$ 7,295**	$ 6,051	$ 2,240
Canadian bonds	**51,073**	51,077	50,847
Canadian equities	**17,895**	19,521	22,072
Foreign equities	**28,370**	25,641	20,448
Annuities	**8,025**	7,388	8,723
	112,658	109,678	104,330
Amount related to defined contribution plans	**(6,284)**	(5,217)	(4,399)
	$ 106,374	$ 104,461	$ 99,931

Plan assets do not include any common shares of the Corporation.

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. Management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation.

The actual return on plan assets for 2011 was 1.08% or $1,836 (2010 – 8.0% or $6,740)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit assets and obligations are as follows:

	Pension Plans		Other Benefit Plans	
	2011	2010	**2011**	2010
Discount rate used for estimating accrued benefit obligation	**4.5%**	5.3%	**4.5%**	5.3%
Discount rate used for estimating interest cost included in net benefit cost incurred	**5.3%**	6.4%	**5.3%**	6.4%
Long-term rate of return on plan assets	**6.0%**	6.0%	**NA**	NA
Rate of compensation increases	**4.0%**	4.0%	**4.0%**	4.0%
Average remaining service period of active employees in years	**11**	11	**12**	12

The Corporation's growth rate of health care costs was estimated at 5% (2010 - 6%), with the rate trending to 5% per annum to 2012. Increasing or decreasing the assumed health care rate cost trend rates by one percentage point would have the following effect for 2011.

	Increase	Decrease
Service and interest cost	$ 110	$ 89
Accrued benefit obligation	$ 916	$ 749

The Corporation expects to make contributions of $5,929 (2010 – $5,671) to the pension plans during the next fiscal year.

The expense recognized in the consolidated statement of earnings for defined contribution plans is $727 (2010 - $24).

18. LONG-TERM DEBT

	2011	2010	January 1, 2010
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.0%	$ **63,044**	$ -	$ -
Senior secured notes, due July 19, 2021			
U.S. $75,000, interest fixed at 5.11%	**76,275**	-	-
Canadian $75,000, interest fixed at 5.52%	**75,000**	-	-
Senior secured non-revolving term loan, due October 20, 2014, interest fixed at 5.90%	**6,000**	8,000	10,000
Senior secured non-revolving term loan, due October 20, 2016, interest fixed at 5.02% to May 30, 2013	**19,500**	23,500	27,500
Senior secured revolving loans, due November 3, 2011			
Direct loans, interest at prime plus 3.0%	**-**	-	1,191
Senior secured non-revolving term loans, due November 3, 2011			
U.S. direct loans, interest at prime plus 3.0%,	**-**	159	-
Canadian B.A. rate plus 3.5%,	**-**	-	35,500
Canadian B.A., interest fixed at 5.36% on $18,000 to November 3, 2011, $62,500 at B.A. rate plus 3.50%	**-**	48,500	-
U.S. $42,000, interest fixed at 4.71% to November 3, 2011	**-**	41,772	44,310
	239,819	121,931	118,501
Less unamortized financing expenses	**7,837**	3,562	5,548
	231,982	118,369	112,953
Current portion	**4,754**	94,670	4,232
	$ **227,228**	$ 23,699	$ 108,721

Effective July 19, 2011, the Corporation completed a refinancing of its existing bank credit facilities (the "Bank Facility") and issued senior secured notes payable (the "Notes") in order to secure long-term financing to support its investment in Great Lakes fleet renewal and the ULG Transaction.

The Bank Facility comprises a $150 million senior secured revolving bank credit facility due July 19, 2016 with a syndicate of six banks. The Bank Facility bears interest at rates that are based on the Corporation's ratio of senior debt to earnings before interest, taxes, depreciation and amortization and ranges from 175 to 275 basis points above bankers' acceptance or LIBOR rates.

The Notes, which were issued through a private placement, comprise two tranches: a $75,000 tranche denominated in Canadian dollars bearing interest at 5.52% and a $75,000 tranche denominated in U.S. dollars bearing interest at 5.11%. The Notes are due July 19, 2021.

The Corporation has granted a general security agreement in favour of the senior secured lenders and has granted specific collateral mortgages covering its wholly owned vessels. The Corporation's real estate assets and vessels that are not wholly owned are not directly encumbered under these agreements.

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

A portion of the proceeds of the Notes was used to repay and cancel the Corporation's revolving and non-revolving bank loans that were due November 3, 2011. Two senior secured non-revolving loans that are due in 2014 and 2016 were not affected by this refinancing.

At December 31, 2011 and 2010 and January 1, 2010, the Corporation was in compliance with all of the covenants.

The unamortized financing expenses relate to costs incurred to establish the credit facilities, to issue the debentures and senior notes and are being amortized over the remaining terms using the effective yield method.

Principal payments required to service the debt are as follows:

	2011	2010	January 1, 2010
Falling due within one year	$ **6,000**	$ 96,431	$ 6,000
Falling due between one and two years	**6,000**	6,000	87,001
Falling due between two and three years	**6,000**	6,000	6,000
Falling due between three and four years	**4,000**	6,000	6,000
Falling due between four and five years	**3,500**	4,000	6,000
Falling due after five years	**214,319**	3,500	7,500
	$ **239,819**	$ 121,931	$ 118,501

19. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

In April 2011, the Corporation issued $69,000 of convertible unsecured subordinated debentures (the "Debentures"). Each Debenture may be convertible into common shares of the Corporation at the option of the holder at any time prior to maturity at a price equal to $154.00 per common share. On redemption at the maturity date, the Corporation may repay the indebtedness represented by the Debentures by paying an amount equal to the aggregate principal amount of the outstanding debentures. The Corporation has the option to repay the principal amount with common shares. The proceeds of the Debenture issue, net of related costs, were $66,002.

The Debentures are compound financial instruments and as such have been recorded as a liability and as equity. The liability component was valued first and the difference between the proceeds of the Debenture and the fair value of the liability was assigned to the equity component. The carrying value of the equity component before income tax and financing costs is $6,498. The carrying value of $4,632, which is net of financing costs and income tax, has been recorded as a separate component in shareholders' equity.

The present value of the liability, net of expenses, of $59,815 was calculated using a discount rate of 7.75% which approximated the interest rate that would have been applicable to non-convertible debt of the Corporation at the time the debentures were issued. The liability component will be accreted to the face value of the debentures over the term of the debentures with a resulting charge to interest expense.

20. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common and preferred shares with no par value. At December 31, 2011 and 2010, and January 1, 2010, there were 3,891,211 common shares and no preferred shares issued and outstanding.

The diluted earnings per share for 2011 has been computed by adding the financial expense related to the debentures net of income tax of $3,085 to increase net earnings to $71,929, divided by the total number of outstanding shares of 4,339,263 assuming the option is exercised on maturity. There were no dilutive instruments as of December 31, 2010.

21. CASH FLOW HEDGING RESERVE

	2011	2010
Balance, beginning of year	$ **(1,294)**	$ (1,403)
Gain arising on change in fair value of hedging instruments entered into for cash flow hedges	**1,237**	274
Income tax related to gains recognized in other comprehensive earnings	**(361)**	(165)
Balance, end of period	$ **(418)**	$ (1,294)

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in the fair value of interest rate swap agreements entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to earnings only when the hedged transaction affects earnings.

