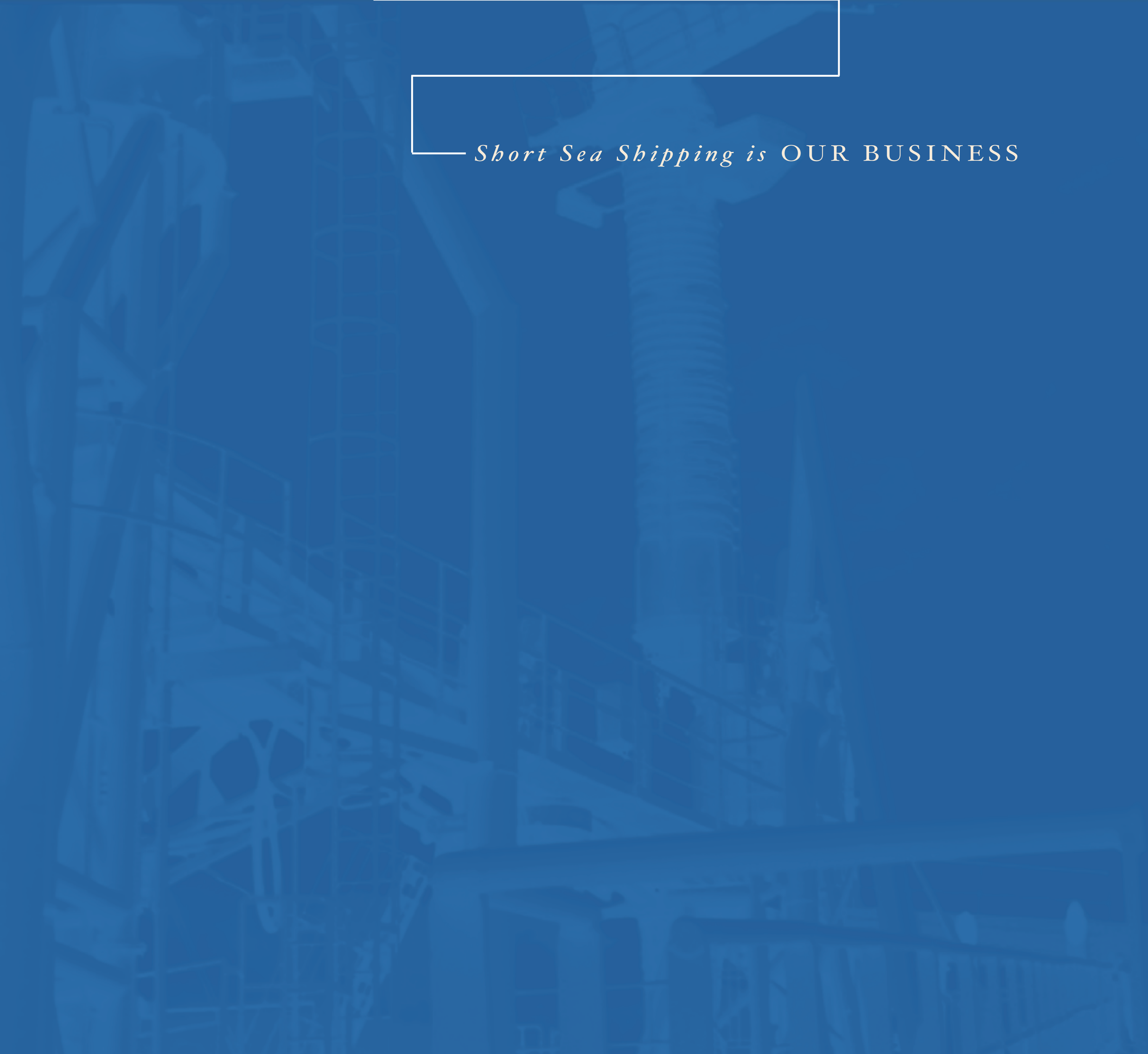
ALGOMA · CENTRAL · CORPORATION

Interim Report to Shareholders For the Three Months Ended March 31, 2017

Short Sea Shipping is OUR BUSINESS



Algoma Central Corporation

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General

Algoma Central Corporation ("Algoma" or the "Company" or the "Corporation") operates through four segments, Domestic Dry-Bulk, Product Tankers, Ocean Self-Unloaders and Global Short Sea Shipping.

This Management's Discussion and Analysis ("MD&A") of the Company should be read in conjunction with its interim condensed consolidated financial statements for the three months ending March 31, 2017 and 2016 and related notes thereto and the consolidated financial statements for the years ending December 31, 2016 and 2015 has been prepared as at May 5, 2017.

The MD&A has been prepared by reference to the disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on the Company, including its 2016 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Company's website at *www.algonet.com*.

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

Use of Non-GAAP Measures

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

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

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 2017 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price and the results of or outlook for our operations or for the Canadian and U.S. economies. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

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

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: on-time and on-budget delivery of new ships from shipbuilders; general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates; operational and infrastructure risks; general political conditions; labour relations with our unionized workforce; the possible effects on our business of war or terrorist activities; disruptions to public infrastructure, such as transportation, communications, power or water supply, including water levels; technological changes; significant competition in the shipping industry and from other transportation providers; reliance on partnering relationships; appropriate maintenance and repair of our existing fleet by third-party contractors; health and safety regulations that affect our operations can change and be onerous and the risk of safety incidents can affect results; a change in applicable laws and regulations, including environmental regulations, could materially affect our results; economic conditions may prevent us from realizing sufficient investment returns to fund our defined benefit plans at the required levels; our ability to raise new equity and debt financing if required; 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 of risks in the Company's Annual Information Form for the year ended December 31, 2016, which outlines in detail certain key factors that may affect the Company's future results. This should not be considered a complete list of all risks to which the Company may be subject from time to time. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives and may not be appropriate for other purposes.

Overall Performance

	2017	2016
For three months ended March 31		
Revenues	**$ 48,739**	$ 40,477
Net loss	**$ (19,105)**	$ (6,695)
Basic loss per common share	**$ (0.49)**	$ (0.17)
Continuing operations		
Net loss	**$ (20,147)**	$ (7,959)
Basic loss per common share	**$ (0.52)**	$ (0.20)
Net earnings from discontinued operations	**$ 1,042**	$ 1,264
At March 31		
Common shares outstanding	**38,913,733**	38,913,733
Total assets	**$ 990,346**	$ 1,036,013
Total long-term financial liabilities	**$ 254,475**	$ 243,260

The Company is reporting 2017 first quarter revenues of $48,739 compared to $40,477 for the same period in 2016. The Domestic Dry-Bulk segment saw an increase in revenue due primarily to the earlier opening of the St. Lawrence Seaway canal system. The Product Tanker segment revenue increased due primarily to increased volumes, however this was partially offset by a change to the Master Service Agreement servicing our primary customer.

The net earnings from continuing operations after income taxes for the prior year includes a gain on shipbuilding contracts in the amount of $16,196. Excluding this item from the results from continuing operations, the loss for the first quarter of 2016 would have been $24,155.

Net loss and basic loss per share from continuing operations for the 2017 first quarter were $20,147 and $0.52, respectively, compared to $7,959 and $0.20, respectively, for the same period last year.

