ALGOMA CENTRAL CORPORATION

Interim Report to Shareholders

For the Three and Nine Months Ended
September 30, 2013 and 2012

ALGOMA CENTRAL CORPORATION
Caution Regarding Forward-Looking Statements

Algoma Central Corporation's public communications often include written or oral forward-looking statements. Statements of this type are included in this document and may be included in other filings with Canadian securities regulators or in other communications. All such statements are made pursuant to the safe harbour provisions of any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2013 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price and the results of or outlook for our operations or for the Canadian and U.S. economies. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

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

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

For more information, please see the discussion on pages 13 to 17 in the Corporation's Annual Information Form for the year ended December 31, 2012, which outlines in detail certain key factors that may affect the Corporation's future results. This should not be considered a complete list of all risks to which the Corporation may be subject from time to time. When relying on forward looking statements to make decisions with respect to the Corporation, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. The Corporation does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives and may not be appropriate for other purposes.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

General

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

This Management's Discussion and Analysis ("MD&A") of the Corporation should be read in conjunction with its consolidated financial statements for the three and nine months ended September 30, 2013 and 2012 and related notes thereto and for the years ending December 31, 2012 and 2011 and and has been prepared as of November 8, 2013.

The MD&A has been prepared by reference to the disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on the Corporation, including its 2012 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Corporation's website at *www.algonet.com*.

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

Summary of Quarterly Results

The results for the last eight quarters are as follows:

Year	Quarter	Revenue	Net earnings (loss)	Basic earnings (loss) per share
2013	Quarter 3	$ 146,948	$ 28,328	$ 0.73
	Quarter 2	$ 144,930	$ 19,381	$ 0.50
	Quarter 1	$ 50,757	$ (28,635)	$ (0.74)
2012	Quarter 4	$ 148,667	$ 24,252	$ 0.62
	Quarter 3	$ 165,020	$ 29,639	$ 0.76
	Quarter 2	$ 157,233	$ 20,250	$ 0.52
	Quarter 1	$ 56,951	$ (31,959)	$ (0.82)
2011	Quarter 4	$ 175,406	$ 33,358	$ 0.86

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Performance

Consolidated Results	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	**2013**	2012
Revenues	**$ 146,948**	$ 165,020	**$ 342,634**	$ 379,204
Segment earnings after income tax	**$ 30,171**	$ 34,529	**$ 24,573**	$ 31,896
Net earnings	**$ 28,328**	$ 29,629	**$ 19,074**	$ 17,913
Basic earnings per share	**$ 0.73**	$ 0.76	**$ 0.49**	$ 0.46

Third -Quarter Results

The Corporation is reporting third quarter revenues of $146,948 compared to $165,020 for the same period in 2012. The decrease is primarily attributable to the seasonal slowing of business during summer months for the domestic dry-bulk segment which for 2013 has been more pronounced than the prior year.

Segment earnings after income taxes were $30,171 compared to $34,529 for the third quarter in 2012. Decreases were experienced in the Domestic Dry-Bulk and the Ocean Shipping, which were only partially offset by improved earnings from Product Tankers. Earnings of the Real Estate segment remained approximately the same.

Net earnings and basic earnings per share were $28,328 and $0.73, respectively, compared to $31,896 and $0.76, respectively, for the same period last year. Lower segment earnings were largely offset by reduced foreign exchange losses and lower interest expense. Net earnings for 2013 include a foreign exchange translation loss of $453 compared to a loss of $3,140 for the same period in 2012. The reduction in interest expense is due primarily to more interest capitalized in 2013 compared to 2012.

Nine-Month Results

The Corporation is reporting revenues for the 2013 nine month period of $342,634 compared to $379,204 for the first nine months of 2012. The decrease is attributable to fewer domestic dry-bulk operating days during the winter months in 2013, a slower start to the domestic dry-bulk season this year, ships laid-up on account of mechanical issues and the more pronounced summer slowdown. Strong demand for domestic product tankers for the 2013 nine month period resulted in increased revenues from that segment.

The segment earnings after income taxes were $24,573 compared to earnings of $31,896 for the first nine months of 2012. The decrease in revenues for the 2013 period was only partially offset by reduced spending. Decreases in earnings for the Domestic Dry-Bulk and Real Estate segments were partially offset with improvements in earnings from the Product Tankers and Ocean Shipping segments.

The net earnings and basic earnings per share were $19,074 and $0.49, respectively, compared to $17,913 and $0.46, respectively, for the same period last year. Lower segment earnings were more than offset by a substantial improvement in the effect of foreign exchange translations and lower interest expense. Net earnings for 2013 includes a gain of $2,344 compared to a loss of $4,714 for the same period in 2012 due primarily to the weakening of the Canadian dollar compared to the U.S. dollar in the 2013 period. The reduction in interest expense is due primarily to more interest capitalized in 2013 compared to 2012.

Delivery of Equinox Vessel

On September 25, 2013 the *Algoma Equinox* was delivered to the Corporation and in early October, the vessel set sail from the Nantong Mingde Heavy Industries shipyard in Nantong, China on her voyage to Canada.

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

The Equinox Class represents the next generation of Great Lakes – St. Lawrence Waterway bulk cargo vessels. The Corporation's $300 million investment in six Equinox Class vessels demonstrates its commitment to operating in a sustainable manner. The ships have been designed to maximize cargo capacity at seaway drafts while optimizing fuel efficiency and speed.

Business Segment Results

	Three Months Ended September 30		Nine Months Ended September 30	
Domestic Dry-Bulk	**2013**	2012	**2013**	2012
Revenue	**$ 105,236**	$ 122,764	**$ 220,413**	$ 263,164
Operating expenses	**(69,304)**	(77,860)	**(188,421)**	(214,993)
General and administrative	**(3,568)**	(3,305)	**(11,761)**	(12,297)
	32,364	41,599	**20,231**	35,874
Depreciation	**(6,326)**	(5,701)	**(19,263)**	(20,018)
Income taxes	**(6,956)**	(10,900)	**(622)**	(4,951)
Net earnings	**$ 19,082**	$ 24,998	**$ 346**	$ 10,905
Operating ratio	**65.9%**	63.4%	**85.5%**	81.7%
Additions to property, plant and equipment	**$ 8,602**	$ 9,823	**$ 20,214**	$ 40,120

	September 30 2013	December 31 2012	January 1 2012
Total assets	**$ 404,177**	$ 395,494	$ 372,895

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues for the third quarter were down compared to the same quarter in the prior year as a result of fewer operating days resulting from vessels laid-up due to a dry-docking and seasonally reduced summer business. In particular, grain and iron ore shipments were lower this period than in the prior year period.

Revenues for the nine months ended September 30, 2013 were lower than the first nine months of 2012. Fewer operating days during the winter season as well as a somewhat slower start to the operating season in 2013 along with the factors mentioned above contributed to the revenue decrease. Great Lakes water levels also had an impact early in the second quarter, as low levels reduced the volumes of cargos that could be carried on some routes. Water levels have since returned to levels comparable to 2012.