22. FOREIGN CURRENCY TRANSLATION RESERVE

	2011	2010
Balance, beginning of year	$ **(10,369)**	$ -
Exchange differences on translating net assets of foreign operations	**4,552**	(10,369)
Balance, end of period	$ **(5,817)**	$ (10,369)

Exchange differences relating to the translation of the results and net assets of the Corporation's foreign operations from their functional currencies to the Corporation's presentation currency (Canadian dollars) are recognized directly in other comprehensive earnings and accumulated in the foreign currency translation reserve. Exchange differences accumulated in the foreign currency translation reserve are reclassified to earnings on the disposal of the foreign operation or on a pro-rata basis when cash held in the foreign subsidiary is repatriated to Canada as a return of the net investment.

23. SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

	2011	2010
Change in non-cash operating working capital		
Accounts receivable	$ (20,004)	$ (4,630)
Materials and supplies	(1,063)	142
Prepaid expenses	7,195	(6,468)
Accounts payable and accrued charges	(3,426)	16,277
	$ (17,298)	$ 5,321

24. CAPITAL DISCLOSURES

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

- Provide sustained growth of shareholder value by earning long- term returns on capital employed in the 10% to 12% range.
- Maintain a strong capital base to gain investor, creditor and market confidence and to sustain future growth. In this regard, the Corporation will target to maintain a long-term debt to equity ratio of no greater than one to one. The Corporation views a one to one ratio as a maximum rate due to the capital intensive nature of the business.
- Pay regular quarterly dividends to shareholders.

The returns on capital employed over the last five years of the Corporation ranged from 5.9% to 12.3%.

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

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

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

The debt to shareholders' equity ratio at December 31, 2011 and 2010 and January 1, 2010 is as follows:

	2011	2010	January 1, 2010
Total long-term debt	$ 239,819	$ 121,931	$ 118,501
Shareholders' equity	$ 468,720	$ 409,788	$ 409,492
Debt to shareholders' equity ratio	0.51 to 1	0.30 to 1	0.29 to 1

25. COMMITMENTS

The Corporation has commitments for capital expenditures and other commitments at December 31, 2011 and 2010 of $257,171 and $283,577, respectively.

The commitments at December 31, 2011 relate primarily to the purchase of four new maximum seaway size self-unloading and two gearless bulker vessels and commitments relating to required payments for its employee future benefit plans.

Annual expected payments over the next five years are: $105,478 due in 2012, $144,192 due in 2013, $4,250 due in 2014, and $3,251 due in 2015 and beyond.

The commitments at December 31, 2010 related primarily to the purchase of new product tankers which were either cancelled or converted to the new *Equinox Class* laker construction projects in the first quarter of 2011, five new maximum seaway size self-unloading vessels and gearless bulker vessels, and commitments relating to its defined benefit pension plans.

During fiscal 2010, the Corporation entered into contracts for the construction of six new maximum Seaway-sized dry-bulk lake freighters with Nantong Mingde Heavy Industries of China. Delivery of these vessels is expected to occur through late 2013 and 2014. The Corporation has paid initial deposits on these construction contracts and is obligated to further installments totalling approximately $247,000. The Corporation expects to satisfy a portion of these instalment obligations by applying deposits totalling U.S. $29,940 currently held by the shipyard in connection with other shipbuilding orders to these lake freighter contracts.

Also during fiscal 2010, the Corporation formally cancelled construction contracts with Jiangxi Jiangzhou Union Shipyard Ltd. related to the construction of three 16,500 deadweight tonne product tankers. The parties are currently in arbitration proceedings related to the cancellation. Under the original contract terms, the Corporation has unpaid instalment obligations totalling $59,453, which have not been included above. The Corporation believes that it is able to support its position that the cancellation of these contracts occurred within the permitted cancellation terms.

26. CONTINGENCIES

Income taxes

In 1997, the Corporation sold substantially all of its forest lands and reported a capital gain for income tax purposes of $28,076. The Corporation determined the gain based on an independent appraisal of the fair value of the forest lands as of December 31, 1971 in the amount of $34,868.

Canada Revenue Agency ("CRA") has audited the 1997 income tax return filed by the Corporation and is in disagreement with the December 31, 1971 valuation of the forest lands used by the Corporation. In 2003, CRA issued a Notice of Reassessment to the Corporation adjusting the valuation to $12,338.

The Corporation believes it has determined the gain correctly and is defending its position. In 2003, the Corporation filed a Notice of Objection with the CRA and in February 2009, it filed a Notice of Appeal with the Tax Court of Canada.

If the Corporation were to be unsuccessful, the estimated tax and accrued interest owing to December 31, 2010 would be approximately $11,000. In 2002, the Corporation deposited $11,000 with the relevant taxation authorities pending the outcome of the reassessment.

The ultimate liability, if any, is not expected to have a material impact on the financial statements.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

Fair value

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

	December 31, 2011	December 31, 2010	January 1, 2010
Financial Assets			
Carrying and fair value			
Cash and cash equivalents	$ **132,316**	$ 42,802	$ 10,554
Accounts receivable	$ **77,469**	$ 49,021	$ 44,391
Financial Liabilities			
Carrying and fair value			
Accounts payable and accrued charges	$ **77,342**	$ 66,297	$ 41,598
Derivative liabilities	$ **2,489**	$ 5,587	$ 2,093
Carrying value of long-term debt	$ **239,819**	$ 121,931	$ 118,501
Fair value of long-term debt	$ **246,961**	$ 124,066	$ 120,657

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

Fair value measurements recognized in the consolidated balance sheets

Financial instruments that are measured at fair value are classified into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurements, as provided by financial institutions, in the balance sheet include derivative assets (Level 2) of $594 (December 31, 2010 - $352, January 1, 2010 -$398) and derivative liabilities (Level 2) of $3,083 as of December 31, 2011 (December 31, 2010 - $5,587, January 1, 2010, $2,491).

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

Financial Risk Management Objectives

The Corporation monitors and manages the financial risks relating to the operations through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Corporation's policies approved by the board of directors, which provide guidance on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporation utilizes interest rate swap agreements on certain term debt instruments to manage risks associated with interest rate movements.

The Corporation also utilizes foreign exchange forward contracts to manage its foreign exchange risk associated with payments required under certain shipbuilding contracts with foreign ship-builders for vessels that will join the Canadian flag domestic dry-bulk fleet.

Hedging relationships are documented and designated at inception and their continuing effectiveness is assessed at least annually.

