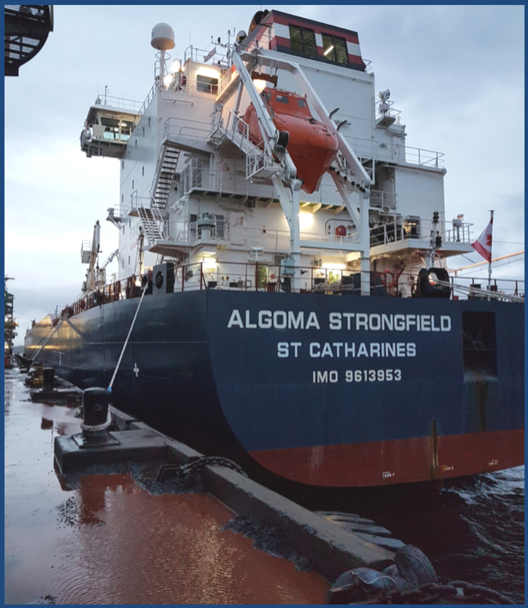
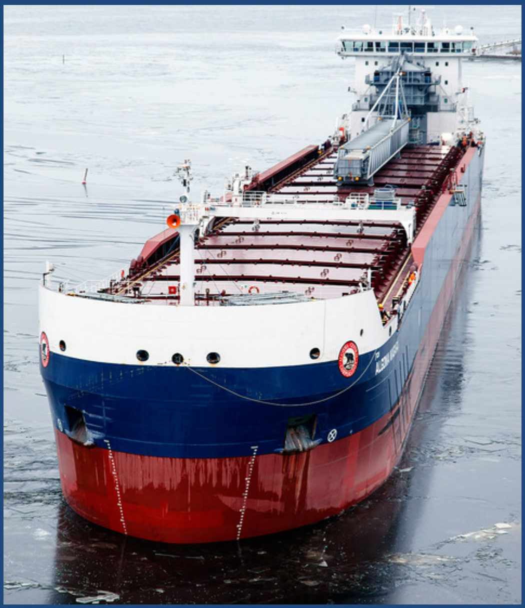
INTERIM REPORT TO SHAREHOLDERS
FOR THE THREE MONTHS ENDED
MARCH 31, 2018






Short Sea Shipping is OUR BUSINESS

Algoma Central Corporation

Table of Contents

General

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

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 ended March 31, 2018 and 2017 and related notes thereto and has been prepared as at May 4, 2018.

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 2017 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.

Certain financial figures for the period ending March 31, 2017 have been restated as a result of a retroactive adjustment made for Investment Properties in the second quarter of 2017. Refer to note 12 on the Interim Condensed Consolidated Financial Statements for the Three Months Ended March 31, 2018 and 2017.

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.

EBITDA refers to earnings before interest, taxes, depreciation, and amortization. The Company also includes EBITDA of discontinued operations and its share of the EBITDA of its equity interest in joint arrangements 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 Company's EBITDA may also not be comparable to EBITDA used by other corporations, which may be calculated differently. The Company considers EBITDA to be a meaningful measure to assess its operating performance in addition to other IFRS measures. It is included because the Company believes it can be useful in measuring its ability to service debt, fund capital expenditures, and expand its business, and a version of it is used by credit providers in the financial covenants of the Company's long-term debt.

Adjusted Measures
Management assesses results on a reported and adjusted basis and considers both as useful measures of performance. Adjusted results remove items of note from reported results and are used to calculate the adjusted measure noted below. Items of note include certain items of significance that arise from time to time which management believes are not reflective of underlying business performance. We believe that adjusted measures provides the reader with a better understanding of how management assesses underlying business performance and facilitate a more informed analysis of trends.

Adjusted Basic Earnings per Share
The Company adjusts reported Basic Earnings per Share to remove the impact of items of note, net of income taxes, and any other items specified to calculate the Adjusted Basic Earnings per Share (page 5).

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 2018 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, U.S. and global 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, 2017, 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

		2018		2017
For three months ended March 31				
Revenues	**$**	**60,488**	$	52,092
Net loss	**$**	**(7,453)**	$	(19,105)
Basic loss per common share	**$**	**(0.19)**	$	(0.49)
Continuing operations				
Net loss	**$**	**(7,453)**	$	(19,431)
Basic loss per common share	**$**	**(0.19)**	$	(0.50)
Net earnings from discontinued operations	**$**	**—**	$	326
At March 31				
Common shares outstanding		**38,545,715**		38,913,733
Total assets	**$**	**1,140,258**	$	1,100,290
Total long-term financial liabilities	**$**	**319,285**	$	310,620

The company is reporting 2018 first quarter revenue of $60,488, an increase of 16% compared to $52,092 reported for the same period in 2017, mainly as a result of an increase in revenue from the Product Tanker segment due to higher customer demand.

Revenue of the Global Short Sea Shipping segment, which we participate in via joint ventures, is not included in the consolidated revenue figure. The Global Short Sea Shipping ventures generated first quarter revenues of $64,648 compared to $6,726 for the same period in 2017.

Net loss and basic loss per share from continuing operations for the 2018 first quarter was $7,453 and $0.19, respectively, compared to a loss of $19,431 and $0.50, respectively for the same period last year.

The Company uses EBITDA as a measure of the cash generating capacity of its businesses. The following table reconciles EBITDA to Net Loss, the most nearly comparable IFRS measure. EBITDA for the three months ended March 31, 2018 was a loss of $4,198, compared to a loss of $5,230 for the same period last year. EBITDA is determined as follows:

	2018	2017
Net loss	**$ (7,453)**	$ (19,105)
Adjustments to net loss:		
Depreciation of property, plant, equipment and intangibles	**12,715**	11,344
Net interest expense	**1,400**	890
Foreign exchange (gain) loss	**(10,238)**	2,658
Income tax recovery	**(3,266)**	(7,951)
Discontinued operations		
Depreciation in discontinued operations	**—**	527
Income tax expense	**—**	4,703
Joint Ventures		
Interest expense	**685**	413
Foreign exchange (gain) loss	**(263)**	153
Depreciation	**2,082**	1,200
Income tax expense (recovery)	**140**	(62)
EBITDA	**$ (4,198)**	$ (5,230)

Summary of Quarterly Results

The results for the last nine quarters were as follows:

Year	Quarter	Revenue	Net Earnings (Loss)	Basic Earnings (Loss) per Share
2018	Quarter 1	$ 60,488	$ (7,453)	$ (0.19)
2017	Quarter 4	$ 138,749	$ 13,368	$ 0.34
	Quarter 3	$ 136,556	$ 32,768	$ 0.84
	Quarter 2	$ 123,918	$ 29,164	$ 0.75
	Quarter 1	$ 52,092	$ (19,105)	$ (0.49)
2016	Quarter 4	$ 130,578	$ (11,753)	$ (0.31)
	Quarter 3	$ 118,228	$ 38,502	$ 0.99
	Quarter 2	$ 99,037	$ 13,261	$ 0.34
	Quarter 1	$ 43,563	$ (6,695)	$ (0.17)

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 on 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.

The following summarizes the trailing twelve month results on an adjusted and unadjusted basis in each of the last nine quarters:

		Trailing Twelve Months				
Year	Quarter	Revenue	Net Earnings	Basic Earnings per Share	Adjustment to Basic Earnings per Share *	Adjusted Basic Earnings per Share
2018	Quarter 1	$ 459,711	$ 67,846	$ 1.75	$ (0.62)	$ 1.13
2017	Quarter 4	$ 451,050	$ 56,195	$ 1.44	$ (0.62)	$ 0.82
	Quarter 3	$ 442,879	$ 31,074	$ 0.80	$ (0.03)	$ 0.77
	Quarter 2	$ 424,551	$ 36,811	$ 0.95	$ (0.22)	$ 0.73
	Quarter 1	$ 399,671	$ 20,908	$ 0.54	$ 0.13	$ 0.67
2016	Quarter 4	$ 391,406	$ 33,315	$ 0.85	$ (0.29)	$ 0.57
	Quarter 3	$ 379,999	$ 55,659	$ 1.42	$ (0.86)	$ 0.58
	Quarter 2	$ 386,848	$ 31,999	$ 0.81	$ (0.39)	$ 0.43
	Quarter 1	$ 413,147	$ 42,068	$ 1.07	$ (0.65)	$ 0.43

* The following table summarizes the Adjustment to Basic Earnings per Share, by quarter, for certain items management believes are not reflective of underlying business performance.