Operating expenses for the third quarter were lower than the same period in 2012, primarily as a result of a reduction in operating days resulting in a corresponding decrease in direct vessel operating costs. For the 2013 year to date, operating costs decreased when compared to the same period in the prior year. The reduced operating days during the winter season and reduced fuel costs due to lower prices both contributed to the lower operating cost level, as did a reduction in overall insurance costs.

Depreciation expense reported in the 2013 third quarter is higher in 2013 by $625 when compared to the prior year due to a favourable adjustment in the prior year quarter. For the nine months ended September 30, 2013 compared to the similar period in 2012, depreciation decreased by $755 reflecting the prior year favourable adjustment and the sale in 2012 of certain retired vessels.

	Three Months Ended September 30		Nine Months Ended September 30	
Product Tankers	**2013**	2012	**2013**	2012
Revenue	**$ 24,112**	$ 23,578	**$ 71,447**	$ 64,843
Operating expenses	**(13,024)**	(14,729)	**(46,165)**	(42,975)
General and administrative	**(1,047)**	(2,631)	**(3,390)**	(5,952)
	10,041	6,218	**21,892**	15,916
Depreciation	**(2,462)**	(2,312)	**(7,180)**	(6,903)
Income taxes	**(1,921)**	(75)	**(4,137)**	(1,767)
Net earnings	**$ 5,658**	$ 3,831	**$ 10,575**	$ 7,246
Operating ratio	**54.0%**	62.5%	**64.6%**	66.3%
Additions to property, plant and equipment	**$ 322**	$ -	**$ 2,962**	$ 677

	September 30 2013	December 31 2012	January 1 2012
Total assets	**$ 185,462**	$ 193,256	$ 214,458

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue for the third quarter and for the first nine months both increased when compared to the same periods in the prior year. The increase was a result of strong customer demand. The domestic product tanker fleet is not affected by the winter canal closing to the same extent as the domestic dry-bulk fleet and therefore much of the regulatory dry-docking work on the tanker fleet must be done by taking a vessel out of service. Our ability to service the stronger 2013 customer demand was strengthened as we had fewer out-of-service days related to regulatory dry-docking.

Operating costs for the 2013 third quarter were down compared to the prior year third quarter due primarily to reduced spending. For the year-to-date, operating costs increased reflecting higher volumes and the costs of dry-docking, and an increase in vessel chartering.

On April 30, 2013 the London Arbitration Panel found in favour of the Corporation in all matters related to the rescission of three contracts to construct product tankers for international service (the "London Arbitration"). The Corporation began collection activities for the refund of the construction deposits in the quarter. Collection proceedings have been stayed while the shipyard seeks leave to appeal the decision. The Corporation expects to have a ruling by the end of the current year. General and administrative expenses for the third quarter of 2012 reflect legal costs related to this matter that were not incurred in 2013.

Depreciation expense increased slightly for both the third quarter and the first nine months compared to the prior year as a result of increased regulatory dry-docking costs incurred last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ocean Dry-Bulk Shipping	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Corporations share of Pool revenue	**$ 16,727**	$ 19,380	**$ 48,251**	$ 54,685
Less revenues included in earnings of joint arrangements	**(6,367)**	(8,201)	**(18,498)**	(25,410)
Consolidated segment revenue	**10,360**	11,179	**29,753**	29,275
Operating expenses	**(6,092)**	(6,102)	**(17,642)**	(18,007)
General and administrative	**(633)**	(791)	**(2,127)**	(2,312)
	3,635	4,286	**9,984**	8,956
Depreciation	**(1,038)**	(938)	**(3,256)**	(2,727)
Income taxes	**607**	(352)	**268**	(288)
Earnings from joint arrangement	**1,494**	1,978	**4,918**	5,506
Net earnings	**$ 4,698**	$ 4,974	**$ 11,914**	$ 11,447
Operating ratio	**58.8%**	54.6%	**59.3%**	61.5%
Additions to property, plant and equipment	**$ (14)**	$ 27	**$ (70)**	$ 1,201

	September 30 2013	December 31 2012	January 1 2012
Total assets	**$ 68,124**	$ 74,267	$ 70,840

IFRS 11 requires that earnings from a jointly controlled entity that form part of our Ocean Shipping segment be reported separately on the Unaudited Condensed Consolidated Statement of Earnings (Loss). The Corporation's management is actively engaged in the operation of this entity and the underlying international pool from which it earns revenues and therefore, the discussion of earnings, revenues and operating expenses of these entities include the amounts that have been presented on the Unaudited Condensed Consolidated Statement of Earnings (Loss) within Earnings of Joint Arrangements for the respective segments.

We have a 100% interest in two vessels and a 50% interest in four other vessels that operate as part of an international commercial Pool (the Pool). For Ocean Shipping, revenue generated by these ships is the principal driving factor behind this segment's operating results, regardless of whether those ships are owned directly or indirectly through a non-controlled investee. The accounting presentation dictated by IFRS 11 excludes all of the revenue earned by ships in which we do not hold a controlling interest from reported revenues; therefore the segment earnings statement for Ocean Shipping discloses our total share of revenue from the Pool and the amount that we report in our consolidated revenue. The Corporation's share of Pool revenue is a non-GAAP financial measure which may not be comparable to similar measures reported by other corporations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Corporation's share of Pool revenues for the third quarter and for the nine months ended September 30, 2013 were down 13% and 12% respectively when compared to 2012. Late in the third quarter of 2012, a vessel in which we had a 50% interest was sold, resulting in a reduction (from five to four) in the number of vessels in the Pool in which we have an indirect interest. This led to a reduction in our effective interest in the Pool and is the primary factor behind the decrease in revenues. In addition, a second jointly owned vessel began a long-term bare-boat charter, which reduces the revenue and operating costs of the vessel but has a negligible impact on vessel earnings.

Operating costs, reflecting only the 100% owned vessels, were down marginally for the third quarter and the year-to-date 2013 compared to last year. Dry-dock related costs incurred in 2012 largely offset the reduction in operating costs resulting from the ship sold in 2012.

Depreciation expense increases for the second quarter and for the first nine months compared to the same prior-year periods were a result of depreciation charges on regulatory dry-docking costs incurred last year.

Reflecting the lower share of Pool revenues in 2013 compared to 2012, earnings from joint arrangements decreased by $484 for the third quarter and $588 for the first nine months compared to the same prior-year periods. The sale of a vessel by our joint arrangement was the primary reason for the reduction in earnings.