Risk management and financial instruments

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

Credit risk

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

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

	December 31, 2011		December 31, 2010		January 1, 2010	
	Base currency	**Canadian equivalent**	Base currency	Canadian equivalent	Base currency	Canadian equivalent
Canadian dollar balances	**$ 61,085**	**$ 61,085**	$ 29,600	$ 29,600	$ 1,304	$ 1,304
U.S. dollar balances	**$ 70,040**	**$ 71,231**	$ 11,645	$ 11,575	$ 8,801	$ 9,250
Euro dollar balances		**-**	€ 1,134	$ 1,627		-
		$ 132,316		$ 42,802		$ 10,554

Canadian and U.S. dollar cash and cash equivalents are held primarily with a major Canadian financial institution and the risk of default of this institution is considered remote. Cash balances outside of Canada are also held with major financial institutions and are generally kept to a minimum. The U.S. dollar balances relate primarily to the net cash received from the 2011 U.S. senior note offering and the U.S. dollar cash flow originating primarily from foreign subsidiaries. The U.S. dollar cash balance is being held as a partial hedge against the U.S. dollar commitments on the new Equinox vessels.

Credit risk arises from the potential that counterparty will fail to perform its obligations. The Corporation is exposed to credit risk from customers. The maximum exposure to credit risk is represented by the carrying value of accounts receivable on the balance sheet.

The Corporation believes that the credit risk for accounts receivable is limited due to the following reasons:

- 97%, 98% and 98% at December 31, 2011, December 31, 2010 and January 1, 2010 respectively, of accounts receivable has been outstanding for 60 days or less;
- The Corporation has in recent history recorded minimal bad debts;
- The customer base consists of relatively few large industrial concerns in diverse industries and quasi-governmental agencies; and,
- Credit reviews are performed prior to extending credit and reviewed on an on-going basis.

A provision for bad debts is established when it is determined the amount to be collected is lower than the carrying value. The allowance for doubtful accounts at December 31, 2011 and December 31, 2010 was not material.

Liquidity risk

The cash and cash equivalents on hand, expected cash from operations and existing credit facilities are expected to be sufficient to allow the Corporation to meet its planned operating and capital requirements and other contractual obligations.

The Corporation maintains credit facilities, which are reviewed regularly to ensure it has sufficient capital available to meet current and anticipated needs. The total authorized credit facilities at December 31, 2011 were $175,500 consisting of $150,000 in a revolving facility and $25,500 in two non-revolving term facilities. At December 31, 2011, the Corporation had $149,173 available in existing credit facilities.

Substantially all of the Corporation's wholly owned marine assets were given as collateral for the line of credit. The carrying value as of December 31, 2011 of the assets pledged was approximately $490,000. The Corporation's real estate assets and vessels that are not wholly owned are not directly encumbered under these agreements.

The contractual maturities of non-derivative financial liabilities at December 31, 2011 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 77,342	$ -	$ -	$ -	$ 77,342
Dividends payable	906	-	-	-	906
Long-term debt equity portion	6,000	12,000	7,500	220,275	245,775
Total	$ 84,248	$ 12,000	$ 7,500	$ 220,275	$ 324,023

Market risk

(a) Fuel prices

The Corporation has provisions in the vast majority of its contracts with customers that provide recovery of fuel price increases. Accordingly, there is not a significant exposure to the volatility of fuel prices.

(b) Interest rate risk

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

Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

At December 31, 2011 and December 31, 2010, the Corporation did not have any cash flow exposure to interest rate movements for its outstanding debt, since all of the Corporation's debt have interest rates that have been fixed. (Note 18)

At December 31, 2010 three of the Corporation's term bank loans had interest rates that have been fixed through interest rate swap agreements expiring in 2011, 2013 and 2014. In addition to the term loans, the Corporation entered into an interest rate swap agreement on the U.S.$ non-revolving loan of $42,000.

(c) Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Corporation's earnings for the year ended December 31, 2011 would not have changed as all borrowings have interest rates that are fixed.

Under interest rate swap contracts, the Corporation agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Corporation to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by financial institutions by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

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

	Average Fixed Rate		Notional Principal		Fair Value	
	2011	2010	2011	2010	2011	2010
Less than 1 year						
Canadian dollar	-	5.36%	$ -	$ 18,000	-	$ 54
U.S. dollar	-	4.71%	-	42,000	-	346
2 to 5 years						
Canadian dollar	5.90%	5.90%	6,319	8,263	379	506
Canadian dollar	5.02%	5.02%	20,288	24,288	799	1,229
			$ 26,607	$ 92,551	$ 1,178	$ 2,135

The interest rate swaps outstanding at December 31, 2011 settle on a monthly basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges as they reduce the Corporation’s cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loans occur simultaneously.

The fair values of the interest rate swap contracts are based on amounts quoted by the financial institutions to settle the contracts at a point in time. The difference between fair value and the carrying value has been recorded in the financial statements in accordance with the Corporation’s hedge accounting policy.

(d) Foreign currency exchange risk

The Corporation operates internationally and is exposed to risk from changes in foreign currency rates. The foreign currency exchange risk to the Corporation results primarily from changes in exchange rates between the Corporation’s reporting currency, the Canadian dollar, and the U.S. dollar.

At December 31, 2011 and 2010, 32% and 36% of the Corporation’s total assets were denominated in U.S. dollars.

The Corporation’s exposure to foreign currency fluctuations is related to its cash balances, deposits on vessel construction, net investment in foreign subsidiaries and long-term debt denominated in U.S. dollars. The Corporation does not hedge its investments in the subsidiaries as the currency positions are considered long-term in nature. At December 31, 2011 and 2010, the net investment in U.S. dollar foreign subsidiaries was U.S. $223,250 and $216,028, respectively, and the foreign currency denominated long-term debt outstanding was U.S. $75,000 and U.S. $42,160, respectively.

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

The foreign exchange forward contracts are as follows:

	Notional Principal		Fair Value	
	2011	2010	2011	2010
U.S. dollar denominated contracts	$ 164,037	$ 131,495	$ 1,311	$ 3,452
Euro denominated contracts	-	$ 4,889	-	$ 352

U.S. dollar denominated contracts of $79,911 mature in 2012, $63,414 mature in 2013 and $20,712 matures in 2014.

(e) Foreign Currency Sensitivity Analysis (after income tax)

Based on the Corporation's estimates, a ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would reduce net earnings in the current year by $1,896.

Based on the balances at December 31, 2011 and 2010:

- A ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would decrease Other Comprehensive Earnings by $22,325 and $21,603, respectively.
- A ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would reduce total assets by $27,820 and $23,901, respectively.
- A ten-cent strengthening in the Canadian dollar relative to the U.S dollar would reduce total liabilities by $7,500 and 4,216, respectively.

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

28. SEGMENT DISCLOSURES

The Corporation operates through four segments; Domestic Dry-Bulk, Product Tankers, Ocean Shipping and Real Estate.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Corporation's 28 – vessel domestic dry-bulk fleet. The dry-bulk vessels carry cargoes of raw materials such as coal, grain, iron ore, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes a diversified ship repair and steel fabricating facility active in the Great Lakes and St. Lawrence regions of Canada.

The Product Tankers marine transportation segment includes direct ownership and management of the operational and commercial activities of seven 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 worldwide trades.

The Ocean Shipping marine transportation segment includes ownership of two ocean-going self-unloading vessels and a 50% interest through a joint venture in an ocean-going fleet of five self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide ocean trades.