	2015			2016				2017				2018
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Gain on shipbuilding contracts	$(0.26)	$ —	$ —	$(0.42)	$ —	$(0.16)	$ —	$ —	$ —	$ —	$ —	$ —
Impairment provisions	—	—	0.03	—	—	—	0.81	—	—	—	—	—
Sale of real estate properties	—	—	—	—	—	(0.31)	(0.22)	—	(0.35)	(0.28)	0.01	—
	$(0.26)	$ —	$ 0.03	$(0.42)	$ —	$(0.47)	$ 0.59	$ —	$(0.35)	$(0.28)	$ 0.01	$ —
Trailing adjustment to EPS				$(0.65)	$ (0.39)	$(0.86)	$ (0.29)	$ 0.13	$(0.22)	$(0.03)	$(0.62)	$ (0.62)

Business Segment Discussion

Domestic Dry-Bulk

	Period Ending March 31		
Domestic Dry-Bulk Financial Review	**2018**	2017	Favourable (Unfavourable)
Revenue	**$ 18,201**	$ 18,401	$ (200)
Operating expenses	**(32,584)**	(31,089)	(1,495)
Selling, general and administrative	**(2,804)**	(2,746)	(58)
	(17,187)	(15,434)	(1,753)
Depreciation	**(4,671)**	(4,985)	314
Gain (loss) on foreign currency forward contracts	**6,531**	(1,365)	7,896
Income tax recovery	**4,927**	5,773	(846)
Net loss	**$ (10,400)**	$ (16,011)	$ 5,611
Additions to property, plant, and equipment	**$ 26,977**	$ 43,498	
	March 31, 2018	December 31, 2017	
Total assets	**$ 581,556**	$ 561,988	

Revenues for Domestic Dry-Bulk in the first quarter decreased marginally compared to the same period in 2017. An early winter in the fourth quarter of 2017 resulted in a shift of work into the first quarter of 2018 when it is more expensive to operate. The late start to the season this year significantly impacted grain volumes with an 86% decrease compared to 2017, which saw an earlier opening of the St. Lawrence Seaway canal system. Salt trades produced a 37% increase in revenue days due to the harsh winter.

Operating expenses for the 2018 first quarter were up slightly at 5% compared to the same period in 2017, reflecting higher cost to operate during the winter months this year.

The gain on foreign currency forward contracts was a result of strengthening of exchange rates on shipbuilding contracts that are denominated in U.S. dollars and the Euro.

Two new Equinox class vessels, the *Algoma Sault* and the *Algoma Innovator* arrived in Canada in the first quarter of 2018 and will be in operation for the 2018 navigation season.

Customer demand has remained strong and vessel capacity is tight across the industry. As a result, the rate environment has been strengthening, leading to continued improved outcomes on contract renewals. During the first quarter, we reached agreements on contract renewals and new contracts covering approximately 35% of annual Canadian Domestic dry-bulk volumes. These new contracts range in term from one to seven years and include above inflation rate increases compared to expired contracts.

Product Tankers

Product Tankers Financial Review	Period Ending March 31 2018	2017	Favourable (Unfavourable)
Revenue	$ 19,335	$ 11,681	$ 7,654
Operating expenses	(15,208)	(11,992)	(3,216)
Selling, general and administrative	(737)	(705)	(32)
	3,390	(1,016)	4,406
Depreciation	(2,463)	(2,173)	(290)
Income tax (expense) recovery	(246)	758	(1,004)
Net earnings (loss)	$ 681	$ (2,431)	$ 3,112
Additions to property, plant, and equipment	$ 1,185	$ 243	
	March 31, 2018	December 31, 2017	
Total assets	$ 93,703	$ 104,695	

Revenue for Product Tankers increased $7,654 or 65% primarily due to higher customer demand from our major customer with a corresponding 44% increase in volumes.

Operating expenses for the business unit increased 27% in the first quarter compared to the same period last year. This was primarily due to the increase in operating days due to the higher customer demand, the cost of operating outside charter vessels to respond to the demand and increased repair costs in the quarter.

Net earnings increased by $3,112 in the first quarter to $681 compared to a loss of $2,431 for the same period last year.

The decrease in total assets compared to December 31, 2017 is primarily due to a reduction in accounts receivable outstanding.

Ocean Self-Unloaders

Ocean Self-Unloaders Financial Review	Period Ending March 31 **2018**	 2017	Favourable (Unfavourable)
Revenue	**$ 18,904**	$ 18,657	$ 247
Operating expenses	**(12,175)**	(11,750)	(425)
General and administrative	**(734)**	(209)	(525)
	5,995	6,698	(703)
Depreciation	**(4,525)**	(4,102)	(423)
Income tax (expense) recovery	**(1)**	2	(3)
Earnings (loss) from joint venture	**(3)**	(875)	872
Net earnings	**$ 1,466**	$ 1,723	$ (257)
Additions to property, plant, and equipment	**$ 719**	$ 118	
Additions to property, plant, and equipment by joint venture	**$ 5**	$ 1,108	

	March 31, 2018	December 31, 2017
Total assets	**$ 191,249**	$ 190,421

Revenues for Ocean Self-Unloaders reflecting the pro-rata share of Pool revenues generated by the five 100% owned ships, increased $247 compared to last year's first quarter. Gross revenues of the Pool increased compared to 2017 which was a combination of changing trade patterns and an increase in earnings per day. Revenues for the Pool are earned in U.S. dollars. The average USD/CAD exchange rate for the first quarter of 2018 was 1.2648 compared to 1.3233 in 2017; Pool revenues reported by Algoma are in Canadian dollars.

Operating expenses decreased 4%. The decrease reflects the *Bahama Spirit* being in drydock for most of the first quarter, partially offset by the *Algoma Integrity* returning to the fleet early in the year.

General and administrative expenses include costs related to the relocation of the office in Beverley, Massachusetts to Fort Lauderdale, Florida. The office in Fort Lauderdale will now service our Global Short Sea Shipping businesses in addition to our Ocean Self-Unloader operations.

Algoma does not incur selling expenses on ocean self-unloader business, but instead pays a commercial fee to the Pool manager.

Global Short Sea Shipping

Global Short Sea Shipping Financial Review	**2018**	2017	Favourable (Unfavourable)
	Period Ending March 31		
Revenue	**$ 64,648**	$ 6,726	$ 57,922
Operating expenses	**(55,487)**	(3,332)	(52,155)
Selling, general and administrative	**(1,097)**	(181)	(916)
	8,064	3,213	4,851
Depreciation	**(2,709)**	(1,273)	(1,436)
Interest	**(1,019)**	(476)	(543)
Foreign exchange gain	**(256)**	—	(256)
Income tax expense	**(207)**	—	(207)
Net earnings of joint ventures	**427**	—	427
Net earnings	**$ 4,300**	$ 1,464	$ 2,836
Company share of net earnings above	**$ 2,150**	$ 732	$ 1,418
Amortization of vessel purchase price allocation and intangibles	**(269)**	(66)	(203)
Company share included in net earnings of joint ventures	**$ 1,881**	$ 666	$ 1,215

	March 31, 2018	December 31, 2017
Net assets	**$ 120,336**	$ 98,425

The figures above reflect 100% of the joint venture in the Global Short Sea Shipping segment. The Company's 50% share of net earnings, adjusted for amortization arising from vessel purchase price allocation and intangibles, is included in net earnings of joint ventures in our Interim Condensed Consolidated Statement of Earnings.

Revenue for Global Short Sea Shipping was $64,648 in the first quarter of 2018 compared to $6,726 for the same period in 2017. The revenue in 2017 was solely generated by nine NACC vessels as NASC was not acquired until later in the year. The revenue in 2018 includes NASC for the full quarter and NACC with eleven operating vessels by the end of the quarter. Revenue was generated from subsidiaries of major global cement companies and a variety of industries including the agricultural, construction, energy and steel industries.

Operating expenses for the first quarter in 2018 was $55,487 an increase of $52,155 over the same period in 2017. The increase was due primarily to the increase in cement vessels and the addition of NASC. Operating expenses generated by NASC are significantly higher than NACC as a significant number of the NASC vessels are chartered. Operating expenses include only those costs incurred after the ships enter operation in the case of the ships acquired during the year.

Selling, general and administrative expenses, comprising mostly commercial commissions, staff and office costs and professional fees, totalled $1,097. As the segment grows more staff to support its operations are added increasing overhead.

During and subsequent to the quarter, NASC acquired interests in eight vessels, increased its interest in two vessels, and sold its interests in three vessels. Upon closing of these transactions, the NASC fleet will comprise 20 owned vessels.

Investment Properties

The Company owns a shopping centre and an apartment building located in Sault Ste. Marie, Ontario. During 2017, the Company decided to suspend on-going discussions regarding the sale of the shopping centre and adjacent apartment building pending development of a plan to re-lease the now vacant Sears Canada space. These properties have been reclassified as Investment Properties, and depreciation expense recommenced in the second quarter of 2017.

