2013 ANNUAL REPORT

Algoma Central Corporation

Domestic Dry-Bulk		Product Tankers		Ocean Shipping		Real Estate
Dry-bulk Shipping	**Algoma Ship Repair**	**Algoma Tankers**	**Algoma Tankers International Inc.**	**Algoma Shipping Ltd.**	**Marbulk Canada Inc. Marbulk Shipping**	**Algoma Central Properties Inc.**
Owns 18 self-unloaders 6 bulkers *7 Equinox Class vessels on order (Note 1)*	Provides ship repair & steel fabrication services	Owns 7 domestic tankers	Owns 1 foreign-flag tanker	Owns 2 self-unloaders & 3 bulkers	Owns 4 self-unloaders	Owns and manages properties in Sault Ste. Marie St. Catharines Waterloo
					MARBULK SHIPPING INC.	
100%	100%	100%	100%	100%	50%	100%

Note 1 - Five vessels to be owned by the Corporation; two vessels to be owned by CWB Inc. and to be managed by the Corporation.

ABOUT THE COVER

The front cover shows the first of eight new Equinox Class vessels , the *Algoma Equinox*. 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.

ALGOMA EQUINOX

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EQUINOX CLASS

About the Corporation

Algoma Central Corporation owns and operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway. The Corporation's Canadian flag fleet consists of 18 self-unloading dry-bulk carriers, six gearless dry-bulk carriers and seven product tankers.

The Corporation is investing to build six state of the art Equinox Class vessels for domestic dry-bulk service. The Equinox Class will provide much needed improvements in operating efficiency and environmental performance. The first of these new vessels, a gearless bulker named the *Algoma Equinox*, entered service in late 2013.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Corporation's 24 – vessel domestic dry-bulk fleet. The dry-bulk vessels carry cargoes of raw materials such as 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 operating in the Great Lakes and St. Lawrence regions of Canada and the operational management of certain vessels owned by other ship-owners.

The Product Tankers marine transportation segment includes ownership and management of the operational and commercial activities of 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 that is engaged in international 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 four self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide ocean trades.

In addition to the marine businesses, the Corporation also owns and manages commercial real estate in Sault Ste. Marie, Waterloo and St. Catharines, Ontario.

Financial Highlights

In thousands except per share figures	2013	2012
For the year		
Revenue	$ 491,499	$ 527,871
Net earnings	$ 41,923	$ 42,156
Operating ratio *(Note 1)*	84%	82%
EBITDA	$ 104,677	$ 122,913
Cash flow generated from operating activities	$ 105,237	$ 100,062
Additions to property, plant and equipment and investment properties, net	$ 51,883	$ 92,042
Dividends paid per common share *(Note 2)*	$ 0.28	$ 0.22
Basic earnings per common share	$ 1.08	$ 1.08
Return on capital employed *(Note 3)*	6.1%	8.3%
Adjusted return on capital employed *(Note 4)*	10.1%	12.4%
Return on equity	7.9%	8.7%
Total shareholder return *(Note 5)*	19.6%	41.0%
At December 31		
Total assets	$ 932,354	$ 875,752
Shareholders' equity	$ 561,086	$ 498,454
Long-term debt (including current)	$ 232,922	$ 232,935
Equity per common share	$ 14.42	$ 12.81
Common shares outstanding	38,912,110	38,912,110

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 - Per common share amounts have been restated to reflect the common share split by way of a stock dividend of nine common shares for each common share held effective December 14, 2012.

Note 3 - Return on capital employed is defined as segment operating earnings after income taxes expressed as a percent of average opening and closing capital employed. Capital employed is long-term debt plus shareholders' equity.

Note 4 - Adjusted return on capital employed is defined as segment operating earnings after income taxes expressed as a percent of adjusted average capital employed. Adjusted average capital employed is capital employed less the average cash in excess of $10 million and less the average amount of instalments on ship-building contracts, reflecting the fact that these assets are currently not generating operating earnings.

Note 5 - Total shareholder return is defined as the increase in the year in the common share price plus dividends paid expressed as a percent of the opening share price.

Message to Shareholders

The trend of significant accomplishments and ongoing evolution of our ONE Vision, ONE Purpose, ONE Team strategic focus continued throughout 2013. Unfortunately, these accomplishments were somewhat overshadowed by the disappointing financial results we experienced in 2013.

Financial Results

The Corporation's consolidated revenues were $491.5 million compared to $527.9 million in 2012. This $36.4 million decrease was due primarily to reduced demand in our domestic dry-bulk segment from agricultural and construction materials shippers. Fiscal 2013 marked the first full year of open markets for the export of Canadian wheat and barley. Although shipping activity was reduced significantly during the season, by year-end activity levels improved and Canadian farmers produced a record crop, thus strengthening the outlook for 2014. Shipments of construction materials also fell during the year, as Canadian producers continue to grapple with reduced infrastructure spending by governments in the post recession economy.

Net earnings for 2013 were $41.9 million or $1.08 per share compared to 2012 net earnings of $42.2 million or $1.08 per share. The main factors contributing to this $0.3 million reduction were:

- Reduction in operating earnings net of tax of $13.7 million.
- Increase in net gain on translation of foreign currencies.
- Reduction in net interest expense mainly due to the recovery of interest on our recent arbitration settlement and an increase in the on-going capitalization of interest on the Equinox Class vessels.
- Increase in income tax expense resulting from the finalization of our valuation issue with CRA.

Cash flow from operating activities for 2013 totalled $105.2 million or $2.70 per share compared to $100.1 million or $2.57 per share in 2012. This increase in cash flow of $5.1 million relates primarily to improvement in collection of receivables and the timing of accounts payable.

This cash flow was used to fund dividends of $10.6 million, repay non-revolving long-term debt of $6.0 million and to fund our $51.9 million capital expenditure program.

This strong cash flow, coupled with the receipt of $41.7 million from the successful arbitration proceeding, has resulted in further strengthening of our balance sheet. With a cash balance of $216.1 million, long-term debt of $232.9 million and shareholders' equity of $561.1 million, we are well positioned for further opportunities.

Accomplishments

The highlight of 2013 was the arrival of the *Algoma Equinox* in Canada in late November. Twenty Algoma crew members began the long journey from Nantong Mingde Shipyard in China on October 1st with the vessel arriving in Port Cartier, Quebec on November 30th for the loading of its first cargo.

The *Algoma Equinox* is the first in a series of eight vessels being built at Nantong Mingde Shipyard. The series consists of four gearless bulk carriers and four self-unloading bulk carriers. Algoma will own six of the series, consisting of two gearless bulk carriers and the four self-unloading vessels. CWB Inc., formerly the Canadian Wheat Board, will own the other two gearless vessels, which will be operated and managed by Algoma.

The Equinox Class represents the next generation of Great Lakes – St. Lawrence Waterway bulk cargo vessels. Algoma's $300 million investment in the six Equinox Class vessels demonstrates the

Corporation's commitment to operating in a sustainable manner. These vessels have been designed to optimize fuel efficiency and operating performance, thus minimizing their environmental impact. A 45% improvement in energy efficiency over Algoma's current fleet average is expected, resulting from the use of a modern and efficient Tier II compliant main engine, significantly increased cargo capacity and an advanced hull form that produces less resistance through the water. In addition, a fully integrated IMO approval exhaust gas scrubber will remove 97% of all sulphur oxides from shipboard emissions. The use of exhaust gas scrubbers represents the first application of an IMO approved integrated scrubber on The Great Lakes – St. Lawrence Waterway.

We expect the second Equinox Class gearless bulker, the *Algoma Harvester*, to arrive in Canada late in the second quarter with the two CWB Inc. vessels to arrive later in 2014. The four Equinox Class self-unloaders will follow throughout 2015. We are, however, disappointed that the delivery schedule for the Equinox Class vessels has slipped considerably from our original expectations. We continue to work with the shipyard to accelerate the remaining delivery dates as much as possible. Offsetting this disappointment is the fact that the quality and workmanship of the shipyard is very good. Our decision to develop an innovative and advanced vessel has taken more time than what might have been achieved with a lesser design, but that said, we firmly believe we have made the right decision for Algoma, our customers and the environment.

We were also very pleased that the arbitration process relating to the cancellation of contracts to build three product tankers in China reached a successful conclusion in December 2013. These shipbuilding contracts contained provisions that permitted cancellation under certain conditions. These conditions were met in 2010 and, accordingly, Algoma issued notices of rescission to the shipyard seeking to cancel the contracts. The matter was taken to arbitration by the shipyard and hearings were conducted before a Tribunal in London in September 2012. The Arbitration Tribunal found in favour of Algoma in all matters in April 2013. Following this decision the shipyard sought leave to appeal and in November the UK commercial court rejected the shipyard's application. On December 27th, the shipyard returned $37.9 million in installments advanced by Algoma together with interest in the amount of $3.8 million.

For 2013, total shareholder return (TSR) for Algoma Central Corporation shareholders, which includes share appreciation and dividends, was 20%. By comparison, the TSX Composite Total Return Index Value increased by 13% for the same period. This follows TSR's for Algoma shareholders of 41% for 2012 and 11% for 2011. Over the ten-year period ended December 31, 2013, the TSR for the Corporations' common shares was a compound rate of 11%.

The restructuring and consolidation of our domestic shipping operations that began following the acquisition of the Upper Lakes Group Inc. vessels and partnership interest was completed in August 2013 when our entire domestic shipping operations and our corporate team came together in a single office location in St. Catharines. This restructuring and consolidation, which included commercial and operational personnel, as well as the support functions of finance, business information systems, procurement and human resources has proven to be very successful and well received. This combined group is now able to plan and manage our businesses consistent with our ONE Vision, ONE Purpose, ONE Team strategic focus.

The Corporation has re-qualified for the Best Managed Companies program for 2013. Canada's Best Managed Companies, which continues to be the mark of excellence for Canadian-owned and managed private companies and closely held public companies, is a rigorous and independent process that evaluates the calibre of management's abilities and practices. This program is co-sponsored by Deloitte LLP, Canadian Imperial Bank of Commerce, National Post and Queen's School of Business.

For the second straight year, the Corporation placed in the top ten in Marine Money Magazine's Rankings of publicly traded shipping companies. The Marine Money Magazine list, which has been produced since 1991, included 83 public shipping companies engaged in all aspects of marine shipping in 2012. The annual Marine Money Overall Performance Rankings, which are designed to measure companies' ability to improve operating efficiency and to create shareholder value, are based on an average of measures including total return to shareholders, return on equity, return on assets, total asset turnover and price to book ratio. Algoma placed sixth in the 2012 Overall Performance Rankings. Marine Money also ranks companies based on financial strength and Algoma placed fifth in these rankings for 2012. Algoma was one of only two companies to place in the top ten in both rankings for 2012 and placed in the top ten of both rankings for the second straight year.

Sustainability

Sustainability is a key component of our strategic vision: "Continual long-term growth in Shareholder Value while operating in a sustainable manner and always being governed by our core values".

In 2013, we highlighted our sustainability initiatives and achievements with the publication of our inaugural Sustainability Report. This document, which provides a detailed report card on all aspects of our sustainability performance, highlights performance against metrics for safety, environmental impact, community involvement and governance.

We are very pleased with this report and with the significant sustainability accomplishments we achieved in 2013, which include:

- Continued focus on Operations Excellence including cost control, reduced incidents, minimized unproductive time and improved asset utilization as part of our Return on Capital Employed (ROCE) Improvement Plan. In 2013, our ROCE after adjusting for deposits on vessels under construction and not delivered into service was 10.1% compared to adjusted ROCE for 2012 and 2011 of 12.4% and 11.3% respectively.
- The significant contribution of our Equinox Class vessels to reduce emissions to the air and water. As stated earlier, we anticipate a 45% reduction in emissions per tonne kilometre and the removal of 97% of sulphur oxide emissions. The Equinox Class vessels, when delivered, will fully meet our stated objectives of improving the efficiency of our fleet while at the same time significantly reducing our environmental footprint.
- Continued focus on our workers' safety practices, employee health and welfare programs, and community involvement. We believe very strongly that each employee should return home to his or her family in the same condition as they left for work. Our team works very hard to provide a safe and secure working environment for our over 2,000 employees. Our goal is zero workplace injuries, an achievement that many of our individual vessels and work places have achieved. We have reduced our lost time injury frequency per 200,000 hours for all business units combined by 61% over the last five years. Although we are pleased with this improvement in performance, anything above zero is unacceptable.

We recognize that to be truly sustainable we also have a responsibility to continue to provide value to our customers, to maintain long-term profitability and to increase shareholder value. We have a long and proud history as a successful Canadian company and are making significant investments to ensure the continued success and well being of our company, our employees and the customers we serve.

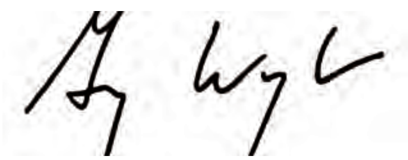
Outlook for 2014

Our outlook for 2014 includes an optimistic view for Canadian grain exports following the record Canadian crop harvested in 2013. The North American steel industry also looks to continue current performance levels with persistent strong demand for steel products such as automobiles in North America. Finally, we expect shipments of construction materials such as aggregate products and cement to continue their recovery from the recession of 2009, and expect the movement of road control salt to be very strong due this winter's extreme weather conditions.

In addition, we are very excited about the arrival in 2014 of more Equinox Class vessels and are looking forward to realizing the significant operating efficiencies these Equinox Class vessels will deliver.

On behalf of the Corporation and our employees, we would like to express our appreciation to our customers and business partners for their business and support and the confidence they place in Algoma Central Corporation. Our success is due to our customers but is only made possible by the hard work and dedication of each and every one of our over 2,000 employees and the strong leadership and guidance of our Board of Directors

The Annual Meeting of Shareholders will be held in St. Catharines on May 2, 2014. 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, 2013 and 2012 and related notes thereto and has been prepared as at February 18, 2014.

The MD&A has been prepared by reference to the disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on the Corporation, including its 2013 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Corporation's website at *www.algonet.com*.

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

On December 14, 2012, a stock dividend of nine common shares for each common share held was paid resulting in 38,912,110 common shares outstanding following the dividend. Prior period comparative per share calculations have been adjusted to reflect the stock dividend.

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 (ROCE) refers to segment operating earnings after income taxes expressed as a percentage of average opening and closing capital employed. Capital employed is long-term debt 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. ROCE is also used as one of the benchmarks rate of return in assessing capital investment opportunities.

The Corporation also uses Adjusted Return on Capital Employed (AROCE) to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders and, in conjunction with other measures of operating performance, as one of the metrics for purposes of determining incentive compensation. The Corporation defines AROCE as segment operating earnings after income taxes expressed as a percentage of adjusted average capital employed. Adjusted average capital employed is average capital employed, less the average cash in excess of $10 million and less the average amount of instalments paid on shipbuilding contracts, reflecting the fact that these assets are currently not generating operating earnings.

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

EBITDA refers to earnings before interest, taxes, depreciation, and amortization. We also include our share of the EBITDA of our joint ventures in this measure. EBITDA is not a recognized measure for financial statement presentation under generally accepted accounting principles as defined by IFRS. EBITDA is not intended to represent cash flow from operations and it should not be considered as an alternative to net earnings, cash flow from operations, or any other measure of performance prescribed by IFRS. 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 other IFRS 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, and it is used by credit providers in the financial covenants of the Corporation's long-term debt.

Caution Regarding Forward-Looking Statements

Algoma Central Corporation's public communications often include written or oral forward-looking statements. Statements of this type are included in this document and may be included in other filings with Canadian securities regulators or in other communications. All such statements are made pursuant to the safe harbour provisions of any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2014 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price and the results of or outlook for our operations or for the Canadian and U.S. economies. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

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

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

For more information, please see the discussion on pages 15 to 20 in the Corporation's Annual Information Form for the year ended December 31, 2013, which outlines in detail certain key factors that may affect the Corporation's future results. This should not be considered a complete list of all risks to which the Corporation may be subject from time to time. When relying on forward looking statements to make decisions with respect to the Corporation, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. The Corporation does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives and may not be appropriate for other purposes.

Overall Performance

	2013	2012	2011
For year ended December 31			
Revenues	$ 491,499	$ 527,871	$ 582,690
Segment operating earnings, net of income tax	$ 46,146	$ 59,807	$ 73,628
Net earnings	$ 41,923	$ 42,156	$ 68,844
Basic earnings per common share	$ 1.08	$ 1.08	$ 1.77
Diluted earnings per common share	$ 1.06	$ 1.06	$ 1.68
At December 31			
Total assets	$ 932,354	$ 875,752	$ 867,466
Total long-term financial liabilities	$ 232,922	$ 232,935	$ 239,819

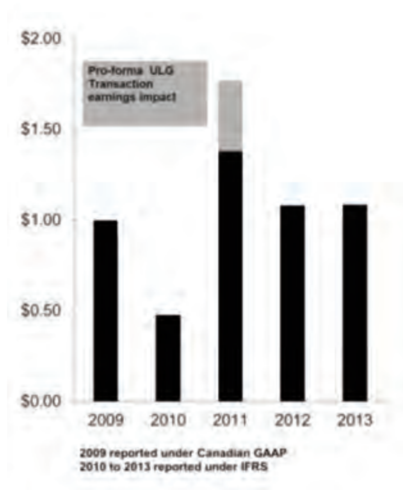
The Corporation is reporting 2013 revenues of $491,499 compared to $527,871 for the same period in 2012. The decrease is mainly attributable to the domestic dry-bulk business for which volumes shipped decreased compared to prior years. This was only partially offset by strong volumes for domestic tankers and by improved ocean shipping results tied to dry-docking schedules.

Segment earnings after income taxes were $46,146 in 2013 compared to $59,807 for 2012. Revenue decreases in Domestic Dry-Bulk and Real Estate drove operating income lower for those segments, which was only partially offset by improved earnings from Product Tankers. Earnings of the Ocean Shipping segment remained approximately the same.

Net earnings and basic earnings per share were $41,923 and $1.08, respectively, compared to $42,156 and $1.08, respectively, for the same period last year. Lower segment earnings were largely offset by reduced foreign exchange losses and an increase in interest income. Net earnings for 2013 include a foreign exchange translation gain of $5,587 compared to a loss of $3,901 for the same period in 2012. The increase in interest income is due primarily to interest received on the recovery of vessel deposits and interest on refunded income tax installments.