The 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, the Real Estate segment manages and owns a retail mall, two office buildings, a residential apartment building and a hotel. In St. Catharines, properties include two commercial plazas, one light industrial building, three office buildings, a 50% interest of another office building and vacant land for future development. In Waterloo, the Corporation owns and manages three commercial office buildings.

The following presents the Corporation's results from operations by reportable segment.

Revenues	2011	2010
Domestic Dry-Bulk	$ 389,172	$ 203,620
Product Tankers	88,436	75,462
Ocean Shipping	75,089	85,654
Real Estate	29,993	28,966
	$ 582,690	$ 393,702

Net Earnings	2011	2010
Operating earnings net of income tax		
Domestic Dry-Bulk	$ 36,573	$ 3,438
Product Tankers	13,695	11,694
Ocean Shipping	15,476	14,186
Real Estate	3,383	3,123
	69,127	32,441
Impairment provisions on product tankers	4,501	(11,301)
Not specifically identifiable to segments		
Net (loss) gain on translation of foreign-denominated monetary assets and liabilities	(2,073)	677
Financial expense	(8,568)	(9,503)
Income tax recovery	5,857	6,242
Net earnings	$ 68,844	$ 18,556

Operating Expenses	2011	2010
Domestic Dry-Bulk	$ 295,310	$ 167,279
Product Tankers	54,714	45,179
Ocean Shipping	49,471	58,481
Real Estate	17,442	17,392
	$ 416,937	$ 288,331

Assets		2011		2010		January 1, 2010
Domestic Dry-Bulk	$	372,895	$	230,038	$	160,329
Product Tankers		214,458		212,629		240,148
Ocean Shipping		77,994		82,516		131,570
Real Estate		70,063		73,641		73,993
		735,410		598,824		606,040
Not specifically identifiable to segments						
Current assets		138,987		65,728		24,733
	$	874,397	$	664,552	$	630,773

Additions to Property, Plant and Equipment and Investment Property		2011		2010
Domestic Dry-Bulk	$	31,129	$	39,777
Product Tankers		3		13,657
Ocean Shipping		1,585		12,135
Real Estate		5,281		2,624
	$	37,998	$	68,193
Amounts included in working capital		649		(15,413)
Total per consolidated statement of cash flows	$	38,647	$	52,780

Depreciation of Property, Plant and Equipment and Investment Property		2011		2010
Domestic Dry-Bulk	$	26,428	$	16,485
Product Tankers		9,201		11,877
Ocean Shipping		7,268		8,059
Real Estate		4,251		3,326
	$	47,148	$	39,747

Liabilities		2011		2010		January 1 2010
Domestic Dry-Bulk	$	63,180	$	50,281	$	23,868
Product Tankers		6,585		4,064		4,315
Ocean Shipping		4,105		6,192		6,938
Real Estate		3,472		5,760		6,477
		77,342		66,297		41,598
Not specifically identifiable to segments						
Current liabilities		5,660		95,490		5,004
Other		322,675		92,977		174,679
	$	405,677	$	254,764	$	221,281

The Corporation has interests which carry on most of their operations in multiple foreign jurisdictions.

The Corporation's proportionate share of the property, plant and equipment and revenues from foreign operations at December 31, 2011 and 2010 is as follows:

	2011	2010
Property, plant and equipment	$ 114,580	$ 166,235
Revenues	$ 78,057	$ 89,349

Sales outside of Canada, primarily to the United States, relate to vessel operations and is based on the location at which a shipment is unloaded. For the years ended December 31, 2011 and 2011, sales outside of Canada were $172,378 and $136,300, respectively.

The Corporation had two customers in 2011 and 2010, whose revenues exceeded 10% of consolidated revenues. Sales to these customers are as follows:

	2011	2010
Domestic Dry-Bulk	$ 101,653	$ 54,412
Product Tankers	$ 75,489	$ 57,565

29. COMPENSATION OF KEY MANAGEMENT

The remuneration of directors and other key members of management for the periods ending December 31, 2011 and 2010 are as follows:

	2011	2010
Short-term compensation and benefits	$ 3,256	$ 2,465
Post-employment benefits	256	199
	$ 3,512	$ 2,664

30. RELATED PARTIES

The Corporation's ultimate controlling party is the Honourable Henry N. R. Jackman, a Canadian resident, together with a trust created in 1969 by his father, Henry R. Jackman.

There were no transactions with related parties in 2011 and 2010 other than transactions prior to April 14, 2011 with the Seaway Marine Transport partnership as outlined in Note 5.

31. LEASING ARRANGEMENTS

Leases relate to the investment property owned by the Corporation with lease terms of between five to ten years, with many leases having an option to extend for a further term of between five and ten years. Lease renewal rates vary depend on the specific terms of the lease document with renewal rates ranging from no rate increases to previously agreed to rent increases. Many of the leases have terms that allow for the renewal rate to be set to the current market rates for competitive properties. The lessee does not have an option to purchase the property at the expiry of the lease period.

Non-cancellable operating lease receivables at December 31, 2011 and 2010 are as follows:

	2011	2010
Not later than 1 year	$ 11,092	$ 10,185
Later than 1 year and not longer than 5 years	29,122	22,828
Later than 5 years	14,728	6,107
	$ 54,942	$ 39,120

32. EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Corporation has adopted IFRS effective January 1, 2011. The Corporation's financial statements for the year ended December 31, 2011are the first annual statements that comply with IFRS. Prior to the adoption of IFRS, the Corporation prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The Corporation's transition date is January 1, 2010 and the Corporation has prepared its opening IFRS balance sheet at that date. The accounting policies set out in Note 3 have been applied in preparing the financial statements for the years ended December 31, 2011 and 2010 and in the preparation of the opening IFRS balance sheet as at January 1, 2010.

The Corporation has applied IFRS 1; First Time Adoption of International Financial Reporting Standards ("IFRS 1") in preparing these first IFRS consolidated statements. In preparing the opening IFRS balance sheet, the Corporation has adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP. This note explains the principal adjustments made by the Corporation in restating its Canadian GAAP balance sheet as at January 1, 2010 and its previously published Canadian GAAP financial statements for the year ended December 31, 2010.

Elected exemptions from full retrospective application

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRS as effective for December 2011 year ends retrospectively. IFRS 1 also includes mandatory exceptions to the retrospective application of IFRS.

The Corporation has applied the following exemptions:

(1) IFRS 3 - Business combinations

IFRS 1 allows a first-time adopter to elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Corporation has taken this election and has not applied IFRS 3 to business combinations that occurred prior to January 1, 2010.

(2) IAS 19 – Employee benefits

The Corporation has elected to recognize all cumulative actuarial gains and losses relating to its defined benefit plans at the date of transition. Further, the Corporation has elected to use the exemption not to disclose the defined benefit plan surplus/deficit and experience adjustments before the date of transition.

(3) IAS 21 - Cumulative translation differences

IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21: The Effects of Changes in Foreign Exchange Rates, for cumulative translation differences that existed at the date of transition to IFRS. The Corporation has chosen to apply this election and has eliminated the cumulative translation difference and adjusted retained earnings by the same amount at the date of transition to IFRS.