	Period Ending March 31		
Investment Properties Financial Review	**2018**	2017	Favourable (Unfavourable)
Revenue	**$ 3,303**	$ 3,088	$ 215
Operating expenses	**(1,962)**	(2,141)	179
	1,341	947	394
Depreciation	**(796)**	—	(796)
Income recovery (expense)	**(144)**	(251)	107
Net earnings	**$ 401**	$ 696	$ (295)

Corporate

The Corporate segment consists of head office expenditures, third party management services and other administrative expenses of the Company. Revenues are generated from rental income provided by third party tenants in the Company's head office building and management fees. Operating expenses reflect the operating costs of the head office building. Selling, general and administrative expenses were lower for the first quarter in 2018 due to the restructuring that occurred in 2017.

	Period Ending March 31		
Corporate Financial Review	**2018**	2017	Favourable (Unfavourable)
Revenue	**$ 745**	$ 265	$ 480
Operating expenses	**(127)**	(235)	108
Selling, general and administrative	**(2,878)**	(3,505)	627
	(2,260)	(3,475)	1,215
Depreciation	**(260)**	(84)	(176)
Income tax recovery	**668**	1,171	(503)
Net loss	**$ (1,852)**	$ (2,388)	$ 536

Consolidated

Financial Review	Period Ending March 31 2018	2017	Favourable (Unfavourable)
Revenue	**$ 60,488**	$ 52,092	$ 8,396
Operating expenses	**62,056**	57,207	(4,849)
Selling, general and administrative	**7,152**	7,166	14
	(8,720)	(12,281)	3,561
Depreciation of property, plant, equipment, and intangibles	**(12,715)**	(11,344)	(1,371)
Interest expense	**(1,681)**	(1,167)	(514)
Interest income	**281**	277	4
Foreign currency gain (loss)	**10,238**	(2,658)	12,896
Income tax (expense) recovery	**3,266**	7,951	(4,685)
Earnings (loss) of joint ventures	**1,878**	(209)	2,087
Net loss from continuing operations	**$ (7,453)**	$ (19,431)	$ 11,978

Interest Expense

Interest expense consists of the following:

	Period Ending March 31 2018	2017	Increase (Decrease)
Interest expense on borrowings	**$ 4,291**	$ 3,803	$ 488
Amortization of financing costs	**286**	234	52
Interest on employee future benefits, net	**72**	113	(41)
Interest capitalized	**(2,968)**	(2,983)	15
	$ 1,681	$ 1,167	$ 514

Total interest paid on borrowings increased by $488 in 2018 when compared to 2017. Net interest expense increased by $514 in 2018 when compared to 2017 due to an increase in the amount of borrowings.

The interest capitalized on vessels under construction relates to interest incurred on payments made to various shipyards for the construction of Equinox Class vessels.

Foreign Currency Translation and Unrealized Gain (Loss) on Foreign Currency Exchange Contracts

	Period Ending March 31		
	2018	2017	Increase (Decrease)
Gains (losses) on foreign denominated cash	**$ 3,707**	$ (694)	$ 4,401
Loss on return of capital from foreign subsidiary	**—**	(599)	599
Unrealized gain (loss) on foreign currency contracts	**6,531**	(1,365)	7,896
	$ 10,238	$ (2,658)	$ 12,896

The Company designated a portion of its U.S. dollar and Euro cash balances as a hedge against certain U.S. dollar and Euro purchase commitments relating to the Equinox Class project. Gains and losses on the translation of the U.S. dollar and Euro cash from the date on which these respective hedges were designated to the end of the financial reporting period were being recorded in other comprehensive earnings. At the end of the quarter, the majority of hedges were de-designated, and the related unrealized gains were recognized in income.

No gain on the return of capital from a foreign subsidiary was realized in 2018. The loss in 2017 reflects a loss on U.S. dollar cash returned from the Company's non-controlled foreign investee.

Foreign exchange forward contracts are utilized by the Company on certain 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 its Canadian flag domestic dry-bulk fleet. The gain 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

	Period Ending March 31	
	2018	2017
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%
Loss before income tax from continuing operations and net loss of joint ventures	**$ (12,597)**	$ (27,173)
Expected income tax recovery	**$ 3,338**	$ 7,201
(Increase) decrease in expense resulting from:		
Effect of items that are not (deductible) taxable	**433**	(180)
Foreign tax rates different from statutory rate	**237**	825
Adjustments to prior period provision	**(554)**	—
Other	**(188)**	105
Actual tax recovery	**$ 3,266**	$ 7,951

Earnings from the Company's foreign subsidiaries are taxed in jurisdictions which have nil income tax rates.

The Canadian statutory rate for the Company for both 2018 and 2017 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 taxable and non-taxable items that may or may not be included in earnings and changes to income tax provisions related to prior periods.

Comprehensive Loss

The comprehensive loss for the three months ended March 31, 2018 was $4,347 compared to $26,225 for the same period in 2017. The decrease in the loss was primarily due to the unrealized gain on translation of financial statements of foreign operations. The decrease was offset by the unrealized loss on hedging instruments, net of income tax.

The actuarial loss of $1,237 for employee future benefits, net of income tax in the first quarter of 2018 compared to a actuarial loss of $885 in the same period in 2017.

The Company has hedged a portion of its future commitments on shipbuilding contracts with U.S. and Euro cash. Exchange differences accumulated in the hedge reserve will be reclassified to property, plant, and equipment when the payments to the supplier are made or to earnings if a hedge is deemed to be ineffective. At the end of the quarter certain of the remaining hedges were de-designated, and the related unrealized gains of $2,852, net of tax, were recognized in income.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

	Period Ending March 31		
	2018	2017	Increase (Decrease)
Net loss from continuing operations	**$ (7,453)**	$ (19,431)	$ 11,978
Operating activities	**$ 5,117**	$ (9,266)	$ 14,383
Investing activities	**$ (38,254)**	$ (60,811)	$ 22,557
Financing activities	**$ 48,814**	$ 2,266	$ 46,548
Cash from discontinued operations	**$ —**	$ (7,271)	$ 7,271

Operating Activities

Net cash generated from operating activities in the first quarter of 2018 was $5,117 compared to cash used of $9,266 in the same period in 2017. This was mainly as a result of the reduced loss for the period and a decrease in net working capital.

Investing Activities

Net cash used in investing activities of $38,254 was primarily for instalments on new Equinox Class vessels that are currently under development and investments in growing the NACC and NASC fleets.

Net cash used in investing activities in 2017 includes payments related to the instalments on Equinox Class vessels and the purchase of the *Algoma Strongfield*.

Financing Activities

Included in both periods are payment of interest on borrowings and the payment of dividends to shareholders. Dividends will be paid to shareholders at $0.10 per common share on June 1, 2018 for shareholders of record May 18, 2018. Dividends were paid to shareholders at $0.08 in for the same period in 2017.

The Company has financed its Head Office building at 63 Church Street in St. Catharines with a mortgage of $5,850 in order to further invest in opportunities globally. Additional funds were borrowed to continue investing in both NACC and NASC.

Capital Resources

The Company has cash on hand of $85,585 at March 31, 2018. Available credit facilities along with projected cash from operations for 2018 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 Company maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. In 2016, the Company renewed and amended its revolving Credit Bank Facility (the "Facility") . The Facility expires July 15, 2020 and comprises a $50 million Canadian dollar and a $100 million U.S. dollar senior secured revolving bank credit facility provided by a syndicate of seven banks. The Facility bears interest at rates that are based on the Company’s ratio of senior debt to earnings before interest, taxes, depreciation and amortization and ranges from 150 to 275 basis points above bankers’ acceptance or LIBOR rates. The Company 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 Company’s real estate assets and vessels that are not wholly owned are not directly encumbered under this Facility.

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, 2018, the Company was in compliance with all of its covenants.

Normal Course Issuer Bid

On January 23, 2018, the Company filed a notice of intention to make a normal course issuer bid with the TSX advising of its intention to purchase, through the facilities of the TSX, up to 1,927,615 of its Common Shares representing approximately 5% of the 38,552,315 Shares which were issued and outstanding as at the close of business on January 16, 2018 (the “NCIB”).

Subject to prescribed exceptions, the Company may purchase up to 1,838 Common Shares per day, representing 25% of the average daily trading volume of 7,353 common shares per day during the six months ending December 31, 2017. The Company may buy back common shares anytime during the 12-month period beginning on January 29, 2018 and ending on January 28, 2019, or on such earlier date as the Company may complete its purchases pursuant to the NCIB, or provide notice of termination. Share purchases under the NCIB will be conducted through the facilities of the TSX and other Canadian marketplaces/alternative trading systems. The actual number of shares purchased, and the timing of any such purchases, will be determined by the Company, in accordance with the rules of the TSX.