Basic Earnings Per Share

(IN DOLLARS)



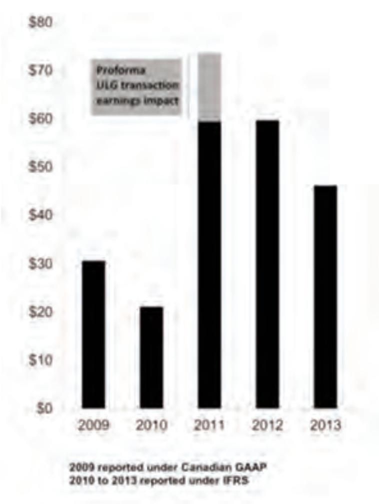
Income tax expense for 2013 was $15,524 compared to $17,587 for the previous year. Included in 2013 is tax expense of $4,618 relating to the additional tax on a valuation issue settled in 2013. Fiscal 2012 includes expense of $3,255 relating to the Province of Ontario announcement that it will defer indefinitely planned reductions to the corporate tax rate.

The decrease in segment operating earnings net of income tax between 2011 and 2012 reflects the impact on 2011 of the ULG Transaction, in which we acquired the 41% interest in our domestic dry-bulk business that we did not previously own, including the related vessels.

The increase in total assets in 2013 when compared to 2012 and 2011 was due primarily to an increase in net cash generated during the year.

Segment Operating Earnings Net of Income Tax

(IN MILLIONS)



Summary of Quarterly Results

The results for the last eight quarters are as follows:

Year	Quarter	Revenue	Net earnings (loss)	Basic earnings (loss) per share
2013	Quarter 4	$ 148,864	$ 22,849	$ 0.59
	Quarter 3	$ 146,948	$ 28,328	$ 0.73
	Quarter 2	$ 144,930	$ 19,381	$ 0.50
	Quarter 1	$ 50,757	$ (28,635)	$ (0.74)
2012	Quarter 4	$ 148,667	$ 24,243	$ 0.62
	Quarter 3	$ 165,020	$ 29,629	$ 0.76
	Quarter 2	$ 157,233	$ 20,250	$ 0.52
	Quarter 1	$ 56,951	$ (31,966)	$ (0.82)

Impact of Seasonality on the Business

The nature of the Corporation's business is such that the earnings in the first quarter of each year are not indicative of the results for the other three quarters in 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.

Business Segment Discussion

Domestic Dry-Bulk

Business Segment and Markets

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.

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 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 International Safety Management Code (ISM) and the ISO 14001 Environmental Management standard. Certification is performed by Lloyds Register. In addition, all the vessels have approved security plans that fully comply with Canadian and U.S. regulations and the International Ship and Port Security Code.

Revenue

Domestic Dry Bulk

(IN MILLIONS)

The Corporation's Canadian flag dry-bulk fleet consists of 18 self-unloading bulk carriers and six 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 and iron ore.

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. 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.

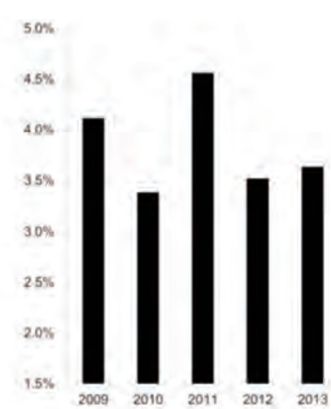
Algoma Equinox, the first of the Corporation's new Equinox Class series of vessels entered service on November 30, 2013, when it docked at Port Cartier, Quebec to load its first cargo of iron ore for delivery to ArcelorMittal Dofasco in Hamilton. This officially ended a 61-day journey from the Nantong Mingde Shipyard in Nantong City, China, via the Panama Canal.

The Equinox Class design balances hull form, power and speed with cargo-carrying capability for optimal performance and environmental efficiency. Developed by Algoma together with a team of world class vessel designers, architects, and engineers, these state-of-the-art vessels represent the next generation of Great Lakes bulk carriers. These new vessels will significantly reduce the environmental footprint of our Great Lakes dry-bulk fleet.
The Equinox Class will include both self-unloaders and gearless bulk carriers.

Incident Costs

Domestic Dry Bulk

(PERCENTAGE OF NET REVENUES)



The Corporation looks forward to the delivery of additional Equinox class vessels in 2014 and 2015. These new vessels will significantly improve the performance and capability of the Corporation's domestic dry-bulk fleet. They will carry significantly more cargo at faster speeds using less fuel. Lower fuel consumption 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, each vessel will be equipped with an exhaust gas scrubbers. These 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.

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. A key measure of quality performance is incident costs. In 2013, incident costs, as a percentage of net revenues increased slightly to 3.6% from the 2012 level of 3.5%; however, the increase is due to a mechanical failure on one vessel, without which incident costs for 2013 would be 3.0%. The Corporation continues to focus its 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. While the economy has continued a slow improvement from the lows of the 2009 recession, certain sectors continue to struggle.

During 2012, CWB Inc., formerly the Canadian Wheat Board (CWB) lost its single trading desk status with respect to the export of Canadian wheat and barley. Fiscal 2013 saw the emergence of a number of new grain shippers in this market and a resultant change in trading patterns. In particular, shipment of grains were lower in the summer and early fall when the CWB traditionally moved grain stocks to St. Lawrence river grain elevators in anticipation of export ships.

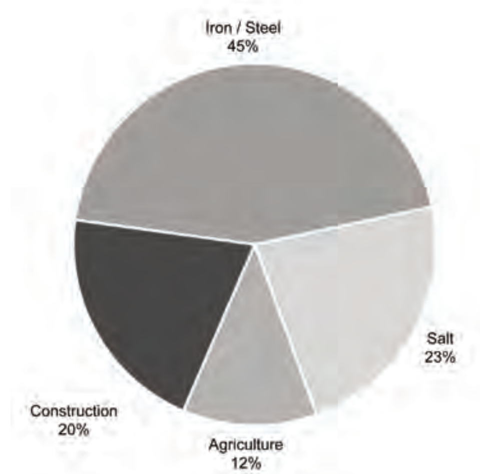
The demand for aggregates and construction materials across the Great Lakes region increased slightly in 2013 from 2012 levels. The U.S. - based Lake Carrier's Association reported that in 2013, Great Lakes based limestone shipments increased by 1.7% from 2012 but were 4% below the five year average for this sector. Shipments from U.S. ports increased by 5.7% as compared to 2012 and up from the five year average by 1.8%. Shipments from Canadian ports decreased by 18% from 2012 levels and were 31% below the five year average.

The World Steel Association (WSA) has reported that total world crude steel production increased by 3.5% to 1,608 million tonnes in 2013 from the level set in 2012. U.S. production was down by 2.0% while Canadian crude steel production decreased by 7.8% primarily due to a labour related work stoppage at an Ontario steel making facility.

Industry Segments

Domestic Dry-Bulk

(BY TONNES)



According to statistics published by the U.S. Army Corp of Engineers, precipitation received across the Great Lakes was at or above average in 2013. As a result, water levels in 2013 tracked above 2012 levels for most of the year. In December 2013, water levels on Lakes Superior, Michigan and Huron were 10" and 11" respectively above the levels recorded in December 2012 and on Lakes Erie and Ontario water levels were 4” and 9” respectively above December 2012. Although 2013 water levels increased significantly on Lakes Michigan and Huron, the water level was still 14” below the long term average in December. The increased water levels were a welcome relief for the shipping industry as higher water levels allow vessels to load to deeper drafts and carry more cargo on each voyage. Every additional inch draft on a maximum seaway-sized lakes vessel represents an additional 120-130 tonnes of cargo.

Ship Repair

The Corporation’s ship repair business operates as Algoma Ship Repair (“ASR”). ASR 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, ASR 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 centres, ASR can quickly mobilize a work force in any Great Lakes port.

The ASR 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 on both domestic and foreign vessels on the Great Lakes. During these months, ASR 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.

ASR 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.

Financial Review

	2013	2012	Variance
Revenue	$ 323,023	$ 375,554	$ (52,531)
Operating expenses	(261,122)	(290,853)	29,731
General and administrative	(15,326)	(16,131)	805
	46,575	68,570	(21,995)
Depreciation	(25,988)	(25,768)	(220)
Income taxes	(5,678)	(10,378)	4,700
Net earnings	$ 14,909	$ 32,424	$ (17,515)
Operating ratio	93.6%	88.6%	
Additions to property, plant and equipment	$ 41,266	$ 83,999	

	December 31		January 1
	2013	2012	2012
Total assets	$ 409,772	$ 395,494	$ 372,895

Revenues for 2013 declined by 14.0% from prior year levels due primarily to a 9.1% reduction in the total tonnage carried. All sectors except salt were impacted by lower volumes and the impact was most significant for the agriculture and construction sectors. The overall reduction in volumes led to a 7.8% decrease in operating days.

The Corporation's vessels transported 4.8 million tonnes for construction sector customers, or 20.7% less than in 2012. Our construction materials customers, principally those dealing in aggregates, continue to grapple with tough competitive markets as a result of the strength of the Canadian dollar and with slow progress on large infrastructure projects post the 2009 recession.

Shipping activity for agricultural customers was reduced significantly during the season; however, by year-end customer demand and shipping activity improved, driven in large part by record crop yields for the 2013 growing season. The Corporation shipped 2.8 million tonnes for agriculture sector customers in 2013, 22.2% less than the 3.6 million tonnes shipped in 2012.

Reported revenues were also negatively impacted by changing volume and trading patterns within the iron and steel sector. Total tonnage carried by the Corporation for the iron and steel sector in 2013 was 10.4 million tonnes, which was 2.8% lower than the 10.7 million tonnes carried in 2012.

In 2013, the Corporation's vessels carried 5.2 million tonnes of salt, an increase of 3.9% from the tonnage carried in 2012, although a change in trading patterns negatively impacted overall revenues from the sector.

The impact of changing volumes and trading patterns was partially offset by increases in rates related to Consumer Price Index adjustments and fuel costs.

We were also affected, although to a lesser extent, by a reduction in third-party revenues earned by Algoma Ship Repair.

For all of our customers, Great Lakes water levels had an impact early in the year, as low levels reduced the volumes of cargos that could be carried on some routes and as a consequence the Corporation experienced increased seasonality this year. Water levels have since returned to levels comparable to 2012.

Operating expenses decreased by 10.2% when compared to the same period in the prior year. The majority of the decrease is a result of the reduced volumes carried, which results in a reduction of voyage related costs and fuel. In addition, direct and indirect operating costs fell as a result of the reduced operating days compared to the prior year, again reflecting the lower volumes carried.

The marginal increase in depreciation expense for the year reflects the addition of the *Algoma Equinox* in the latter part of the fourth quarter. The reduction in general and administrative costs is reflective of a reduction in overhead spending generally across the Corporation.

Equinox Project

The Corporation has entered into contracts to construct a total of six Equinox Class dry-bulk vessels, continuing the fleet renewal initiative began with the arrival of the *Radcliffe R Latimer* (then called the *Algobay*) in 2009 and the *Algoma Mariner* in 2011. The Equinox Project will entail a total investment of $300 million, including approximately $230 million of contractual payments to the shipyard with the balance being other construction costs.

On September 25, 2013 the Corporation took delivery of the first ship, named the *Algoma Equinox* in recognition of its role as the vanguard of the new fleet. The second ship in the class, the *Algoma Harvester*, was launched at the shipyard in China on December 25, 2013 and three additional ships of the class (two of which will be owned by CWB Inc. but managed as part of the Corporation dry-bulk fleet) are well advanced.

Progress on this construction project has been slower than anticipated. Delivery of the *Algoma Equinox* was approximately five months late compared to the original construction timelines and other vessels for which delivery was originally scheduled for 2013, are also delayed. Despite the delays, there have been no cost overruns or quality-of-construction issues on these vessels and the *Algoma Equinox* has performed to our expectations during the trans-Pacific voyage to Canada and in its first few weeks of operations.

The capital budget for the remaining ships totals $260 million and the related contractual commitments on these vessels amount to U.S.$192 million. The Corporation has made installments against these commitments totalling U.S.$81 million and a further $7 million is included in accounts payable and accrued charges as at December 31, 2013. All instalments paid under these contracts are supported by refund guarantees issued by Chinese state banks.

The current production schedule estimates that the remaining gearless bulker freighters (including the two to be owned by CWB Inc.) will be delivered in 2014, with the four self-unloading vessels to be delivered in 2015. At the present time, there is uncertainty regarding the financial condition of a co-seller and this situation has had an impact on the delivery schedule. The shipyard has advised management that they are working to resolve this situation and that they are continuing construction work on the vessels in the interim.

Although our investment to date in these ships remains secured by refund guarantees, at the date of this report, there is uncertainty regarding the construction schedule and further delay in the delivery of the remaining vessels is possible.

Outlook

In 2014, the early arrival and severity of the winter weather experienced in the Great Lakes - St. Lawrence region has had an impact on shipping activity in the first few months of the year. As a result of this weather, usage of de-icing salt has been very heavy and we have been challenged to meet the demands of shippers to get new supplies of road salt to their customers. Should this trend continue for the balance of the winter, it will bode well for salt movements in the Corporation's vessels during the 2014 navigation season.

By completion of the 2013 harvest, Statistics Canada had reported that the Canadian wheat crop surpassed the previous record by 17% and the 2012 production level by 38%. By year-end we had largely replaced contracted volumes lost due to the changed status of CWB Inc. and the emergence of new grain shippers in this market. During the year, the Corporation secured contracts with every major grain shipper utilizing the Great Lakes - St. Lawrence Waterway, although these new contracts had only a limited impact in the current fiscal year. The record crop for 2013 is expected to lead to strong demand for grain movements on the Great Lakes in 2014.

Recent weakness in the Canadian dollar is broadly positive for many of our export-oriented customers and we expect that, in time, movements of most products that we carry will benefit.

Product Tankers

Business Segment and Markets

The Corporation's product tanker segment serves both domestic and international markets. This segment consists of seven double-hull product tankers employed in domestic Canadian flag service and one product tanker trading in international markets. The Corporation has invested significantly 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 of 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, ISM Code and an ISO 9001 Quality Management System. As with the Corporation's Domestic Dry-Bulk fleet, the Corporation's domestic tankers are also members of Green Marine.

The Corporation's foreign flag product tanker, the *Algoma Hansa* is a sistership to the *Algosea*, which trades in our domestic product tanker fleet. The *Algoma Hansa* is part of the Navig8 Brizo8 Pool. Navig8 is a fully integrated provider of shipping management services and the world's largest independent pool and commercial management company. They operate vessel pools in tankers, chemical tankers, product tankers and dry-bulk. On December 31, 2013, the Brizo8 Pool consisted of 28 tankers, including the *Algoma Hansa*. Vessel management and maintenance of the *Algoma Hansa* is outsourced to a leading international ship management company. The Corporation's technical experts maintain oversight responsibility for the *Algoma Hansa*.

The closure of Imperial Oil's Dartmouth Refinery in Halifax in 2013 and its conversion to an oil terminal resulted in a major change in the deployment of the Corporation's domestic product tankers. After 95 years of processing crude oil, the refinery ceased production in September. As a result of the refinery closure, the sourcing of petroleum products for eastern terminals shifted to other sources of supply, resulting in increased utilization of the Corporation's vessels of 6.4% over 2012 levels and the chartering of capacity from others.

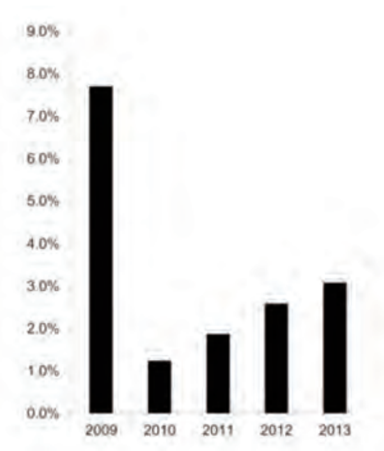
The Corporation's product tanker fleet had five dry-dockings in 2013, including one for the *Algoma Hansa*. During the dry-docking of the *Algoma Hansa*, modifications were made to make the ship compatible with the requirements of the St. Lawrence Seaway. These modifications improve the flexibility of the vessel, giving it the ability to trade into the Great Lakes.

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. A key measure of quality performance is the cost of incidents. Over the past year incident costs as a percentage of net revenue increased from 2.6% in 2012 to 3.1% in 2013 primarily due to the requirement to replace a crankshaft on a domestic product tanker. The failure of this main engine crankshaft occurred in late November 2012 and the vessel returned to service in mid-February, 2013. The Corporation considers all incidents to be very serious. It thoroughly reviews all incidents and modifies onboard operating and management procedures and shore management procedures as indicated.

Incident Costs

Domestic Tankers

(PERCENTAGE OF NET REVENUES)



In December 2013, the Corporation received payments totaling U.S. $41.7 million from two Chinese banks on refund guarantees and interest related to the 2010 cancellation of three ocean tanker shipbuilding contracts. Receipt of these funds brought to a close an extended process that began in 2007 when the Corporation entered into contracts to build three product tankers in China. As a result of excessive delays, the Corporation issued notices of rescission to the shipyard seeking to cancel the contracts and demanding reimbursement of the installments that had been advanced.

The matter was taken to arbitration by the shipyard and hearings were conducted before a Tribunal in London in September 2012. The Arbitration Tribunal found in favour of the Corporation in all matters in April, 2013 and the shipyard sought leave to appeal. The UK commercial courts rejected the shipyard's application in November and the Corporation commenced collection action immediately thereafter.

Financial Review

	2013	2012	Variance
Revenue	$ 100,635	$ 87,164	$ 13,471
Operating expenses	(67,388)	(56,602)	(10,786)
General and administrative	(4,394)	(7,549)	3,155
	28,853	23,013	5,840
Depreciation	(9,607)	(9,192)	(415)
Income taxes	(5,552)	(4,551)	(1,001)
Net earnings	$ 13,694	$ 9,270	$ 4,424
Operating ratio	80.9%	84.1%	
Additions to property, plant and equipment	$ 3,707	$ 704	

	December 31		January 1
	2013	2012	2012
Total assets	$ 146,597	$ 193,256	$ 214,458

Gross freight revenues for the Product Tanker segment rose from $87,164 in 2012 to $100,635 in 2013. This increase of 15.5% was a result of strong customer demand related mainly to the change in trading patterns brought about by the closure of the Dartmouth refinery. To meet some of this increased demand, the Corporation chartered extra capacity in the year; however, the operating earnings resulting from this chartering activity are minimal.

Revenue
Algoma Tankers
(IN MILLIONS)

The domestic product tanker fleet is able to focus on local or regional markets and consequently is not affected by the winter canal closing to the same extent as the domestic dry-bulk fleet. Much of the regulatory dry-docking work on the tanker fleet must be done by taking a vessel out of service.