If, subsequent to adoption, a foreign operation is disposed of or cash is transferred to Canada as a return on the Corporation's net investment in the foreign operation, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

(4) IAS 23 – Borrowing costs

The Corporation has elected not to apply IAS 23 Borrowing Costs to qualifying assets acquired, produced or constructed with a commencement date prior to the date of transition.

(5) IFRIC 4 - Determining whether an arrangement contains a lease

The Corporation has elected not to reassess whether an arrangement contains a lease under IFRIC 4 for contracts that were assessed under previous Canadian GAAP. Arrangements that were entered into before the effective date of EIC 150 " Determining whether an arrangement contains a lease" that have not been subsequently assessed under EIC 150 were assessed under IFRIC 4 and no additional leases were identified

Mandatory exceptions to retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1 the Corporation has applied the following mandatory exceptions from full retrospective application of IFRS:

(i) Hedge accounting

Only hedging relationships that satisfied the IAS 39 Financial Instruments: Recognition and Measurement hedge accounting criteria as of the transition date are reflected as hedges in the Corporation's opening balance sheet as at January 1, 2010 and results under IFRS. Any derivatives not meeting criteria for hedge accounting were recorded as non-hedging derivative financial instruments.

(ii) Estimates

Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Corporation under Canadian GAAP are consistent with their application under IFRS.

The following tables set out the impact of adoption of IFRS on the opening balance sheet as at January 1, 2010 and the balance sheet as at December 31, 2010:

		January 1, 2010		
	Notes	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Cash and cash equivalents	a	$ 12,156	$ (1,602)	$ 10,554
Accounts receivable	a	64,589	(20,198)	44,391
Materials and supplies	a	11,087	(2,577)	8,510
Prepaid expenses	a	4,334	(1,212)	3,122
Income taxes recoverable		12,057	-	12,057
Total current assets		104,223	(25,589)	78,634
Deferred income taxes	g	-	467	467
Assets held for sale		-	2,368	2,368
Property, plant and equipment	a,b,c,d	578,596	(101,328)	477,268
Investment property	c	-	72,036	72,036
Employee benefits	e	11,487	(11,487)	-
Total non-current assets		590,083	(37,944)	552,139
		$ 694,306	$ (63,533)	$ 630,773
LIABILITIES				
Accounts payable and accrued charges	a	$ 55,843	(14,245)	41,598
Deferred income taxes	g	17,409	(17,409)	-
Due to non-controlling interest	a	28,753	(28,753)	-
Dividends payable		772	-	772
Current portion of long-term debt		4,232	-	4,232
Total current liabilities		107,009	(60,407)	46,602
Derivative liabilities		-	2,093	2,093
Deferred income tax	g	29,557	13,574	43,131
Long-term debt		108,721	-	108,721
Employee benefits	e	10,286	10,448	20,734
Total non-current liabilities		148,564	26,115	174,679
		255,573	(34,292)	221,281
SHAREHOLDERS' EQUITY				
SHARE CAPITAL		8,319	-	8,319
CONTRIBUTED SURPLUS		11,917	-	11,917
ACCUMULATED OTHER COMPREHENSIVE (LOSS) EARNINGS	a,f	(10,979)	9,576	(1,403)
RETAINED EARNINGS		429,476	(38,817)	390,659
		438,733	(29,241)	409,492
		$ 694,306	$ (63,533)	$ 630,773

	Notes	December 31, 2010 Canadian GAAP	Effect of transition	IFRS
ASSETS				
Cash and cash equivalents	a	$ 45,537	$ (2,735)	$ 42,802
Accounts receivable	a	67,643	(18,622)	49,021
Materials and supplies	a	10,726	(2,358)	8,368
Prepaid expenses	a	9,924	(334)	9,590
Income taxes recoverable		16,271	-	16,271
Total current assets		150,101	(24,049)	126,052
Deferred income taxes	g	-	448	448
Assets held for sale		-	2,241	2,241
Property, plant and equipment	a,b,c,d	576,443	(111,966)	464,477
Investment property	c	-	71,334	71,334
Employee benefits	e	14,906	(14,906)	-
		591,349	(52,849)	538,500
		$ 741,450	$ (76,898)	$ 664,552
LIABILITIES				
Accounts payable and accrued charges	a	$ 78,255	$ (11,958)	$ 66,297
Deferred revenue	a	11,325	(11,325)	-
Deferred taxes	g	13,288	(13,288)	-
Due to non-controlling interest	a	20,485	(20,485)	-
Dividends payable		820	-	820
Current portion of long-term debt		94,670	-	94,670
Total current liabilities		218,843	(57,056)	161,787
Derivative liabilities		-	5,587	5,587
Deferred income tax	g	35,117	7,843	42,960
Long-term debt		23,699	-	23,699
Employee benefits	e	11,269	9,462	20,731
Commitments		-	-	-
Total non-current liabilities		70,085	22,892	92,977
SHAREHOLDERS' EQUITY				
SHARE CAPITAL		8,319	-	8,319
CONTRIBUTED SURPLUS		11,917	-	11,917
ACCUMULATED OTHER COMPREHENSIVE (LOSS) EARNINGS	a, f	(21,239)	9,576	(11,663)
RETAINED EARNINGS		453,525	(52,310)	401,215
		452,522	(42,734)	409,788
		$ 741,450	$ (76,898)	$ 664,552

The following table sets out the reconciliation of consolidated earnings for the year ended December 31, 2010:

	Notes	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
REVENUE	a	$ 536,373	$ (142,671)	$ 393,702
EXPENSES				
Operations	a, b	427,985	(139,654)	288,331
General and administrative	a, e	27,721	(4,408)	23,313
		455,706	(144,062)	311,644
EARNINGS BEFORE UNDERNOTED ITEMS		80,667	1,391	82,058
Amortization on capital assets	a, b	(34,915)	(4,832)	(39,747)
Impairment on capital assets	d	-	(11,301)	(11,301)
Financial expense		(10,493)	990	(9,503)
Net gain on translation of foreign-denominated assets and liabilities	a	652	25	677
EARNINGS BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST		35,911	(13,727)	22,184
INCOME TAX PROVISION		(3,454)	(174)	(3,628)
LOSS OF NON-CONTROLLING INTEREST		145	(145)	-
NET EARNINGS		$ 32,602	$ (14,046)	$ 18,556
Basic and diluted earnings (loss) per share		$ 8.38	$ (3.61)	$ 4.77

The following table sets out the reconciliation of consolidated comprehensive earnings for the year ended December 31, 2010:

	Notes	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
NET EARNINGS (LOSS)		$ 32,602	$ (14,046)	$ 18,556
OTHER COMPREHENSIVE EARNINGS (LOSS)				
Unrealized (loss) gain on translation of financial statements of foreign operations	a	(10,369)	-	(10,369)
Actuarial losses on employee benefits, net of income taxes of $3,086	b	-	(8,781)	(8,781)
Minimum funding liability, net of income taxes of $2,992	b	-	7,695	7,695
Unrealized gain on hedging instruments, net of income tax of $165		109	-	109
		(10,260)	(1,086)	(11,346)
COMPREHENSIVE EARNINGS (LOSS)		$ 22,342	$ (15,132)	$ 7,210

The following table sets out the reconciliation to the statement of cash flows for the year ended December 31, 2010:

	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
NET EARNINGS	$ 32,602	$ (14,046)	$ 18,556
NET CASH GENERATED FROM OPERATIONS	$ 74,008	$ (6,469)	$ 67,539
INVESTING ACTIVITIES	$ (31,043)	$ (4,667)	$ (35,710)
FINANCING ACTIVITIES	$ (9,136)	$ (10,004)	$ 868
OPENING CASH AND CASH EQUIVALENTS	$ 12,156	$ (1,602)	$ 10,554
CLOSING CASH AND CASH EQUIVALENTS	$ 45,537	$ (2,735)	$ 42,802

The effect of the transition to IFRS for cash flow from operations, investing, financing and the change in the cash balances is due primarily to the change in accounting to proportionate consolidation for Seaway Marine Transport.