The Company is conducting the NCIB because management believes that purchases under the NCIB constitute a desirable use of its funds on the basis that recent market prices of the Common Shares do not, and at certain times during the course of the NCIB may not, fully reflect the value of the Company’s business and future business prospects.

During the first quarter of 2018, 6,600 shares were purchased for cancellation.

Contingencies

For information on contingencies, please refer to Notes 30 of the consolidated financial statements for the years ending December 31, 2017 and 2016. There have been no significant changes in the items presented since December 31, 2017.

Transactions with Related Parties

The Company'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 for the three months ended March 31, 2018.

New Accounting Standards Applied

Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement. This final version includes requirements on: (1) classification and measurement of financial assets and liabilities; (2) impairment of financial assets; and (3) general hedge accounting. Accounting for macro hedging has been decoupled from IFRS 9. The Company has an accounting policy choice to apply the hedge accounting requirements of IFRS 9 or IAS 39. The Company has made the decision to continue applying the IAS 39 hedge accounting requirements at this time and will comply with the revised hedge accounting disclosures as required by the related amendments to IFRS 7, Financial Instruments: Disclosures.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively with certain exceptions. IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives as long as hindsight is not applied. The Company has made the decision not to restate comparative period financial information and will recognize any measurement difference between the previous carrying amount and the new carrying amount as of the date of adoption, through an adjustment to opening retained earnings.

Classification and Measurement

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on an entity’s business model and the nature of the cash flows of the assets. These categories replace the existing IAS 39 classifications of available-for-sale ("AFS"), loans and receivables, and held-to-maturity. Investments in equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

The combined application of the contractual cash flow characteristics and business model tests as at January 1, 2018 did not result in differences in the measurement bases of financial assets when compared to that utilized under IAS 39.

The following table illustrates the financial instrument classification under IAS 39 compared to the new classification and measurement categories under IFRS 9.

Financial Instrument	IAS 39 Classification	IFRS 9 Classification
Cash	Loans & Receivables	Amortized cost
Accounts Receivable	Loans & Receivables	Amortized cost
Accounts Payable and Accrued Charges	Other financial liabilities	Amortized cost
Derivative Assets	FVTPL	FVTPL
Derivative Liabilities	FVTPL	FVTPL
Dividends Payable	Other financial liabilities	Amortized cost
Long-Term Debt	Other financial liabilities	Amortized cost

As noted above, these new categories under IFRS 9 do not change the basis in which financial assets and liabilities are being measured by the Company.

Impairment

IFRS 9 introduces an expected credit loss impairment model to replace the incurred loss model under IAS 39 and is generally expected to result in earlier recognition of credit losses. Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL and equity securities designated as at FVOCI, which are not subject to impairment assessment. The Company has assessed the new requirement and concluded the effect of the change was immaterial, as the Company has historically had very limited actual incurred losses on receivables.

Revenue Recognition

IFRS 15 replaces the detailed guidance on existing revenue recognition requirements and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards such as IAS 17 Leases.

The standard outlines the principles entities must apply to measure and recognize revenue with the core principle being that entities should recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a customer.

The Principles in IFRS 15 must be applied using the following 5-step model:

1. Identify the contract with the customer
2. Identify the separate performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the separate performance obligations in the contract
5. Recognize revenue when (or as) each performance obligation is satisfied

The standard requires entities to exercise considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, as well as requirements covering matters such as licences of intellectual property, warranties, principal versus agent assessment and options to acquire additional goods or services.

IFRS 15 uses the terms ‘contract asset’ and ‘contract liability’ to describe what might more commonly be known as ‘accrued revenue’ and ‘deferred revenue’, however the standard does not prohibit an entity from using alternative descriptions in the balance sheet. The Company has adopted the terminology used in IFRS 15 to describe such balances.

The Company has elected to use the modified retrospective approach in accordance with paragraph C3(b) of IFRS 15 in transition to the standard, however, apart from providing more extensive disclosures of the Company’s revenue transactions, the application of IFRS 15 has not had a material impact on the financial position and/or financial performance of the Company.

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.

The Company is currently evaluating the impact of this new standard.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

In accordance with the requirements of National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of the Company’s disclosure controls and procedures as of March 31, 2018. Under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial

Officer, management has concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2018.

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.

Management has used the criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company’s internal controls over financial reporting. Based on this assessment, management has concluded that the Company's internal controls over financial reporting are operating effectively as of March 31, 2018.

Changes in Internal Controls over Financial Reporting

During the quarter ended March 31, 2018, there have been no changes in the Company’s policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Contractual Obligations

The table below provides aggregate information about the Company's contractual obligations at March 31, 2018 that affect the Company's liquidity and capital resource needs.

	2018	2019	2020	2021	2022 and Beyond	Total
Long-term debt including equity component	$ 101,888	$ 130	$ 136	$ 171,848	$ 87,848	$ 361,850
Capital asset commitments	7,336	82,473	—	—	—	89,809
Dividends payable	3,855	—	—	—	—	3,855
Interest payments on long-term debt	13,619	13,682	13,676	9,540	4,642	55,159
Employee future benefit payments	628	974	974	974	184	3,734
	$ 127,326	$ 97,259	$ 14,786	$ 182,362	$ 92,674	$ 514,407

As a result of the late delivery of the Algoma Innovator, the first of five ships under construction in Croatia, the Shipyard approached the Company to request extensions to the delivery and cancellation dates for the remaining four vessels. Subsequent to quarter end, the Company finalized the terms of an agreement with the Shipyard to extend the delivery and cancellation dates for the remaining vessels. In exchange, the Company will receive substantial discounts on the amounts due on three of the remaining vessels and has obtained a right to cancel the fourth vessel later this year. This agreement is subject to certain conditions precedent, notably to ensure the validity and extension of the refund guarantees securing the instalments paid to the Shipyard to date. The commitments above reflect management’s estimate of the timing and amount of remaining payment obligations under these revised contract terms.

Algoma Central Corporation
Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2018 and 2017

Notice of disclosure of no 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, 2018 and 2017 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, 2018 and 2017
(Unaudited, in thousands of dollars, except per share data)

	Notes	2018	2017 Note 12
Revenue	**5, 22**	**$ 60,488**	$ 52,092
Expenses			
Operations	**22**	**62,056**	57,207
Selling, general and administrative		**7,152**	7,166
		69,208	64,373
		(8,720)	(12,281)
Depreciation of property, plant, equipment, and intangibles	**22**	**(12,715)**	(11,344)
Interest expense	**7**	**(1,681)**	(1,167)
Interest income		**281**	277
Foreign currency gain (loss)	**8**	**10,238**	(2,658)
		(12,597)	(27,173)
Income Tax Recovery	**9**	**3,266**	7,951
Net Earnings (Loss) of Joint Ventures	**6**	**1,878**	(209)
Net Loss from Continuing Operations		**(7,453)**	(19,431)
Net Earnings from Discontinued Operations		**—**	326
Net Loss		**$ (7,453)**	$ (19,105)
Basic and Diluted (Loss) Earnings per Share			
Continuing operations	**18**	**$ (0.19)**	$ (0.50)
Discontinued operations		**$ —**	$ 0.01
		$ (0.19)	$ (0.49)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Loss
For the Three Months ended March 31, 2018 and 2017
(Unaudited, in thousands of dollars)

		2018		2017
				Note 12
Net Loss	**$**	**(7,453)**	$	(19,105)
Other Comprehensive Earnings (Loss)				
Items that may be subsequently reclassified to net earnings:				
Unrealized gain (loss) on translation of financial statements of foreign operations		**8,043**		(5,609)
Unrealized (loss) gain on hedging instruments, net of income tax		**(815)**		255
Foreign exchange gains on purchase commitment hedge reserve, net of income tax, transferred to:				
Net loss		**(2,852)**		—
Property, plant, and equipment		**(33)**		(881)
Items that will not be subsequently reclassified to net earnings:				
Employee future benefits actuarial loss, net of income tax		**(1,237)**		(885)
		3,106		(7,120)
Comprehensive Loss	**$**	**(4,347)**	$	(26,225)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheets
As at March 31, 2018 and December 31, 2017
(Unaudited, in thousands of dollars)