Summary of Quarterly Results

The results for the last nine quarters are as follows:

Year	Quarter	Revenue	Net Earnings (Loss)	Basic Earnings (Loss) per Share
2017	Quarter 1	$ 48,739	$ (19,105)	$ (0.49)
2016	Quarter 4	$ 127,392	$ (11,753)	$ (0.30)
	Quarter 3	$ 115,333	$ 38,502	$ 0.99
	Quarter 2	$ 96,202	$ 13,261	$ 0.34
	Quarter 1	$ 40,477	$ (6,695)	$ (0.17)
2015	Quarter 4	$ 119,171	$ 10,591	$ 0.27
	Quarter 3	$ 125,077	$ 14,842	$ 0.38
	Quarter 2	$ 125,336	$ 23,330	$ 0.60
	Quarter 1	$ 43,909	$ (22,992)	$ (0.59)

Impact of Seasonality on the Business

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

Business Segment Discussion

Domestic Dry-Bulk

	Period Ending March 31		
Domestic Dry-Bulk Financial Review	**2017**	2016	Favourable (Unfavourable)
Revenue	**$ 18,401**	$ 11,659	$ 6,742
Operating expenses	**(31,089)**	(39,186)	8,097
General and administrative	**(2,746)**	(2,793)	47
	(15,434)	(30,320)	14,886
Depreciation	**(4,985)**	(4,975)	(10)
Loss on foreign currency forward contracts	**(1,365)**	—	(1,365)
Gain on cancellation of shipbuilding contracts	**—**	19,222	(19,222)
Income tax recovery	**5,773**	4,554	1,219
Net loss	**$ (16,011)**	$ (11,519)	$ (4,492)
Operating ratio	**210.9%**	360.1%	
Additions to property, plant, and equipment	**$ 43,498**	$ 25,416	

	March 31, 2017	December 31, 2016
Total assets	**$ 482,253**	$ 468,401

Revenues for Domestic Dry-Bulk have increased $6,742, or 57.8%, compared to 2016, largely as a result of better winter conditions and an earlier opening of the St. Lawrence Seaway canal system. Results for 2016 were impacted by milder winter conditions leading to a decrease in volume in the salt sector.

Operating expenses for the fleet were reduced by almost 21%, reflecting a significant decrease in winter lay-up expenses, partially offset by an increase in operating expenses due to the earlier opening of the St. Lawrence Seaway canal system.

The Company transacts in foreign currency forward contracts in an effort to hedge its shipbuilding construction instalments that are denominated in U.S. dollars and Euro currencies. During the fourth quarter of 2016, hedge accounting for the foreign currency forward contracts ceased to be effective as the hedged forecasted transactions were no longer expected to occur within the original time period. Therefore, gains and losses on the foreign currency forward contracts are being recognized in consolidated earnings on a monthly basis.

The gain on shipbuilding contracts of $19,222 in 2016 resulted from the favourable ruling received by the Company involving three shipbuilding contracts. As a result of the favourable ruling, the Company recognized a net gain consisting of a foreign exchange gain on the deposits made and accrued interest, net of capitalized costs written-off.

Adjusting for the after-tax gain on cancellation of shipbuilding contracts in the prior year, the current year loss would show $11,704 less than the prior year for the business segment.

Product Tankers

Product Tankers Financial Review	**Period Ending March 31 2017**	2016	Favourable (Unfavourable)
Revenue	**$ 11,681**	$ 8,515	$ 3,166
Operating expenses	**(11,992)**	(7,599)	(4,393)
General and administrative	**(705)**	(694)	(11)
	(1,016)	222	(1,238)
Depreciation	**(2,173)**	(1,866)	(307)
Income tax recovery	**758**	136	622
Net loss	**$ (2,431)**	$ (1,508)	$ (923)
Operating ratio	**127.3%**	97.4%	
Additions to property, plant, and equipment	**$ 243**	$ 1,626	

	March 31, 2017	December 31, 2016
Total assets	**$ 107,684**	$ 110,110

Revenue for Product Tankers had increased $3,166, or 37%, primarily due to a combination of increased demand from a major customer as well as a change in the structure and terms of the Master Service Agreement servicing the major customer. As a result of the increased demand, a vessel used in international markets during the prior year remained in domestic operations at more favourable rates and terms compared to international operations.

Operating expenses for the segment increased $4,393, or 58%, compared to the prior year. Early in the first quarter, one vessel had been out of service after experiencing a significant mechanical failure. As a result of the vessel being out of service, in addition to increased repair expenditures, outside charters were required to service the increased customer demand. With respect to the vessel being returned from international trades, domestic operating costs exceed those in similar international environments.

Despite the increased demand in the business segment, overall earnings decreased by $923 as a result of discounted rates under the amended Master Service Agreement, having a vessel out of service, and requiring the use of outside charters to satisfy the customer demands.

Ocean Self-Unloaders

	Period Ending March 31		
Ocean Self-Unloaders Financial Review	**2017**	2016	Favourable (Unfavourable)
Revenue	**$ 18,657**	$ 20,303	$ (1,646)
Operating expenses	**(12,440)**	(11,923)	(517)
General and administrative	**(209)**	(227)	18
	6,008	8,153	(2,145)
Depreciation	**(3,412)**	(2,876)	(536)
Income tax recovery	**2**	2	—
(Loss) earnings from joint venture	**(875)**	1,989	(2,864)
Net earnings	**$ 1,723**	$ 7,268	$ (5,545)
Operating ratio	**86.1%**	81.0%	
Additions to property, plant, and equipment	**$ 118**	$ 119,861	
Additions to property, plant, and equipment by joint venture	**$ 1,108**	$ 15,615	

	March 31, 2017	December 31, 2016
Total assets	**$ 182,192**	$ 182,997

Revenues for Ocean Dry-Bulk, reflecting the pro-rata share of Pool revenues generated by our four 100% owned ships, decreased 8%. Gross revenues of the Pool decreased compared to 2016 due to decreasing volumes and rates. Revenues for the Pool are earned in U.S. dollars. The average U.S./CAD exchange rate for 2017 was 5% lower than it was for 2016, increasing the drop in Pool revenues as reported by Algoma in Canadian dollars.

Operating expenses increased 4%. This increase reflects the full quarter operating costs of the two new vessels acquired early in 2016, as well as additional repairs required on other vessels.

Depreciation expense increased 19% reflecting full quarter depreciation in 2017 for the two vessels that were acquired during the first quarter of 2016. In addition to the depreciation relating to the two new vessels, depreciation also increased due to capitalized regulatory dry-dock expenses that took place during 2016.

Earnings from joint venture reflect Algoma’s 50% interest in the Marbulk joint venture. During the first quarter of 2016, Marbulk's results reflected the ownership of two vessels. Subsequent to the first quarter of 2016, one vessel was sold. Results from 2017 reflect ownership of one vessel that generated no revenue as it remained in dry-dock during the first quarter.

Global Short Sea Shipping

	Period Ending March 31		
Global Short Sea Shipping Financial Review	**2017**	2016	Favourable (Unfavourable)
Revenue	**$ 6,726**	$ 2,516	$ 4,210
Operating expenses	**(3,332)**	(542)	(2,790)
General and administrative	**(181)**	(168)	(13)
	3,213	1,806	1,407
Depreciation	**(1,273)**	(594)	(679)
Interest	**(476)**	(232)	(244)
Net earnings	**$ 1,464**	$ 980	$ 484
Company share of earnings	**$ 732**	$ 490	
Amortization of vessel purchase price allocation	**(66)**	—	
	$ 666	$ 490	
Operating ratio	**52.2%**	28.2%	
Additions to property, plant, and equipment by joint venture	**$ 17,246**	$ 24,214	
	March 31, 2017	December 31, 2016	
Total assets	**$ 69,721**	$ 68,656	

We report our interest in NACC as a joint venture and 50% of the earnings of the business, net of certain purchase accounting adjustments, is included with earnings from joint ventures in our statement of earnings.