The following table sets out the reconciliation of consolidated equity as of January 1, 2010 and December 31, 2010.

	As at January 1, 2010	As at December 31, 2010
Total equity under Canadian GAAP	$ 438,733	$ 452,522
Componentization of docking expenses	8,018	6,692
Impairments recognized	(20,192)	(31,493)
Actuarial losses recognized	(11,036)	(24,147)
Unamortized transitional asset	1,737	1,737
Past service costs	(1,465)	(1,465)
Minimum funding liability recorded	(11,173)	(485)
	(34,111)	(48,161)
Tax effect of the above	4,870	6,427
Total adjustment to equity	(29,241)	(42,734)
Total equity under IFRS	$ 409,492	$ 409,788

Notes to the reconciliations:

a. Basis of consolidation

Under Canadian GAAP, the conclusion as to whether an entity should be consolidated is determined using two different frameworks: the variable interest entity or voting control models. Under IFRS, an entity is consolidated if it is controlled. The Corporation previously consolidated its interests in Seaway Marine Transport in accordance with accounting for variable interest entities. Under IFRS, the Corporation does not control this entity and as a result, it is no longer fully consolidated. Under IFRS, the investment in Seaway Marine Transport is a jointly controlled entity and is proportionately consolidated.

The impact arising from this change is summarized as follows:

	Year Ended December 31, 2010
Consolidated statement of earnings	
Decrease in revenue	$ 142,671
Decrease in operating expense	(134,854)
Decrease in general and administrative expense	(5,653)
Decrease in depreciation expense	(1,289)
Decrease in financial expense	(990)
Decrease in translation gain	(25)
Increase in income tax expense	(5)
Increase in earnings of minority interest	145
	$ -

Consolidated balance sheets	December 31, 2010	January 1, 2010
Decrease in cash and cash equivalents	$ (2,735)	$ (1,602)
Decrease in accounts receivable	(18,622)	(20,198)
Decrease in materials and supplies	(2,358)	(2,577)
Decrease in prepaid expenses	(334)	(1,212)
Decrease in property, plant and equipment	(13,595)	(14,750)
Decrease in accounts payable and accrued charges	12,186	12,152
Decrease in deferred revenue	5,510	-
Decrease in due to minority interest	20,485	28,753
Increase in deferred taxes	(537)	(566)
	$ -	$ -

b. IAS 16 – Property, Plant and Equipment

Under IAS 16, regulatory dry-docking expenses are capitalized as overhaul expenditures and depreciated over the period in which the related economic benefits are received. The impact on the balance sheet at January 1, 2010 is an increase of $8,018 in the carrying value of property, plant and equipment, an increase of $2,048 in the related deferred tax liabilities and a $5,970 increase in retained earnings.

The impact on the earnings statement for the year ended December 31, 2010 is to increase depreciation expense by $6,121, reduce operating expenses by $4,800 and decrease income tax expense by $342.

c. IAS 40 – Investment Property

Under Canadian GAAP, property that was held to earn rentals was included in property, plant and equipment while under IFRS, property that is held to earn rentals is classified as investment property and is presented separately on the consolidated balance sheet. The Corporation has reclassified its real estate assets from property, plant and equipment to investment property. There was no change in the measurement basis as the Corporation is using the historical cost model to account for investment property.

d. IAS 36 – Impairment

Under Canadian GAAP, when there are indicators of impairment, the carrying value is compared with the undiscounted cash flows that will be generated by the asset. Under IAS 36, the carrying value is compared with the recoverable amount, which is the higher of the fair value less costs to sell and the value in use. The value in use is calculated using the discounted future cash flows expected to result from the use and eventual disposition of the asset.

On transition to IFRS, the Corporation determined that the carrying values of certain operating assets including assets under construction were in excess of their recoverable amount. The value in use was determined using a discounted cash flow approach that incorporated the assumptions that market participants would use. The estimated cash flows were projected for the estimated remaining lives of the assets and were discounted using a pre-tax discount rate of 10%. As a result, impairment in the amount of $20,192 was recorded on certain assets including assets under construction as at January 1, 2010.

As a result of further declines in the underlying markets for these assets, for the year ended December 31, 2010, an additional impairment of $11,301 was recorded.

e. IAS 19 – Employee benefits

On transition to IFRS, the Corporation used the IFRS 1 exemption to record all unrecognized actuarial gains and losses in retained earnings. This resulted in an increase in the pension plan liabilities of $11,036 and a decrease in deferred income taxes of $2,869.

In addition, on transition to IFRS, the unamortized transitional asset included in the Canadian GAAP pension plan asset in the amount of $1,737 was adjusted to opening retained earnings, net of related income taxes of $452.

At the date of transition to IFRS, the Corporation recorded a minimum funding liability in accordance with IFRIC 14 which resulted in an increase in the pension plan liabilities in the amount of $11,173.

Under IAS 19, vested past service costs are expensed while unvested past service costs are amortized over the vesting period. This resulted in an increase at January 1, 2010 in the pension plan liabilities of $1,465 and a decrease in deferred income taxes of $381.

Under IFRS, the Corporation's accounting policy is to recognize all actuarial gains and losses immediately in other comprehensive earnings. The actuarial losses arising in the year ended December 31, 2010 of $11,867 were recognized in other comprehensive earnings.