	Three Months Ended September 30		Nine Months Ended September 30	
Real Estate	**2013**	2012	**2013**	2012
Revenue	**$ 7,740**	$ 7,499	**$ 21,521**	$ 21,923
Operating expenses	**(4,423)**	(4,533)	**(13,142)**	(12,841)
General and administrative	**(946)**	(994)	**(2,988)**	(2,976)
	2,371	1,972	**5,391**	6,106
Depreciation	**(1,117)**	(1,083)	**(3,328)**	(3,272)
Income taxes	**(606)**	(247)	**(579)**	(784)
Earnings from joint arrangement	**85**	84	**254**	248
Net earnings	**$ 733**	$ 726	**$ 1,738**	$ 2,298
Additions to investment properties	**$ 2,149**	$ 1,351	**$ 4,398**	$ 1,718
Average occupancy			**86.2%**	87.5%

	September 30 2013	December 31 2012	January 1 2012
Total assets	**$ 77,554**	$ 73,909	$ 70,286

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue in the Real Estate segment increased by $241 in the third quarter and is down $402 for the first nine months compared to the same periods in 2012. Lower occupancy at the hotel property in Sault Ste. Marie accounts for the drop in year to date revenue, along with reduced occupancy in the Waterloo buildings. These shortfalls were only partially offset by continued strong results from Station Mall and improved occupancy in our St. Catharines properties.

Operating expenses were down for the 2013 third quarter but up slightly for the nine months ended September 30, 2013. The year-to-date increase reflects general inflation and the cost of some on-going initiatives at certain properties to improve results.
The Real Estate segment operating earnings net of income tax were approximately the same at $726 for the three months ended September 30, 2012 compared to $733 for the 2013 period. For the nine months ended September 30, 2013 earnings were $1,738 compared to $2,298 for the 2012 period. The decrease was due primarily to lower earnings from the hotel operations in Sault Ste. Marie, some vacancies in Waterloo, and costs associated with the Elliot Lake Inquiry.

	Three Months Ended September 30		Nine Months Ended September 30	
Consolidated Results	**2013**	2012	**2013**	2012
Revenue	**$ 146,948**	$ 165,020	**$ 342,634**	$ 379,204
Operating expenses	**(92,843)**	(103,224)	**(265,370)**	(288,816)
General and administrative	**(6,194)**	(8,608)	**(20,266)**	(23,537)
	47,911	53,188	**56,998**	66,851
Depreciation	**(10,943)**	(10,034)	**(33,027)**	(32,920)
Interest expense, net	**(1,889)**	(3,045)	**(6,804)**	(9,673)
Foreign currency translation gain (loss)	**(453)**	(3,140)	**2,344**	(4,714)
Income taxes	**(7,875)**	(9,402)	**(5,609)**	(7,385)
Earnings from joint arrangement	**1,577**	2,062	**5,172**	5,754
Net earnings	**$ 28,328**	$ 29,629	**$ 19,074**	$ 17,913

General and administrative expenses for the three and nine months ended September 30, 2012 included significant legal costs associated the London Arbitration that were not repeated in 2013. Excluding these costs, the consolidated general and administrative expenses in 2013 were down slightly when compared to 2012.

Interest Expense, net

Interest expense consists of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	**2013**	2012
Interest expense on borrowings	**$ 3,630**	$ 3,700	**$10,924**	$ 11,172
Interest income on cash and cash equivalents	**(154)**	(89)	**(353)**	(316)
Interest on employee future benefits	**105**	443	**1,115**	1,329
Amortization of financing costs	**302**	312	**905**	935
Interest capitalized on vessel construction	**(1,994)**	(1,321)	**(5,787)**	(3,447)
	$ 1,889	$ 3,045	**$ 6,804**	$ 9,673

Interest capitalized on vessel construction increased as a result of additional instalments made on the *Equinox Class v*essels.

Foreign Currency Translation Gain (Loss)

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	**2013**	2012
Gain (loss) on U.S. denominated debt	**$ 915**	$ 2,618	**$ (3,352)**	$ 2,534
(Loss) gain on U.S. denominated cash	**(633)**	(3,007)	**4,050**	(3,496)
Realized loss on cash returned from foreign subsidiaries	**(101)**	(7)	**(446)**	(1,432)
Mark-to-market (loss) gain for derivatives that are not eligible for hedge accounting	**(634)**	(2,744)	**2,092**	(2,320)
	$ (453)	$ (3,140)	**$ 2,344**	$ (4,714)

The gain and loss on the U.S. dollar denominated debt and cash respectively are related to the translation to Canadian dollars of those two items and result from changes in the value of the Canadian dollar against the U.S. dollar. As of July 13, 2013 the Corporation designated a portion of its investment in foreign subsidiaries as a hedge against its U.S. dollar denominated debt . Therefore, the gain or loss on the translation of the U.S. debt from the date the hedge was designated to the end of the financial reporting period is being recorded in Other Comprehensive Earnings.

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

Income Taxes

Income tax expense of $7,875 for the three months ended September 30, 2013 was $1,527 lower than the $9,402 for the similar period in 2012. The decrease in the expense is due mainly to reduced earnings before income taxes and earnings of joint arrangements and the effect of non taxable items included in earnings.

The income tax expense for the nine months ended September 30, 2013 was $5,609 when compared to $7,385 for the similar period in 2012. The decrease in expense was due to lower earnings from operations of the business units that were partially offset by the increase in the non-taxable portion of certain foreign currency transactions. In addition, in 2012, the Corporation recognized $2,290 in income tax expense relating to the Province of Ontario announcement that it will defer indefinitely planned reductions to the corporate tax rate.

The Canadian statutory rates for the Corporation for 2013 and 2012 are 26.5% and 26.3 % respectively. Any variation in the effective income tax rate from the statutory income tax rate is due mainly to the lower income tax rates applicable to foreign subsidiaries and changes to income tax provisions related to tax filings for prior periods.

Comprehensive Earnings

The comprehensive earnings for the 2013 three month and nine month periods increased by $10,417 and $35,244 respectively, when compared to the amounts for the comparable periods in 2012.

In recent years including 2012, a combination of weak financial markets and falling discount rates used to value pension liabilities resulted in the Corporation and other pension plan sponsors of defined benefit pension plans having to recognize significant actuarial losses resulting in pension deficits. For 2013, these factors have reversed; as a result, the Corporation is recognizing actuarial gains on employee future benefits resulting from strong investment returns on pension fund assets and increases in the discount rate recommended by our actuaries for use in valuing the liabilities of the post-employment plans. Also, the Corporation experienced gains on the translation of financial statements of foreign operations due to the change of the Canadian dollar when compared to the U.S. dollar.