Revenue for the first quarter of 2017 was $6,726 generated by nine vessels, compared to $2,516 generated by three vessels that were in operation during the first quarter of 2016. All revenues are earned from subsidiaries of major global cement companies.

Operating expenses amounted to $3,332 for the first quarter of 2017 compared to $542 for the first quarter of 2016, mainly as a result of a growing number of vessels. Operating expenses include only those costs incurred after the ships enter operation in the case of the ships acquired during the period.

General and administrative expenses remained consistent quarter over quarter as most support activities were provided by the two partners. Generally, it is NACC’s practise to acquire vessels using bank financing to fund a portion of the purchase price resulting in interest charges each quarter.

Our share of earnings from the joint venture in the first quarter of 2017 was $732, from which we deducted amortization of purchase price increments totaling $66, for net earnings of $666.

Subsequent to the quarter end, the Company expanded its Global Short Sea Shipping segment with the creation of a new joint venture operating as NovaAlgoma Short-Sea Carriers, or NASC, with Nova Marine Carriers SA that will focus on short-sea dry-bulk shipping. The total consideration of the investment in the joint venture totalled $28,721 USD. At closing, the Company acquired an interest in the NASC commercial platform and its book of business, and an interest in a fleet of 15 short-sea mini-bulkers ranging in size from 5,750dwt to 14,700dwt.The investment and results will be reported as investment in and earnings from joint ventures in our consolidated financial statements.

Real Estate - Discontinued Operations

Real Estate Financial Review	Period Ending March 31 **2017**	2016	Favourable (Unfavourable)
Revenue	**$ 6,334**	$ 8,165	$ (1,831)
Operating expenses	**(4,088)**	(5,100)	1,012
General and administrative	**(450)**	(832)	382
	1,796	2,233	(437)
Depreciation	**(385)**	(660)	275
Income tax expense	**(369)**	(309)	(60)
Net earnings	**$ 1,042**	$ 1,264	$ (222)
Average occupancy	**93.5%**	91.7%	
Additions to properties	**$ 1,765**	$ 794	

	March 31, 2017	December 31, 2016
Total assets	**$ 58,513**	$ 61,023

Operating results for Real Estate continue to decline as properties continue to be sold. The Real Estate segment is presented as a discontinued operation in light of the Company’s decision to liquidate the portfolio and exit the business.

Depreciation expense is limited to the amortization of costs relating to tenant leasing costs, improvements and allowances that are amortized over the term of each respective tenant’s lease.

On February 1, 2017, the Board of Directors made a decision to retain 63 Church Street which houses the Company's head office. As a result of this decision, the carrying cost of the building was reclassified from discontinued operations to property, plant and equipment effective that date.

Subsequent to the quarter end, the Company announced the sale of two properties, along with a joint interest in a third property, all collectively known as Henley Corporate Park, for net proceeds of $26,400. The net gain resulting from the sale will be reported as net earnings from sale of properties in the second quarter of 2017.

Consolidated

	Period Ending March 31		
Financial Review	**2017**	2016	Favourable (Unfavourable)
Revenue	**$ 48,739**	$ 40,477	$ 8,262
Operating expenses	**(55,521)**	(58,708)	3,187
General and administrative	**(7,166)**	(8,126)	960
	(13,948)	(26,357)	12,409
Depreciation of property, plant, and equipment	**(10,651)**	(9,717)	(934)
Gain on shipbuilding contracts	**—**	19,222	(19,222)
Interest expense	**(1,167)**	(2,936)	1,769
Interest income	**277**	487	(210)
Foreign currency loss	**(2,658)**	(25)	(2,633)
Income tax recovery	**8,209**	8,888	(679)
(Loss) earnings of joint ventures	**(209)**	2,479	(2,688)
Net loss from continuing operations	**$ (20,147)**	$ (7,959)	$ (12,188)

General and Administrative Expenses

General and administrative expenses in 2017 were $960 lower than the amount for 2016. The decrease is due primarily to strategic cost savings initiatives carried out across the Company. A portion of general and administrative costs that excludes costs associated with the Corporate office is allocated to the Domestic Dry-Bulk and the Product Tanker segments.

Depreciation of Property, Plant, and Equipment

In 2017, the depreciation recorded on vessels increased by $934. The increase was due primarily to the addition of two vessels in the Ocean Self-Unloaders segment as well as depreciation initiated on capitalized dry-docking expenditures.

Gain on Shipbuilding Contracts

In 2016, the Company recognized gains relating to a dispute involving three shipbuilding contracts. Refunds of all instalments and related interest were received in 2016 which resulted in the recognition of foreign exchange gains, interest income and the write off of capitalized interest on the construction in process.

Interest Expense

Interest expense consists of the following:

	Period Ending March 31		
	2017	2016	Favourable (Unfavourable)
Interest expense on borrowings	**$ 3,803**	$ 3,726	$ (77)
Interest on employee future benefits, net	**234**	548	314
Amortization of financing costs	**113**	(106)	(219)
Interest capitalized	**(2,983)**	(1,232)	1,751
	$ 1,167	$ 2,936	$ 1,769

Total interest paid on borrowings remained approximately the same in 2017 when compared to 2016 as the average borrowing remained approximately the same in both years. Net interest expense decreased by $1,769 in 2017 when compared to 2016 due to an increase in the amount of interest capitalized on shipbuilding projects.

The interest capitalized on vessels under construction relates to interest incurred on payments made to various shipyards for the construction of Equinox vessels. The increase for 2017 relates to additional instalments made on shipbuilding contracts.

Foreign Currency Translation and Unrealized Loss on Foreign Currency Exchange Contracts

	Period Ending March 31		
	2017	2016	Favourable (Unfavourable)
Gain on long-term debt	**$ —**	$ 5,370	$ (5,370)
Loss on return of capital from foreign investee	**(599)**	(467)	(132)
Total loss on U.S. cash	**(155)**	—	(155)
Portion of total loss on U.S. cash recorded in Other Comprehensive Income	**(539)**	—	(539)
Loss on shipbuilding contracts receivable	**—**	(3,879)	3,879
Loss on loan to joint venture	**—**	(1,049)	1,049
Loss on foreign currency exchange contracts	**(1,365)**	—	(1,365)
	$ (2,658)	$ (25)	$ (2,633)

The gain on long-term debt relates to a U.S. dollar borrowing in early 2016 that was repaid later in the year. During the period of the borrowing, the Canadian dollar strengthened against the U.S. dollar resulting in a gain on the repayment.

The loss on the return of capital from a foreign investee in 2017 and 2016 reflects the losses on U.S. dollar cash returned from the Company’s non-controlled foreign investee.

The loss on the shipbuilding contract receivable relates to the translation loss on the amount due from the dispute with the shipyard from the date the receivable was designated as a financial asset to the date the amounts were collected.