The increase in chartered capacity compared to 2012 was also a substantial driver of the increase in operating costs for the year compared to 2012. Excluding the impact of the increased charter costs, operating expenses grew by 2.6%, driven by higher utilization of our own vessels and by general inflation, particularly, contractual increases in crew costs.

General and administrative expenses decreased in 2013 when compared to the prior year. The Corporation incurred substantial legal fees in 2012 relating to the arbitration process for the rescission of three international tanker contracts. Excluding the impact of these costs on the prior year expenses, general and administrative costs were down year over year. This matter was resolved in 2013. General and administrative expenses for 2012 reflect a higher level of legal costs related to this matter that were not incurred in 2013.

Depreciation expense increased slightly in 2013 as a result of regulatory dry-docking costs incurred and capitalized last year.

Operating earnings net of income tax for the Product Tankers segment increased from $9,270 in 2012 to $13,694 in 2013.

Additions to property, plant and equipment totaled $3,707 compared to $704 in 2012. Five of the Corporation's tankers undertook dry-dockings in fiscal 2013.

Outlook

Shortly after the year-end, the Corporation announced a new agreement with a third party to provide bunker fuel delivery services in Halifax Harbour and the surrounding area. This replaces services that were in place prior to the shut-down of the Dartmouth Refinery. Although this business is not a significant contributor to our overall results, the new arrangement reflects a deepening relationship with a long-time business partner and is a positive development for our fleet.

The outlook for the domestic tanker fleet remains positive for 2014 and we are currently working closely with our key customers to ensure their logistics needs are met.

Ocean Shipping

Business Segment and Markets

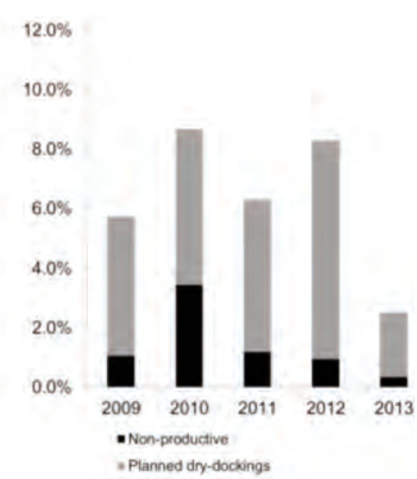
The Corporation's interests in Ocean Shipping consist of joint interests in four ocean going self-unloading vessels and 100% interests in two ocean going self-unloading vessels. These six self-unloaders are part of the world's largest pool of ocean going self-unloaders (the Pool), which at the end of 2013 totalled 25 vessels. Since 2008, members of the Pool have retired several vessels, including one of our jointly owned vessels, in anticipation of the arrival of five new panamax size self-unloading vessels owned by our fellow Pool members. By the end of 2013 all of the five new panamax size self-unloaders had been delivered to the Pool.

The major commodities carried by ocean going self-unloaders include coal for power generation, crushed aggregates for construction, gypsum for wallboard manufacturing, iron ore for the steel industry and salt for winter road safety. Markets are centered in North and South America; however, activities can be worldwide. Service is provided typically under long-term contracts with leading companies in each sector. As a result, this ocean going sector is considerably less volatile than the general international shipping market.

Non Productive Days

Ocean Shipping

(PERCENTAGE OF AVAILABLE DAYS)

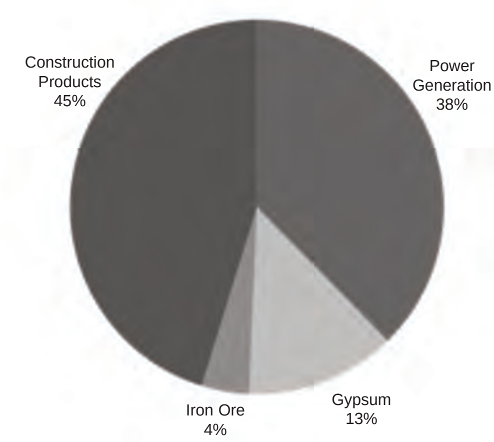


The economic recovery from the recession in 2009 continued in 2013 resulting in growth of 6.6% in total commodity shipments over 2012 levels. In addition to growth in freight shipments, time-chartering of pool vessels continued to increase in 2013, recording a 34.5% growth over 2012. Five pool vessels are now time chartered to third parties. These time-chartered ships are all involved in transshipment projects that transfer various bulk commodities between shore facilities and other ocean-going vessels, using their specialized self-unloading equipment.

Industry Segments

Ocean Shipping

(BY TONNES)



Construction product transportation, consisting primarily of crushed stone, limestone and granite products is the largest market segment served by the Pool. Tonnages shipped increased by 6.8% over 2012. Coal transportation for power generation, the second largest sector served by the Pool, also increased in 2013. Tonnage in this sector increased by 30.3% as higher natural gas prices in the U.S. northeast resulted in renewed demand for coal in this region. The third largest market segment served by the Pool is gypsum. New home construction in the U.S. continued to increase the demand for gypsum. Total gypsum transported by the pool increased by 14.9% in 2013. Iron ore shipments dropped in 2012 as a result of the closure of a steel producer traditionally served by the pool. The full effect of this closure was felt in 2013. Iron ore shipments fell by 42% over the prior year.

Vessel management and maintenance is outsourced to leading international ship management companies. Technical experts employed by the Corporation 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.

Financial Review

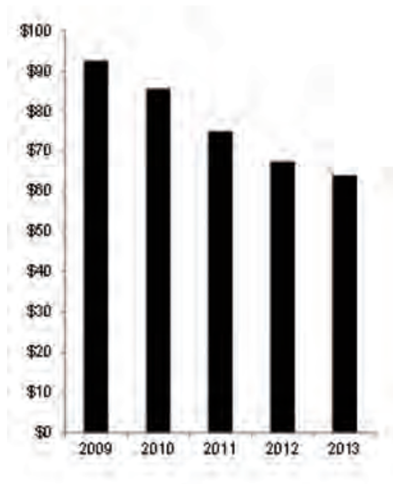
	2013	2012	Variance
Corporation's share of Pool revenue	$ 64,112	$ 67,668	$ (3,556)
Less revenues included in earnings of joint venture	24,599	31,702	(7,103)
Consolidated segment revenue	39,513	35,966	3,547
Operating expenses	(23,702)	(22,470)	(1,232)
General and administrative	(2,983)	(3,098)	115
	12,828	10,398	2,430
Depreciation	(4,371)	(3,591)	(780)
Income taxes	167	(179)	346
Earnings from joint venture	6,711	8,330	(1,619)
Net earnings	$ 15,335	$ 14,958	$ 377
Operating ratio	78.6%	81.1%	
Additions to property, plant and equipment	$ -	$ 3,645	

	December 31		January 1
	2013	2012	2012
Total assets	$ 64,541	$ 74,267	$ 70,840

Revenue (Share of Pool)

Ocean Shipping

(IN MILLIONS)



The Corporation's vessels operate as part of an international commercial pool (the Pool). For Ocean Shipping, revenue generated by these ships is the principal driving factor behind this segment's operating results, regardless of whether those ships are owned directly or indirectly through the jointly owned non-controlled investee. The accounting presentation dictated by IFRS 11 excludes all of the revenue earned by ships in which we do not hold a controlling interest from reported revenues. In order to improve the understanding of the results for the Ocean Shipping segment, the segment earnings statement above includes disclosure of our total share of revenue from the Pool as well as the amount that we report in our consolidated revenue. The Corporation's share of Pool revenue is a non-GAAP financial measure which may not be comparable to similar measures reported by other corporations.

The Corporation's share of Pool revenues fell from $67,668 in 2012 to $64,112 in 2013. The decrease of 5.3% is primarily attributable to the sale in the third quarter of 2012 of a vessel in which the Corporation had a 50% interest. In addition, a second jointly owned vessel began a long-term bare-boat charter in late 2012, which reduces the revenue and operating costs of the vessel but has a minimal impact on the operating earnings that it generates.

Although the Corporation's share of Pool revenues decreased, consolidated Ocean Shipping segment revenue increased as revenue from our wholly owned ships grew due to additional operating days in 2013 compared to 2012, when both vessels undertook regulatory dry-docking. In addition, the increase in the value of the U.S. dollar caused a modest increase in revenues reported for Ocean Shipping.

Operating costs, reflecting only the 100% owned vessels, were higher in 2013 compared to 2012. In addition to the impact of the higher U.S. dollar, operating costs for 2013 rose reflecting the increase in operating days resulting from having no dry-docking in 2013 and as a result of increased chartering of vessels to meet customer demand.

The depreciation expense increase is primarily a result of depreciation charges on regulatory dry-docking costs incurred last year.

Earnings from the joint venture decreased by $1,619 in 2013, reflecting the lower share of Pool revenues compared to 2012. The sale of a vessel by our joint venture was the primary reason for this reduction in earnings.

Outlook

With continued improvement in the U.S. economy in 2014, we expect that the Pool will benefit from increased demand from shippers. A second jointly owned vessel is due for retirement in 2014 and we are currently working with our Pool partners to plan for a replacement vessel to be contributed to the Pool directly by Algoma. The timing of this replacement has not been finalized and the Corporation has not entered into any commitments related to this opportunity.

Real Estate

Business Segment and Markets

The Corporation owns and manages properties in Sault Ste. Marie, St. Catharines and Waterloo, Ontario.

In Sault Ste. Marie, properties include Station Mall, the largest regional mall in the area, office buildings Station Tower and 289 Bay Street, and a residential apartment building. In addition, the Corporation owns, but does not manage, the Delta Waterfront Hotel and Conference Centre.

The St. Catharines properties owned and managed by the Corporation include Ridley and Huntington Square retail plazas, a light industrial property - Martindale Business Centre, three office buildings known as 63 Church Street, 20 and 25 Corporate Park Drive, as well as a 50% interest in 75 Corporate Park Drive, which is managed by the Corporation and jointly owned and 95% occupied by Meridian Credit Union.

In Waterloo, the Corporation owns and manages three office properties in the Waterloo Technology Campus.

Significant building improvements and tenant construction was undertaken in 2013, including the renovation of 63 Church Street, Ridley Plaza, Huntington Square and the on-going renovation of Station Mall. Several properties experienced increased leasing activity during the year; however, the impact of this activity is not significant until tenant improvements are completed and the new space is occupied.

Sault Ste. Marie

Leasing activity at Station Mall continued to fill various vacancies with new tenants such as Atmosphere, Body Shop and Maurice's opening their doors during the year. Mall renovations continue and are expected to be completed in 2014, which will include a new 18,000 square foot H&M store scheduled to open later in the year.

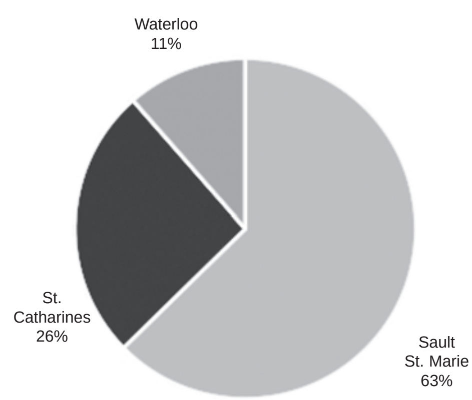
The Sault Ste. Marie hotel market remains weak and the Delta Hotel, though still the industry leader, suffered through a very challenging year with occupancy dropping below 50% as compared to 58.6% in 2012. The poor performance of this one building materially affected the overall operating results of this segment.

The financial performance of all other properties is unchanged from 2012.

Geographic Diversification

Real Estate

(BY SQUARE FOOT)



St Catharines

The St. Catharines office and retail markets did not improve in 2013, and although our properties continue on balance to perform well we are experiencing difficulty filling some vacancies. In 2013, the Corporation consolidated all of its St Catharines operations into the downtown property at 63 Church Street and the renovation of the common area of the building is nearing completion. Following completion of a move of a major tenant, the building will have limited vacancy.

There has been no improvement in this suburban market with only small vacancies being absorbed in our larger buildings, although we continue to pursue promising interest from the leasing market.

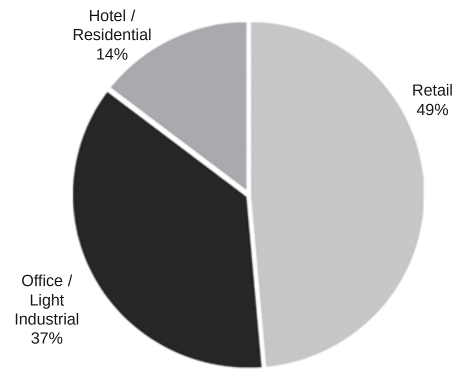
Waterloo

The Waterloo Technology Campus ended 2013 with only one vacancy after a 13,000 square foot lease was completed in the second half of the year. The property is 89.7% occupied, up 9.9% from 2012. The Blackberry Inc. downsizing has not been fully executed in the Waterloo region and 2014 is the year the market expects to see several million square feet returned through either subleasing or property sales as Blackberry rationalizes their real estate portfolio. The impact of this on the market is highly uncertain.

Asset Mix

Real Estate

(BY SQUARE FOOTAGE)



Financial Review

	2013	2012	Variance
Revenue	$ 28,328	$ 29,187	$ (859)
Add revenue with related parties	702	661	41
	29,030	29,848	(818)
Operating expenses	(17,794)	(17,469)	(325)
General and administrative	(3,895)	(3,943)	48
	7,341	8,436	(1,095)
Depreciation	(4,748)	(4,485)	(263)
Income taxes	(683)	(997)	314
Earnings from joint venture	298	160	138
Net earnings	$ 2,208	$ 3,114	$ (906)
Operating ratio	93.3%	88.7%	
Average occupancy	86.9%	87.9%	
Additions to investment properties	$ 6,910	$ 3,694	

	December 31		January 1
	2013	2012	2012
Total assets	$ 76,342	$ 73,909	$ 70,286

Revenue in the Real Estate segment decreased by $859 in 2013 compared to 2012. The 2.9% drop in the year is due primarily to lower occupancy at the hotel property in Sault Ste. Marie.

Operating expenses were up in 2013 reflecting general inflation and the cost of some on-going initiatives at certain properties to improve results. Capitalized building improvements resulted in an increase in depreciation expense compared to the prior year.

The Real Estate segment operating earnings net of income tax were 29.1% lower in 2013 when compared to 2012. The decrease was due primarily to lower earnings from the hotel operations in Sault Ste. Marie.

Outlook

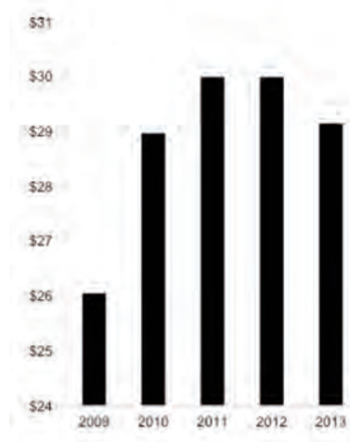
The Corporation was successful in signing new leases in a number of properties in 2013, and entering 2014 there is significant on-going activity at several properties as we prepare for new tenancies. While 2014 will be a year of transition and will benefit from new tenants for only a portion of the year, the majority of our portfolio of properties will exit 2014 well positioned for the future.

We expect the Sault Ste. Marie hotel to face continued challenging markets in 2014 and we are working closely with our management partner to develop strategies to address this market.

Revenue

Real Estate

(IN MILLIONS)



Consolidated

	2013	2012	Variance
Revenue	$ 491,499	$ 527,871	$ (36,372)
Operating expenses	(370,006)	(387,394)	17,388
General and administrative	(26,598)	(29,745)	3,147
	94,895	110,732	(15,837)
Depreciation	(44,715)	(43,038)	(1,677)
Interest expense	(11,824)	(12,947)	1,123
Interest income	6,495	407	6,088
Foreign currency translation gain (loss)	5,587	(3,901)	9,488
Income taxes	(15,524)	(17,587)	2,063
Earnings from joint ventures	7,009	8,490	(1,481)
Net earnings	$ 41,923	$ 42,156	$ (233)

General and administrative expenses

General and administrative expenses in 2012 included significant legal costs associated with the tanker contract arbitration that were not repeated in 2013. Excluding these costs, the consolidated general and administrative expenses in 2013 were down when compared to 2012. General and administrative costs, including all costs associated with the Corporate office are fully allocated to the business units discussed above.

Interest income

Interest income consists of the following:

	2013	2012	Variance
Interest on cash balances	$ 640	$ 407	$ 233
Interest on recovered vessel deposits	3,849	-	3,849
Interest on refunded income tax instalments	2,006	-	2,006
	$ 6,495	$ 407	$ 6,088

Interest income on cash balances increased substantially in 2013. As a result of delays in the construction of our Equinox Class vessels we have not been required to pay construction instalments and have therefore been accumulating cash. We anticipate utilizing the existing cash for the instalments as construction proceeds.

Interest income for 2013 includes $3,849 collected with the refund of the international tanker construction deposits. Also in the year, the Corporation settled an outstanding tax dispute against which it had previously placed $11,000 on deposit with the Canada Revenue Agency (CRA). Settlement of the dispute will result in the return of $5,602 of the deposits related to the disputed amount, plus interest of $2,006.

Interest Expense

Interest expense consists of the following:

	2013	2012	Variance
Interest expense on borrowings	$ 14,579	$ 15,008	$ (429)
Interest on income tax settlement	2,094	-	2,094
Interest on employee future benefits	1,663	1,500	163
Amortization of financing costs	1,414	1,246	168
Interest capitalized	(7,926)	(4,807)	(3,119)
	$ 11,824	$ 12,947	$ (1,123)

Interest expense on borrowings decreased by $429 for 2013 primarily due to the impact of loan payments made in the year and foreign exchange on interest payments on our U.S. dollar denominated debt.

Interest expense for 2013 includes $2,094 of charges on the taxes due under our tax dispute settlement for the period prior to when we deposited the disputed amount with the CRA.

Additional interest was capitalized on financing costs associated with installments paid on the Equinox Class vessels.

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

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

	2013	2012	Variance
(Loss) gain on U.S. long-term debt	$ (3,352)	$ 1,657	$ (5,009)
Gain (loss) on U.S. cash	3,300	(2,664)	5,964
Realized gain (loss) loss on return of capital from foreign subsidiaries	3,071	(2,020)	5,091
Gain (loss) on mark-to-market for derivatives that are not eligible for hedge accounting	2,568	(874)	3,442
	$ 5,587	$ (3,901)	$ 9,488

Gains and losses on the U.S. dollar denominated debt and cash are related to the translation to Canadian dollars of those two items and result from changes in the value of the Canadian dollar against the U.S. dollar. In fiscal 2013 the Canadian dollar generally weakened against the U.S. dollar, resulting in gains on U.S. dollar cash and losses on our U.S. dollar debt. The opposite situation occurred in 2012.