	Notes	March 2018	December 2017
Assets			
Current			
Cash		**$ 85,585**	$ 68,860
Accounts receivable		**27,810**	64,184
Income taxes recoverable		**28,100**	14,967
Assets of discontinued operations		**—**	973
Other current assets	**10**	**19,895**	12,998
		161,390	161,982
Employee Future Benefits		**11,105**	12,485
Property, Plant, and Equipment	**11**	**792,266**	769,845
Investment Properties	**12**	**21,181**	21,959
Goodwill and Intangible Assets	**13**	**15,354**	15,831
Investment in Joint Ventures	**6**	**124,713**	103,932
Other Assets	**14**	**14,249**	14,256
		$ 1,140,258	$ 1,100,290
Liabilities			
Current			
Accounts payable and accrued charges		**$ 62,366**	$ 69,622
Current portion of long-term debt	**17**	**101,921**	48,907
Income taxes payable		**1,330**	341
Liabilities of discontinued operations		**—**	1,488
Other current liabilities	**15**	**2,885**	8,852
		168,502	129,210
Other Long-Term Liabilities	**16**	**2,739**	4,925
Deferred Income Taxes		**40,830**	38,638
Employee Future Benefits		**23,898**	23,960
Long-Term Debt	**17**	**251,818**	243,097
		319,285	310,620
Commitments	**20**		
Shareholders' Equity			
Share Capital	**18**	**8,267**	8,268
Contributed Surplus		**10,565**	10,703
Convertible Debentures		**2,308**	2,309
Accumulated Other Comprehensive Loss	**19**	**(19,164)**	(23,507)
Retained Earnings		**650,495**	662,687
		652,471	660,460
		$ 1,140,258	$ 1,100,290

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity
As at March 31, 2018 and 2017
(Unaudited, in thousands of dollars)

	Share Capital (Note 18)	Contributed Surplus and Convertible Debentures	Accumulated Other Comprehensive Earnings (Loss) (Note 19)	Retained Earnings	Total Equity
Balance at December 31, 2016	$ 8,344	$ 16,547	$ (3,845)	$ 620,504	$ 641,550
Net earnings (loss)	—	—	—	(19,105)	(19,105)
Dividends	—	—	—	(2,724)	(2,724)
Other comprehensive earnings (loss)	—	—	(6,235)	(885)	(7,120)
Balance at March 31, 2017	$ 8,344	$ 16,547	$ (10,080)	$ 597,790	$ 612,601
Balance at December 31, 2017	$ 8,268	$ 13,012	$ (23,507)	$ 662,687	$ 660,460
Net earnings (loss)	—	—	—	(7,453)	(7,453)
Dividends	—	—	—	(3,502)	(3,502)
Repurchase and cancellation of common shares	(1)	(139)	—	—	(140)
Other comprehensive earnings (loss)	—	—	4,343	(1,237)	3,106
Balance at March 31, 2018	$ 8,267	$ 12,873	$ (19,164)	$ 650,495	$ 652,471

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows
For the Three Months ended March 31, 2018 and 2017
(Unaudited, in thousands of dollars)

	Notes	2018	2017 Note 12
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net loss from continuing operations		**$ (7,453)**	$ (19,431)
Earnings of joint ventures	**6**	**(1,878)**	209
Items not affecting cash			
Depreciation of property, plant, equipment, and intangibles	**22**	**12,715**	11,344
Foreign exchange, interest expense, and income tax expense		**(11,823)**	(4,126)
Net change in non-cash operating working capital		**17,427**	9,824
Income taxes paid		**(3,261)**	(6,608)
Employee future benefits paid		**(610)**	(478)
Net cash generated from operating activities		**5,117**	(9,266)
Investing			
Additions to property, plant, and equipment	**22**	**(22,400)**	(62,144)
Additions to investment properties	**12**	**(18)**	—
Distributions received from joint ventures		**6,448**	1,333
Investment in joint ventures		**(22,284)**	—
Net cash used in investing activities		**(38,254)**	(60,811)
Financing			
Interest paid		**(5,341)**	(6,925)
Interest received		**281**	—
Proceeds of long-term debt		**76,334**	11,913
Repayments on long-term debt		**(18,818)**	—
Repurchase of common shares		**(140)**	—
Dividends paid		**(3,502)**	(2,722)
Net cash generated from financing activities		**48,814**	2,266
Net Change in Cash from Continuing Operations		**15,677**	(67,811)
Cash Used in Discontinued Operations		**—**	(7,271)
Net Change in Cash		**15,677**	(75,082)
Effects of Exchange Rate Changes on Cash Held in Foreign Currencies		**1,048**	(483)
Cash, Beginning of Period		**68,860**	130,039
Cash, End of Period		**$ 85,585**	$ 54,474

See accompanying notes to the interim condensed consolidated financial statements.

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Algoma Central Corporation (the “Company”) is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Company's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The interim condensed consolidated financial statements of the Company for the three months ended March 31, 2018 and 2017 comprise the Company, its subsidiaries and the Company's interest in associated and jointly controlled entities.

The principal subsidiaries are Algoma Shipping Ltd., Algoma International Shipholdings Ltd., Algoma Tankers Limited and Algoma Central Properties Inc. The principal jointly controlled entities are Marbulk Canada Inc. (50%), NovaAlgoma Cement Carriers Ltd. (50%) and NovaAlgoma Short-Sea Holdings Ltd. (50%). In addition, Algoma Shipping Ltd. and Marbulk Canada Inc. are members 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 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 five 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 iron ore, grain, 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 five ocean-going self-unloading vessels, a 50% interest in a sixth self-unloader and a 25% interest in a specialized ocean vessel. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide trades.

The Global Short Sea Shipping segment includes the Company's 50% interests, through joint ventures, in NovaAlgoma Cement Carriers Ltd. and NovaAlgoma Short-Sea Holdings Ltd.

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, 2017 and 2016, except as described in Note 3. The financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2017 and 2016.

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 interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on May 4, 2018.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

APPLIED

Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement. This final version includes requirements on: (1) classification and measurement of financial assets and liabilities; (2) impairment of financial assets; and (3) general hedge accounting. Accounting for macro hedging has been decoupled from IFRS 9. The Company has an accounting policy choice to apply the hedge accounting requirements of IFRS 9 or IAS 39. The Company has made the decision to continue applying the IAS 39 hedge accounting requirements at this time and will comply with the revised hedge accounting disclosures as required by the related amendments to IFRS 7, Financial Instruments: Disclosures.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively with certain exceptions. IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives as long as hindsight is not applied. The Company has made the decision not to restate comparative period financial information and will recognize any measurement difference between the previous carrying amount and the new carrying amount as of the date of adoption, through an adjustment to opening retained earnings.

Classification and Measurement

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on an entity’s business model and the nature of the cash flows of the assets. These categories replace the existing IAS 39 classifications of available-for-sale ("AFS"), loans and receivables, and held-to-maturity. Investments in equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

The combined application of the contractual cash flow characteristics and business model tests as at January 1, 2018 did not result in differences in the measurement bases of financial assets when compared to that utilized under IAS 39.

For financial liabilities, IFRS 9 includes the pre-existing requiements for classification and measurement previously included in IAS 39.

The following table illustrates the financial instrument classification under IAS 39 compared to the new classification and measurement categories under IFRS 9.

Financial Instrument	IAS 39 Classification	IFRS 9 Classification
Cash	Loans & Receivables	Amortized cost
Accounts Receivable	Loans & Receivables	Amortized cost
Accounts Payable and Accrued Charges	Other financial liabilities	Amortized cost
Derivative Assets	FVTPL	FVTPL
Derivative Liabilities	FVTPL	FVTPL
Dividends Payable	Other financial liabilities	Amortized cost
Long-Term Debt	Other financial liabilities	Amortized cost

As noted above, these new categories under IFRS 9 do not change the basis on which financial assets and liabilities are being measured by the Company.

Impairment

IFRS 9 introduces an expected credit loss impairment model to replace the incurred loss model under IAS 39 and is generally expected to result in earlier recognition of credit losses. Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL and equity securities designated as at FVOCI, which are not subject to impairment assessment. The Company has assessed the new requirement and concluded the effect of the change was immaterial, as the Company has historically had very limited actual incurred losses on receivables.

Revenue Recognition

IFRS 15 replaces the detailed guidance on existing revenue recognition requirements and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards such as IAS 17 Leases.

The standard outlines the principles entities must apply to measure and recognize revenue with the core principle being that entities should recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a customer.

The Principles in IFRS 15 must be applied using the following 5-step model:

1. Identify the contract with the customer
2. Identify the separate performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the separate performance obligations in the contract
5. Recognize revenue when (or as) each performance obligation is satisfied

The standard requires entities to exercise considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, as well as requirements covering matters such as licences of intellectual property, warranties, principal versus agent assessment and options to acquire additional goods or services.