In January 2016, the Company provided U.S. financing to a joint venture for the purpose of purchasing a vessel. The U.S. dollar loan was converted to Canadian dollars later in the year resulting in a foreign exchange loss due to the strengthening of the the Canadian dollar.

Foreign exchange forward contracts are utilized by the Company on purchase commitments to assist in managing its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join our Canadian flag domestic dry-bulk fleet. The loss on the foreign currency exchange contracts relates to the contracts being marked to market as a result of the fluctuation in the period of their fair value. The contracts were deemed to be ineffective for hedge accounting purposes as the maturity dates of the contracts ceased to coincide with the expected date of the payments to the shipyard as production schedules provided by the shipyards changed.

Income Tax Provision

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

	Period Ending March 31	
	2017	2016
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%
Loss before income tax from continuing operations and net (loss) earnings of joint ventures	**$ (28,147)**	$ (19,326)
Expected income tax recovery	**$ 7,459**	$ 5,121
Change resulting from:		
Effect of items that are not (taxable) deductible	**(180)**	2,067
Foreign tax rates different from statutory rate	**825**	1,497
Other	**105**	203
Actual tax recovery	**$ 8,209**	$ 8,888

Comprehensive Loss

The comprehensive loss for 2017 for the three months ended March 31, 2017 was $26,225 compared to $29,470 for the comparable period in 2016.

The decrease in the loss was due primarily to the unrealized loss on the translation of financial statements of foreign operations of $5,609 in 2017 versus $19,674 in 2016. The loss in 2017 was due to the strengthening of the Canadian dollar which was not as pronounced relative to the first quarter of 2016.

Also included in the Comprehensive Loss for the three months ended March 31, 2017 and 2016 are employee future benefit net actuarial losses after income tax of $885 and $5,695, respectively. The loss in 2017 was due to a decrease in the discount rate partially offset by investment returns. The loss in 2016 was due to a decrease in the discount rate used to value the post employment obligations and negative investment returns on assets held by the retirement plans.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

The Company has established and maintained disclosure controls and procedures designed to provide reasonable assurance that: (a) material information required to be disclosed by us is accumulated and communicated to management to allow timely decisions regarding required disclosure; and (b) information required to be disclosed by us is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

Internal Controls over Financial Reporting

The Company's management is responsible for designing, establishing and maintaining an adequate system of internal controls over financial reporting. The internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS. Because of inherent limitations, internal controls over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Changes in Internal Controls over Financial Reporting

Under the supervision and with the participation of the Company's management, including the President and Chief Financial Officer, the Company has evaluated changes in internal controls over financial reporting that occurred during the quarter ended March 31, 2017 and found no change that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

	Period Ending March 31	
	2017	2016
Net loss from continuing operations	**$ (20,147)**	$ (7,959)
Net cash (used in) generated from operating activities	**$ (8,716)**	$ 2,476
Net cash used in investing activities	**$ (62,144)**	$ (129,948)
Net cash provided from financing activities	**$ 2,266**	$ 72,788
Cash (used in) provided from discontinued operations	**$ (6,488)**	$ 769

Operating Activities

Net cash used in operating activities in 2017 increased by $11,192 when compared to 2016. The increase in cash used in operating activities in 2017 resulted primarily from more cash required for corporate income tax instalments compared to 2016 due to the tax payment made in the current year for the taxable gains realized in the prior year on the sale of certain real estate properties.

Investing Activities

Net cash used in investing activities of $62,144 was primarily for the instalments due on the Equinox vessels that are under construction and the purchase of the *Algoma Stongfield*.

Net cash used in investing activities of $129,948 in the prior year is net of the refunds received on the shipbuilding contracts of $56,216. Total spending of $186,164 in 2016 was primarily for the purchase of two ocean self-unloading bulkers, the *Algoma Vision and Algoma Value*, an investment to acquire a 50% interest in the ocean self-unloading bulker, the *Algoma Venture*, instalments on new Equinox Class self unloaders, investments in the cement carrier joint venture and costs related to capitalized dry-docking costs on certain vessels.

Financing Activities

Included in both periods are payment of interest on borrowings and the payment of dividends to shareholders. Also included in the net cash generated from financing activities in 2016 is interest received from the settlement of certain shipbuilding contracts. New borrowings in 2017 were $11,913 compared to $68,866 in the prior year.

Dividends were paid to shareholders at $0.07 per common share in both 2017 and 2016.

Capital Resources

The Company has cash on hand of $54,474 at March 31, 2017. Available credit facilities along with projected cash from operations for 2017 are expected to be more than sufficient to meet the Company's planned operating and capital requirements and other contractual obligations for the year.

The Corporation maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. The current facilities comprises a $50,000 Canadian dollar and a $100,000 U.S. dollar senior secured revolving bank credit facility provided by a syndicate of seven banks. At March 31, 2017, the Company had $37,511 Canadian dollar and $100,000 U.S. dollar undrawn and available under existing credit facilities.

The Company is subject to certain covenants including ones with respect to maintaining defined financial ratios and other conditions under the terms of the Bank Facility and the Notes. As at March 31, 2017, the Company was in compliance with all of its covenants.

Contingencies and Commitments

For information on contingencies and commitments, please refer to Notes 28 and 29 of the consolidated financial statements for the years ending December 31, 2016 and 2015. There have been no significant changes in the items presented since December 31, 2016.

Transactions with Related Parties

There were no transactions with related parties for the three month period ended March 31, 2017.

Contractual Obligations

The table below provides aggregate information about the Company's contractual obligations at March 31, 2017 that affect the Company's liquidity and capital resource needs.

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Long-term debt including equity component	$ 79,744	$ —	$ 174,731	$ —	$ 254,475
Capital asset commitments	104,284	112,102	—	—	216,386
Dividends payable	593	—	—	—	593
Interest payments on long-term debt	9,237	18,474	11,931	—	39,642
Employee future benefit payments	150	300	112	—	562
	$ 194,008	$ 130,876	$ 186,774	$ —	$ 511,658

The capital asset commitments relate to the contracts in place for the construction of two new Equinox Class 650’ self-unloaders, and five Equinox Class 740’ self-unloaders. Two Equinox self-unloaders are expected to be delivered in 2017.

Algoma Central Corporation
Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

Notice of disclosure of non-auditor review of interim condensed consolidated financial statements pursuant to National Instrument 51-02, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying interim condensed consolidated financial statements of Algoma Central Corporation for the three months ended March 31, 2017 and 2016 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Loss
For the Three Months ended March 31, 2017 and 2016
(In thousands of dollars, except per share data)

	Notes	2017	2016
Revenue	**23**	**$ 48,739**	$ 40,477
Expenses			
Operations	**23**	**55,521**	58,708
General and administrative		**7,166**	8,126
		62,687	66,834
		(13,948)	(26,357)
Depreciation of property, plant, and equipment	**12**	**(10,651)**	(9,717)
Gain on shipbuilding contracts	**6**	**—**	19,222
Interest expense	**7**	**(1,167)**	(2,936)
Interest income		**277**	487
Foreign currency loss	**8**	**(2,658)**	(25)
		(28,147)	(19,326)
Income Tax Recovery	**9**	**8,209**	8,888
Net (Loss) Earnings of Joint Ventures	**5**	**(209)**	2,479
Net Loss from Continuing Operations		**(20,147)**	(7,959)
Net Earnings from Discontinued Operations	**10**	**1,042**	1,264
Net Loss		**$ (19,105)**	$ (6,695)
Basic and Diluted (Loss) Earnings per Share			
Continuing operations	**18**	**$ (0.52)**	$ (0.20)
Discontinued operations		**$ 0.03**	$ 0.03
		$ (0.49)	$ (0.17)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Loss
For the Three Months ended March 31, 2017 and 2016
(In thousands of dollars)

	2017	2016
Net Loss	**$ (19,105)**	$ (6,695)
Other Comprehensive Loss		
Items that may be subsequently reclassified to net earnings:		
Unrealized loss on translation of financial statements of foreign operations	**(5,609)**	(19,674)
Unrealized gain on hedging instruments, net of income tax	**255**	3,933
Foreign exchange gains on purchase commitment hedge reserve, net of income tax, transferred to:		
Property, plant, and equipment	**(881)**	(1,339)
Items that will not be subsequently reclassified to net earnings:		
Employee future benefits actuarial loss, net of income tax	**(885)**	(5,695)
	(7,120)	(22,775)
Comprehensive Loss	**$ (26,225)**	$ (29,470)

See accompanying notes to the interim consolidated financial statements.