Internal Controls over Financial Reporting

There have been no changes in the Corporation's internal controls over financial reporting during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Condition, Liquidity and Capital Resources

Excerpts from the Statement of Cash Flows

Three months ended September 30	**2013**	2012	Increase (decrease) in cash
Net earnings	**$ 28,328**	$ 29,629	$ (1,301)
Net cash generated from operating activities	**$ 23,452**	$ 32,300	$ (8,848)
Net cash used in investing activities	**$ 5,133**	$ 10,027	$ 4,894
Net cash used in financing activities	**$ 3,951**	$ 3,794	$ (157)

Nine months ended September 30	**2013**	2012	Increase (decrease) in cash
Net earnings	**$ 19,074**	$ 17,913	$ 1,161
Net cash generated from operating activities	**$ 43,828**	$ 53,699	$ (9,871)
Net cash used in investing activities	**$ 20,200**	$ 39,080	$ 18,880
Net cash used in financing activities	**$ 12,267**	$ 10,591	$ (1,676)

Net Cash Generated From Operating Activities

The decrease in net cash generated from operating activities of $8,848 and $9,871 for the three and nine months ended September 30, 2013, respectively, when compared to the same period in 2012 resulted primarily from reduced earnings and an increase in income tax instalments.

Net Cash Used In Investing Activities

Cash used in investing activities for the three and nine months ended September 30, 2013 and 2012 was primarily for payments related to the *Equinox Class* vessels, life extensions and capitalized dry-dockings costs on certain vessels, and leasehold improvements on various rental properties.

In addition, one retired vessel was sold for net proceeds of $814 in 2013 compared to five vessels sold in 2012 for proceeds of $6,095 in 2012.

Net Cash Used In Financing Activities

Included in the net cash used in financing activities in both periods are the repayments of debt and the payment of dividends to shareholders. Dividends were paid to shareholders at $0.21 and $0.17 per common share for the nine months ended September 30, 2013 and 2012 respectively.

Capital Resources

Management expects that cash and cash equivalents on hand at September 30, 2013 of $138,736, credit facilities and projected cash from operations for the remainder of 2013 will be more than sufficient to meet the Corporation's planned operating and capital requirements and other contractual obligations for the balance of 2013.

The Corporation maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. At September 30, 2013, the Corporation had $148,844 undrawn and available under existing credit facilities.

Contingencies

For information on contingencies, please refer to Note 26 of the consolidated financial statements for the years ending December 31, 2012 and 2011. There have been no significant changes in the items presented since December 31, 2012.

Transactions with Related Parties

There were no transactions with related parties for the three and nine month periods ended September 30, 2013 and 2012.

Contractual Obligations

The table below provides aggregate information about the Corporation's contractual obligations at September 30, 2013 that affect the Corporation's liquidity and capital resource needs.

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Repayment of long-term debt including equity debenture component	$ 6,000	$ 8,500	$ 500	$ 221,273	$ 236,273
Purchase of five *Equinox Class* vessels	69,925	91,281	-	-	161,206
Defined benefit pension payments	3,940	7,880	4,925	-	16,745
Total	$ 79,865	$ 107,661	$ 5,425	$ 221,273	$ 414,224

Application of Revised International Financial Reporting Standards (IFRS)

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

IAS 1 Presentation of Financial Statements

The amendments require the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual reporting periods beginning on or after July 1, 2012.

IFRS 10 Consolidated Financial Statements

This standard introduces a single, principle-based, control model for consolidation, irrespective of whether an entity is controlled through voting rights or through other contractual arrangements as is common in special purpose entities (SPE). Control is based on an investor's current ability to use its power over the key activities of a subsidiary or SPE to affect its exposure or return generated by the subsidiary or SPE. An amendment to the standard was subsequently issued which provided additional transition guidance.

IFRS 12 Disclosure of Interests in Other Entities

The revisions broaden the definition of interests and require enhanced disclosures on interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 Fair Value Measurement

The revisions provides a definition of fair value, establishes a single framework for measuring fair value, and provides disclosure requirements for fair value used across all IFRS standards.

The Corporation has determined there is no impact with the changes in the above four standards on its consolidated financial statements.

IAS 19 Employee Benefits

The amendments to IAS 19 eliminate the use of the corridor approach and require actuarial gains and losses to be recognized immediately in other comprehensive income (OCI). Amounts recorded into OCI would not be reclassified to the Consolidated Statements of Earnings.

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

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

The effect on the Unaudited Condensed Consolidated Financial Statements for the three months ended September 30, 2012 was to decrease net earnings by $289 and increase other comprehensive earnings by $289. For the nine months ended September 30, 2012 the effect was to increase the net loss by $1,397, increase employee future benefits liability by $720 and decrease deferred income taxes by $190 and decrease other comprehensive loss by $867. In addition, $443 for the 2012 quarter and $1,329 for the nine months ended September 30, 2012 was reclassified from general and administrative expenses to interest expense.

IFRS 11 Joint Arrangements

The new standard requires that reporting issuers consider whether a joint arrangement is structured through a separate vehicle, as well as the terms of the contractual arrangement and other relevant facts and circumstances, to assess whether the venture is entitled to only the net assets of the joint arrangement (a "joint venture") or to its share of the assets and liabilities of the joint arrangement (a "joint operation"). Joint ventures must be accounted for using the equity method, whereas joint operations must be accounted for by recognizing the venturer's right to assets and obligations for liabilities (i.e., proportionate consolidation). The standard is required to be applied retrospectively to the prior periods presented.

The Corporation has certain interests in joint arrangements which will be accounted for on the equity basis under the new standard. The Corporation's wholly owned subsidiary, Algoma Central Properties Inc. has an interest in Seventy-Five Corporate Park Drive Ltd. with an unrelated corporation. This joint arrangement owns an office building. The Corporation also has an interest in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The effect of the change to the Unaudited Condensed Consolidated Statement of Earnings (Loss) is as follows:

	Three Months ended September 30, 2012	Nine Months ended September 30, 2012
Decrease in revenues	$ 8,402	$ 25,997
Decrease in operating expenses	(5,705)	(17,639)
Decrease in other expenses	(635)	(2,604)
Earnings of joint arrangements	$ 2,062	$ 5,754

The effect of the change to the Unaudited Condensed Consolidated Balance Sheets is as follows:

	December 31 2012	January 1 2012
Decrease in cash and cash equivalents	$ 4,429	$ 4,984
Decrease in accounts receivables	1,979	2,839
Decrease in material and supplies	1,043	1,164
Decrease in prepaid expenses	104	257
Decrease in property , plant and equipment	9,162	12,590
Decrease in investment properties	1,627	1,684
Decrease in accounts payable and accrued charges	(3,197)	(2,459)
Decrease in deferred income taxes	(4,764)	(4,472)
Investment in joint arrangements	$ 10,383	$ 16,587

The effect of the change to the Unaudited Condensed Consolidated Statement of Cash Flows is as follows:

	Three Months ended September 2012	Nine Months ended September 2012
Decrease in net cash used in operating activities	$ (3,005)	$ (566)
Decrease in cash and cash equivalents, beginning of period	(2,545)	(4,984)
Decrease in cash and cash equivalents, end of period	$ (5,550)	$ (5,550)

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Earnings
For the Three and Nine Months Ended September 30, 2013 and 2012
(In thousands of dollars except per share figures)