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

The realized gain on capital returned from foreign investees in 2013 reflects gains on U.S. dollar cash returned from the Corporation's non-controlled foreign investees. The increase in the value of the U.S. dollar during 2013 resulted in the gain.

The gain in the mark-to-market for derivatives is a result of the fluctuation in the periods of the fair value of certain currency contracts. These contracts are marked to market each quarter and the gain or loss is dictated by the change in the value of the Canadian dollar compared to U.S. dollar.

Income Tax Provision

The income tax provision decreased to $15,524 for 2013 compared to $17,587 in 2012. Both 2013 and 2012 include one-time adjustments. For 2013, income tax expense includes $4,618 on the settlement of a valuation dispute related to the sale of land reported for tax purposes in 1997. Income tax expense for 2012 includes $3,255 for an increase in tax expense related to the announcement by the Province of Ontario that it will defer indefinitely its planned reductions to corporate tax rates. Excluding these amounts from both years, the tax expense for 2013 would have been $10,906 and the tax expense for 2012 would have been $14,332, a decrease of $3,426. The decrease in the expense is due mainly to reduced earnings before income taxes and earnings of joint ventures.

The Canadian statutory rate for the Corporation for 2013 and 2012 was 26.5%. Any variation in the effective income tax rate from the statutory income tax rate is due mainly to the lower income tax rates applicable to foreign subsidiaries, the effect of non-taxable items included in earnings and changes to income tax provisions related to prior periods.

Comprehensive Earnings

Comprehensive earnings for 2013 increased by $35,017 to $73,189 compared to $38,172 for 2012. The significant increase was due to unrealized gains on the translation of the financial statements of foreign subsidiaries and net actuarial gains on employee future benefit plans.

The Corporation has a net investment in foreign subsidiaries of approximately U.S. $165,000. The Corporation recognized unrealized gains on the translation of the financial statements of foreign subsidiaries of $11,761 versus of loss of $4,219 in 2012. During 2013, the Canadian dollar weakened by 7% when compared to the U.S. dollar and in 2012 the Canadian dollar strengthened when compared to the U.S. dollar.

The Corporation recognized actuarial gains net of income tax on employee future benefit plans of $18,873 in 2013 and a loss net of income tax of $185 in 2012. In recent years including 2012, a combination of weak financial markets and falling discount rates used to value pension liabilities resulted in the Corporation recognizing significant actuarial losses resulting in pension deficits. In 2013, these factors reversed. As a result, the Corporation recognized actuarial gains resulting from strong investment returns on pension fund assets and increases in the discount rate recommended by our actuaries for use in valuing the liabilities of the post-employment plans. Partially offsetting these gains was a loss recognized due to a change in the mortality assumption for longer expected lives which results in an increase in the liabilities. At year-end, the Corporation's funded pension plans are in a surplus position.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

	2013	2012	Variance
Net earnings	$ 41,923	$ 42,156	$ (233)
Cash generated from operating activities	$ 105,237	$ 100,062	$ 5,175
Cash used in investing activities, net	$ 748	$ 77,952	$ (77,204)
Cash used in financing activities	$ 19,806	$ 23,168	$ (3,362)

Net Cash Generated from Operating Activities

Net cash generated from operating activities increased by $5,175 for 2013 when compared to the same period in 2012. Net earnings adjusted for non-cash items were lower than those of 2012 by $19,886 primarily due to a $15,837 reduction in earnings before depreciation and financial items. This decrease in cash was more than offset by a $32,028 improvement in cash supplied by working capital, including $19,054 from reduced accounts receivable and $7,771 from accounts payable. A portion of this cash inflow was used to fund a $5,392 increase in cash tax expense.

Cash Generated from Operations per Share

(IN DOLLARS)

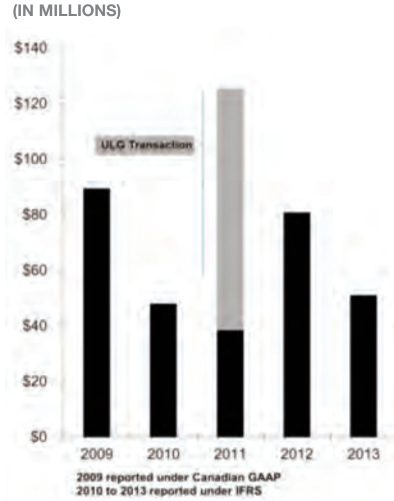
Net Cash Used in Investing Activities

Net cash used in investing activities for 2013 includes a refund of $41,684 for instalments made on the cancelled international tanker construction contract. Excluding this refund, net cash used in investing activities for 2013 would have been $42,432 compared to $77,952 in 2012. Additions in both years include payments related to the Equinox Class vessels, life extensions and capitalized dry-dockings costs on certain other vessels, and leasehold improvements on various rental properties.

Two retired vessels were sold for net proceeds of $1,280 in 2013 compared to five vessels sold in 2012 for proceeds of $6,086.

Cash Used in Investing Activities

(IN MILLIONS)



Net Cash Used in Financing Activities

Included in the net cash used in financing activities in both periods are repayments of term debt and the payment of dividends to shareholders. Dividends were paid to shareholders at $0.28 and $0.22 per common share in 2013 and 2012 respectively.

Capital Resources

Cash and cash equivalents on hand at December 31, 2013 of $216,057, credit facilities and projected 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, 2013 with the Corporations bank syndicate consisted of a $150,000 revolving facility of which $148,844 was available at December 31, 2013.

Labour Update

The majority of our shipboard employees, along with hourly employees of Algoma Ship Repair and the Delta Hotel in Sault Ste. Marie are unionized. Details of the status of the various union agreements are provided below.

Shipboard Managers

Certain Captains and Chief Engineers are represented by the Canadian Masters and Chiefs Association. Their current collective agreement expires on February 28, 2015.

Other Captains and Chief Engineers are non-unionized as a result of a decertification of their union during 2013.

Navigation and Engineering Officers

Navigation and engineering officers are represented by six separate bargaining units of the Canadian Merchant Service Guild. Two agreements expired on May 31, 2012 and two expired on July 1, 2013. The collective bargaining process is underway with these bargaining units. The two remaining labour agreements will expire on May 31, 2016.

Unlicensed Employees

The Seafarers' International Union (SIU) and the Canadian Maritime Union, a unit of Unifor (formerly Canadian Autoworkers Union) represent our unlicensed employees. The collective bargaining agreement with one bargaining unit of the SIU expired July 31, 2013 and bargaining has not yet commenced, the other agreements will expire on March 31, 2015 and May 31, 2016.

Algoma Ship Repair

The collective agreement between Algoma Ship Repair and its' hourly paid workers, who are represented by the United Steelworkers, expires on May 31, 2015.

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. The collective agreement with this group will expire on July 5, 2015.

Contingencies

For information on contingencies, please refer to Notes 26 and 27 of the consolidated financial statements for the years ending December 31, 2013 and 2012. There have been no significant changes in the items presented since December 31, 2012.

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 2013 and 2012.

Three-Month Results Ending December 31, 2013 and 2012

	2013	2012	Variance
Revenues			
Domestic Dry-Bulk	$ 102,610	$ 112,390	$ (9,780)
Product Tankers	29,188	22,322	6,866
Ocean Shipping	9,760	6,690	3,070
Real Estate	7,307	7,264	43
	$ 148,865	$ 148,666	$ 199
Operating earnings net of income tax			
Domestic Dry-Bulk	$ 14,563	$ 21,519	$ (6,956)
Product Tankers	3,119	2,024	1,095
Ocean Shipping	3,421	3,552	(131)
Real Estate	470	816	(346)
	21,573	27,911	(6,338)
Not specifically identifiable to segments			
Net loss on translation of foreign-denominated monetary assets and liabilities	3,243	813	2,430
Interest expense	(4,667)	(3,274)	(1,393)
Interest income	6,142	407	5,735
Income tax expense	(3,442)	(1,614)	(1,828)
	$ 22,849	$ 24,243	$ (1,394)
Basic earnings per common share	$ 0.59	$ 0.62	$ (0.03)

The Corporation is reporting revenues for the 2013 fourth quarter of $148,865 compared to $148,666 for the fourth quarter of 2012. Although customer demand in domestic dry-bulk was strong in the fourth quarter, the agriculture sector was negatively impacted by delays experienced by grain shippers getting their crops to loading terminals. This, along with the poor operating conditions late in the season, resulted in a drop in revenues. This drop was more than offset with increases in the Product Tanker segment due to continuing strong customer demand and an increase in operating days in the Ocean Shipping segment, where we had a vessel in dry-dock for portions of the 2012 fourth quarter. Real Estate segment revenues for both periods remained approximately the same.

The segment earnings after income taxes were $21,573 compared to earnings of $27,911 for the fourth quarter in 2012. Strong demand continued to drive increased earnings for Product Tankers; however, these were more than offset by decreases in earnings for the Domestic Dry-Bulk segment related to the revenue shortfall. The Ocean Shipping and Real Estate segments had minor decreases in earnings for the quarter. The increase in interest expense was due to interest on the tax settlement, which also resulted in an increase in the income tax expense. Interest income for 2013 includes

$2,006 of interest on the refunded portion of the income tax instalment. The net earnings impact of the tax settlement in the quarter was a loss of $4,707 or $0.12 per share.

Interest income in 2013 also includes $3,849 on interest received on our recovered international tanker construction deposits.

The net earnings and basic earnings per share were $22,849 and $0.59, respectively, compared to $24,243 and $0.62, respectively, for the same period last year.

Critical Accounting Estimates

The Corporation's significant accounting policies are described in Note 4 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-employment 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 19 to the Corporation's consolidated financial statements, the most significant of which are the discount rate, the rate of increase in 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, some of which are defined by regulation. The assumptions are reviewed annually and the impact of any changes in the assumptions is reflected in actuarial gains or losses as disclosed in Note 19 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 the depreciation periods of property, plant and equipment and investment properties on a regular basis for changes in estimated useful lives. The Corporation also reviews for impairment indicators on a quarterly basis, 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

In 2013, the Corporation made the following changes to the assumptions relating to employee future benefits:

1. Effective December 31, 2013 and after consultation with its actuary, the Corporation increased its assumed discount rate for purposes of calculating the accrued benefit obligation at December 31 from 4.0% to 4.7%. At December 31, 2012 the discount rate was lowered from 4.5% to 4.0%. The discount rate assumption is based on current long-term corporate bond rates which fluctuate due to market conditions. Increases in the assumed discount rate will result in a decrease in the accrued benefit obligation and decreases in the assumed discount rate will result in an increase in the accrued benefit obligation.

2. Effective January 1, 2013 the Corporation changed the annual salary increase assumption from 4.0% to 3.5%.
3. Effective December 31, 2013 the Corporation modified the UP 1994 mortality assumption to reflect longer expected lives.

The effect on the consolidated financial statements resulting from the adoption of these new assumptions was a decrease in the accrued benefit obligation of $4,138 (2012 increase - $2,137) and increase in the actuarial gain of $4,138 of (2012 decrease - $2,137). All such changes are recorded in Other Comprehensive Income.

Application of New and Revised International Financial Reporting Standards (IFRS)

The following standards were adopted by the Corporation on January 1, 2013.

Employee Future Benefits

The amendment to IAS 19, adopted on January 1, 2013, eliminates the use of the corridor approach and requires actuarial gains and losses to be recognized immediately in Other Comprehensive Income ("OCI"). Amounts recorded into OCI would not be reclassified to the Consolidated Statements of Earnings.

On conversion to IFRS on January 1, 2010, the Corporation elected to recognize in opening OCI the cumulative net deficit previously unrecognized on the balance sheet at that date in opening retained earnings. Also on transition to IFRS, the Corporation adopted the accounting policy to recognize actuarial gains and losses directly in OCI.

Net interest replaces both the interest cost on the benefit obligation and the expected return on plan assets. Net interest is determined by applying the discount rate to net benefit obligation or asset. The net interest income/expense is included in interest expense. This will result in a net expense or income in the Consolidated Statements of Earnings based on the funded status of the plan.

The effect of the retrospective adoption of this standard on the Consolidated Financial Statements for the twelve months ended December 31, 2012 was to decrease net earnings by $1,663, increase employee future benefits liability by $720, decrease deferred income taxes by $191 and decrease other comprehensive loss by $1,134. In addition, $1,772 was reclassified from general and administration expense to interest expense.

Consolidated Financial Statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10") replaced the guidance on control and consolidation in IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") that addresses consolidation and supersedes Standing Interpretations Committee ("SIC")-12 in its entirety. This standard introduces a single, principle-based, control model for consolidation, irrespective of whether an entity is controlled through voting rights or through other contractual arrangements as is common in special purpose entities (SPE). Control is based on an investor's current ability to use its power over the relevant activities of a subsidiary or SPE to affect its exposure or return generated by the subsidiary or SPE. An amendment to the standard was subsequently issued which provided additional transition guidance.

In accordance with the transitional provisions of IFRS 10, the Corporation re-assessed the control conclusion for its investees at January 1, 2013. The Corporation made no changes in the current or comparative period as a result of adopting this standard.

Joint Arrangements

IFRS 11, “Joint Arrangements” (“IFRS 11”) supersedes IAS 31, “Interests in Joint Ventures” and SIC - 13, “Jointly Controlled Entities - Non Monetary Contributions by Venturers”. IFRS 11 requires that reporting issuers consider whether a joint arrangement is structured through a separate vehicle, as well as the terms of the contractual arrangement and other relevant facts and circumstances, to assess whether the venture is entitled to only the net assets of the joint arrangement (a “joint venture”) or to its share of the assets and liabilities of the joint arrangement (a “joint operation”). Joint ventures must be accounted for using the equity method, whereas joint operations must be accounted for by recognizing the venturer’s right to assets and obligations for liabilities and its share of revenues and expenses is required to be applied retrospectively to the prior periods presented.

The Corporation has certain interests in joint arrangements which have been accounted for on the equity basis under the new standard. The Corporation has an interest in Seventy-Five Corporate Park Drive Ltd. with an unrelated corporation. This joint venture owns an office building. The Corporation also has an interest in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement.

Previously, the Corporation accounted for these two joint ventures on a proportionately consolidated basis. There is no impact on net earnings for the adoption of this standard; however, revenues and expenses, and assets and liabilities which were previously proportionately consolidated will be presented as Earnings of Joint Ventures and as Investment in Joint Ventures, respectively.

The effect of the retrospective adoption of IFRS 11 to the Consolidated Statement of Earnings for the twelve months ended December 31, 2012 is as follows:

Decrease in revenues	$	32,506
Decrease in operating expenses		(20,052)
Decrease in general and administrative expenses		(271)
Decrease in depreciation expense		(3,080)
Decrease in income tax provision		(613)
Earnings of joint ventures	$	8,490

The effect of the retrospective adoption of IFRS 11 to the Consolidated Balance Sheet is as follows:

		December 31 2012		January 1 2012
Decrease in cash and cash equivalents	$	4,429	$	4,984
Decrease in accounts receivables		1,980		2,839
Decrease in material and supplies		1,043		1,164
Decrease in prepaid expenses		104		257
Decrease in property, plant and equipment		9,162		12,590
Decrease in investment properties		1,627		1,684
Decrease in accounts payable and accrued charges		(3,197)		(2,459)
Decrease in deferred income taxes		(4,765)		(4,472)
Investment in joint ventures	$	10,383	$	16,587

The effect of the retrospective adoption of IFRS 11 to the Consolidated Statement of Cash Flows for the twelve months ended December 31, 2012 is as follows:

Decrease in net cash generated from operating activities	$	555
Decrease in cash and cash equivalents, beginning of period		(4,984)
Decrease in cash and cash equivalents, end of period	$	(4,429)

Disclosure of Interests in Other Entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12") broadened the definition of interests and required enhanced disclosures on interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this standard has resulted in additional disclosures on Note 7.

Fair Value Measurement

On January 1, 2013, the Corporation adopted IFRS 13, "Fair Value Measurement", which provides a single source of guidance on how fair value is measured, replacing the fair value measurement guidance contained in individual IFRSs. IFRS 13 defines fair value and establishes a framework for measuring fair value. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard has resulted in additional disclosures which are included in Note 28.

Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments require the components of Other Comprehensive Earnings to be presented separately for items that may be reclassified to the consolidated statement of earnings from those that remain in equity. The amendments were effective for annual reporting periods beginning on or after July 1, 2012. The amendments have been applied retrospectively, and therefore the presentations of items of other comprehensive income have been modified to reflect the changes.

New Accounting Standards Not Yet Applied

Financial Instruments

The International Accounting Standards Board ("IASB") issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace International Accounting Standard ("IAS") 39. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once all phases of IFRS 9 are finalized.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

Financial Assets and Financial Liabilities

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

Disclosure of Recoverable Amounts

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

The Corporation is currently evaluating the impact of these new pronouncements on its consolidated financial statements. The Corporation intends to adopt these new standards in the financial statements for the annual period beginning January 1, 2014 and does not expect the amendments to have a material impact on the financial statements.

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, 2013. 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, 2013. Management determined that there were no material weaknesses in the Corporation's internal controls over financial reporting as of December 31, 2013. There have been no changes in the Corporation's internal controls over financial reporting during the year ended December 31, 2013, 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, 2013, 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, 2013, 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, 2013 and 2012, the interest rate swap agreements had a negative fair value of $55 and $361 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 and has designated its domestic U.S. cash as a hedge on purchase commitments to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders.

The Corporation has foreign exchange forward contracts with major financial institutions of $41,263 and $102,621 as of December 31, 2013 and 2012 respectively.

The foreign exchange forward contracts relate to the payments required under shipbuilding contracts for the construction of Equinox Class vessels. Foreign exchange forward contracts totalling U.S. $20,550 (2012 - U.S. $26,715) have options at various dates in 2014 to purchase U.S. funds at an average rate of 1.02. The Corporation has applied hedge accounting to these contracts. The remaining contracts totalling U.S. $20,712 (2012 - U.S. $75,906) mature in 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, 2013 the fair market value for these contracts was favourable to the Corporation by $1,110 (2012 - unfavourable by $2,727)

The Corporation during 2013 hedged part of its investments in the subsidiaries against its foreign denominated long-term debt. At December 31, 2013, the net investment in U.S. dollar foreign subsidiaries was $164,284 and the amount used as a hedge at December 31, 2013 was $75,000 U.S. dollars.