Interim Condensed Consolidated Balance Sheets
March 31, 2017 and 2016
(In thousands of dollars)

	Notes	March 31 2017	December 2016
Assets			
Current			
Cash		**$ 54,474**	$ 130,039
Accounts receivable		**23,700**	52,172
Income taxes recoverable		**15,527**	612
Assets of discontinued operations held for sale	**10**	**58,513**	61,023
Other current assets	**11**	**17,212**	13,159
		169,426	257,005
Employee Future Benefits		**12,480**	13,517
Property, Plant, and Equipment	**12**	**696,969**	660,251
Goodwill and Intangible Asset	**13**	**18,641**	11,591
Investment in Joint Ventures	**5**	**78,406**	79,405
Other Assets	**14**	**14,424**	14,244
		$ 990,346	$ 1,036,013
Liabilities			
Current			
Accounts payable and accrued charges		**$ 45,417**	$ 76,416
Current portion of long-term debt	**17**	**79,744**	—
Income taxes payable		**—**	515
Liabilities of discontinued operations held for sale	**10**	**11,334**	15,830
Other current liabilities	**11**	**6,683**	1,297
		143,178	94,058
Other Long-Term Liabilities	**16**	**13,277**	11,275
Deferred Income Taxes		**25,405**	25,435
Employee Future Benefits		**23,659**	23,140
Long-Term Debt	**17**	**172,226**	240,555
		234,567	300,405
Commitments	**20**		
Shareholders' Equity			
Share Capital	**18**	**8,344**	8,344
Contributed Surplus		**11,917**	11,917
Convertible Debentures		**4,630**	4,630
Accumulated Other Comprehensive Loss	**19**	**(10,080)**	(3,845)
Retained Earnings		**597,790**	620,504
		612,601	641,550
		$ 990,346	$ 1,036,013

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity
March 31, 2017 and 2016
(In thousands of dollars)

	Share Capital	Contributed Surplus and Convertible Debentures	Accumulated Other Comprehensive Earnings (Loss) (Note 19)	Retained Earnings	Total Equity
Balance at December 31, 2015	$ 8,344	$ 16,547	$ 4,685	$ 589,034	$ 618,610
Net loss	—	—	—	(6,695)	(6,695)
Dividends	—	—	—	(2,724)	(2,724)
Other comprehensive loss	—	—	(17,080)	(5,695)	(22,775)
Refundable dividend tax on hand	—	—	—	(124)	(124)
Balance at March 31, 2016	$ 8,344	$ 16,547	$ (12,395)	$ 573,796	$ 586,292
Balance at December 31, 2016	$ 8,344	$ 16,547	$ (3,845)	$ 620,504	$ 641,550
Net loss	—	—	—	(19,105)	(19,105)
Dividends	—	—	—	(2,724)	(2,724)
Other comprehensive loss	—	—	(6,235)	(885)	(7,120)
Balance at March 31, 2017	$ 8,344	$ 16,547	$ (10,080)	$ 597,790	$ 612,601

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows
For the Three Months ended March 31, 2017 and 2016
(In thousands of dollars)

	Notes	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net loss from continuing operations		$ (20,147)	$ (7,959)
Loss (earnings) of joint ventures	7	209	(2,479)
Distributions from joint ventures		1,333	—
Items not affecting cash			
Depreciation of property, plant, and equipment	12	10,651	9,717
Depreciation of intangible asset		691	
Gain on cancellation of shipbuilding contracts	8	—	(19,222)
Other		(4,385)	(4,848)
Net change in non-cash operating working capital		10,018	29,741
Income taxes		(6,608)	(1,349)
Employee future benefits paid		(478)	(1,125)
Net cash (used in) generated from operating activities		(8,716)	2,476
Investing			
Additions to property, plant, and equipment	22	(62,144)	(146,335)
Investment in joint ventures		—	(39,829)
Proceeds from shipbuilding contracts	8	—	56,216
Net cash used in investing activities		(62,144)	(129,948)
Financing			
Interest paid		(6,925)	(7,233)
Interest received		—	13,877
Proceeds of long-term debt		11,913	70,305
Repayments on long-term debt		—	(1,439)
Dividends paid		(2,722)	(2,722)
Net cash provided from financing activities		2,266	72,788
Net Change in Cash from Continuing Operations		(68,594)	(54,684)
Cash (Used in) Provided from Discontinued Operations	10	(6,488)	769
Net Change in Cash		(75,082)	(53,915)
Effects of Exchange Rate Changes on Cash Held in Foreign Currencies		(483)	(6,195)
Cash, Beginning of Period		130,039	210,562
Cash, End of Period		$ 54,474	$ 150,452

See accompanying notes to the consolidated financial statements.

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Algoma Central Corporation (the “Company”) is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Company's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The consolidated financial statements of the Company for the three months ended March 31, 2017 and 2016 comprise the Company, its subsidiaries and the Company's interest in associated and jointly controlled entities.

The principal subsidiaries are Algoma Shipping Ltd., Algoma Tankers International Inc., Algoma International Shipholdings Ltd., Algoma Tankers Limited and Algoma Central Properties Inc. The principal jointly controlled entities are Marbulk Canada Inc. (50%) ("Marbulk") and NovaAlgoma Cement Carriers Limited (50%) ("NACC"). In addition, Algoma Shipping Ltd. is a member of an international pool arrangement (the “Pool”), whereby revenues and related voyage expenses are distributed to each Pool member based on the earnings capacity of the vessels.

Algoma Central Corporation owns and operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes – St. Lawrence Waterway. The Company's Canadian flag fleet consists of self-unloading dry-bulk carriers, gearless dry-bulk carriers and product tankers. The Company also has seven construction contracts for Equinox Class vessels for domestic dry-bulk service.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Company's vessel 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 the operational management of vessels owned by other ship owners.

The Product Tankers marine transportation segment includes ownership and management of the operational and commercial activities of Canadian flag tanker vessels operating on the Great Lakes, the St. Lawrence Seaway and the east coast of North America.

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

The Global Short Sea Shipping segment includes a 50% interest, through a joint venture, in a fleet of cement carriers. The joint venture also has construction contracts for additional cement carriers. The cement carrier vessels support infrastructure projects worldwide.