	Notes	Three Months Ended September 30 2013	Three Months Ended September 30 2012 (Note 3)	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012 (Note 3)
REVENUE		**$ 146,948**	$ 165,020	**$ 342,634**	$ 379,204
EXPENSES					
Operations		**92,843**	103,224	**265,370**	288,816
General and administrative		**6,194**	8,608	**20,266**	23,537
		99,037	111,832	**285,636**	312,353
EARNINGS BEFORE UNDERNOTED ITEMS		**47,911**	53,188	**56,998**	66,851
Depreciation of property, plant and equipment and investment properties		**(10,943)**	(10,034)	**(33,027)**	(32,920)
Interest expense	**4**	**(1,889)**	(3,045)	**(6,804)**	(9,673)
Net (loss) gain on foreign currency translation	**5**	**(453)**	(3,140)	**2,344**	(4,714)
EARNINGS BEFORE INCOME TAX EXPENSE AND EARNINGS OF JOINT ARRANGEMENTS		**34,626**	36,969	**19,511**	19,544
INCOME TAX EXPENSE		**(7,875)**	(9,402)	**(5,609)**	(7,385)
EARNINGS OF JOINT ARRANGEMENTS	**3**	**1,577**	2,062	**5,172**	5,754
NET EARNINGS		**$ 28,328**	$ 29,629	**$ 19,074**	$ 17,913
BASIC EARNINGS PER SHARE		**$ 0.73**	$ 0.76	**$ 0.49**	$ 0.46
DILUTED EARNINGS PER SHARE		**$ 0.68**	$ 0.71	**$ 0.49**	$ 0.46

See accompanying notes to the unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Comprehensive Earnings
For the Three and Nine Months Ended September 30, 2013 and 2012
(In thousands of dollars except per share figures)

	Notes	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
NET EARNINGS		**$ 28,328**	$ 29,629	**$ 19,074**	$ 17,913
OTHER COMPREHENSIVE EARNINGS (LOSS)					
Item that may be subsequently reclassified to net earnings:					
Unrealized (loss) gain on translation of financial statements of foreign operations		**(3,395)**	(6,452)	**5,803**	(7,093)
Unrealized (loss) gain on hedging instruments, net of income tax		**(129)**	(194)	**895**	(455)
Unrealized gain on net investment hedge, net of income tax		**605**	-	**605**	-
Items that will not be classified to net earnings:					
Employee future benefits					
Actuarial gain (loss), net of income tax	**7**	**3,934**	(2,756)	**14,539**	(5,854)
		1,015	(9,402)	**21,842**	(13,402)
COMPREHENSIVE EARNINGS		**$ 29,343**	$ 20,227	**$ 40,916**	$ 4,511

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Balance Sheets
September 30, 2013, December 31, 2012 and January 1, 2012
(In thousands of dollars)

	Notes	September 30 2013	December 31 2012 (Note 3)	January 1 2012 (Note 3)
ASSETS				
CURRENT				
Cash and cash equivalents		**$ 138,736**	$ 124,494	$ 127,332
Accounts receivable		**65,773**	77,752	74,630
Derivative assets		**360**	-	-
Materials and supplies		**11,593**	12,326	11,852
Prepaid expenses		**10,511**	4,777	3,409
Income taxes recoverable		**21,777**	14,332	21,255
Recoverable vessel deposits	**6**	**35,150**	33,943	-
		283,900	267,624	238,478
RECOVERABLE VESSEL DEPOSITS	**6**	**-**	-	34,697
ASSETS HELD FOR SALE		**-**	-	5,305
PROPERTY, PLANT AND EQUIPMENT		**521,916**	519,965	493,809
GOODWILL		**7,910**	7,910	7,910
INVESTMENT PROPERTIES		**72,051**	69,870	70,680
INVESTMENT IN JOINT ARRANGEMENTS	**3**	**10,413**	10,383	16,587
		$ 896,190	$ 875,752	$ 867,466
LIABILITIES				
CURRENT				
Accounts payable and accrued charges		**$ 59,636**	$ 55,451	$ 74,883
Dividends payable		**1,411**	1,007	906
Current portion of long-term debt	**8**	**4,773**	4,773	4,754
Derivative liabilities		**-**	3,212	2,489
		65,820	64,443	83,032
DEFERRED INCOME TAXES		**60,208**	51,061	46,363
EMPLOYEE FUTURE BENEFITS	**7**	**18,323**	40,835	42,123
LONG-TERM DEBT	**8**	**220,634**	220,953	227,228
COMMITMENTS	**12**	**-**	-	-
		299,165	312,849	315,714
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	**9**	**8,319**	8,319	8,319
CONTRIBUTED SURPLUS		**11,917**	11,917	11,917
CONVERTIBLE DEBENTURES		**4,632**	4,632	4,632
ACCUMULATED OTHER COMPREHENSIVE LOSS	**10**	**(3,299)**	(10,602)	(6,235)
RETAINED EARNINGS		**509,636**	484,194	450,087
		531,205	498,460	468,720
		$ 896,190	$ 875,752	$ 867,466

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements Changes in Equity
For the Three and Nine Months Ended September 30, 2013 and 2012
(In thousands of dollars except per share figures)

	Share capital	Contributed Surplus/ Convertible debentures	(Note 10) Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
BALANCE AT DECEMBER 31, 2011	$ 8,319	$ 16,549	$ (6,235)	$ 450,087	$ 468,720
Net earnings	-	-	-	17,913	17,913
Dividends declared	-	-	-	(6,226)	(6,226)
Other comprehensive loss	-	-	(7,548)	(5,854)	(13,402)
BALANCE AT SEPTEMBER 30, 2012	$ 8,319	$ 16,549	$ (13,783)	$ 455,920	$ 467,005
BALANCE AT DECEMBER 31, 2012	$ 8,319	$ 16,549	$ (10,602)	$ 484,194	$ 498,460
Net earnings	-	-	-	19,074	19,074
Dividends declared	-	-	-	(8,171)	(8,171)
Other comprehensive earnings	-	-	7,303	14,539	21,842
BALANCE AT SEPTEMBER 30, 2013	$ 8,319	$ 16,549	$ (3,299)	$ 509,636	$ 531,205

See accompanying notes to the unaudited condensed consolidated financial statements.