IFRS 15 uses the terms ‘contract asset’ and ‘contract liability’ to describe what might more commonly be known as ‘accrued revenue’ and ‘deferred revenue’, however the standard does not prohibit an entity from using alternative descriptions in the balance sheet. The Company has adopted the terminology used in IFRS 15 to describe such balances.

The Company has elected to use the modified retrospective approach in accordance with paragraph C3 (b) of IFRS 15 in transition to the standard, however, apart from providing more extensive disclosures of the Company's revenue transactions, the application of IFRS 15 has not had a material impact on the financial position and/or financial performance of the Company.

(Unaudited, in thousands of dollars, except per share data)

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.

The Company is currently evaluating the impact of this new standard.

5. REVENUE

Disaggregation of Revenue

The Company derives its revenue from the transfer of services over time in the following major business segments. This is consistent with the total revenue that is disclosed for each reportable segment under IFRS 8.

March 31, 2018	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	**Total**
Contract of Affreightment	$ 8,971	$ —	$ —	$ —	$ —	**$ 8,971**
Time Charter	8,315	19,335	—	—	—	**27,650**
Pool Revenue Share	—	—	18,904	—	—	**18,904**
Other	915	—	—	3,303	745	**4,963**
	$ 18,201	$ 19,335	$ 18,904	$ 3,303	$ 745	**$ 60,488**

All segment revenue is recognized over time.

Contract modifications

The Company's contracts are amended occasionally for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue in one of the following ways:

a. prospectively as an additional separate contract;
b. prospectively as a termination of the existing contract and creation of a new contract;
c. as part of the original contract using a cumulative catch up; or
d. as a combination of b) and c).

Contracts for which the Company has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognized over time, the modification will always be treated under either a) or b). Option d) may arise when a contract has a partial termination and a modification of the remaining performance obligations.

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end as management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognized may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price. Importantly any variable consideration is only recognized to the extent that it is highly probably that no revenue reversal will occur.

Principal versus agent

The Company has arrangements with some of its customers whereby it is required to determine if it acts as a principal or an agent as more than one party is involved in providing the services to the customer. The Company acts as a principal if it controls a promised service before transferring that good or service to the customer. The Company is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the Company has in establishing the price for the specified good or service, whether the Company has inventory risk and whether the Company is primarily responsible for fulfilling the promise to deliver the service.

This assessment of control requires judgement in particular in relation to certain service contracts. The Company may be assessed to be agent or principal dependent upon the facts and circumstances of the arrangement and the nature of the services being delivered.

Where the Company is acting as a principal, revenue is recorded on a gross basis. Where the Company is acting as an agent, revenue is recorded at a net amount reflecting the margin earned. In our pooling agreements the difference between these amounts is typically the fuel and voyage costs incurred to fulfill the contract obligation.

Contract related assets and liabilities

As a result of the contracts which the Company enters into with its customers, a number of different assets and liabilities are recognized on the Company's balance sheet. These may include but are not limited to:

- Property, plant and equipment
- Contract fulfilment assets
- Contract assets
- Trade receivables
- Accrued income
- Deferred income

Initial recognition of contract fulfilment assets

Contract fulfilment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If those other standards preclude capitalization of a particular cost, then an asset is not recognized under IFRS 15.

If other standards are not applicable to contract fulfilment costs, the Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of these criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

Under certain circumstance, the Company may incur costs to deliver its voyage or charter service in a more efficient way. The most common type of cost is vessel modification for specific needs in contracts with customers.

Treatment of contract fulfilment assets and capitalized costs to obtain a contract

The Company amortizes contract fulfilment assets and capitalized costs to obtain a contract to operations or selling expense over the expected contract period using a systematic basis that mirrors the pattern in which the Company transfers control of the service to the customer. Judgement is applied to determine this period, for example whether this expected period would be the contract term or a longer period such as the estimated life of the customer relationship for a particular contract if, say, renewals are expected.

A contract fulfilment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

Management is required to determine the recoverability of all contract related assets. At each reporting date, the Company determines whether or not the contract related assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Contract assets and liabilities

The Company’s customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided.

These payment schedules may include performance-based payments or progress payments as well as regular monthly payments for ongoing service delivery. Payments for transactional goods and services may be at the voyage start date, or at the beginning of each month for Time Charters. Where payments made are greater than the revenue recognized at the period end date, the Company recognizes a deferred income contract liability for this difference.

Where payments made are less than the revenue recognized at the period end date, the Company recognizes a contract asset for this difference. The contract asset represents the balance due from customers.

Contract assets		March 31, 2018
Unbilled revenue	$	3,494

The Company’s contract liabilities balances solely relate to revenue from contracts with customers. Movements in the contract liabilities balances were driven by transactions entered into by the Company within the normal course of business in this quarter.

Contract liabilities		March 31, 2018
Current	$	1,044
Non-current	$	nil

6. 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, a 50% interest in NovaAlgoma Cement Carriers Ltd., ("NACC") which owns and operates pneumatic cement carriers to support infrastructure projects worldwide, and a 50% interest in NovaAlgoma Short Sea Holdings Ltd., ("NASH") which owns and manages short sea dry-bulk vessels in global markets.

(Unaudited, in thousands of dollars, except per share data)

The revenues, expenses and net earnings of the joint ventures by segment for the three months ended March 31, 2018 and 2017 are as follows:

	2018		2017	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 2,264**	**$ 64,648**	$ 1,648	$ 6,726
Operating expenses	**(1,478)**	**(55,487)**	(1,696)	(3,332)
General and administrative	**(233)**	**(1,097)**	(176)	(181)
Depreciation	**(917)**	**(2,709)**	(994)	(1,273)
Interest expense	**(350)**	**(1,019)**	(350)	(476)
Foreign exchange gain (loss)	**782**	**(256)**	(306)	—
Earnings (loss) before income taxes	**68**	**4,080**	(1,874)	1,464
Net earnings of joint ventures	**—**	**427**	—	—
Income tax (expense) recovery	**(74)**	**(207)**	124	—
Net earnings (loss)	**$ (6)**	**$ 4,300**	$ (1,750)	$ 1,464
Company share of net earnings (loss)	**$ (3)**	**$ 2,150**	$ (875)	$ 732
Amortization of vessel purchase price allocation and intangibles	**—**	**(269)**	—	(66)
Company share included in net earnings (loss) of joint ventures	**$ (3)**	**$ 1,881**	$ (875)	$ 666

The Company's total share of net earnings of the jointly controlled operations by segment for the three months ended March 31, 2018 and 2017 are as follows:

	2018	2017
Ocean Self-Unloaders	**$ (3)**	$ (875)
Global Short Sea Shipping	**1,881**	666
	$ 1,878	$ (209)

(Unaudited, in thousands of dollars, except per share data)

The assets and liabilities of the joint ventures by segment at March 31, 2018 and December 31, 2017 are as follows:

	2018		2017	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Cash	**$ 1,478**	**$ 7,798**	$ 3,730	$ 10,187
Other current assets	**1,941**	**38,088**	1,722	38,053
Income taxes recoverable	**550**	**22**	592	22
Property, plant, and equipment	**33,632**	**301,081**	33,640	237,215
Investment in joint ventures	**—**	**3,608**	—	3,608
Intangible asset	**870**	**—**	924	—
Other assets	**248**	**26,276**	30	35,255
Other current liabilities	**(1,126)**	**(59,878)**	(1,136)	(56,895)
Due to owners	**(28,839)**	**—**	(28,488)	—
Long-term debt	**—**	**(121,549)**	—	(115,135)
Other long-term liabilities	**—**	**(111)**	—	(909)
Deferred income taxes	**—**	**(880)**	—	(880)
Net assets of jointly controlled operations	**$ 8,754**	**$ 194,455**	$ 11,014	$ 150,521
Company share of net assets	**$ 4,377**	**$ 97,227**	$ 5,507	$ 75,261
Goodwill and other purchase price adjustments	**—**	**23,109**	—	23,164
Company share of joint venture	**$ 4,377**	**$ 120,336**	$ 5,507	$ 98,425

The Company's net investment in the jointly controlled operations by segment at March 31, 2018 and December 31, 2017 are as follows:

	2018	2017
Ocean Self-Unloaders	**$ 4,377**	$ 5,507
Global Short Sea Shipping	**120,336**	98,425
	$ 124,713	$ 103,932

(Unaudited, in thousands of dollars, except per share data)

7. INTEREST EXPENSE

The components of interest expense are as follows:

		2018		2017
Interest expense on borrowings	**$**	**4,291**	$	3,803
Amortization of financing costs		**286**		234
Interest on employee future benefits, net		**72**		113
Interest capitalized on vessels under construction		**(2,968)**		(2,983)
	$	**1,681**	$	1,167

8. FOREIGN CURRENCY GAIN/(LOSS)

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

		2018		2017
Gains (losses) on foreign denominated cash	**$**	**3,707**	$	(694)
Loss on return of capital from foreign subsidiary		**—**		(599)
Unrealized gain (loss) on foreign currency		**6,531**		(1,365)
	$	**10,238**	$	(2,658)

The Company designates a portion of its U.S. dollar cash balances as a hedge against certain U.S. dollar purchase commitments relating to the Equinox Class project.