The impact arising from these changes is summarized as follows:

	Year Ended December 31, 2010
Consolidated statement of earnings	
Increase in general and administrative expenses	$ 1,244
Income tax	324
	$ 920

Consolidated statement of comprehensive earnings	
Actuarial losses recorded in other comprehensive earnings	$ 11,867
Minimum funding liability	$ (10,687)
Income tax	94
	$ 1,274

Consolidated balance sheets	December 31, 2010	January 1, 2010
Decrease in pension plan assets	$ (14,906)	$ (11,487)
Increase in employee benefit liability	(9,462)	(10,448)
Decrease in deferred tax	6,125	5,703
Decrease in retained earnings	$ (18,243)	$ (16,232)

f. IAS 21 The Effects of Changes in Foreign Exchange Rates

In accordance with IFRS 1, the Corporation has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition. The impact arising from the change at December 31, 2010 and January 1, 2010, was to decrease the translation reserve and retained earnings by $9,576.

g. Deferred income tax liability

The above changes decreased (increased) the deferred income tax liability as follows:

	Note	December 31, 2010	January 1, 2010
Joint venture	a	$ 537	$ 566
Componentization of dry-docking expenses	b	1,706	2,048
Impairment of property, plant and equipment	d	(2,011)	(1,213)
Employee benefits	e	(6,125)	(5,703)
Decrease in deferred tax liability		$ (5,893)	$ (4,302)

Under IFRS, all deferred income taxes are classified as non-current, irrespective of the underlying assets or liabilities to which they relate, or the expected reversal of temporary differences. The effect is to reclass $17,409 at January 1, 2010 and $13,288 at December 31, 2010 from current portion of deferred tax liabilities to the non-current deferred tax liabilities.

h. Retained Earnings

The above changes decreased (increased) retained earnings, net of related tax, as follows:

	Note	December 31, 2010	January 1, 2010
Componentization of dry docking expenses	b	$ 4,991	$ 5,970
Impairment of property, plant and equipment	d	(29,482)	(18,979)
Employee benefits	e	(18,243)	(16,232)
Cumulative translation differences	f	(9,576)	(9,576)
		$ (52,310)	$ (38,817)

FIVE-YEAR SUMMARY

	2011	2010	*Note 1* 2009	*Note 1* 2008	*Note 1* 2007
Revenue					
Domestic Dry-Bulk	$ 389,172	$ 203,620	$ 326,015	$ 487,751	$ 413,398
Product Tankers	88,436	75,462	75,466	78,848	78,719
Ocean Shipping	75,089	85,654	92,620	97,924	64,793
Real Estate	29,993	28,966	26,046	24,391	23,636
	$ 582,690	$ 393,702	$ 520,147	$ 688,914	$ 580,546
Net earnings	$ 68,844	$ 18,556	$ 38,845	$ 41,280	$ 52,443
Segment operating earnings net of income taxes	$ 69,127	$ 32,441	$ 30,717	$ 45,861	$ 44,682
Depreciation of property, plant and equipment and investment properties	$ 47,148	$ 39,747	$ 36,103	$ 34,221	$ 29,432
General and administrative expenses	$ 29,636	$ 23,313	$ 28,456	$ 26,802	$ 24,675
Cash flow generated from operating activities	$ 103,844	$ 67,539	$ 60,336	$ 89,975	$ 70,411
Dividends paid	$ 6,823	$ 6,861	$ 6,835	$ 6,455	$ 5,316
Business acquisition	$ 86,752	$ -	$ -	$ -	$ -
Additions to property, plant and equipment and investment properties					
Domestic Dry-Bulk	$ 31,129	$ 39,777	$ 33,654	$ 30,473	$ 29,629
Product Tankers	3	13,657	51,848	97,054	18,667
Ocean Shipping	1,585	12,135	354	40,060	23,733
Real Estate	5,281	2,624	5,462	2,318	4,662
	$ 37,998	$ 68,193	$ 91,318	$ 169,905	$ 76,691
Net property , plant and equipment and investment properties					
Domestic Dry-Bulk	$ 288,949	$ 172,330	$ 135,179	$ 120,971	$ 105,796
Product Tankers	146,145	217,841	251,470	222,001	118,944
Ocean Shipping	70,031	74,306	119,911	148,025	86,382
Real Estate	72,364	71,334	72,036	71,093	73,332
	$ 577,489	$ 535,811	$ 578,596	$ 562,090	$ 384,454
EBITA					
Domestic Dry-Bulk	$ 75,166	$ 22,425	$ 18,846	$ 36,570	$ 33,701
Product Tankers	28,674	26,271	22,448	17,583	23,192
Ocean Shipping	22,838	24,589	25,501	27,243	22,150
Real Estate	9,439	8,773	8,827	11,435	10,955
	$ 136,177	$ 82,058	$ 75,622	$ 92,831	$ 89,998
Total assets	$ 874,397	$ 664,552	$ 694,306	$ 706,092	$ 533,508
Long-term debt including current	$ 231,982	$ 118,369	$ 112,953	$ 95,184	$ 13,825
Shareholders' equity	$ 468,720	$ 409,788	$ 438,733	$ 444,070	$ 362,663
LTD as % of shareholders' equity	49.5%	28.9%	25.7%	21.6%	3.8%
Return on capital employed *(Note 2)*	11.3%	5.9%	6.0%	9.9%	12.3%
Return on equity *(Note 3)*	15.7%	4.4%	8.8%	10.3%	15.1%
Common Share Statistics					
Common shares outstanding (000)	3,891	3,891	3,891	3,891	3,891
Basic earnings per share	$ 17.69	$ 4.77	$ 9.98	$ 10.61	$ 13.48
Diluted earnings per share	$ 16.79	$ 4.77	$ 9.98	$ 10.61	$ 13.48
Cash flow generated from operations per share	$ 26.68	$ 17.36	$ 15.51	$ 23.12	$ 18.10
Quoted market value					
High	$ 104.00	$ 100.50	$ 84.00	$ 144.20	$ 148.00
Low	$ 82.50	$ 72.00	$ 51.00	$ 48.00	$ 122.00
Dividends per share	$ 1.80	$ 1.80	$ 1.80	$ 1.70	$ 1.40
Shareholders' equity per share	$ 120.46	$ 105.32	$ 112.76	$ 113.10	$ 93.21

Note 1. *2009, 2008 and 2007 are based on Canadian GAAP compared to 2011 and 2010 which are in accordance with IFRS.*

Note 2. *Return on capital employed is earnings before interest expense and gains or losses on the translation of foreign-denominated long-term assets and liabilities, on an after-tax basis, expressed as a percent of average capital. Capital is long-term debt including the current portion plus shareholders' equity.*

Note 3. *Return on equity is net earnings as a percent of average shareholders' equity.*

Directors

H. Michael Burns (1) (2) (3)
Vaughan, Ontario,
Corporate Director

Richard B. Carty (2)
Toronto, Ontario,
Vice President, General Counsel
and Corporate Secretary
E-L Financial Corporation Limited

Tim S. Dool, CA (3)
St. Catharines, Ontario,
Corporate Director

E. M. Blake Hutcheson (1)
Toronto, Ontario,
President and Chief Executive Officer
Oxford Properties Group Inc.

Duncan N. R. Jackman (1) (2) (3) (4) (5)
Toronto, Ontario,
Chairman, President
and Chief Executive Officer,
E-L Financial Corporation Limited

Clive P. Rowe (2) (4) (5)
New York, New York,
Partner, Oskie Capital

Harold S. Stephen (1) (2) (5)
Mississauga, Ontario,
Chairman and Chief Executive Officer,
Stonecrest Capital Inc.