ALGOMA CENTRAL CORPORATION

Unaudited Condensed Consolidated Statements of Cash Flows
For the Three and Nine Months Ended September 30, 2013 and 2012
(In thousands of dollars except per share figures)

	Notes	Three Months Ended September 30 2013	Three Months Ended September 30 2012 (Note 3)	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012 (Note 3)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES					
OPERATING					
Net earnings		**$ 28,328**	$ 29,629	**$ 19,074**	$ 17,913
Earnings of joint arrangements	**3**	**(1,577)**	(2,062)	**(5,172)**	(5,754)
Dividends received from joint arrangements		**-**	-	**5,608**	7,544
Items not affecting cash					
Depreciation of property, plant and equipment and investment property		**10,943**	10,034	**33,027**	32,920
Net (gain) loss on foreign currency translation		**453**	3,140	**(2,344)**	4,714
Income tax expense		**7,875**	9,402	**5,609**	7,385
Interest expense		**1,889**	3,045	**6,804**	9,673
Other		**(557)**	(1,369)	**(1,555)**	(3,479)
		47,354	51,819	**61,051**	70,916
Net change in non-cash operating working capital		**(15,759)**	(14,764)	**5,652**	(610)
		31,595	37,055	**66,703**	70,306
Income taxes paid		**(1,829)**	1,528	**(9,241)**	(3,308)
Interest paid		**(6,314)**	(6,283)	**(13,634)**	(13,299)
Net cash generated from operating activities		**23,452**	32,300	**43,828**	53,699
INVESTING					
Additions to property, plant and equipment and investment properties		**(5,125)**	(11,766)	**(21,014)**	(45,175)
Proceeds on sale of property, plant and equipment		**(8)**	1,739	**814**	6,095
Net cash used in investing activities		**(5,133)**	(10,027)	**(20,200)**	(39,080)
FINANCING					
Repayment of long-term debt		**(1,500)**	(1,500)	**(4,500)**	(4,500)
Dividends paid		**(2,451)**	(2,294)	**(7,767)**	(6,091)
Net cash used in financing activities		**(3,951)**	(3,794)	**(12,267)**	(10,591)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**14,368**	18,479	**11,361**	4,028
EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		**(2,768)**	(2,556)	**2,881**	(2,485)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**127,136**	113,033	**124,494**	127,413
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 138,736**	$ 128,956	**$ 138,736**	$ 128,956

See accompanying notes to the unaudited condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Algoma Central Corporation (the “Corporation”) is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Corporation’s registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The unaudited condensed consolidated financial statements of the Corporation for the three and nine month periods ended September 30, 2013 and 2012 comprise the Corporation, its subsidiaries and the Corporation’s interests in jointly controlled entities.

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

The Corporation has commitments for investment in five state of the art new *Equinox Class* vessels for domestic dry-bulk service. The *Equinox Class* will provide significant improvements in operating efficiency and environmental performance.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Corporation’s 26 – vessel domestic dry-bulk fleet. The dry-bulk vessels carry cargoes of raw materials such as coal, grain, iron ore, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes a diversified ship repair and steel fabricating facility active in the Great Lakes and St. Lawrence regions of Canada.

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

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

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

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

2. STATEMENT OF COMPLIANCE

The unaudited condensed consolidated financial statements are prepared on a going concern basis. The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and using the same accounting policies and methods as were used for the Corporation's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2012 and 2011, except for the changes described below in Note 3. The financial statements should be read in conjunction with the Corporation's Consolidated Financial Statements for the years ended December 31, 2012 and 2011.

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

The financial statements were approved by the Board of Directors and authorized for issue on November 8, 2013.

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

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

IAS 1 Presentation of Financial Statements

The amendments require the components of Other Comprehensive Income (OCI) to be presented separately for items that may be reclassified to the consolidated statement of earnings from those that remain in equity.

IFRS 10 Consolidated Financial Statements

This standard introduces a single, principle-based, control model for consolidation, irrespective of whether an entity is controlled through voting rights or through other contractual arrangements as is common in special purpose entities (SPE). Control is based on an investor's current ability to use its power over the key activities of a subsidiary or SPE to affect its exposure or return generated by the subsidiary or SPE. An amendment to the standard was subsequently issued which provided additional transition guidance.

IFRS 12 Disclosure of Interests in Other Entities

The revisions broaden the definition of interests and require enhanced disclosures on interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 Fair Value Measurement

The revisions provides a definition of fair value, establishes a single framework for measuring fair value, and provides disclosure requirements for fair value used across all IFRS standards.

The Corporation has determined there is no financial impact from these four new standards on its condensed consolidated financial statements.

IAS 19 Employee Benefits

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

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

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

The effect on the Unaudited Condensed Consolidated Financial Statements for the three months ended September 30, 2012 was to decrease net earnings by $289 and increase other comprehensive earnings by $289. For the nine months ended September 30, 2012 the effect was to increase the net loss by $1,397, increase employee future benefits liability by $720, decrease deferred income taxes by $190 and decrease other comprehensive loss by $867. In addition, $443 for the 2012 quarter and $1,329 for the nine months was reclassed from general and administration expense to interest expense.

IFRS 11 Joint Arrangements

The new standard requires that reporting issuers consider whether a joint arrangement is structured through a separate vehicle, as well as the terms of the contractual arrangement and other relevant facts and circumstances, to assess whether the venture is entitled to only the net assets of the joint arrangement (a “joint venture”) or to its share of the assets and liabilities of the joint arrangement (a “joint operation”). Joint ventures must be accounted for using the equity method, whereas joint operations must be accounted for by recognizing the venturer’s right to assets and obligations for liabilities (i.e. proportionate consolidation). The standard is required to be applied retrospectively to the prior periods presented.

The Corporation has certain interests in joint arrangements which will be accounted for on the equity basis under the new standard. The Corporation’s wholly owned subsidiary, Algoma Central Properties Inc., has an interest in Seventy-Five Corporate Park Drive Ltd. with an unrelated corporation. This joint arrangement owns an office building. The Corporation also has an interest in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement.

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

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

The effect of the change to the Unaudited Condensed Consolidated Statement of Earnings is as follows:

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Decrease in revenues	$ 8,402	$ 25,997
Decrease in operating expenses	(5,705)	(17,639)
Decrease in other expenses	(635)	(2,604)
Earnings of joint arrangements	$ 2,062	$ 5,754

The effect of the change to the Unaudited Condensed Consolidated Balance Sheets is as follows:

	December 31 2012	January 1 2012
Decrease in cash and cash equivalents	$ 4,429	$ 4,984
Decrease in accounts receivables	1,979	2,839
Decrease in material and supplies	1,043	1,164
Decrease in prepaid expenses	104	257
Decrease in property, plant and equipment	9,162	12,590
Decrease in investment properties	1,627	1,684
Decrease in accounts payable and accrued charges	(3,197)	(2,459)
Decrease in deferred income taxes	(4,764)	(4,472)
Investment in joint arrangements	$ 10,383	$ 16,587

(In thousands of dollars except per share figures)

The effect of the change to the Unaudited Condensed Consolidated Statement of Cash Flows is as follows:

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Decrease in net cash generated from operating activities	$ (3,005)	$ (566)
Decrease in cash and cash equivalents, beginning of period	(2,545)	(4,984)
Decrease in cash and cash equivalents, end of period	(5,550)	(5,550)