In addition to the marine businesses, the Company also owns and manages commercial real estate in Sault Ste. Marie and St. Catharines, Ontario which is currently held for sale.

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

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Company's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2016 and 2015. The financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2016 and 2015.

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

The consolidated financial statements were approved by the Board of Directors and authorized for issue on May 5, 2017.

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

APPLIED

Disclosure Initiative

IAS 7 Statement of Cash Flows has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments were effective for annual periods beginning on or after January 1, 2017.

The Company has applied this new standard in the financial statements for the annual period beginning January 1, 2017. The new standard did not have a material impact on the financial statements.

4. NEW ACCOUNTING STANDARDS NOT YET APPLIED

Leases

In January 2016, the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Adoption of the new standard will be required effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively.

Revenue Recognition

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities.

Additional disclosure is required under the standard including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgements and estimates. The standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning in the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard.

Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement. This final version of IFRS 9 represents the completion of the IASB's project on financial instruments and it includes the requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This final version of IFRS 9 supercedes all prior versions of IFRS 9 and is mandatorily effective for annual periods beginning on or after January 1, 2018, with early application permitted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures have been revised to incorporate amendments issued by the IASB in September 2014 and December 2015. The amendments include requiring a full gain or loss to be recognized when a transaction between an investor and its associate or joint venture involves assets that constitute a business. The amendments also require that a partial gain or loss be recognized when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business. The effective date of the amendments has been deferred indefinitely.

The Company is currently evaluating the impact of these new standards.

5. JOINT VENTURES

The Company has a 50% interest in Marbulk Canada Inc., ("Marbulk") which owns and operates ocean-going vessels and participates in an international commercial arrangement, and a 50% interest in NovaAlgoma Cement Carriers Limited, ("NACC") which owns and operates pneumatic cement carriers to support infrastructure projects worldwide.

The Company also has a 50% interest in Seventy-Five Corporate Park Drive Ltd. which owns an office building and has been reclassified as an asset held for sale.

(in thousands of dollars, except per share data)

The revenues, expenses and net earnings of the joint ventures for the three months ended March 31, 2017 and 2016 are as follows:

	2017		2016	
	Marbulk	**NACC**	Marbulk	NACC
Revenue	**$ 1,648**	**$ 6,726**	$ 10,036	$ 2,516
Operating expenses	**(1,696)**	**(3,332)**	(6,499)	(542)
General and administrative	**(176)**	**(181)**	(164)	(168)
Depreciation	**(994)**	**(1,273)**	(1,320)	(594)
Interest expense	**(350)**	**(476)**	(351)	(232)
Foreign exchange (loss) gain	**(306)**	**—**	2,098	—
(Loss) earnings before income taxes	**(1,874)**	**1,464**	3,800	980
Income tax recovery	**124**	**—**	177	—
Net (loss) earnings	**$ (1,750)**	**$ 1,464**	$ 3,977	$ 980
Company share of net (loss) earnings	**$ (875)**	**$ 732**	$ 1,989	$ 490
Amortization of vessel purchase price allocation	**—**	**(66)**	—	—
	$ (875)	**$ 666**	$ 1,989	$ 490

The Company's total share of net (loss) earnings of the jointly controlled operations for the three months ended March 31, 2017 and 2016 are as follows:

	2017	2016
Marbulk Canada Inc.	**$ (875)**	$ 1,989
NovaAlgoma Cement Carriers Limited	**666**	490
	$ (209)	$ 2,479

(in thousands of dollars, except per share data)

The assets and liabilities of the joint ventures at March 31, 2017 and December 31, 2016 are as follows:

	2017		2016	
	Marbulk	**NACC**	Marbulk	NACC
Cash	**$ 5,014**	**$ 3,143**	$ 8,828	$ 10,639
Other current assets	**2,530**	**8,286**	5,166	23,331
Property, plant, and equipment	**38,764**	**192,788**	37,888	159,569
Intangible asset	**1,252**	**—**	—	—
Other assets	**786**	**—**	—	—
Deferred tax asset	**140**	**—**	140	—
Other current liabilities	**(2,330)**	**(19,883)**	(2,036)	(13,342)
Other long-term liabilities	**—**	**(846)**	—	—
Due to owners	**(28,786)**	**—**	(28,488)	—
Long-term debt	**—**	**(48,864)**	—	(47,703)
Net assets of jointly controlled operations	**$ 17,370**	**$ 134,624**	$ 21,498	$ 132,494
Company share of net assets	**$ 8,685**	**$ 67,312**	$ 10,749	$ 66,247
Goodwill	**—**	**2,409**	—	2,409
Company share of joint venture	**$ 8,685**	**$ 69,721**	$ 10,749	$ 68,656

The Company's net investment in the jointly controlled operations at March 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Marbulk Canada Inc.	**$ 8,685**	$ 10,749
NovaAlgoma Cement Carriers Limited	**69,721**	68,656
	$ 78,406	$ 79,405

6. GAIN ON CANCELLATION OF SHIPBUILDING CONTRACTS

During 2016, the Company resolved the dispute with Nantong Mingde Heavy Industries Co. Ltd. (the "Shipyard") involving three shipbuilding contracts. All construction instalments made by the Company were refunded with interest resulting in a net gain of $19,222.

(in thousands of dollars, except per share data)

7. INTEREST EXPENSE

The components of interest expense are as follows:

	2017	2016
Interest expense on borrowings	**$ 3,803**	$ 3,726
Amortization of financing costs	**234**	548
Interest on employee future benefits, net	**113**	(106)
Interest capitalized on vessels under construction	**(2,983)**	(1,232)
	$ 1,167	$ 2,936

8. FOREIGN CURRENCY LOSS

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

	2017	2016
Gain on U.S. loan	**$ —**	$ 5,370
Unrealized loss on foreign currency exchange contracts	**(1,365)**	—
Loss on return of capital from foreign subsidiary	**(599)**	(467)
Total loss on U.S. cash	**(155)**	—
Portion of total loss on U.S. cash recorded in Other Comprehensive Income	**(539)**	—
Loss on shipbuilding contracts receivable	**—**	(3,879)
Loss on loan to joint venture	**—**	(1,049)
	$ (2,658)	$ (25)

(in thousands of dollars, except per share data)

9. INCOME TAXES

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

		2017		2016
Combined federal and provincial statutory income tax rate		**26.5%**		26.5%
Loss before income tax from continuing operations and net (loss) earnings of joint ventures	**$**	**(28,147)**	$	(19,326)
Expected income tax recovery	**$**	**7,459**	$	5,121
Increase (decrease) resulting from:				
Effect of items that are not (taxable) deductible		**(180)**		2,067
Foreign tax rates different from statutory rate		**825**		1,497
Other		**105**		203
	$	**8,209**	$	8,888

10. DISCONTINUED OPERATIONS

The operating results from the discontinued operation for the three months ended March 31, 2017 and 2016 are as follows:

		2017		2016
Revenue	**$**	**6,334**	$	8,165
Operating expenses		**(4,088)**		(5,100)
General and administrative and depreciation		**(835)**		(1,492)
Earnings before income taxes		**1,411**		1,573
Income taxes		**(369)**		(309)
Net earnings	**$**	**1,042**	$	1,264

(in thousands of dollars, except per share data)

The assets and liabilities of the discontinued operation at March 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Accounts receivable	**$ 4,174**	$ 2,633
Materials and supplies	**41**	42
Prepaid expenses	**1,283**	170
Land and buildings	**53,015**	58,178
Total assets	**$ 58,513**	$ 61,023
Accounts payable and accrued charges	**$ 4,397**	$ 3,884
Income taxes payable	**329**	5,679
Deferred income taxes	**6,608**	6,267
Total liabilities	**$ 11,334**	$ 15,830

On February 1, 2017, the Board of Directors made a decision to retain, and not sell, the 63 Church Street office building which houses the Company's head office. As a result, the carrying cost of the building was reclassified from discontinued operations to property, plant and equipment in the first quarter of 2017.