William S. Vaughan, BCL (3)
Toronto, Ontario,
Partner, Heenan Blaikie, LLP

Greg D. Wight, FCA (4) (5)
St. Catharines, Ontario,
President and Chief Executive Officer,
Algoma Central Corporation

Shareholders' Meeting:
The Annual Meeting of Shareholders will be held at 11:30 a.m., on Friday April 27, 2012, at the St. Catharines Golf & Country Club, 70 Westchester Avenue, St. Catharines, ON

(1) Member of the Audit Committee
(2) Member of the Corporate Governance Committee
(3) Member of the Environmental, Health and Safety Committee
(4) Member of the Executive Committee

Principal Officers

Duncan N. R. Jackman
Chairman

Greg D. Wight, FCA
President &
Chief Executive Officer

Wayne A. Smith
Senior Vice President, Commercial

Al J. Vanagas, CET
Senior Vice President, Technical

Dennis McPhee
Vice President, Sales and Vessel Traffic

Captain James D. Pound
Vice President, Operations

Thomas G. Siklos
Vice President,
Algoma Central Properties Inc.

Karen A. Watt
Vice President, Human Resources

Peter D. Winkley, CA
Vice President, Finance &
Chief Financial Officer

William S. Vaughan, BCL
Secretary

Contact Information

EXECUTIVE OFFICE
63 Church Street, Suite 600,
St. Catharines, Ontario, L2R 3C4
(905) 687-7888

DOMESTIC DRY-BULK AND TANKER OPERATIONS
20 Corporate Park Drive, Suite 300,
St. Catharines, Ontario, L2S 3W2
(905) 988-2600

ALGOMA CENTRAL PROPERTIES INC.
ALGOMA HOTELS LTD.
421 Bay Street, P.O. Box 7000,
Sault Ste. Marie, Ontario, P6A 5P6
(705) 946-7220
63 Church Street, Suite 201,
St. Catharines, Ontario, L2R 3C4
(905) 687-7880

FRASER MARINE & INDUSTRIAL
1 Chestnut Street,
Port Colborne, Ontario, L3K 1R3
(905) 834-4549

MARBULK CANADA INC.
Suite 3000, 700 2nd Street SW,
Calgary, Alberta, T2P 0S7

MARBULK SHIPPING INC.
Chelston Park, St. Michaels,
Barbados

ALGOMA SHIPPING INC.
ALGOMA TANKERS INTERNATIONAL INC.
Whitepark House, Whitepark Road,
Bridgetown, Barbados

Shareholder Information

Principal Banker and Security Agent:
The Bank of Nova Scotia

Auditors:
Deloitte & Touche LLP

The Toronto Stock Exchange Symbol:
ALC

Share Registrar and Transfer Agent:
CIBC Mellon Trust Company
320 Bay Street, P. O. Box 1
Toronto, Ontario M5H 4A6
(416) 643-5500; (800) 387-0825

Fleet

Cargo capacity in tonnes

GL - Great Lakes and St. Lawrence River
ES - Eastern Seaboard of Canada
UO - Unlimited Ocean

Algoma Central Corporation
Self-Unloaders

CAPT. HENRY JACKMAN	GL	31,050
JOHN B. AIRD	GL	31,496
PETER R. CRESSWELL	GL	31,115
ALGOBAY	GL/ES	34,381
ALGOMA MARINER	GL/ES	34,381
ALGOLAKE	GL	33,508
ALGOMARINE	GL	26,548
ALGORAIL	GL	24,191
ALGOSOO	GL	32,004
ALGOSTEEL	GL	26,534
ALGOWAY	GL	24,486
ALGOWOOD	GL	32,760
ALGOMA ENTERPRISE	GL	34,490
ALGOMA NAVIGATOR	GL	30,820
ALGOMA OLYMPIC	GL	34,290
ALGOMA PROGRESS	GL	32,240
ALGOMA TRANSPORT	GL	34,640
ALGOMA TRANSFER	GL	15,935
JOHN D. LEITCH	GL	33,530

Algoma Central Corporation
Bulk Carriers

ALGOCAPE	GL	27,125
TIM S. DOOL	GL	31,182
ALGOMA PROVIDER	GL	27,890
ALGOMA MONTREALAIS	GL	28,900
ALGOMA QUEBECOIS	GL	28,800
GORDON C. LEITCH	GL	32,175
ALGOMA SPIRIT	UO	35,500
ALGOMA DISCOVERY	UO	35,500
ALGOMA GUARDIAN	UO	35,500

Vessels Under Construction
Self-Unloaders

HULL MD 153-SUL-01	GL	29,800
HULL MD 156-SUL-04	GL	29,800
HULL MD 158-SUL-05	GL	29,800
HULL MD 161-SUL-07	GL	29,800

Bulk Carriers

ALGOMA EQUINOX	GL	31,200
ALGOMA HARVESTER	GL	31,200

Fleet (continued)

GL - Great Lakes and St. Lawrence River
ES - Eastern Seaboard of Canada
UO - Unlimited Ocean

Algoma Tankers Limited
Petroleum Tankers

ALGOEAST	GL/ES	9,300
ALGOSAR	GL	11,500
ALGOSCOTIA	UO	17,980
ALGOSEA	UO	16,175
ALGONOVA	UO	11,240
ALGOCANADA	UO	11,240
ALGOMA DARTMOUTH	UO	3,569

Algoma Tankers International
Petroleum Tanker

ALGOMA HANSA	UO	16,175

Algoma Shipping Inc.
Self-Unloaders

BAHAMA SPIRIT	UO	43,789
HONOURABLE HENRY JACKMAN	UO	74,000

Marbulk Canada Inc.
Self-unloaders

AMBASSADOR	UO	36,663
EASTERN POWER	UO	67,833
NELVANA	UO	74,374
PIONEER	UO	36,848
WESER STAHL	UO	46,657

Real Estate

Sault Ste. Marie

STATION MALL	Retail	464,009 square feet
STATION TOWER	Office	61,810 square feet
289 BAY STREET	Office	18,545 square feet
STATION 49	Residential	102 suites
DELTA WATERFRONT INN & CONFERENCE CENTRE	Hotel	195 rooms

St. Catharines

63 CHURCH STREET	Office	72,256 square feet
RIDLEY SQUARE	Retail	47,585 square feet
HUNTINGTON SQUARE	Retail	43,141 square feet
MARTINDALE BUSINESS CENTRE	Office/Light Industrial	35,276 square feet
20 CORPORATE PARK DRIVE	Office	41,621 square feet
25 CORPORATE PARK DRIVE	Office	42,053 square feet
75 CORPORATE PARK DRIVE	Office	57,004 square feet

Waterloo

408 ALBERT STREET	Office	27,000 square feet
410 ALBERT STREET	Office	100,384 square feet
412 ALBERT STREET	Office	27,470 square feet

ALGOMA CENTRAL CORPORATION

Algoma Central Corporation
Christening the new M.V. Algoma Mariner at Port Colborne, Ontario, August 25, 2011

The *MV Algoma Mariner* — the first completely new Canadian flag dry-bulk carrier to be brought into service on the Great Lakes in over 25 years — was christened in a special ceremony at the ship's official port of registry, Port Colborne, Ontario. The *MV Algoma Mariner* was delivered to the Corporation by Chengxi Shipyard in China on May 31, 2011 and reached Canadian shores on August 2, 2011.

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2011