The Corporation also utilizes U.S. cash as a hedge on purchase commitments to manage its foreign exchange risk associated with payments required under ship building contracts with foreign ship-builders for vessels that will join our Canadian flag domestic dry-bulk fleet.

Return on Capital Employed (ROCE)

The Corporation's Board of Directors reviews the ROCE target on an annual basis.

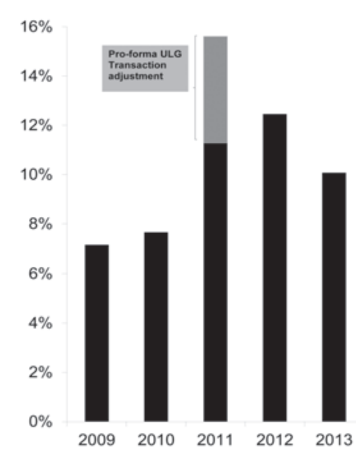
The returns on capital employed over the last five years of the Corporation ranged from 5.9% to 8.2%.

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

The AROCE for 2013 was 10.1% versus 12.4% for 2012 and has averaged 9.7% over the five years ended December 31, 2013.

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

Adjusted Return on Capital Employed



2009 reported under Canadian GAAP.
2010 to 2013 reported under IFRS

Contractual Obligations

The table below provides aggregate information about the Corporation's contractual obligations at December 31, 2013 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	$ 7,500	$ -	$ 219,422	$ 232,922
Capital asset commitments	87,775	62,460	-	-	150,235
Employee future benefit payments	3,940	7,880	3,940	-	15,760
	$ 97,715	$ 77,840	$ 3,940	$ 219,422	$ 398,917

In December 2010 and May 2011, the Corporation entered into contracts for the construction of two gearless Equinox Class bulk freighters and four self-unloading Equinox Class bulk freighters which included contractual commitments to the shipyard and co-sellers amounting to U.S.$ 220 million. During fiscal 2013, the Corporation took delivery of the first gearless vessel. The capital budget for the remaining ships includes contractual commitments amounting to U.S. $192 million. The Corporation has paid instalments against these commitments totalling U.S. $81 million and a further $7.0 million is included in accounts payable and accrued charges as at December 31, 2013. All instalments paid under these contracts are supported by refund guarantees issued by Chinese state banks. Capital asset commitments shown in the table above include approximately $40 million of additional non-shipyard investment associated with these new vessels. The timing reflected above is consistent with the current project plan; however, there is uncertainty with respect to the timing of the milestones that will trigger the remaining instalment payments.

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 challenge of recruiting new employees into the marine industry, competition for skilled labour from other sectors, and the limited number of cadet berths 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 interruptions. 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.

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 interruptions. The Corporation believes it offers fair and competitive compensation packages and does not expect service interruptions.

Partnering

The Corporation operates a portion of its business 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 international companies for these services.

Service Failure

The Corporation's customers demand a high standard of operations 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 our 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 failure by 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 committed approximately $260,000 for the construction of five Equinox Class vessels with delivery dates currently estimated to extend through 2015. These vessels are important to the modernization and service capacity of its fleet and to the business strategy of the Corporation. The shipbuilder has been carefully selected and a knowledgeable supervision team is in place at the shipyard to ensure successful completion. In addition, the Corporation holds refund guarantees from the shipyard's bankers for installments made by the Corporation.

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 it is well positioned in the marketplace 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

Environmental protection continues to be a dominant topic on the world legislative agenda and is a primary focus of the Corporation throughout its operations. Environmental issues such as aquatic invasive species, pollutant air emissions (SOx and NOx), greenhouse gases and cargo residues/wash waters are being scrutinized worldwide. A change in environmental legislation could have a significant impact on the Corporation's future operations and profitability.

Canada's regulations to implement the North American Emission Control Area (ECA) came into force in 2013, following issuance of a similar rule in the U.S. in 2012. The North American ECA governs air emissions along North America's ocean coasts and within the Great Lakes. These rules have limited the sulphur content of marine fuels to 1.0% since August 1, 2012 and this will drop to 0.1% as of August 1, 2015. Under a reciprocal agreement between the U.S. and Canada, a 'Fleet Averaging' framework for Canadian flag vessels operating in the Great Lakes, including those of the Corporation, is in place to achieve a reduction in emissions across fleets in a phased-in manner through the period ending 2020. The Fleet Averaging framework recognizes the reductions in marine emissions that are being achieved by Canadian domestic vessels 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 fleet continues to monitor fuel sulphur levels in accordance with Emission Control Area and Fleet Averaging requirements and remains in compliance with all requirements. The Corporation's highly efficient Equinox Class ships, each equipped with exhaust gas scrubbers, will satisfy the air emission rules. The Corporation's other vessels are capable of using lower sulphur fuels to satisfy air emission rules, although the cost and availability of low sulphur fuels may be a risk.

The U.S. Environmental Protection Agency (EPA) and U.S Coast Guard (USCG) have each implemented rules under differing legislation to regulate ballast water discharges from vessels in U.S. waters. Canada is a signatory to the International Maritime Organization (IMO) Convention on ballast water discharges and, although the convention is not ratified, the Canadian government is currently developing amendments to its own ballast water regulations. The Corporation and other stakeholders continue to express their concern that industry needs a unique solution that provides a single, achievable regulatory approach for all domestic vessels operating in Canadian waters. These stakeholders note that there are presently no USCG approved ballast water treatment systems available and furthermore there are no technologies proven to work in the unique environmental conditions of the Great Lakes. The current imposition of unachievable and discriminatory ballast water regulations by the U.S. on Canadian vessels presents an economic and regulatory risk to the Corporation.

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 of their business activities on the environment. The results are communicated annually to the general public.

Published studies continue to demonstrate that marine transportation is the most environmentally effective form of freight 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 offer efficient 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.

The Corporation has employees participating in a number of industry associations that advise and provide feedback on potential regulatory change and to ensure we maintain 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.

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. During 2013, water levels in the Great Lakes recovered from record low levels seen in 2012.

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 partial financial protection for the impact of 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 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.

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 increase in the regulatory 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 closed its defined benefit plans to new members and adopted defined contribution plans for all new employees.

Judicial and Other Proceedings

From time to time, the Corporation is a party to judicial, arbitration, or similar proceedings either as claimant or as respondent. Although the Corporation will take any actions it deems necessary to represent its interests in these proceedings, the ultimate outcomes of such proceedings are outside of the control of the Corporation. The realizable value of any assets and the exposure to liabilities associated with such proceedings may be different than the carrying value of those assets or liabilities on the financial statements of the Corporation.

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 18, 2014

Peter D. Winkley, CPA
Vice President, Finance and Chief Financial Officer
February 18, 2014

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, 2013, December 31, 2012 and January 1, 2012, and the consolidated statements of earnings, consolidated statements of comprehensive earnings, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2013 and December 31, 2012, 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, 2013, December 31, 2012, and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
February 24, 2014

Consolidated Statements of Earnings

Years ended December 31, 2013 and 2012
(In thousands of dollars, except per share data)

	Notes	2013	2012 (Note 5)
REVENUE		$ 491,499	$ 527,871
EXPENSES			
Operations		370,006	387,394
General and administrative		26,598	29,745
		396,604	417,139
EARNINGS BEFORE UNDERNOTED ITEMS		94,895	110,732
Depreciation of property, plant and equipment and investment properties	16, 17	(44,715)	(43,038)
Interest expense	8	(11,824)	(12,947)
Interest income	9	6,495	407
Net gain (loss) on foreign currency translation	10	5,587	(3,901)
EARNINGS BEFORE INCOME TAX PROVISION AND EARNINGS OF JOINT VENTURES		50,438	51,253
INCOME TAX PROVISION	11	(15,524)	(17,587)
EARNINGS OF JOINT VENTURES	7	7,009	8,490
NET EARNINGS		$ 41,923	$ 42,156
BASIC EARNINGS PER SHARE	22	$ 1.08	$ 1.08
DILUTED EARNINGS PER SHARE	22	$ 1.06	$ 1.06

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Earnings

Years ended December 31, 2013 and 2012
(In thousands of dollars)

	Notes		2013		2012 (Note 5)
NET EARNINGS		$	41,923	$	42,156
OTHER COMPREHENSIVE EARNINGS (LOSS)					
Items that may be subsequently reclassified to net earnings:					
Unrealized gain (loss) on translation of financial statements of foreign operations			11,761		(4,219)
Unrealized gain (loss) on hedging instruments, net of income tax expense (recovery) of $551 and ($40)			632		(148)
Items that will not be subsequently re-classified to net earnings:					
Effect of corporation tax rate increase on actuarial losses on employee future benefits			-		568
Employee future benefits					
Actuarial gain (loss), net of income tax of $6,806 and $1,466	19		18,873		(185)
			31,266		(3,984)
COMPREHENSIVE EARNINGS		$	73,189	$	38,172

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

Years ended December 31, 2013 and 2012 and January 1, 2012
(In thousands of dollars)

	Notes	December 31 2013	December 31 2012 (Note 5)	January 1 2012 (Note 5)
ASSETS				
CURRENT				
Cash and cash equivalents	12	$ 216,057	$ 124,494	$ 127,332
Accounts receivable	13	61,820	77,752	74,630
Derivative assets		1,055	-	-
Materials and supplies		10,437	12,326	11,852
Prepaid expenses		3,305	4,777	3,409
Income taxes recoverable		10,530	14,332	21,255
Assets held for sale	15	-	-	5,305
Recoverable vessel deposits	14	-	33,943	-
		303,204	267,624	243,783
RECOVERABLE VESSEL DEPOSITS	14	-	-	34,697
EMPLOYEE FUTURE BENEFITS	19	7,458	-	-
PROPERTY, PLANT AND EQUIPMENT	16	533,703	519,965	493,809
GOODWILL		7,910	7,910	7,910
INVESTMENT PROPERTIES	17	72,074	69,870	70,680
INVESTMENT IN JOINT VENTURES	7	8,005	10,383	16,587
		$ 932,354	$ 875,752	$ 867,466
LIABILITIES				
CURRENT				
Accounts payable and accrued charges	18	$ 63,093	$ 55,452	$ 74,883
Dividends payable		1,139	1,007	906
Current portion of long-term debt	20	4,576	4,773	4,754
Derivative liabilities		-	3,212	2,489
		68,808	64,444	83,032
DEFERRED INCOME TAXES	11	59,535	51,066	46,363
EMPLOYEE FUTURE BENEFITS	19	20,373	40,835	42,123
LONG-TERM DEBT	20	222,552	220,953	227,228
COMMITMENTS	26	-	-	-
		302,460	312,854	315,714
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	22	8,319	8,319	8,319
CONTRIBUTED SURPLUS		11,917	11,917	11,917
CONVERTIBLE DEBENTURES	21	4,632	4,632	4,632
ACCUMULATED OTHER COMPREHENSIVE EARNINGS (LOSS)	23	1,791	(10,602)	(6,235)
RETAINED EARNINGS		534,427	484,188	450,087
		561,086	498,454	468,720
		$ 932,354	$ 875,752	$ 867,466

See accompanying notes to the consolidated financial statements.

APPROVED BY THE BOARD

Director

Director

Consolidated Statements of Changes in Equity

Years ended December 31, 2013 and 2012
(In thousands of dollars except per share figures)

	Share capital	Contributed Surplus/ Convertible debentures	Accumulated Other Comprehensive Earnings (Loss) (Note 23)	Retained Earnings	Total Equity
BALANCE AT JANUARY 1, 2012	$ 8,319	$ 16,549	$ (6,235)	$ 450,087	$ 468,720
Net earnings	-	-	-	42,156	42,156
Dividends declared	-	-	-	(8,438)	(8,438)
Other comprehensive loss	-	-	(4,367)	383	(3,984)
BALANCE AT DECEMBER 31, 2012	$ 8,319	$ 16,549	$ (10,602)	$ 484,188	$ 498,454
Net earnings	-	-	-	41,923	41,923
Dividends declared	-	-	-	(10,557)	(10,557)
Other comprehensive earnings	-	-	12,393	18,873	31,266
BALANCE AT DECEMBER 31, 2013	$ 8,319	$ 16,549	$ 1,791	$ 534,427	$ 561,086

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012
(In thousands of dollars)

	Notes	2013	2012 (Note 5)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
OPERATING			
Net earnings		$ 41,923	$ 42,156
Earnings of joint ventures	7	(7,009)	(8,490)
Contributions received from joint ventures		10,886	14,363
Items not affecting cash			
Depreciation of property, plant and equipment and investment property		44,715	43,038
Net (gain) loss on foreign currency translation		(5,587)	3,901
Income tax provision		15,524	17,587
Interest income		(6,495)	(407)
Interest expense		11,824	12,947
Other		(409)	163
		105,372	125,258
Net change in non-cash operating working capital	24	12,907	(19,121)
		118,279	106,137
Income taxes paid		(9,097)	(3,705)
Employee future benefits paid		(3,945)	(2,370)
Net cash generated from operating activities		105,237	100,062
INVESTING			
Additions to property, plant and equipment		(36,802)	(80,344)
Additions to investment properties		(6,910)	(3,694)
Proceeds on sale of property, plant and equipment		1,280	6,086
Recoverable vessel deposits	14	41,684	-
Net cash used in investing activities		(748)	(77,952)
FINANCING			
Interest paid, net		(3,249)	(8,730)
Repayment of long-term debt		(6,000)	(6,000)
Dividends paid		(10,557)	(8,438)
Net cash used in financing activities		(19,806)	(23,168)
NET CHANGE IN CASH AND CASH EQUIVALENTS		84,683	(1,058)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		6,880	(1,780)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		124,494	127,332
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 216,057	$ 124,494

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2013 and 2012
(In thousands of dollars, except per share data)

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, 2013 and 2012 comprise the Corporation, its subsidiaries and the Corporation's interest in associated and jointly controlled entities.

The principal subsidiaries are Algoma Shipping Ltd., Algoma Tankers International Inc., Algoma Tankers Limited, Algoma Dartmouth Limited, and Algoma Central Properties Inc.. The principal joint operations are Marbulk Canada Inc. (50%) and Seventy Five Corporate Park Drive Ltd. (50%). In addition Algoma Shipping Ltd. is a member of an international pool arrangement (the "Pool"), whereby revenues and related expenses are distributed to each Pool member based on the earning capacity of the vessels. At December 31, 2013, Algoma Shipping Ltd.'s proportionate share of the Pool was 9% (2012 - 22%).

Algoma Central Corporation owns and operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway. The Corporation's Canadian flag fleet consists of eighteen self-unloading dry-bulk carriers, six gearless dry- bulk carriers and seven product tankers.

The Corporation is investing in six state of the art new Equinox Class vessels for domestic dry-bulk service. The first of these new vessels, the gearless bulker named the *Algoma Equinox*, entered domestic service in late 2013.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Corporation's 24 – vessel domestic dry-bulk fleet. The dry-bulk vessels carry cargoes of raw materials such as 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 operating in the Great Lakes and St. Lawrence regions of Canada and the operational management of certain vessels owned by other ship-owners.

The Product Tankers marine transportation segment includes ownership and management of the operational and commercial activities of 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 that is engaged in international 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 four self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide ocean trades.

In addition to the marine businesses, the Corporation also owns and manages commercial real estate in Sault Ste. Marie, Waterloo and St. Catharines, Ontario.

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

2. STATEMENT OF COMPLIANCE

The Corporation has prepared the Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as issued and adopted by the International Accounting Standards Board ("IASB"). The accounting policies have been applied consistently within the Consolidated Financial Statements.

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 18, 2014.

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 controlled by the Corporation (its subsidiaries). Control is achieved where the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee.

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 or 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.

Interests in joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control.

The Corporation has assessed its interests in joint arrangements in order to classify them as either joint operations or joint ventures. When making the assessment, the Corporation considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. The Corporation has concluded that its interests in the joint arrangements are joint ventures and has accounted for these using the equity method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in the bank less outstanding cheques and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes 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.

Property, plant and equipment

Vessels

Vessels include domestic dry- bulk, product tankers, ocean shipping vessels and vessels under construction. 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. 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 estimated 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-certification, 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 two and a half to five years. The residual value of such components is estimated at nil. The useful lives 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 regulatory dry-docking schedule for the vessel.

Investment properties

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

Impairment of long-lived assets

At the end of each reporting period, the Corporation reviews 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 value of an individual asset, the Corporation estimates the recoverable value 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 arising from an acquisition 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 business 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 value, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit to nil 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 statements of 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 the amount and stage of completion can be measured reliably, it is probable that economic benefits will flow to the Corporation, and the costs incurred and costs to complete the transaction can be measured reliably.

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 or other comprehensive 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 maintains defined benefit pension plans, defined contribution pension plans and other post-employment benefits including life insurance and health care. The employee future benefit plans are further described in Note 19.

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.

Net interest consists of the interest cost on the benefit obligation and the expected return on plan assets. Net interest is determined by applying the discount rate to the net benefit obligation or asset. The net interest income/expense is included in interest expense on the Consolidated Statements of Earnings and is based on the funded status of the plan.

Actuarial gains and losses arising from the employee future benefit plans are recognized immediately in other comprehensive earnings. Past service costs are recognized in earnings at the earlier of when the plan amendment or curtailment occurs or when the Corporation recognizes the related restructuring costs.

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 statements 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.

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.

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 asset's 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 trade 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.

Transaction costs

Transaction costs related to financial assets and liabilities measured at fair value through profit and loss are recorded directly to net earnings and 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 28.

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 a number of derivative instruments, including a net investment hedge, and has designated 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 interest expense line item.

Comprehensive earnings

Other comprehensive earnings includes unrealized gains and losses on foreign currency translation of the net investment in foreign operations with a functional currency other than Canadian, changes in the fair market value of derivative instruments designated as cash flow hedges, unrealized gains and losses on the foreign currency 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 Earnings or 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 earnings 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.

Recoverability of assets and useful lives

The Corporation evaluates the carrying values of the long-lived assets which include property, plant and equipment made up primarily of vessels, goodwill and investment properties to determine if events have occurred that would require a modification of their carrying values. The valuation of long-lived assets, excluding goodwill, is reviewed quarterly 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. Goodwill is tested for impairment annually.

Market valuations from leading, independent and internationally recognized shipbrokers and real estate valuators (as required) could 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. 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 indicated.

Judgement is required in determining the useful lives and residual values of long lived assets. 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.