The cash flows from the discontinued operation for the three months ended March 31, 2017 and 2016 are as follows:

	2017	2016
Net cash (used in) generated from operating activities	**$ (4,723)**	$ 1,563
Net cash used in investing activities	**(1,765)**	(794)
Cash (used in) provided from discontinued operation	**$ (6,488)**	$ 769

11. OTHER CURRENT ASSETS

The components of other current assets are as follows:

	March 31 2017	December 31 2016
Materials and supplies	**$ 9,533**	$ 8,588
Prepaid expenses	**5,339**	3,913
Derivative asset	**2,340**	658
	$ 17,212	$ 13,159

(in thousands of dollars, except per share data)

12. PROPERTY, PLANT, AND EQUIPMENT

Details of property, plant, and equipment are as follows:

Cost	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Total
Balance at December 31, 2016	$ —	$ 773,282	$ 192,977	$ 215,870	$ 1,182,129
Transfer from discontinued operation	8,010	—	—	—	8,010
Additions	22	43,499	242	118	43,881
Fully depreciated assets no longer in use	—	2,874	—	—	2,874
Effect of foreign currency exchange differences	—	—	—	(2,092)	(2,092)
Balance at March 31, 2017	$ 8,032	$ 819,655	$ 193,219	$ 213,896	$ 1,234,802

Accumulated depreciation	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Total
Balance at December 31, 2016	$ —	$ 375,479	$ 91,154	$ 55,245	$ 521,878
Transfer from discontinued operation	2,911	—	—	—	2,911
Depreciation expense	81	4,985	2,173	3,412	10,651
Fully depreciated assets no longer in use	—	2,874	—	—	2,874
Effect of foreign currency exchange differences	—	3	—	(484)	(481)
Balance at March 31, 2017	$ 2,992	$ 383,341	$ 93,327	$ 58,173	$ 537,833

Net Book Value	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Total
March 31, 2017					
Cost	$ 8,032	$ 819,655	$ 193,219	$ 213,896	$ 1,234,802
Accumulated depreciation	2,992	383,341	93,327	58,173	537,833
	$ 5,040	$ 436,314	$ 99,892	$ 155,723	$ 696,969

(in thousands of dollars, except per share data)

13. GOODWILL AND INTANGIBLE ASSET

Goodwill and intangible asset consist of the following:

	Goodwill	Intangible Asset	Total
Balance, December 31, 2016	$ 7,910	$ 3,681	$ 11,591
Additions	—	7,794	7,794
Amortization	—	(643)	(643)
Adjustment	—	(215)	(215)
Effect of foreign currency exchange differences	—	114	114
	$ 7,910	**$ 10,731**	**$ 18,641**

Goodwill

As part of a business acquisition in 2011, the Company recognized goodwill of $7,910 on the allocation of purchase price, determined as the excess of the fair values of the net tangible and identifiable intangible assets acquired.

Intangible Asset

The Company has vessels that participate in a self-unloader ocean-going Pool with unrelated parties. In April, 2016 and January, 2017, other Pool members withdrew certain vessels due to market overcapacity. These vessel owners were compensated for their loss of future earnings resulting from the withdrawal of the vessels. The Company's interest in the Pool increased as a result and its value, which initially was equal to the Company's share of the compensation payable to the other owners, has been recorded as an intangible asset and is being amortized over four years.

14. OTHER ASSETS

Other assets consists of a loan receivable from a joint venture party. Interest is at 4.98% annually.

15. OTHER CURRENT LIABILITIES

The components of other current liabilities are as follows:

	March 31 2017	December 31 2016
Dividends payable	**$ 593**	$ 527
Derivative liabilities	**6,090**	770
	$ 6,683	$ 1,297

(in thousands of dollars, except per share data)

16. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

	March 31 2017	December 31 2016
Derivative liabilities	**$ 7,248**	$ 8,194
Compensation payable to Pool members	**6,029**	3,081
	$ 13,277	$ 11,275

A portion of the compensation payable to other Pool members for the retirement of two vessels is payable in annual instalments in future years and has been recorded as an Other Long-Term Liability. The Company's share of the liability related to this compensation as of March 31, 2017 is payable in four equal annual instalments commencing April 1, 2017.

17. LONG-TERM DEBT

	March 31 2017	December 31 2016
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.00%	**$ 67,831**	$ 67,555
Senior Secured Notes, due July 19, 2021		
U.S. $75,000, interest fixed at 5.11%	**99,731**	100,705
Canadian $75,000, interest fixed at 5.52%	**75,000**	75,000
Revolving loan, interest at 3.7%	**11,913**	—
	254,475	243,260
Less: unamortized financing expenses	**2,505**	2,705
	251,970	240,555
Less: current portion of long-term debt	**(79,744)**	—
	$ 172,226	$ 240,555

The Company is subject to certain covenants including ones with respect to maintaining defined financial ratios and other conditions under the terms of the Bank Facility and the Notes.

As at March 31, 2017, the Company was in compliance with all of its covenants.

18. SHARE CAPITAL

Share capital

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

The Company has 38,913,733 common shares outstanding as at March 31, 2017 and December 31, 2016.

(in thousands of dollars, except per share data)

At March 31, 2017 and December 31, 2016 there were no preferred shares issued and outstanding.

The Company's Board of Directors on May 5, 2017 authorized payment of a quarterly dividend to shareholders of $0.08 per common share. The dividend is payable on June 1, 2017 to shareholders of record on May 18, 2017.

The basic and diluted net earnings per share are computed as follows:

	2017	2016
Net loss from continuing operations for basic earnings per share	**$ (20,147)**	$ (7,959)
Interest expense on debentures, net of tax	**1,078**	1,078
Net loss from continuing operations for diluted earnings per share	**$ (19,069)**	$ (6,881)
Basic weighted average common shares	**38,913,733**	38,913,733
Shares due to dilutive effect of debentures	**4,478,896**	4,478,896
Diluted weighted average common shares	**43,392,629**	43,392,629
Basic and diluted loss per common share from continuing operations	**$ (0.52)**	$ (0.20)

The impact of the convertible debentures is anti-dilutive as at March 31, 2017 and 2016.

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Hedges			
	Net investment	Purchase commitment	Foreign exchange translation	Total
Balance at December 31, 2016	$ (18,631)	$ 4,366	$ 10,420	$ (3,845)
Gain (loss)	975	(1,120)	(5,609)	(5,754)
Reclassified to property, plant, and equipment	—	(881)	—	(881)
Income tax (expense) recovery	(129)	529	—	400
Net gain (loss)	846	(1,472)	(5,609)	(6,235)
Balance at March 31, 2017	**$ (17,785)**	**$ 2,894**	**$ 4,811**	**$ (10,080)**

The net investment hedge reserve represents the cumulative exchange differences on translation of long-term debt held in foreign currency. The Company 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 in the event of a disposal of a foreign operation.