4. INTEREST EXPENSE

The components of interest expense are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	**2013**	2012
Interest expense on borrowings	**$ 3,630**	$ 3,700	**$10,924**	$ 11,172
Interest income on cash and cash equivalents	**(154)**	(89)	**(353)**	(316)
Interest on employee future benefits	**105**	443	**1,115**	1,329
Amortization of financing costs	**302**	312	**905**	935
Interest capitalized on vessel construction	**(1,994)**	(1,321)	**(5,787)**	(3,447)
	$ 1,889	$ 3,045	**$ 6,804**	$ 9,673

(In thousands of dollars except per share figures)

5. NET (LOSS) GAIN ON FOREIGN CURRENCY TRANSLATION

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	**2013**	2012
Gain (loss) on long-term debt	**$ 915**	$ 2,618	**$ (3,352)**	$ 2,534
(Loss) gain on U.S. cash	**(749)**	(3,007)	**3,934**	(3,496)
Realized gain (loss) on return of capital from foreign subsidiaries	**(5)**	(7)	**(330)**	(1,432)
(Loss) gain on mark-to-market for derivatives that are not eligible for hedge accounting	**(614)**	(2,744)	**2,092**	(2,320)
	$ (453)	$ (3,140)	**$ 2,344**	$ (4,714)

6. RECOVERABLE VESSEL DEPOSITS

In 2007, the Corporation entered into contracts to build three product tankers at the Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. in China. The Corporation made instalments to the shipyard totalling U.S. $35,370. Each contract contained provisions that allowed for cancellation in the event of excessive delivery delays, which delays have occurred. Because of the excessive non-permissible delays, in 2010, the Corporation issued formal notices of rescission of the three shipbuilding contracts.

During 2012, the Corporation was a party in an arbitration with the shipyard related to the refund of these deposits. The Corporation announced on April 30, 2013 that the London, UK Arbitration Tribunal ruled in favour of the Corporation and the Corporation proceeded to make a formal demand for re-imbursement of the instalments. In May, 2013 the shipyard filed notices requesting leave to appeal the Tribunal’s decision, and collection proceedings have been stayed pending the judicial decision on this matter.

The Corporation does not believe there is a material credit risk associated with refund of the payments made to the shipyard. The payments are backed by refund guarantees issued by major Chinese banks. The Corporation expects a ruling by the end of the current year.

(In thousands of dollars except per share figures)

7. EMPLOYEE FUTURE BENEFITS

The Corporation maintains two funded and one unfunded defined benefit pension plans and three defined contribution pension plans covering certain employees. The majority of shipboard employees belong to pension plans not maintained by the Corporation.

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

The decrease in the net liability from employee future benefit obligations during the three and nine months ended September 30, 2013 was due primarily to returns from strong investment results on pension fund assets of $3,692 and $9,090, respectively, and decreases of $1,659 and $11,136, respectively, due to increases in the discount rate from 4.5% to 4.6% in the third quarter and from 4.0% to 4.6% for the nine months ending September 30, 2013 in valuing the liabilities of the post-employment plans.

8. LONG-TERM DEBT

	September 30 2013	December 31 2012	January 1 2012
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.0%	**$ 64,437**	$ 63,818	$ 63,044
Senior secured notes, due July 19, 2021			
U.S. $75,000, interest fixed at 5.11%	**77,272**	74,617	76,275
Canadian $75,000, interest fixed at 5.52%	**75,000**	75,000	75,000
Senior secured non-revolving term loan, due October 20, 2014, interest fixed at 5.90%	**2,500**	4,000	6,000
Senior secured non-revolving term loan, due October 20, 2016, interest floating at 2.07%	**12,500**	15,500	19,500
	231,709	232,935	239,819
Less unamortized financing expenses	**6,302**	7,209	7,837
	225,407	225,726	231,982
Current portion	**4,773**	4,773	4,754
	$ 220,634	$ 220,953	$ 227,228

The Corporation is subject to covenants with respect to maintaining certain financial ratios and other restrictions under the terms of the Bank Facility and the Notes. At September 30, 2013, December 31, 2012 and January 1, 2012, the Corporation was in compliance with all of the covenants.

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

9. SHARE CAPITAL

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

At September 30, 2013, December 31, 2012 and January 1, 2012 there were 38,912,110 common shares and no preferred shares issued and outstanding.

Basic and diluted net earnings

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	**2013**	2012
Net earnings for basic earnings per share	**$ 28,328**	$ 29,629	**$ 19,074**	$ 17,913
Dilutive effect of debentures	**1,053**	1,053	**3,160**	3,160
Net earnings for diluted earnings per share	**$ 29,381**	$ 30,682	**$ 22,234**	$ 21,073
Diluted weighted average common shares	**43,391**	43,391	**43,391**	43,391
Basic net earnings per common share	**$ 0.73**	$ 0.76	**$ 0.49**	$ 0.46
Diluted net earnings per common share	**$ 0.68**	$ 0.71	**$ 0.49**	$ 0.46

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

As of July 13, 2013, the Corporation designated a portion of its investment in foreign subsidiaries as a hedge against its U.S. dollar denominated debt. Therefore, the gain or loss on the translation of the U.S. debt from the date the hedge was designated to the end of the financial reporting period is being recorded in Other Comprehensive Earnings.

Cash flow hedging reserve	**September 30 2013**	December 31 2012	January 1 2012
Balance , beginning of year	**$ (566)**	$ (418)	$ (1,294)
Gain (loss) arising on change in fair value of hedging instruments entered into for cash flow hedges	**1,218**	(188)	1,237
Income tax (expense) recovery recognized in other comprehensive earnings	**(323)**	40	(361)
	$ 329	**$ (566)**	**$ (418)**

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

Net investment hedge reserve	**September 30 2013**	December 31 2012	January 1 2012
Balance , beginning of year	**$ -**	$ -	$ -
Unrealized gain on translation of foreign currency long-term debt	**697**	-	-
Income tax expense recognized in other comprehensive earnings	**(92)**	-	-
	$ 605	**$ -**	**$ -**

Foreign exchange translation reserve	**September 30 2013**	December 31 2012	January 1 2012
Balance , beginning of year	**$ (10,036)**	$ (5,817)	$ (10,369)
Unrealized gain (loss) on translation of financial statements of foreign subsidiaries	**5,803**	(4,219)	4,552
	$ (4,233)	$ (10,036)	$ (5,817)
Accumulated other comprehensive loss	**$ (3,299)**	$ (10,602)	$ (6,235)

11. CAPITAL DISCLOSURES

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

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

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

Included in capital employed are shareholders' equity and long term-debt. The returns on capital employed over the last five years ending December 31, 2012 of the Corporation ranged from 5.9% to 9.9%.