Provisions

The Corporation recognizes provisions when it has a present obligation, legal, or constructive. The amount recognized is the Corporation's best estimate of the consideration required to settle the obligation at the end of a reporting period taking into account the risks and uncertainty related to the obligation.

Taxation

Income taxes are accrued by applying the annual effective income tax rates for each taxing jurisdiction to the pre-tax earnings in those jurisdictions. Estimates of income taxes include 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 may maintain 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. The 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 Future Benefits

Management considers a number of factors in developing the pension and non-pension assumptions, including regulatory requirements, an evaluation of relevant discount rates, expected long-term returns on plan assets, plan asset allocations, mortality, expected changes in wages and retirement benefits, analyses 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 one percent increase in the discount rate assumption for the employee future benefit obligation would reduce the obligation by $15,044 (2012 - $17,388). A one percent decrease in the discount rate assumption for the employee future benefit obligation would increase the obligation by $18,391 (2012- $21,512).

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following standards were adopted by the Corporation on January 1, 2013.

Employee Future Benefits

The amendment to IAS 19, adopted on January 1, 2013, eliminates the use of the corridor approach and requires actuarial gains and losses to be recognized immediately in Other Comprehensive Income ("OCI"). Amounts recorded into OCI would not be reclassified to the Consolidated Statements of Earnings.

On conversion to IFRS on January 1, 2010, the Corporation elected to recognize in opening OCI the cumulative net deficit previously unrecognized on the balance sheet at that date in opening retained earnings. Also on transition to IFRS, the Corporation adopted the accounting policy to recognize actuarial gains and losses directly in OCI.

Net interest replaces both the interest cost on the benefit obligation and the expected return on plan assets. Net interest is determined by applying the discount rate to net benefit obligation or asset. The net interest income/expense is included in interest expense. This will result in a net expense or income in the Consolidated Statements of Earnings based on the funded status of the plan.

The effect of the retrospective adoption of this standard on the Consolidated Financial Statements for the twelve months ended December 31, 2012 was to decrease net earnings by $1,663, increase employee future benefits liability by $720, decrease deferred income taxes by $191 and decrease other comprehensive loss by $1,134. In addition, $1,772 was reclassified from general and administration expense to interest expense.

Consolidated Financial Statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10") replaced the guidance on control and consolidation in IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") that addresses consolidation and supersedes Standing Interpretations Committee ("SIC")-12 in its entirety. This standard introduces a single, principle-based, control model for consolidation, irrespective of whether an entity is controlled through voting rights or through other contractual arrangements as is common in special purpose entities (SPE). Control is based on an investor's current ability to use its power over the relevant activities of a subsidiary or SPE to affect its exposure or return generated by the subsidiary or SPE. An amendment to the standard was subsequently issued which provided additional transition guidance.

In accordance with the transitional provisions of IFRS 10, the Corporation re-assessed the control conclusion for its investees at January 1, 2013. The Corporation made no changes in the current or comparative period as a result of adopting this standard.

Joint Arrangements

IFRS 11, "Joint Arrangements" ("IFRS 11") supersedes IAS 31, "Interests in Joint Ventures" and SIC -13, "Jointly Controlled Entities – Non Monetary Contributions by Venturers". IFRS 11 requires that reporting issuers consider whether a joint arrangement is structured through a separate vehicle, as well as the terms of the contractual arrangement and other relevant facts and circumstances, to assess whether the venture is entitled to only the net assets of the joint arrangement (a "joint venture") or to its share of the assets and liabilities of the joint arrangement (a "joint operation"). Joint ventures must be accounted for using the equity method, whereas joint operations must be accounted for by recognizing the venturer's right to assets and obligations for liabilities and its share of revenues and expenses is required to be applied retrospectively to the prior periods presented.

The Corporation has certain interests in joint arrangements which have been accounted for on the equity basis under the new standard. The Corporation has an interest in Seventy-Five Corporate Park Drive Ltd. with an unrelated corporation. This joint venture owns an office building. The Corporation also has an interest in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement.

Previously, the Corporation accounted for these two joint ventures on a proportionately consolidated basis. There is no impact on net earnings for the adoption of this standard; however, revenues and expenses, and assets and liabilities which were previously proportionately consolidated will be presented as Earnings of Joint Ventures and as Investment in Joint Ventures, respectively.

The effect of the retrospective adoption of IFRS 11 to the Consolidated Statements of Earnings for the twelve months ended December 31, 2012 is as follows:

Decrease in revenues	$	32,506
Decrease in operating expenses		(20,052)
Decrease in general and administrative expenses		(271)
Decrease in depreciation expense		(3,080)
Decrease in income tax provision		(613)
Earnings of joint ventures	$	8,490

The effect of the retrospective adoption of IFRS 11 to the Consolidated Balance Sheets is as follows:

		December 31 2012		January 1 2012
Decrease in cash and cash equivalents	$	4,429	$	4,984
Decrease in accounts receivables		1,980		2,839
Decrease in material and supplies		1,043		1,164
Decrease in prepaid expenses		104		257
Decrease in property, plant and equipment		9,162		12,590
Decrease in investment properties		1,627		1,684
Decrease in accounts payable and accrued charges		(3,197)		(2,459)
Decrease in deferred income taxes		(4,765)		(4,472)
Investment in joint ventures	$	10,383	$	16,587

The effect of the retrospective adoption of IFRS 11 to the Consolidated Statements of Cash Flows for the twelve months ended December 31, 2012 is as follows:

Decrease in net cash generated from operating activities	$	555
Decrease in cash and cash equivalents, beginning of period		(4,984)
Decrease in cash and cash equivalents, end of period	$	(4,429)

Disclosure of Interests in Other Entities

IFRS 12, “Disclosure of Interests in Other Entities” (“IFRS 12”) broadened the definition of interests and required enhanced disclosures on interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this standard has resulted in additional disclosures on Note 7.

Fair Value Measurement

On January 1, 2013, the Corporation adopted IFRS 13, “Fair Value Measurement”, which provides a single source of guidance on how fair value is measured, replacing the fair value measurement guidance contained in individual IFRSs. IFRS 13 defines fair value and establishes a framework for measuring fair value. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard has resulted in additional disclosures which are included in Note 28.

Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments require the components of Other Comprehensive Earnings to be presented separately for items that may be reclassified to the consolidated statements of earnings from those that remain in equity. The amendments were effective for annual reporting periods beginning on or after July 1, 2012. The amendments have been applied retrospectively, and therefore the presentations of items of other comprehensive income have been modified to reflect the changes.

6. NEW ACCOUNTING STANDARDS NOT YET APPLIED

Financial Instruments

The International Accounting Standards Board ("IASB") issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace International Accounting Standard ("IAS") 39. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once all phases of IFRS 9 are finalized.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

Financial Assets and Financial Liabilities

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

Levies

In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, Levies. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The extent of the impact of adoption of IFRIC 21 has not yet been determined.

Disclosure of Recoverable Amounts

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

The Corporation is currently evaluating the impact of these new pronouncements on its consolidated financial statements. The Corporation intends to adopt these new standards in the financial statements for the annual period beginning January 1, 2014 and does not expect the amendments to have a material impact on the financial statements.

7. INTERESTS IN JOINT VENTURES

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

The Corporation's share in the revenues, expenses and net earning of the jointly controlled operations, for the twelve months ended December 31, 2013 and 2012 are as follows:

	2013	2012
Revenue	$ 25,417	$ 32,506
Operating expenses	(15,371)	(20,052)
General and administrative	(264)	(271)
Depreciation	(2,481)	(3,080)
Earnings before income taxes	7,301	9,103
Income taxes	292	613
Net earnings	$ 7,009	$ 8,490
Seventy-Five Corporate Park Drive Ltd.	$ 298	$ 160
Marbulk Canada Inc	6,711	8,330
	$ 7,009	$ 8,490

The Corporation's share in the assets, liabilities and net investment of the jointly controlled operations at December 31, 2013 and 2012 and January 1, 2012 are as follows:

	December 31		Janauary 1
	2013	2012	2012
Cash and cash equivalents	$ 2,698	$ 4,429	$ 4,984
Accounts receivable	1,435	1,980	2,839
Materials and supplies	967	1,043	1,164
Prepaid expenses	163	104	257
Property, plant and equipment	7,513	9,162	12,590
Investment property	1,609	1,627	1,684
Accounts payable and accrued charges	(1,674)	(3,197)	(2,460)
Income taxes payable	(860)	-	-
Deferred income taxes	(3,846)	(4,765)	(4,471)
	$ 8,005	$ 10,383	$ 16,587
Seventy-Five Corporate Park Drive Ltd.	$ 1,906	$ 1,859	$ 1,907
Marbulk Canada Inc.	6,099	8,524	14,680
	$ 8,005	$ 10,383	$ 16,587

8. INTEREST EXPENSE

The components of interest expense are as follows:

		2013		2012
Interest expense on borrowings	$	**14,579**	$	14,736
Interest assesed on tax settlement		**2,094**		-
Interest on employee future benefits, net		**1,663**		1,772
Amortization of financing costs		**1,414**		1,246
Interest capitalized on vessels under construction		**(7,926)**		(4,807)
	$	**11,824**	$	12,947

9. INTEREST INCOME

The components of interest income are as follows:

		2013		2012
Interest on cash balances	$	**640**	$	407
Interest on recovered vessel deposits *(Note 14)*		**3,849**		-
Interest on refunded income tax installments		**2,006**		-
	$	**6,495**	$	407

10. NET GAIN (LOSS) ON FOREIGN CURRENCY TRANSLATION

The components of net gain (loss) on foreign currency translation are as follows:

		2013		2012
(Loss) gain on long-term debt	$	**(3,352)**	$	1,657
Gain (loss) on U.S. cash		**3,300**		(2,664)
Realized gain (loss) on return of capital from foreign subsidiaries		**3,071**		(2,020)
Gain (loss) on mark-to-market for derivatives that are not eligible for hedge accounting		**2,568**		(874)
	$	**5,587**	$	(3,901)

See Note 28 for the Corporation's hedge accounting policies relating to foreign currency translation gains and losses on long-term debt and U.S. cash.

11. INCOME TAXES

The components of the income tax expense are as follows:

	2013	2012
Current tax		
Expense in respect of the current year	$ 9,794	$ 11,378
Expense relating to lands valuation settlement	4,618	-
	14,412	11,378
Deferred tax		
Deferred tax expense recognized in the current year	1,112	2,954
Adjustments relating to changes in tax rates	-	3,255
	1,112	6,209
	$ 15,524	$ 17,587

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

	2013	2012
Combined federal and provincial statutory income tax rate	26.5%	26.5%
Earnings before income taxes	$ 50,438	$ 51,253
Expected income tax provision	$ 13,366	$ 13,582
Increase (decrease) resulting from:		
Effect of items that are not deductible (taxable)	41	(148)
Foreign tax rates different from statutory rate	(2,838)	(1,188)
Effect of corporate tax rate changes	-	3,255
Adjustment of prior years taxes on filing	(20)	1,561
Effect of income tax settlement	4,618	-
Other	357	525
	$ 15,524	$ 17,587

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

	2013	2012
Unrealized gains (losses) on hedging instruments	$ 551	$ (40)
Actuarial gains (losses) on employee future benefits	6,806	(1,466)
	$ 7,357	$ (1,506)

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

December 31, 2013	Opening balance	Recognized in earnings	Recognized in other comprehensive earnings	Closing balance
Deferred tax liabilities (assets)				
Partnership profits	$ 21,656	$ (5,096)	$ -	$ 16,560
Property, plant and equipment	38,633	5,152	-	43,785
Investment property	3,318	604	-	3,922
Employee future benefits	(10,246)	(234)	6,806	(3,674)
Foreign exchange differences	(593)	(651)	-	(1,244)
Losses for tax purposes	(6,087)	1,000	-	(5,087)
Convertible debentures	1,374	(200)	-	1,174
Tax provisions and other	3,011	537	551	4,099
	$ 51,066	$ 1,112	$ 7,357	$ 59,535

December 31, 2012	Opening balance	Recognized in earnings	Recognized in other comprehensive earnings	Closing balance
Deferred tax liabilities (assets)				
Partnership profits	$ 23,528	$ (1,872)	$ -	$ 21,656
Property, plant and equipment	33,464	5,169	-	38,633
Investment property	3,394	(76)	-	3,318
Employee future benefits	(9,117)	366	(1,495)	(10,246)
Foreign exchange differences	1,391	(1,983)	-	(592)
Losses for tax purposes	(3,682)	(2,405)	-	(6,087)
Convertible debentures	1,555	(181)	-	1,374
Tax provisions and other	(4,170)	7,220	(40)	3,010
	$ 46,363	$ 6,238	$ (1,535)	$ 51,066

12. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	December 31		January 1
	2013	2012	2012
Cash	$ **125,938**	$ 124,494	$ 127,332
Cash equivalents	**90,119**	-	-
	$ **216,057**	$ 124,494	$ 127,332

13. ACCOUNTS RECEIVABLE

	December 31 2013	December 31 2012	January 1 2012
Due from customers	$ **49,433**	$ 69,312	$ 57,650
Accrued revenue on voyages in process	**4,421**	3,805	2,815
Due from government relating to commodity taxes and other	**4,124**	527	4,683
Other	**3,842**	4,108	9,482
	$ **61,820**	$ 77,752	$ 74,630

14. RECOVERABLE VESSEL DEPOSITS

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 did occur. As a result, in 2010, the Corporation issued formal notices of rescission of the three shipbuilding contracts.

The Corporation made instalments to the shipyard totalling U.S. $35,370. During 2012, the Corporation was a party in an arbitration tribunal with the shipyard related to the refund of these deposits in April, 2013 the London, UK Arbitration Tribunal ruled in favour of the Corporation and the Corporation made a formal demand for re-imbursement of the instalments.

The amount included in the Consolidated Balance Sheets at December 31, 2012 was $33,943 representing the instalments of U.S. $35,370 less a provision for expenses. In December 2013, the Corporation received a full refund of the U.S. dollar installments which equalled $37,835 on conversion to Canadian dollars. In addition to the refund of the installments, the Corporation also received interest of $3,849.

15. ASSETS HELD FOR SALE

At January 1, 2012, the Corporation had certain vessels in the Domestic Dry-Bulk segment which were determined to be no longer required and were sold for their respective scrap values which approximated the carrying value.

16. 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, 2012	$ 644,565	$ 230,083	$ 79,615	$ 954,263
Additions	63,184	704	3,144	67,032
Disposals	-	-	(1,389)	(1,389)
Effect of foreign currency exchange differences	(1,165)	(325)	(1,434)	(2,924)
Balance at December 31, 2012	706,584	230,462	79,936	1,016,982
Additions	41,266	3,707	-	44,973
Disposals	(25,238)	(3,730)	-	(28,968)
Other	-	646	-	646
Effect of foreign currency exchange differences	3,630	1,072	5,102	9,804
Balance December 31, 2013	$ 726,242	$ 232,157	$ 85,038	$ 1,043,437

Accumulated Depreciation	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at January 1, 2012	$ 355,616	$ 82,663	$ 22,175	$ 460,454
Depreciation expense	25,768	9,192	3,591	38,551
Disposals	-	-	(1,387)	(1,387)
Effect of foreign currency exchange differences	(193)	(176)	(232)	(601)
Balance at December 31, 2012	381,191	91,679	24,147	497,017
Depreciation expense	25,989	9,607	4,371	39,967
Disposals	(26,206)	(3,683)	-	(29,889)
Effect of foreign currency exchange differences	985	659	995	2,639
Balance December 31, 2013	$ 381,959	$ 98,262	$ 29,513	$ 509,734

Net Book Value	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
January 1, 2012				
Cost	$ 644,565	$ 230,083	$ 79,615	$ 954,263
Accumulated depreciation	355,616	82,663	22,175	460,454
	$ 288,949	$ 147,420	$ 57,440	$ 493,809
December 31, 2012				
Cost	$ 706,584	$ 230,462	$ 79,936	$ 1,016,982
Accumulated depreciation	381,191	91,679	24,147	497,017
	$ 325,393	$ 138,783	$ 55,789	$ 519,965
December 31, 2013				
Cost	$ 726,242	$ 232,157	$ 85,038	$ 1,043,437
Accumulated depreciation	381,959	98,262	29,513	509,734
	$ 344,283	$ 133,895	$ 55,525	$ 533,703

Net book value at December 31, 2013 includes capitalized dry-docking costs of $25,087 (2012 – $39,840) and accumulated depreciation of $11,884 (2012 – $30,647).

Disposals include assets sold and dry-docking costs that are fully depreciated and have been re-capitalized as a result of subsequent dry-dockings.

Depreciable assets at December 31, 2013 includes progress payments on five Equinox Class vessels of $113,054 (Six Equinox Class vessels at December 31, 2012 - $121,810). Depreciation began on one of these vessels when it became available for use in the fourth quarter of 2013. Depreciation on the remaining vessels is expected to commence at various dates throughout 2014 and 2015.

In addition, the Corporation has capitalized $7,926 in 2013 (2012- $4,807) of interest related to these vessels. The interest rate used for the capitalization of interest is based on the Corporation's effective rate on long-term debt.

Impairment losses and reversals

In 2007, the Corporation entered into contracts for five new product tankers with shipyards located in China which were subsequently cancelled or converted to contracts for new Equinox Class vessels. On conversion to IFRS, the Corporation had recorded impairments on these contracts.

As part of the negotiations with the shipyard to convert tanker contracts to new Equinox Class vessels, the Corporation also negotiated options for additional vessels. The options contained expiry dates and if the option was exercised by the expiry date, the conversion fee would be reduced accordingly. In 2012 and 2013, the Corporation negotiated reductions in the conversion fee resulting in reversals of previously recognized impairments of $750 in each of 2013 and 2012. The impairment reversals have been presented as a reduction in operating expense.

17. 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 is a level 3 measurement and as at December 31, 2013 is estimated to be $160,000 compared to $165,000 as of December 31, 2012. The decrease in the fair value is due to a reduction in the estimated yearly cash flows of certain properties.

The Corporation determined the fair value of the property 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. There was no change in the capitalization rates that range from 7.5% to 9.0% used over the two periods.