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

(in thousands of dollars, except per share data)

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (Canadian dollars) are recognized directly in other comprehensive earnings and accumulated in the foreign exchange translation 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.

20. COMMITMENTS

The table below reflects the commitments the Company has at March 31, 2017.

Construction of seven Equinox Class vessels	**$**	**216,386**
Employee future benefit payments		**562**
	$	**216,948**

Annual expected payments are as follows:

Due in 2017	**$**	**97,799**
Due in 2018		**92,462**
Due in 2019		**26,521**
Due in 2020		**166**
	$	**216,948**

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

(in thousands of dollars, except per share data)

		March 31 2017		December 31 2016
Financial assets carrying and fair value				
Cash	**$**	**54,474**	$	130,039
Accounts receivable	**$**	**23,700**	$	52,172
Derivative asset	**$**	**2,340**	$	658
Other assets	**$**	**14,424**	$	14,244
Financial liabilities carrying and fair value				
Accounts payable and accrued charges	**$**	**45,417**	$	76,416
Dividends payable	**$**	**593**	$	527
Derivative liabilities	**$**	**6,090**	$	770
Other long-term liabilities	**$**	**13,277**	$	11,275
Carrying value of long-term debt	**$**	**254,475**	$	243,260
Fair value of long-term debt	**$**	**266,572**	$	257,454

Risk Management and Financial Instruments

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

Liquidity risk

The contractual maturities of non-derivative financial liabilities at March 31, 2017 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 45,417	$ —	$ —	$ —	$ 45,417
Dividends payable	593	—	—	—	593
Other long-term liabilities	3,273	5,692	782	—	9,747
Long-term debt including equity portion	79,744	—	174,731	—	254,475
Interest payments	9,237	18,474	11,931	—	39,642
Total	$ 138,264	$ 24,166	$ 187,444	$ —	$ 349,874

Foreign currency exchange risk

At March 31, 2017 and December 31, 2016, approximately 19% and 17%, respectively, of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $33,901 and $25,254, respectively.

The Company has significant commitments due for payment in U.S. dollars and Euros. The Company 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 shipbuilding 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 Company mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt.

(in thousands of dollars, except per share data)

As of March 31, 2017 the Company had Euro denominated foreign exchange forward contracts outstanding with a notional principal of €92,543 and a fair value loss of $12,631 (December 31, 2016 - $12,592), and U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $60,565 and fair value gain of $2,340 (December 31, 2016 - $5,055). The contract maturities are as follows: 2017 - €27,762, U.S. - $44,885 and 2018 - €64,781, U.S. - $15,680.

22. SEGMENT DISCLOSURES

The Company operates through four segments; Domestic Dry-Bulk, Product Tankers, Ocean Self-Unloaders and Global Short Sea Shipping. The segment operating results include fully consolidated subsidiaries and interests in jointly controlled entities. Segment disclosures are based on how the Chief Executive Officer views operating results and how decisions are made about resources to be allocated to operating segments.

The following presents the Company's results from continuing operations by reportable segment for the three months ended March 31 2017 and 2016.

Revenues	**2017**	2016
Domestic Dry-Bulk	**$ 18,401**	$ 11,659
Product Tankers	**11,681**	8,515
Ocean Self-Unloaders	**18,657**	20,303
	$ 48,739	$ 40,477

Operating Expenses	**2017**	2016
Domestic Dry-Bulk	**$ 31,089**	$ 39,186
Product Tankers	**11,992**	7,599
Ocean Self-Unloaders	**12,440**	11,923
	$ 55,521	$ 58,708

(in thousands of dollars, except per share data)

Net Loss from Continuing Operations	**2017**		2016	
Operating (loss) earnings net of income tax				
Domestic Dry-Bulk	**$ (15,008)**		$ (27,715)	
Gain on cancellation of shipbuilding contracts	**—**		16,196	
Unrealized loss on foreign currency exchange contracts	**(1,003)**	**(16,011)**	—	(11,519)
Product Tankers		**(2,431)**		(1,508)
Ocean Self-Unloaders		**1,723**		7,268
Global Short Sea Shipping		**666**		490
Corporate		**(2,660)**		(3,243)
Segment loss		**(18,713)**		(8,512)
Not specifically identifiable to segments				
Interest expense		**(1,167)**		(2,936)
Interest income		**277**		487
Foreign currency loss		**(1,293)**		(25)
Income tax recovery		**749**		3,027
		$ (20,147)		$ (7,959)

Assets	**March 31 2017**	December 31 2016
Domestic Dry-Bulk	**$ 482,253**	$ 468,401
Product Tankers	**107,684**	110,110
Ocean Self-Unloaders	**182,192**	182,997
Global Short Sea Shipping	**69,721**	68,656
Assets of discontinued operations held for sale	**58,513**	61,023
Total assets allocated to segments	**900,363**	891,187
Not specifically identifiable to segments	**89,983**	144,826
	$ 990,346	$ 1,036,013

(in thousands of dollars, except per share data)

Additions to Property, Plant, and Equipment	**2017**	2016
Domestic Dry-Bulk	**$ 43,498**	$ 25,416
Product Tankers	**243**	1,626
Ocean Self-Unloaders	**118**	119,861
Corporate	**22**	—
Total per property, plant, and equipment note (Note 12)	**43,881**	146,903
Capitalized interest	**(2,983)**	(1,232)
Amounts included in working capital	**21,246**	664
Total per cash flow statement	**$ 62,144**	$ 146,335

Depreciation of Property, Plant, and Equipment	**2017**	2016
Domestic Dry-Bulk	**$ 4,985**	$ 4,975
Product Tankers	**2,173**	1,866
Ocean Self-Unloaders	**3,412**	2,876
Corporate	**81**	—
	$ 10,651	$ 9,717

Liabilities	**March 31 2017**	December 31 2016
Domestic Dry-Bulk	**$ 36,856**	$ 64,993
Product Tankers	**19,167**	22,534
Ocean Self-Unloaders	**12,012**	9,363
Liabilities of discontinued operations held for sale	**11,334**	15,830
Total liabilities allocated to segments	**79,369**	112,720
Not specifically identifiable to segments		
Current liabilities	**6,031**	527
Current portion of long-term debt	**79,744**	—
Other	**212,601**	281,216
Total Liabilities	**$ 377,745**	$ 394,463

23. SUBSEQUENT EVENTS

Creation of NovaAlgoma Short-Sea Carriers

The Company and Nova Marine Carriers SA created a new joint venture on April 18, 2017 that will focus on short-sea dry-bulk shipping for global markets. This new joint venture, operating as NovaAlgoma Short-Sea Carriers, or NASC, is a 50/50 joint venture between the Company and Nova Marine Holdings Limited, the parent company of Nova Marine Carriers.

At closing, the Company acquired an interest in the NASC commercial platform and its book of business and an interest in a fleet of 15 short-sea mini-bulkers ranging in size from 5,750dwt to 14,700dwt.

The total consideration of the investment in the joint venture totalled U.S $28,721. The Company has not yet determined the purchase price allocation of the investment.

Sale of Henley Corporate Park

Subsequent to the quarter ended March 31, 2017, the Company announced it had sold the properties collectively known as Henley Corporate Park in St. Catharines. The net proceeds from the sale of the Company’s interest in the properties were $26,400.

2017

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