Gains and losses on the translation of the U.S. dollar cash from the date on which the respective hedges were designated to the date on which the hedge ceased to be so designated, were initially recorded in other comprehensive earnings.

See Note 19 for the Company’s hedge accounting policies relating to foreign currency translation gains and losses on long-term debt and U.S. cash.

(Unaudited, 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:

		2018		2017
Combined federal and provincial statutory income tax rate		**26.5%**		26.5%
Loss before income tax from continuing operations and net earnings of joint ventures	**$**	**(12,597)**	$	(27,173)
Expected income tax (expense) recovery	**$**	**3,338**	$	7,201
(Increase) decrease in expense resulting from:				
Effect of items that are not (deductible) taxable		**433**		(180)
Foreign tax rates different from statutory rate		**237**		825
Adjustments to prior period provision		**(554)**		—
Other		**(188)**		105
	$	**3,266**	$	7,951

10. OTHER CURRENT ASSETS

The components of other current assets are as follows:

		March 31 2018		December 31 2017
Materials and supplies	**$**	**10,405**	$	9,218
Prepaid expenses		**8,076**		3,709
Loan interest receivable		**175**		—
Derivative asset		**1,239**		71
	$	**19,895**	$	12,998

(Unaudited, in thousands of dollars, except per share data)

11. 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, 2017	$ 8,113	$ 826,167	$ 193,558	$ 236,688	$ 1,264,526
Additions	10	26,977	1,185	719	28,891
Effect of foreign currency exchange differences	—	—	—	6,688	6,688
Balance at March 31, 2018	$ 8,123	$ 853,144	$ 194,743	$ 244,095	$ 1,300,105

Accumulated depreciation	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Total
Balance at December 31, 2017	$ 3,359	$ 323,131	$ 100,601	$ 67,590	$ 494,681
Depreciation expense	123	4,797	2,465	2,989	10,374
Effect of foreign currency exchange differences	—	—	—	2,784	2,784
Balance at March 31, 2018	$ 3,482	$ 327,928	$ 103,066	$ 73,363	$ 507,839

Net Book Value	Corporate	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Total
December 31, 2017					
Cost	$ 8,113	$ 826,167	$ 193,558	$ 236,688	$ 1,264,526
Accumulated depreciation	3,359	323,131	100,601	67,590	494,681
	$ 4,754	$ 503,036	$ 92,957	$ 169,098	$ 769,845
March 31, 2018					
Cost	$ 8,123	$ 853,144	$ 194,743	$ 244,095	$ 1,300,105
Accumulated depreciation	3,482	327,928	103,066	73,363	507,839
	$ 4,641	$ 525,216	$ 91,677	$ 170,732	$ 792,266

The net book value of Domestic Dry-Bulk property, plant and equipment at March 31, 2018 included $2,968 (2017 - $2,983) of cost capitalized on vessels under construction.

(Unaudited, in thousands of dollars, except per share data)

12. INVESTMENT PROPERTIES

The Company owns a shopping centre and apartment building located in Sault Ste. Marie, Ontario. The Company decided in June 2017 to suspend on-going discussions regarding the sale of the shopping centre and adjacent apartment building until the uncertainty created by the Sears Canada closure is resolved. These properties have been reclassified from discontinued operations into continuing operations as Investment Properties in 2017. In accordance with IFRS 5, the historical operating results of these properties were reclassified to continuing operations on a retroactive basis. In addition to the retroactive reclassification, depreciation in the amount of $2,800 that had not been recorded since classification as an asset held for sale was recorded in the second quarter of 2017 as though the asset had not been originally classified as held for sale.

Details of the investment properties are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2016	$ —	$ —	$ —
Transfer from Discontinued Operations, June 26, 2017	57,677	30,940	26,737
Additions	213	4,991	(4,778)
Balance, December 31, 2017	57,890	35,931	21,959
Additions	18	796	(778)
Balance, March 31, 2018	**$ 57,908**	**$ 36,727**	**$ 21,181**

(Unaudited, in thousands of dollars, except per share data)

13. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	Goodwill	Intangible Assets	Total
Balance at January 1, 2017	$ 7,910	$ 3,681	$ 11,591
Additions	—	7,794	7,794
Amortization	—	(3,086)	(3,086)
Effect of foreign currency exchange differences	—	(468)	(468)
Balance at December 31, 2017	$ 7,910	$ 7,921	$ 15,831
Additions	—	—	—
Amortization	—	(538)	(538)
Effect of foreign currency exchange differences	—	61	61
Balance at March 31, 2018	**$ 7,910**	**$ 7,444**	**$ 15,354**

Goodwill

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

Intangible Assets

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 consist of the following:

	March 31 2018	December 31 2017
Loan receivable from joint venture, interest at 4.98%	**$ 14,244**	$ 14,244
Derivative asset	**—**	12
Other	**5**	—
	$ 14,249	$ 14,256

(Unaudited, in thousands of dollars, except per share data)

15. OTHER CURRENT LIABILITIES

The components of other current liabilities are as follows:

	March 31 2018	December 31 2017
Dividends payable	**$ 682**	$ 565
Derivative liabilities	**2,028**	8,122
Compensation payable to Pool members	**175**	165
	$ 2,885	$ 8,852

16. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

	March 31 2018	December 31 2017
Compensation payable to Pool members	**$ 2,914**	$ 5,090
Less: current portion	**175**	165
	$ 2,739	$ 4,925

A portion of the compensation paid 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 is payable in four equal annual instalments commencing April 1, 2017.

(Unaudited, in thousands of dollars, except per share data)

17. LONG-TERM DEBT

		March 31 2018		December 31 2017
Convertible unsecured subordinated debentures, due June 30, 2024, interest at 5.25%	**$**	**79,437**	$	79,338
Senior Secured Notes, due July 19, 2021				
U.S. $75,000, interest fixed at 5.11%		**96,705**		94,088
Canadian $75,000, interest fixed at 5.52%		**75,000**		75,000
Bank Facility, due July 15, 2020				
LIBOR, U.S. $55,681, due May 18, 2018, interest at 3.50%		**71,796**		25,090
Base rate loan, interest at 6%		**—**		18,817
Prime rate loan, interest at 4.2%		**30,000**		5,000
Mortgage payable, due March 8, 2023, interest at 4.73%		**5,850**		—
		358,788		297,333
Less: unamortized financing expenses		**5,049**		5,329
		353,739		292,004
Less: current portion of long-term debt		**101,921**		48,907
	$	**251,818**	$	243,097

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 Senior Secured Notes.

As at March 31, 2018 and December 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 38,545,715 common shares outstanding as at March 31, 2018 (December 31, 2017 - 38,552,315).

At March 31, 2018 and December 31, 2017 there were no preferred shares issued and outstanding.

The Company's Board of Directors on May 4, 2018 authorized payment of a quarterly dividend to shareholders of $0.10 per common share. The dividend is payable on June 1, 2018 to shareholders of record on May 18, 2018.

(Unaudited, in thousands of dollars, except per share data)

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

		2018		2017
Net loss from continuing operations for basic earnings per share	**$**	**(7,453)**	$	(19,431)
Interest expense on debentures, net of tax		**971**		1,078
Net loss from continuing operations for diluted earnings per share	**$**	**(6,482)**	$	(18,353)
Basic weighted average common shares		**38,550,115**		38,913,733
Shares due to dilutive effect of debentures		**3,900,709**		4,478,896
Diluted weighted average common shares		**42,450,824**		43,392,629
Basic loss per common share from continuing operations	**$**	**(0.19)**	$	(0.50)
Diluted net loss per common share from continuing operations	**$**	**(0.19)**	$	(0.50)

Normal Course Issuer Bid

On January 23, 2018, Algoma filed a notice of intention to make a normal course issuer bid ("NCIB") with the Toronto Stock Exchange advising of its intention to purchase up to 1,927,615 of its commons shares representing approximately 5% of the common shares issued and outstanding as of the close of business on January 16, 2018.