Details of investment property are as follows:

	Cost	Accumulated Depreciation	Net book value
Balance January 1, 2012	$ 113,627	$ 42,947	$ 70,680
Additions	3,677	4,487	(810)
Balance December 31, 2012	117,304	47,434	69,870
Additions	6,952	4,748	2,204
Balance December 31, 2013	$ 124,256	$ 52,182	$ 72,074

18. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	December 31		January 1
	2013	2012	2012
Due to suppliers and accrued charges	$ **48,513**	$ 49,715	$ 50,333
Installment on vessel construction	**7,365**	-	15,894
Accrued interest on long-term debt	**4,741**	4,674	5,478
Commodity taxes payable	**2,474**	1,063	3,178
	$ **63,093**	$ 55,452	$ 74,883

19. EMPLOYEE FUTURE BENEFITS

Plan Descriptions

The Corporation maintains two funded and two unfunded defined benefit pension plans and two defined contribution pension plans, which together cover all of its non-union employees and certain unionized employees. The majority of shipboard employees belong to pension plans not maintained 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 unfunded post-retirement benefits including life insurance and health care to certain employees.

The plans typically expose the Corporation to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk. The Corporation is not aware of any specific concentrations of risk to which it is exposed.

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, 2013 and January 1, 2011, respectively. The next required valuation for the defined benefit plans will be as of January 1, 2014.

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

	Pension Plans		Other Benefit Plans	
	2013	2012	**2013**	2012
Discount rate used for estimating accrued benefit obligation	**4.7%**	4.0%	**4.7%**	4.0%
Discount rate used for estimating net interest cost included in net benefit cost incurred	**4.0%**	4.5%	**4.0%**	4.5%
Rate of compensation increases	**3.5%**	4.0%	**3.5%**	4.0%
Mortality assumption	**UP 94 Gen**	UP 94 Gen	**UP 94 Gen**	UP 94 Gen

The discount rate assumption is selected with reference to market interest rates on high-quality corporate debt instruments with cash flows that match the timing and amount of expected benefit payments. During 2013 market rates on these instruments increased resulting in a change to the discount rate.

The rate of compensation assumption was decreased to reflect lower annual increases than the 4% assumption.

The "UP94Gen" mortality table is currently the most commonly used mortality table for Canadian pension plans. "UP94" means the table is based on U.S. pensioner mortality experience from the 1990's and "Gen" means the table incorporates mortality improvements into the future. The accrued benefit obligation at December 31, 2013 was calculated using this assumption and increased by 5% to reflect an expected increase for longer lives.

The Corporation's growth rate of health care costs was estimated at 6.7% (2012 – 7.0%), with the rate trending to 4.6% per annum to 2022. Increasing or decreasing the assumed health care rate cost trend rates by one percentage point would have the following effect for 2013:

	Increase	Decrease
Service and interest cost	$ 98	$ (76)
Accrued benefit obligation	$ 1,155	$ (958)

Amounts Recognized in Other Comprehensive Earnings (Loss)

The accumulated actuarial losses, net of income tax, recognized in other comprehensive earnings (loss) are as follows:

	2013	2012
Opening balance	**$ (30,170)**	$ (30,553)
Gains (losses) recognized during year	**18,873**	383
	$ (11,297)	$ (30,170)

The components of the actuarial gains (losses) recognized during the year are as follows:

	2013	2012
Return on plan assets	**$ 22,349**	$ 4,071
Actuarial (losses) gains arising from changes in mortality assumptions	**(6,866)**	2,360
Actuarial gains (losses) arising from changes in discount rates	**12,018**	(9,107)
Actuarial (losses) gains arising from experience adjustments and change in salary assumption	**(1,016)**	995
Adjustment for restrictions on the defined benefit asset	**(806)**	-
	25,679	(1,681)
Income tax expense (recovery)	**6,806**	(2,064)
	$ 18,873	$ 383

Net Liability Arising from Employee Future Benefits

Information, in aggregate, regarding the Corporation's benefit plans for the years 2013 and 2012 is presented below.

Reconciliation of Net Liability Arising from Employee Future Benefits

December 31, 2013	Pension Plans	Other Benefit Plans	Total
Present value of benefit obligation	$ 142,405	$ 10,362	$ 152,767
Effect of asset ceiling	(806)	-	(806)
Fair value of plan assets	(137,948)	(1,098)	(139,046)
Net liability	$ 3,651	$ 9,264	$ 12,915

Presented on financial statements as:

Employee future benefit liabilities	$ 20,373
Employer future benefit assets	7,458
Net liability	$ 12,915

December 31, 2012	Pension Plans	Other Benefit Plans	Total
Present value of benefit obligation	$ 142,232	$ 10,706	$ 152,938
Fair value of plan assets	111,051	1,052	112,103
Net liability	$ 31,181	$ 9,654	$ 40,835

January 1, 2012	Pension Plans	Other Benefit Plans	Total
Present value of benefit obligation	$ 134,869	$ 13,628	$ 148,497
Fair value of plan assets	105,623	751	106,374
	$ 29,246	$ 12,877	$ 42,123

Movements in Present Value of Fair Value of Plan Assets and Defined Benefit Obligations

2013

Employee Future Benefit Assets	Pension Plans	Other Benefit Plans	Total
Fair value, beginning of year	$ 111,050	$ 1,052	$ 112,102
Expected return on plan assets	4,522	-	4,522
Return on plan assets in excess of expected return	23,849	-	23,849
Benefits paid	(7,499)	-	(7,499)
Employer contributions to plans	7,126	46	7,172
Employee contributions to plans	512	-	512
Effect of asset ceiling	(806)	-	(806)
Fair value, end of year	$ 138,754	$ 1,098	$ 139,852

Employee Future Benefit Obligations	Pension Plans	Other Benefit Plans	Total
Obligations, beginning of year	$ 142,232	$ 10,706	$ 152,938
Employer current service cost	4,043	235	4,278
Employee current service cost	512	63	575
Interest cost	5,668	417	6,085
Benefits paid	(7,883)	(587)	(8,470)
Actuarial gains	(2,167)	(472)	(2,639)
Obligations, end of year	$ 142,405	$ 10,362	$ 152,767

2012

Employee Future Benefit Assets	Pension Plans	Other Benefit Plans	Total
Fair value, beginning of year	$ 104,123	$ 751	$ 104,874
Expected return on plan assets	6,240	-	6,240
Return on plan assets in excess of expected return	1,843	-	1,843
Benefits paid	(6,832)	-	(6,832)
Employer contributions to plans	5,396	301	5,697
Employee contributions to plans	281	-	281
Fair value, end of year	$ 111,051	$ 1,052	$ 112,103

Employee Future Benefit Obligations	Pension Plans	Other Benefit Plans	Total
Obligations, beginning of year	$ 134,869	$ 14,347	$ 149,216
Current service cost	2,835	734	3,569
Past service costs that have vested	-	1,025	1,025
Interest cost	5,938	369	6,307
Benefits paid	(7,224)	(592)	(7,816)
Actuarial gains (losses)	5,814	(5,177)	637
Obligations, end of year	$ 142,232	$ 10,706	$ 152,938

During 2013, the funded defined benefit pension plans of the Corporation shifted from deficit to surplus positions. The surplus consists of the following:

	December 31		January 1
	2013	2012	2012
The Employee Pension Plan of Algoma Central Corporation	$ **6,105**	$ -	$ -
The Union Employee Pension Plan of Algoma Ship Repair	**1,353**	-	-
	$ **7,458**	$ -	$ -

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

	December 31		January 1
	2013	2012	2012
The Employee Pension Plan of Algoma Central Corporation	$ **-**	$ 20,229	$ 19,246
The Union Employee Pension Plan of Algoma Ship Repair	**-**	19	132
Supplementary Employee Retirement Plan	**11,095**	10,933	9,868
Other benefit plans	**9,278**	9,654	12,877
	$ **20,373**	$ 40,835	$ 42,123

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

2013	Pension Plans	Other Benefit Plans	Total
Current service cost	$ 4,043	$ 235	$ 4,278
Interest cost on plan obligations	5,668	417	6,085
Expected return on plan assets	(4,522)	-	(4,522)
Net benefit expense	$ 5,189	$ 652	$ 5,841

2012	Pension Plans	Other Benefit Plans	Total
Current service cost	$ 2,835	$ 734	$ 3,569
Interest cost on plan obligations	5,938	369	6,307
Change in benefit provisions	-	(3,101)	(3,101)
Past service costs that have vested	-	1,025	1,025
Expected return on plan assets	(6,240)	-	(6,240)
Net benefit expense	$ 2,533	$ (973)	$ 1,560

Fair Value of Plan Assets by Category

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

	2013	2012
Short term notes	$ 5,869	$ 8,791
Canadian Government bonds	27,625	46,998
Canadian corporate bonds	3,293	-
Canadian equities	40,651	23,161
Foreign equities	62,923	34,822
Annuities	6,680	7,513
	147,041	121,285
Contributions receivable	544	-
Amount related to defined contribution plans	(7,733)	(9,182)
	$ 139,852	$ 112,103

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 invested plan assets for 2013 was 24.0% or $27,207 (2012- 8.7% or $8,811)

The Corporation expects to make contributions of $6,742 (2012-$6,400) to the pension plans during the next fiscal year.

The expense recognized in the consolidated statements of earnings for defined contribution plans is $1,649 (2012 - $1,579).

Sensitivity Analyses

Significant actuarial assumptions used in the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below are determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by $15,044 (increase by $18,391).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $1,561 (decrease by $1,608).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $2,842 (decrease by $2,880).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the balance sheet.

The average duration of the benefit obligation at December 31, 2013 is 11.6 years (2012: 11.8 years). This number can be analysed as follows:

- active members: 15.4 years (2012: 15.8 years);
- deferred members: 18.2 years (2012: 18.5 years); and
- retired members: 8.5 years (2012: 8.5 years).

20. LONG-TERM DEBT

	December 31		January 1
	2013	2012	2012
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.00%	$ **64,652**	$ 63,818	$ 63,044
Senior secured notes, due July 19, 2021			
U.S. $75,000, interest fixed at 5.11%	**79,770**	74,617	76,275
Canadian $75,000, interest fixed at 5.52%	**75,000**	75,000	75,000
Senior secured non-revolving term loan, due October 20, 2014, interest fixed at 5.90%	**2,000**	4,000	6,000
Senior secured non-revolving term loan, due October 20, 2016, interest floating at BA rate plus 0.85%	**11,500**	15,500	19,500
	232,922	232,935	239,819
Less unamortized financing expenses	**5,794**	7,209	7,837
	227,128	225,726	231,982
Current portion	**4,576**	4,773	4,754
	$ **222,552**	$ 220,953	$ 227,228

The Bank Facility comprises a $150 million senior secured revolving bank credit facility due July 19, 2016 with a syndicate of five 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 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.

At December 31, 2013, 2012 and January 1, 2012 the Corporation was in compliance with all of the covenants.

The unamortized financing expenses relate to costs incurred to establish the credit facilities and 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:

	December 31		January 1
	2013	2012	2013
Falling due within one year	$ **6,000**	$ 6,000	$ 6,000
Falling due between one and two years	**4,000**	6,000	6,000
Falling due between two and three years	**3,500**	4,000	6,000
Falling due between three and four years	**-**	3,500	4,000
Falling due after five years	**219,422**	213,435	217,819
	$ **232,922**	$ 232,935	$ 239,819

21. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

Prior to December 14, 2012 each Debenture was 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. After December 13, 2012 as a result of the Stock Dividend (see Note 22) each Debenture can be converted into common shares of the Corporation at the option of the holder at any time prior to maturity at a price equal to $15.40 per common share (the "Conversion Price"). 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. On maturity, the Corporation has the option to repay the principal amount with common shares.

The Debentures are not redeemable by the Corporation prior to March 31, 2014. From March 31, 2014 to March 30, 2016, the Corporation may redeem the Debentures with notice, in whole or in part, for principal plus accrued interest, provided the Common Shares of the Corporation trade at a price that is not less than 125% of the Conversion Price on the date on which notice is given. From March 31, 2016 until maturity, the Corporation may redeem the Debentures with notice, in whole or in part for principal plus accrued interest at any time.

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.

22. SHARE CAPITAL

Share capital

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

On October 31, 2012 the Board of Directors authorized a split of the common shares of the Corporation by way of a stock dividend of nine common shares for each common share held. The stock dividend was paid on December 14, 2012 to shareholders of record on December 7, 2012.

Prior to the stock dividend there were 3,891,211 common shares outstanding. Following payment of the stock dividend, the Corporation has 38,912,110 common shares outstanding.

Prior period earnings per share calculations have been adjusted to reflect the stock split.

At December 31, 2013 and 2012 there were no preferred shares issued and outstanding.

The basic and diluted net earnings are computed as follows:

	2013	2012
Net earnings for basic earnings per share	$ **41,923**	$ 42,156
Dilutive effect of debentures	**4,038**	3,992
Net earnings for diluted earnings per share	**45,961**	46,148
Basic weighted average common shares	**38,912,110**	38,912,110
Shares due to dilutive effect of debentures	**4,339,000**	4,339,000
Diluted weighted average common shares	**43,251,110**	43,251,110
Basic earnings per common share	$ **1.08**	$ 1.08
Diluted net earnings per common share	$ **1.06**	$ 1.06

23. ACCUMULATED OTHER COMPREHENSIVE EARNINGS

	Reserves				
	Hedges				
	Cash Flow	Net Investment	Purchase commitment	Foreign exchange translation	Total
Balance at December 31, 2011	$ (418)	$ -	$ -	$ (5,817)	$ (6,235)
Loss	(188)	-	-	(4,219)	(4,407)
Income tax recovery	40	-	-	-	40
Net loss	(148)	-	-	(4,219)	(4,367)
Balance December 31, 2012	(566)	-	-	(10,036)	(10,602)
Gain (loss)	1,435	(1,800)	1,548	11,761	12,944
Income tax (expense) recovery	(380)	239	(410)	-	(551)
Net gain (loss)	1,055	(1,561)	1,138	11,761	12,393
Balance December 31, 2013	**$ 489**	**$ (1,561)**	**$ 1,138**	**$ 1,725**	**$ 1,791**

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 will be reclassified to earnings only when the hedged transaction affects earnings.

The net investment hedge reserve represents the cumulative exchange differences on translation of long-term debt held in foreign currency. The Corporation has elected to hedge a portion of its net investment in foreign subsidiaries with its foreign-denominated debt. Exchange differences accumulated will be reclassified to earnings on the disposal of the foreign operation.

The purchase commitment hedge reserve represents the cumulative exchange differences on translation of cash held in foreign currency which the Corporation has elected to hedge against future U.S. dollar commitments for the Equinox Class vessels. Exchange differences accumulated in the reserve will be reclassified to property, plant, and equipment when the payments to the supplier are made.

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 exchange reserve. Exchange differences accumulated in the 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.

24. SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

	2013	2012
Change in non-cash operating working capital		
Accounts receivable	$ **15,932**	$ (3,122)
Materials and supplies	**1,889**	(474)
Prepaid expenses	**1,472**	(1,368)
Accounts payable and accrued charges	**(6,386)**	(14,157)
	$ **12,907**	$ (19,121)

25. CAPITAL DISCLOSURES

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

- Provide sustained growth of shareholder value by earning long-term returns on capital employed (ROCE) in the 10% to 12% range.

- Maintain a strong capital base to gain investor, creditor and market confidence and to sustain future growth. In this regard, the Corporation will target to maintain a long-term debt to equity ratio of no greater than one-to-one. The Corporation views a one-to-one ratio as a maximum rate due to the capital intensive nature of the business.

- Pay regular quarterly dividends to shareholders.

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

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

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

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

The AROCE for 2013 was 10.1% versus 12.4% for 2012 and has averaged 9.7% over the five years ended December 31, 2013.

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

The long-term debt to shareholders' equity ratio at December 31, 2013 and 2012 is as follows:

	December 31		January 1
	2013	2012	2013
Total long-term debt	**$ 232,922**	$ 232,935	$ 239,819
Shareholders' equity	**$ 561,086**	$ 498,454	$ 468,720
Debt to shareholders' equity ratio	**0.42 to 1**	0.47 to 1	0.51 to 1

26. COMMITMENTS

The Corporation has commitments at December 31, 2013 of $165,995.

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

Annual expected payments over the next five years and beyond are as follows:

Due in 2014	**$ 91,715**
Due in 2015	**66,400**
Due in 2016	**3,940**
Due in 2017	**3,940**
Due in 2018 and beyond	**-**
	$ 165,995

The commitments to the shipyard relating to the purchase of five Equinox Class vessels is U.S. $104,180.

The current production schedule as provided by the shipyard estimates one vessel will be delivered in 2014, with the remaining four vessels to be delivered in 2015. At the present time, there is uncertainty regarding the financial condition of a co-seller and this situation has had an impact on the delivery schedule. The shipyard is working to resolve this situation and they are continuing construction work on the vessels in the interim.

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

27. 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.

In 2003, CRA issued a Notice of Reassessment to the Corporation adjusting the valuation to $12,338. 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. In 2002, the Corporation deposited $11,000 representing the income tax and interest liability if the CRA was successful.

In 2013, both parties agreed on a valuation of the forest lands. As a result of the settlement, the financial statements of the Corporation for the year ended December 31, 2013, reflect additional income tax expense of $4,619 (Note 11), interest expense of $2,094 (Note 8) and interest income of $2,006 (Note 9). The Corporation expects to receive a refund of approximately $5,602 of the deposit made in 2002 including arrears installment interest.

Legal

The Corporation in the normal course of business may be involved in legal proceedings. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material effect on the Corporation's consolidated financial position, results of operations or liquidity.

28. 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, derivative assets, recoverable vessel deposits, accounts payable and accrued charges, derivative liabilities and long-term debt.

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 $1,055 (December 31, 2012 - nil) and derivative liabilities (Level 2) of nil as of December 31, 2013 (December 31, 2012 - $3,212).

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

Fair value

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

	December 31		January 1
	2013	2012	2012
Financial assets carrying and fair value			
Cash and cash equivalents	$ **216,057**	$ 124,494	$ 127,332
Accounts receivable	$ **61,820**	$ 77,752	$ 74,630
Derivative assets	$ **1,055**	$ -	$ -
Recoverable vessel deposits	$ **-**	$ 33,943	$ 34,697
Financial liabilities carrying and fair value			
Accounts payable and accrued charges	$ **63,093**	$ 55,452	$ 74,883
Derivative liabilities	$ **-**	$ 3,212	$ 2,489
Carrying value of long-term debt	$ **232,922**	$ 232,935	$ 239,819
Fair value of long-term debt	$ **249,431**	$ 250,573	$ 246,961

All of the above financial assets and liabilities are classified as Level 2.