(In thousands of dollars except per share figures)

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

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

The AROCE for 2012 was 12.5% versus 11.3% for 2011 and has averaged 10.1% over the five years ended December 31, 2012

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

The debt to shareholders' equity ratio is as follows:

	September 30 2013	December 31 2012	January 1 2012
Total long-term debt	**$ 231,709**	$ 232,935	$ 239,819
Shareholders' equity	**$ 531,205**	$ 498,460	$ 468,720
Debt to shareholders' equity ratio	**0.44 to 1**	0.47 to 1	0.51 to 1

12. COMMITMENTS

The Corporation has commitments at September 30, 2013 and December 31, 2012 of $177,951 and $194,521, respectively.

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

Annual expected payments are as follows: $18,185 due in the remainder of 2013, $147,946 due in 2014, $3,940 due each year in 2015, 2016 and 2017.

(In thousands of dollars except per share figures)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Fair value

The carrying value is equal to the fair value of financial assets consisting of cash and cash equivalents, accounts receivable, derivative assets and financial liabilities consisting of accounts payable and accrued charges and derivative liabilities.

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

		September 30 2013		December 31 2012		January 1 2012
Financial assets carrying and fair value						
Cash and cash equivalents	**$**	**138,736**	$	124,494	$	127,332
Accounts receivable	**$**	**65,773**	$	77,752	$	74,630
Derivative assets	**$**	**360**	$	-	$	-
Financial liabilities carrying and fair value						
Accounts payable and accrued charges	**$**	**59,636**	$	55,451	$	74,883
Derivative liabilities	**$**	**-**	$	3,212	$	2,489
Carrying value of long-term debt	**$**	**231,709**	$	232,935	$	239,819
Fair value of long-term debt	**$**	**249,045**	$	250,573	$	246,961

Fair value measurements recognized in the consolidated balance sheets

The fair value measurements, as provided by financial institutions, in the balance sheet include a derivative receivable (Level 2) of $437 and a derivative liability of $77 as of September 30, 2013 (Derivative liability as at December 31, 2012 - $3,212, January 1, 2012 -$2,489).

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

Risk management and financial instruments

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

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

Credit risk

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

	2013		2012		2012	
	Base currency	**Canadian equivalent**	Base currency	Canadian equivalent	Base currency	Canadian equivalent
Canadian dollar balances						
Cash	**$ 25,699**	**$ 25,699**	$ 29,088	$ 29,088	$ 61,085	$ 61,085
Short term deposits	**90,093**	**90,093**	-	-	-	-
		$ 115,792		$ 29,088		$ 61,085
U.S. dollar balances	**22,269**	**22,944**	95,893	95,406	65,140	66,247
		$ 138,736		$ 124,494		$ 127,332

Liquidity risk

The contractual maturities of non-derivative financial liabilities at September 30, 2013 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 59,636	$ -	$ -	$ -	$ 59,636
Dividends payable	1,411	-	-	-	1,411
Long-term debt including equity portion	6,000	8,500	500	221,273	236,273
Total	$ 67,047	$ 8,500	$ 500	$ 221,273	$ 297,320

(In thousands of dollars except per share figures)

Interest rate risk

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

	Average Fixed Rate		Notional Principal		Fair Value Liability	
Maturity	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
May 30, 2013	-	5.02%	$ -	$ 17,588	$ -	$ 195
October 20, 2014	5.90%	5.90%	2,917	4,375	77	166
			$ 2,917	$ 21,963	$ 77	$ 361

The interest rate swap outstanding at September 30, 2013 settles on a monthly basis.

Foreign currency exchange risk

At September 30, 2013, 33%, and at December 31, 2012 and January 1, 2012, 32%, respectively, of the Corporation's total assets were denominated in U.S. dollars.

The U.S. dollar denominated foreign exchange forward contracts are as follows:

Notional Principal			Fair Value Asset (Liability)		
September 30 2013	December 31 2012	January 1 2012	September 30 2013	December 31 2012	January 1 2012
$ 70,114	$ 102,621	$ 164,037	$ 437	$ (2,727)	$ (1,311)

U.S. dollar denominated contracts of $28,851 mature during the remainder of 2013 and $41,263 mature in 2014.

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

14. SEGMENT DISCLOSURES

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

Revenues	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Domestic Dry-Bulk	$ 105,236	$ 122,764	$ 220,413	$ 263,164
Product Tankers	24,112	23,578	71,447	64,842
Ocean Shipping	10,360	11,179	29,753	29,275
Real Estate	7,240	7,499	21,021	21,923
	$ 146,948	$ 165,020	$ 342,634	$ 379,204

Net Earnings	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Operating earnings net of income tax				
Domestic Dry-Bulk	$ 19,082	$ 24,998	$ 346	$ 10,905
Product Tankers	5,658	3,831	10,575	7,246
Ocean Shipping	4,698	4,974	11,914	11,447
Real Estate	733	726	1,738	2,298
	30,171	34,529	24,573	31,896
Not specifically identifiable to segments				
Net (loss) gain on foreign currency translation	(453)	(3,140)	2,344	(4,714)
Interest expense	(1,889)	(3,045)	(6,804)	(9,673)
Income tax recovery (expense)	499	1,285	(1,039)	404
	$ 28,328	$ 29,629	$ 19,074	$ 17,913

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

Operating Expenses	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Domestic Dry-Bulk	$ 69,304	$ 77,860	$ 188,421	$ 214,993
Product Tankers	13,024	14,729	46,165	42,975
Ocean Shipping	6,092	6,102	17,642	18,007
Real Estate	4,423	4,533	13,142	12,841
	$ 92,843	$ 103,224	$ 265,370	$ 288,816

Assets	September 30 2013	December 31 2012	January 1 2012
Domestic Dry-Bulk	$ 404,177	$ 395,494	$ 372,895
Product Tankers	185,462	193,256	214,458
Ocean Shipping	68,124	74,267	70,840
Real Estate	77,554	73,909	70,286
	735,317	736,926	728,479
Not specifically identifiable to segments			
Current assets	160,873	138,826	138,987
	$ 896,190	$ 875,752	$ 867,466

Additions to Property, Plant and Equipment and Investment Property	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Domestic Dry-Bulk	$ 8,602	$ 9,823	$ 20,214	$ 40,120
Product Tankers	322	-	2,962	677
Ocean Shipping	(14)	27	(70)	1,201
Real Estate	2,149	1,351	4,398	1,718
	$ 11,059	$ 11,201	$ 27,504	$ 43,716
Amounts included in working capital	(5,934)	565	(6,490)	1,459
Total per statement of cash flows	$ 5,125	$ 11,766	$ 21,014	$ 45,175

Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands of dollars except per share figures)

Depreciation of Property, Plant and Equipment and Investment Property	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Domestic Dry-Bulk	$ 6,326	$ 5,701	$ 19,263	$ 20,018
Product Tankers	2,462	2,312	7,180	6,903
Ocean Shipping	1,038	938	3,256	2,727
Real Estate	1,117	1,083	3,328	3,272
	$ 10,943	$ 10,034	$ 33,027	$ 32,920

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