Under the NCIB, the Company may purchase up to 1,838 common shares per day, representing 25% of the average daily trading volume during the six months ending December 31, 2017. The Company may buy back common shares anytime during the twelve-month period beginning on January 29, 2018 and ending on January 28, 2019. The stated capital of the common shares of $0.21 per share on the balance sheet equals the approximate paid-up capital amount of the common shares for purposes of the Income Tax Act. The purchase results in a reduction to share capital and a reduction to contributed surplus for the balance of the purchase price and expenses. Both items have been identified separately on the Consolidated Statements of Changes in Equity.

Substantial Issuer Bid

In December, 2017, the Company repurchased 361,418 common shares (the “Shares”) for cancellation at a price of $14.75 per Share under a substantial issuer bid (“SIB”).

The Shares purchased under the SIB represent an aggregate purchase price of $5,920 and represented 0.9% of the total number of the Company’s issued and outstanding common shares as of December 15, 2017 (the expiry date of the SIB).

(Unaudited, in thousands of dollars, except per share data)

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)	7,180	(3,381)	(21,413)	(17,614)
Reclassified to earnings	—	(767)	—	(767)
Income tax (expense) recovery	(1,728)	447	—	(1,281)
Net gain (loss)	5,452	(3,701)	(21,413)	(19,662)
Balance at December 31, 2017	$ (13,179)	$ 665	$ (10,993)	$ (23,507)
Gain (loss)	(3,758)	1,622	8,043	5,907
Reclassified to earnings	—	(3,288)	—	(3,288)
Reclassified to property, plant, and equipment	—	(38)	—	(38)
Income tax recovery	648	1,114	—	1,762
Net (loss) gain	(3,110)	(590)	8,043	4,343
Balance at March 31, 2018	**$ (16,289)**	**$ 75**	**$ (2,950)**	**$ (19,164)**

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 are reclassified to property, plant, and equipment when the payments to the shipyard are made or to earnings when a hedge is deemed to be ineffective.

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.

(Unaudited, in thousands of dollars, except per share data)

20. COMMITMENTS

The table below reflects the commitments the Company has at March 31, 2018.

Construction of five Equinox Class vessels	$	**86,084**
Construction of three cement carriers		**3,725**
Employee future benefit payments		**3,734**
	$	**93,543**

Annual expected payments are as follows:

Due in 2018	$	**7,964**
Due in 2019		**83,447**
Due in 2020		**974**
Due in 2021		**974**
Due in 2022		**137**
Due beyond 2022		**47**
	$	**93,543**

The expected payment dates for the five Equinox Class vessels have been based on management's estimate of the current stage of completion of the respective vessels.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

The Company's financial instruments that are included in the consolidated balance sheets comprise cash, accounts receivable, derivative assets, accounts payable and accrued charges, derivative liabilities, dividends payable 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 and 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).

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

(Unaudited, in thousands of dollars, except per share data)

Fair Value

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

		March 31 2018		December 31 2017
Financial assets carrying and fair value:				
Cash	**$**	**85,585**	$	68,860
Accounts receivable	**$**	**27,810**	$	64,184
Derivative asset	**$**	**1,239**	$	83
Other assets	**$**	**14,249**	$	14,256
Financial liabilities carrying and fair value:				
Accounts payable and accrued charges	**$**	**62,366**	$	69,622
Dividends payable	**$**	**682**	$	565
Derivative liabilities	**$**	**2,028**	$	8,122
Compensation payable to Pool members	**$**	**2,914**	$	5,090
Carrying value of long-term debt	**$**	**358,788**	$	297,333
Fair value of long-term debt	**$**	**361,844**	$	307,734

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, 2018 are as follows:

	2018	2019	2020	2021	2022 and Beyond	Total
Long-term debt including equity component	$ 101,888	$ 130	$ 136	$ 171,848	$ 87,848	$ 361,850
Capital asset commitments	7,336	82,473	—	—	—	89,809
Dividends payable	3,855	—	—	—	—	3,855
Interest payments on long-term debt	13,619	13,682	13,676	9,540	4,642	55,159
Employee future benefit payments	628	974	974	974	184	3,734
	$ 127,326	$ 97,259	$ 14,786	$ 182,362	$ 92,674	$ 514,407

(Unaudited, in thousands of dollars, except per share data)

Foreign currency exchange risk

At March 31, 2018 and December 31, 2017, approximately 24% of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $27,699 and $29,516 at March 31, 2018 and December 31, 2017, 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.

As of March 31, 2018 the Company had Euro denominated foreign exchange forward contracts outstanding with a notional principal of €55,526 and a fair value loss of $1,339 (December 31, 2017 - $7,377), and U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $17,000 (December 31, 2017 - $24,840) and fair value gain of $550 (December 31, 2017 - loss of $663). The contract maturities are as follows: 2018 - €55,526, U.S. - $3,000, 2019 - U.S. - $14,000.

22. SEGMENT DISCLOSURES

The Company operates through six segments; Domestic Dry-Bulk, Product Tankers, Ocean Self-Unloaders, Global Short Sea Shipping, Investment Properties and Corporate. 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.

Revenues	**2018**	2017
Domestic Dry-Bulk	**$ 18,201**	$ 18,401
Product Tankers	**19,335**	11,681
Ocean Self-Unloaders	**18,904**	18,657
	56,440	48,739
Investment Properties	**3,303**	3,088
Corporate	**745**	265
	$ 60,488	$ 52,092

(Unaudited, in thousands of dollars, except per share data)

Operating Expenses	2018	2017
Domestic Dry-Bulk	**$ 32,584**	$ 31,089
Product Tankers	**15,208**	11,992
Ocean Self-Unloaders	**12,175**	11,750
	59,967	54,831
Investment Properties	**1,962**	2,141
Corporate	**127**	235
	$ 62,056	$ 57,207

Net Earnings from Continuing Operations	2018		2017	
Operating earnings (loss) net of income tax				
Domestic Dry-Bulk	**$ (15,200)**		$ (15,008)	
Unrealized gain (loss) on foreign currency exchange contracts	**4,800**		(1,003)	
		(10,400)		(16,011)
Product Tankers		**681**		(2,431)
Ocean Self-Unloaders		**1,466**		1,723
Global Short Sea Shipping		**1,881**		666
		(6,372)		(16,053)
Investment properties		**401**		696
Corporate		**(1,852)**		(2,388)
Segment operating loss		**(7,823)**		(17,745)
Not specifically identifiable to segments:				
Interest expense		**(1,236)**		(858)
Interest income		**207**		204
Foreign currency gain (loss)		**2,725**		(950)
Income tax expense		**(1,326)**		(82)
		$ (7,453)		$ (19,431)

(Unaudited, in thousands of dollars, except per share data)

Assets	**March 31 2018**	December 31 2017
Domestic Dry-Bulk	**$ 581,556**	$ 561,988
Product Tankers	**93,703**	104,695
Ocean Self-Unloaders	**191,249**	190,421
Global Short Sea Shipping	**120,336**	98,425
Assets of discontinued operations held for sale	**—**	973
Total assets allocated to segments	**986,844**	956,502
Not specifically identifiable to segments	**153,414**	143,788
	$ 1,140,258	$ 1,100,290

Additions to Property, Plant, Equipment, and Intangibles	**2018**	2017
Domestic Dry-Bulk	**$ 26,977**	$ 43,498
Product Tankers	**1,185**	243
Ocean Self-Unloaders	**719**	118
Corporate	**10**	22
Total per property, plant, and equipment note (Note 11)	**28,891**	43,881
Capitalized interest (Note 7)	**(2,968)**	(2,983)
Amounts included in working capital	**(3,523)**	21,246
Total per cash flow statement	**$ 22,400**	$ 62,144

Depreciation of Property, Plant, Equipment, and Intangibles	**2018**	2017
Domestic Dry-Bulk	**$ 4,671**	$ 4,985
Product Tankers	**2,463**	2,173
Ocean Self-Unloaders	**4,525**	4,102
	11,659	11,260
Investment Properties	**796**	—
Corporate	**260**	84
	$ 12,715	$ 11,344

(Unaudited, in thousands of dollars, except per share data)

Liabilities	March 31 2018	December 31 2017
Domestic Dry-Bulk	$ **44,680**	$ 55,105
Product Tankers	**22,684**	22,887
Ocean Self-Unloaders	**11,418**	12,060
Liabilities of discontinued operations held for sale	**—**	1,488
Total liabilities allocated to segments	**78,782**	91,540
Not specifically identifiable to segments		
Current liabilities	**5,375**	9,028
Other	**403,630**	339,262
Total Liabilities	$ **487,787**	$ 439,830

ALGOMA · CENTRAL · CORPORATION

2018

www.algonet.com