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

Financial risk management objectives

The Corporation monitors and manages the financial risks relating to the operations by analyzing 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 approved by the Corporation's board of directors, which provides 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 and hedges related to purchase commitments to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders 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 consist of the following:

	December 31				January 1	
	2013		2012		2012	
	Base currency	**Canadian equivalent**	Base currency	Canadian equivalent	Base currency	Canadian equivalent
Canadian dollar balances						
Cash	**$ 25,240**	**$ 25,240**	$ 29,088	$ 29,088	$ 61,085	$ 61,085
Cash equivalents		**90,119**		-		-
		$ 115,359		$ 29,088		$ 61,085
U.S. cash	**94,676**	**100,698**	97,088	95,406	65,140	66,247
		$ 216,057		$ 124,494		$ 127,332

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 cash balances beginning in mid-July 2013 were being held as a partial hedge against the U.S. dollar denominated long-term debt and as of October 1, 2013 were being held as a hedge against future purchase commitments related to the Equinox Class vessels.

Credit risk arises from the potential that a 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 the financial assets on the balance sheets.

The Corporation believes that the credit risk for accounts receivable is limited since the majority of accounts receivable at December 31, 2013 and 2012 have been outstanding for 60 days or less, and the customer base consists of relatively few large industrial concerns in diverse industries and quasi-governmental agencies.

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, 2013 and December 31, 2012 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 facility at December 31, 2013 was $150,000 in a revolving facility. At December 31, 2013, the Corporation had $148,844 available in the existing credit facility.

Substantially all of the Corporation's wholly owned marine assets were pledged as collateral for the line of credit. The carrying value as of December 31, 2013 of the assets pledged was approximately $534,000. 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, 2013 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 63,093	$ -	$ -	$ -	$ 63,093
Dividends payable	1,139	-	-	-	1,139
Long-term debt including equity portion	6,000	7,500	-	223,770	237,270
Total	$ 70,232	$ 7,500	$ -	$ 223,770	$ 301,502

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 can borrow 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, 2013, 2012 and January 1, 2012, the Corporation did not have any significant cash flow exposure to interest rate movements for its outstanding debt, since the majority of the Corporation's borrowings have interest rates that have been fixed (Note 20).

(c) Interest rate sensitivity analysis

The sensitivity analyses 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, 2013 would not have materially changed as 95% of borrowings have interest rates that are fixed.

The following table details the notional principal amounts and remaining terms of the Canadian dollar denominated interest rate swap contracts outstanding at the end of the reporting period.

	Average Fixed Rate		Notional Principal		Fair Value Liabilities	
Maturity	2013	2012	2013	2012	2013	2012
May 30, 2013	-	5.02%	$ -	$ 17,588	$ -	$ 195
October 20, 2014	5.90%	5.90%	2,431	4,375	55	166
			$ 2,431	$ 21,963	$ 55	$ 361

(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, 2013 and 2012, approximately 26% and 32%, respectively of the Corporation's total assets were denominated in U.S. dollars.

The Corporation's exposure to foreign currency fluctuations is related to its unhedged cash balances and unhedged net investment in foreign subsidiaries. The Corporation during 2013 hedged part of its investments in the subsidiaries against its foreign denominated long-term debt. At December 31, 2013, 2012 and January 1, 2012, the net investment in U.S. dollar foreign subsidiaries was $164,284, $158,733 and $223,250 U.S. dollars, respectively. The amount used as a hedge at December 31, 2013 was $75,000 U.S. dollars and nil at December 31, 2012 and January 1, 2012, respectively.

The Corporation has significant commitments due for payment in U.S. dollars. The Corporation utilizes foreign exchange forward contracts and U.S. cash as a hedge on purchase commitments 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.

As of December 31, 2013 and 2012, the foreign exchange forward contracts are as follows:

	Notional Principal		Fair Value Asset (Liability)	
	2013	2012	2013	2012
U.S. dollar denominated contracts	$ 41,263	$ 102,621	$ 1,110	$ (2,727)

U.S. dollar denominated contracts of $41,263 mature 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 $1,983.

Based on the balances at December 31, 2013 and 2012:

- A ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would decrease Other Comprehensive Earnings by $17,388 and $15,874, respectively.
- A ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would reduce total assets by $22,481 and $27,739, respectively.
- A ten-cent strengthening in the Canadian dollar relative to the U.S dollar would reduce total liabilities by $7,500.

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.

29. 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 24 - vessel domestic dry-bulk fleet. The dry-bulk vessels carry cargoes of raw materials such as coal, grain, iron ore, salt and aggregates and operate throughout the Great Lakes - St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes a diversified ship repair and steel fabricating facility active in the Great Lakes and St. Lawrence regions of Canada.

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 four 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	2013	2012
Domestic Dry-Bulk	$ 323,023	$ 375,554
Product Tankers	100,635	87,164
Ocean Shipping	39,513	35,966
Real Estate	28,328	29,187
	$ 491,499	$ 527,871

Net Earnings	2013	2012
Operating earnings net of income tax		
Domestic Dry-Bulk	$ 14,909	$ 32,424
Product Tankers	13,694	9,270
Ocean Shipping	15,335	14,999
Real Estate	2,208	3,114
	46,146	59,807
Not specifically identifiable to segments		
Net gain (loss) on foreign currency translation	5,587	(3,901)
Interest expense	(11,824)	(12,947)
Interest income	6,495	407
Income tax expense	(4,481)	(1,210)
	$ 41,923	$ 42,156

Operating Expenses	2013	2012
Domestic Dry-Bulk	$ 261,122	$ 290,853
Product Tankers	67,388	56,602
Ocean Shipping	23,702	22,470
Real Estate	17,794	17,469
	$ 370,006	$ 387,394

	December 31		January 1
Assets	2013	2012	2012
Domestic Dry-Bulk	$ 409,772	$ 395,494	$ 372,895
Product Tankers	146,597	193,256	214,458
Ocean Shipping	64,541	74,267	70,840
Real Estate	76,342	73,909	70,286
	697,252	736,926	728,479
Not specifically identifiable to segments			
Current assets	235,102	138,826	138,987
	$ 932,354	$ 875,752	$ 867,466

Additions to Property, Plant and Equipment and Investment Property		**2013**		2012
Domestic Dry-Bulk	$	**41,266**	$	83,999
Product Tankers		**3,707**		704
Ocean Shipping		**-**		3,645
		44,973		88,348
Amounts included in working capital		**(8,171)**		(8,004)
		36,802		80,344
Investment Properties		**6,910**		3,694
	$	**43,712**	$	84,038

Depreciation of Property, Plant and Equipment and Investment Property		**2013**		2012
Domestic Dry-Bulk	$	**25,989**	$	25,768
Product Tankers		**9,607**		9,192
Ocean Shipping		**4,371**		3,591
Real Estate		**4,748**		4,487
	$	**44,715**	$	43,038

	December 31			January 1	
Liabilities	**2013**		2012		2012
Domestic Dry-Bulk	**$ 47,957**	$	35,557	$	63,529
Product Tankers	**9,471**		7,818		5,223
Ocean Shipping	**1,716**		8,413		1,511
Real Estate	**3,949**		3,664		4,620
	63,093		55,452		74,883
Not specifically identifiable to segments					
Current liabilities	**5,715**		8,992		8,149
Other	**302,460**		312,854		315,714
	$ 371,268	$	377,298	$	398,746

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, 2013 and 2012 is as follows:

	December 31				January 1	
		2013		2012		2012
Property, plant and equipment	$	**62,686**	$	61,549	$	58,121
Revenues	$	**42,659**	$	38,913	$	36,493

Sales outside of Canada, primarily to the United States, relate to vessel operations and are based on the location at which a shipment is unloaded. For the years ended December 31, 2013 and 2012, sales outside of Canada were $140,322 and $112,121, respectively.

The Corporation had two customers in 2013 and 2012 whose revenues exceeded 10% of consolidated revenues. Sales by segment for these customers are as follows:

	2013	2012
Domestic Dry-Bulk	$ 103,612	$ 88,147
Product Tankers	$ 94,094	$ 77,715

30. Compensation of Key Management

The remuneration of directors and other key members of management for the years ending December 31, 2013 and 2012 are as follows:

	2013	2012
Short-term compensation and benefits	$ 3,556	$ 3,488
Post-employment benefits	270	307
	$ 3,826	$ 3,795

31. 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 2013 and 2012.

32. Leasing arrangements

Leases relate to the investment properties owned by the Corporation. Leases have 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 depending 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, 2013 and 2012 are as follows:

	2013	2012
Not later than 1 year	$ 11,044	$ 11,081
Later than 1 year and not longer than 5 years	30,404	28,639
Later than 5 years	15,616	13,913
	$ 57,064	$ 53,633

FIVE-YEAR SUMMARY *(Note 1)*		2013		2012		2011		2010		2009
Revenue										
Domestic Dry-Bulk	$	323,023	$	375,554	$	389,172	$	202,441	$	326,015
Product Tankers		100,635		87,164		88,436		76,701		75,466
Ocean Shipping		39,513		35,966		40,967		47,186		56,545
Real Estate		28,328		29,187		29,188		28,104		25,288
	$	491,499	$	527,871	$	547,763	$	354,432	$	483,314
Net earnings	$	41,923	$	42,156	$	68,844	$	18,556	$	38,845
Segment operating earnings net of income taxes	$	46,146	$	59,807	$	73,628	$	21,140	$	30,717
Depreciation of property, plant and equipment and investment properties	$	44,715	$	43,038	$	43,310	$	37,140	$	33,195
General and administrative expenses	$	26,598	$	29,745	$	29,325	$	23,050	$	28,165
Cash flow generated from operating activities	$	105,237	$	100,062	$	98,860	$	67,953	$	57,389
Dividends paid	$	10,557	$	8,438	$	6,823	$	6,861	$	6,835
Business acquisition	$	-	$	-	$	86,752	$	-	$	-
Additions to property, plant and equipment and investment properties										
Domestic Dry-Bulk	$	41,266	$	83,999	$	31,129	$	39,777	$	33,654
Product Tankers		3,707		704		3		13,657		51,848
Ocean Shipping		-		3,645		1,585		12,135		354
Real Estate		6,910		3,694		5,281		2,624		5,462
	$	51,883	$	92,042	$	37,998	$	68,193	$	91,318
Net property , plant and equipment and investment properties										
Domestic Dry-Bulk	$	344,283	$	325,393	$	288,949	$	172,330	$	135,179
Product Tankers		133,895		138,783		147,420		217,841		251,470
Ocean Shipping		55,525		55,789		57,440		57,082		99,129
Real Estate		72,074		69,870		70,680		69,573		70,176
	$	605,777	$	589,835	$	564,489	$	516,826	$	555,954
EBITDA										
Domestic Dry-Bulk	$	46,575	$	70,430	$	75,166	$	22,425	$	18,846
Product Tankers		28,853		23,013		28,674		26,271		22,448
Ocean Shipping		21,908		21,034		22,838		24,589		25,501
Real Estate		7,341		8,436		9,439		8,773		8,827
	$	104,677	$	122,913	$	136,117	$	82,058	$	75,622
Total assets	$	932,354	$	875,752	$	867,466	$	638,454	$	664,118
Long-term debt including current	$	227,128	$	225,726	$	231,982	$	118,369	$	112,953
Shareholders' equity	$	561,086	$	498,454	$	468,720	$	409,788	$	438,733
LTD as % of shareholders' equity		40.5%		45.3%		49.5%		28.9%		25.7%
Return on capital employed *(Note 2)*		6.0%		8.2%		8.2%		5.9%		6.0%
Adjusted return on capital employed *(Note 3)*		10.1%		12.4%		11.3%		7.7%		7.2%
Return on equity *(Note 4)*		7.9%		8.7%		15.7%		4.4%		11.0%
Total shareholder return *(Note 5)*		19.6%		41.0%		11.0%		19.0%		50.0%

FIVE-YEAR SUMMARY *(Note 1)*	2013	2012	2011	2010	2009
Common Share Statistics *(Note 6)*					
Common shares outstanding (000)	38,912	38,912	38,912	38,912	38,912
Basic earnings per share	$ 1.08	$ 1.08	$ 1.77	$ 0.48	$ 1.00
Diluted earnings per share	$ 1.06	$ 1.06	$ 1.68	$ 0.48	$ 1.00
Cash flow generated from operations per share	$ 2.70	$ 2.57	$ 2.54	$ 1.75	$ 1.47
Quoted market value					
High	$ 17.18	$ 16.00	$ 10.40	$ 10.40	$ 8.40
Low	$ 13.33	$ 9.90	$ 8.25	$ 8.25	$ 5.10
Dividends per share	$ 0.28	$ 0.22	$ 0.18	$ 0.18	$ 0.18
Shareholders' equity per share	$ 14.42	$ 12.81	$ 12.05	$ 10.53	$ 11.28

Note 1 - 2010 to 2013 are based on IFRS: 2009 is based on Canadian GAAP. 2009 to 2012 have been restated to reflect application of new and revised IFRS standards.

Note 2 - Return on capital employed is defined as segment operating earnings after income taxes expressed as a percent of average opening and closing capital employed. Capital employed is long-term debt plus shareholder's equity.

Note 3 - Adjusted return on capital employed is defined as segment operating earnings after income taxes expressed as a percent of adjusted average capital employed. Adjusted average capital employed is capital employed less the average cash in excess of $10 million and less the average amount of instalments on ship-building contracts, reflecting the fact that these assets are currently not generating operating earnings.

Note 4 - Return on equity is net earnings as a percent of avearge shareholders' equity.

Note 5 - Total shareholder return is defined as the increase in the year in the common share price plus dividends paid expressed as a percentage of the opening share price.

Note 6 - Per common share amounts have been restated to reflect the common share split by way of a stock dividend of nine common shares for each common share held effective December 14, 2012.

Directors

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

Richard B. Carty (2) (3)
Toronto, Ontario,
Vice President, General Counsel
and Corporate Secretary
E-L Financial Corporation Limited

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

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

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

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

Eric Stevenson (3)
Toronto Ontario,
Venture Capitalist and Co-Founder,
Perserverance Marine

William S. Vaughan, BCL (3)
Toronto, Ontario,
Partner, Dorsey & Whitney, LLP

Greg D. Wight, FCA (4)
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 May 2, 2014, 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 and
Chief Executive Officer

Wayne A. Smith
Senior Vice President, Commercial

Algis 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 and
Chief Financial Officer

J. Wesley Newton, LLB
Secretary

Contact Information

EXECUTIVE OFFICE
DOMESTIC DRY-BULK
AND TANKER OPERATIONS
63 Church Street, Suite 600,
St. Catharines, Ontario, L2R 3C4
(905) 687-7888

ALGOMA CENTRAL PROPERTIES INC.
ALGOMA HOTELS LTD.
421 Bay Street, Suite 608
Sault Ste. Marie, Ontario, P6A 1X3
(705) 946-7220
63 Church Street, Suite 100,
St. Catharines, Ontario, L2R 3C4
(905) 687-7880

ALGOMA SHIP REPAIR
1 Chestnut Street,
Port Colborne, Ontario, L3K 1R3
(905) 834-4549

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

ALGOMA SHIPPING LTD.
Century House, 16 Par-la-dille Road
Hamilton, Bermuda

MARBULK SHIPPING LTD.
Cannon's Court, 22 Victoria Street
Hamilton, Bermuda

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

Shareholder Information

Principal Banker and Security Agent:
The Bank of Nova Scotia

Auditors:
Deloitte LLP

Toronto Stock Exchange Symbols:
ALC - Common Stock
ALC - DB - Convertible Debenture

Share Registrar and Transfer Agent:
CST Trust Company
P.O. Box 700, Station B
Montreal, QC H3B 3K3
Tel: 416-682-3860 1-800-387-0825
Fax: 1-888-249-6189
Email: inquiries@canstockta.com
Website: www.canstockta.com

Fleet

Cargo capacity in tonnes

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

		Maximum	Seaway Draft
Algoma Central Corporation Self-Unloaders			
CAPTAIN HENRY JACKMAN	GL	30,924	27,260
JOHN B. AIRD	GL	31,352	27.755
PETER R. CRESSWELL	GL	31,081	27,279
RADCLIFFE R. LATIMER	GL/ES	37,257	26,870
ALGOMA MARINER	GL/ES	37,257	26,870
ALGOLAKE	GL	33,334	28,042
ALGOMARINE	GL	27,185	24,942
ALGORAIL	GL	24,133	21,060
ALGOSOO	GL	30,770	27,993
ALGOSTEEL	GL	27,382	24,942
ALGOWAY	GL	24,194	21,418
ALGOWOOD	GL	32,771	27,715
ALGOMA ENTERPRISE	GL	34,398	27,997
ALGOMA NAVIGATOR	GL	30,811	26,283
ALGOMA OLYMPIC	GL	34,403	27,949
ALGOMA PROGRESS	GL	32,145	27,913
ALGOMA TRANSPORT	GL	33,203	26,815
JOHN D. LEITCH	GL	34,675	28,803
Algoma Central Corporation Bulk Carriers			
ALGOMA EQUINOX	GL	38,450	29,650
TIM S. DOOL	GL	31,553	28,116
ALGOMA MONTREALAIS	GL	29,539	26,596
ALGOMA SPIRIT	UO	37,792	25,140
ALGOMA DISCOVERY	UO	37,911	25,140
ALGOMA GUARDIAN	UO	37,911	25,140
Vessels Under Construction Self-Unloaders			
ALGOMA CONVEYOR	GL	37,000	28,200
ALGOMA SAULT	GL	37,000	28,200
ALGOMA NIAGARA	GL	37,000	28,200
HULL MD 161-SUL-07	GL	37,000	28,200
Bulk Carriers			
ALGOMA HARVESTER	GL	38,450	29,650
CWB MARQUIS (*Note 1*)	GL	38,450	29,650
CWB STRONGFIELD (*Note 1*)	GL	38,450	29,650

Note 1: Vessels owned by CWB and to be managed by the Corporation.

Fleet (continued)

Cargo capacity in tonnes

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

Algoma Tankers Limited
Petroleum Tankers

		Maximum	Winter
ALGOEAST	GL/ES	10,098	9,762
ALGOSAR	GL	12,550	11,500
ALGOSCOTIA	UO	18,580	18,000
ALGOSEA	UO	16,775	16,267
ALGONOVA	UO	11,267	10,899
ALGOCANADA	UO	11,267	10,899
ALGOMA DARTMOUTH	UO	3,568	3,436

Algoma Tankers International
Petroleum Tanker

ALGOMA HANSA	UO	16,175	

Algoma Shipping Ltd.
Self-Unloaders

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

Marbulk Canada Inc.
Self-Unloaders

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

Notes

Notes

www.algonet.com

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