ALGOMA CENTRAL CORPORATION

ANNUAL INFORMATION FORM

For The Year Ended December 31, 2011

Unless otherwise specified, herein, the information in this
Annual Information Form is presented as at February 15, 2012

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In this Annual Information Form, all dollar amounts quoted are in Canadian dollars and in thousands except for per share data unless otherwise noted.

Copies of the Annual Information Form, as well as copies of the Corporation's 2011 Annual Report and Management Information Circular, may be obtained at *www.algonet.com* and *www.sedar.com*.

This Annual Information Form may include forward-looking statements concerning the future results of the Corporation. These forward-looking statements are based on current expectations. The Corporation cautions that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future results could be affected by a number of factors, many of which are beyond the Corporation's control, including economic circumstances, technological changes, weather conditions and the material risks and uncertainties identified by the Corporation and discussed on pages 13 to 17 in this report.

1. CORPORATE STRUCTURE

Name, Address and Incorporation of Algoma Central Corporation ("Corporation")

The Corporation was incorporated in 1899 by Special Act of the Parliament of Canada as Algoma Central Railway Company and was continued under the Canada Business Corporations Act in 1986.

The name of the Corporation was changed to The Algoma Central and Hudson Bay Railway Company in 1901, Algoma Central Railway in 1965 and Algoma Central Corporation in 1990.

The Corporation's registered head office is located at 421 Bay Street, Sault Ste. Marie, ON, P6A 5P6. The Corporation's executive offices are located at 63 Church Street, Suite 600, St. Catharines, ON, L2R 3C4.

Intercorporate Relationships

The following are the subsidiaries and joint ventures of the Corporation:

Subsidiaries	Jurisdiction of incorporation	Percentage of voting securities beneficially owned or over which control or direction is exercised	Percentage of non-voting securities owned
Algoma Central Properties Inc.	Ontario	100%	N/A
Algoma Central Hotels Ltd.	Ontario	100%	N/A
Algoma Dartmouth Ltd.	Canada	100%	N/A
Algoma Dry-Bulk Inc.	Ontario	100%	N/A
Algoma Great Lakes Shipping Inc.	Ontario	100%	N/A
Algoma Shipping Inc.	Barbados	100%	N/A
Algoma Tankers Limited	Canada	100%	N/A
Algoma Tankers International Inc.	Barbados	100%	N/A
SMT (USA) Inc.	Delaware	100%	N/A
Enerchem Transport Inc.	Ontario	100%	N/A
Partnerships			
Seaway Marine Transport	Ontario	100%	N/A
SMT Services	Ontario	100%	N/A
Joint Ventures			
Marbulk Canada Inc.	Canada	50%	N/A
75 Corporate Park Drive Limited	Ontario	50%	N/A

2. GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Algoma Central Corporation owns and operates Canada's largest domestic fleet of vessels operating on the Great Lakes - St. Lawrence Waterway. This fleet consists of 19 self-unloading bulk carriers, ten gearless bulk carriers, and seven product tankers. The Corporation has interests in ocean dry-bulk and product tanker vessels operating in domestic and international markets. The Corporation owns a diversified ship repair and steel fabrication facility active in the Great Lakes and St. Lawrence regions of Canada. In addition, the Corporation owns Algoma Central Properties Inc. and Algoma Central Hotels Ltd., which own and manage commercial real estate properties in Ontario.

The Corporation's origins trace back to its creation as a railway in Sault Ste. Marie, Ontario in 1899. The Corporation's executive offices are located in St. Catharines, Ontario. The Corporation employs approximately 2, 100 people worldwide. The Corporation has assets of $875, 000 and revenues of $583,000.

The Domestic Dry-Bulk segment includes the Corporation's 19 self-unloading and nine bulk carriers and Fraser Marine and Industrial, a division that provides ship repair and steel fabrication services.

The Product Tanker segment serves both domestic and international markets. The domestic fleet of seven product tankers is owned and operated through a wholly owned subsidiary, Algoma Tankers Limited (ATL). The Corporation's wholly-owned subsidiary, Algoma Tankers International Inc. (ATI) owns one product tanker currently active in international markets, and is a participant in the Brizo8 Pool managed by Navig8 Chemical Pools Inc.

The Corporation's international Ocean Shipping segment consists of two entities. Marbulk Canada Inc. (MCI) is jointly owned by the Corporation and CSL Group Inc. It owns four ocean self-unloaders and a fifth self-unloader that is jointly owned with Bernhard Schulte. Algoma Shipping Inc. (ASI), a wholly owned subsidiary of the Corporation, owns two ocean self-unloading vessels. The seven MCI and ASI ocean self-unloaders are combined with 15 other ocean self-unloaders owned by others to form the CSL International (CSLI) commercial arrangement.

2. GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The following is a detailed description of the significant events that have influenced the general development of the business over the course of the last three years.

2009

The construction of the *Algobay* that began in 2007 was completed in November of 2009. The vessel has returned to North America and commenced operations in 2010.

The *Algoport*, a vessel jointly owned with its then-partner (an unrelated party) in SMT broke up in heavy seas in the Pacific Ocean on September 6, 2009 while under tow enroute to the Chengxi Shipyard in China for a forebody replacement. There were no injuries, loss of life or environmental impacts.The vessel's aft end was to be refurbished and fitted to the new forebody then under construction at the shipyard. In January of 2010 a contract was entered into with the shipyard that is constructing the forebody to build a new aft-end. Delivery of the completed vessel occurred in June 2011, and the now renamed *Algoma Mariner* began service on the Great Lakes in August of that year.

The Corporation had an interest in a tug/barge unit that was operated for a single customer. That contract was prematurely terminated in 2009 due to the customer's circumstances. The barge unit was sold in 2011 and the tug unit was sold in January 2012.

The *AlgoCanada* arrived in Canada to commence operations in January 2009. It joined its sister ship, the *Algonova*, that began trading in late 2008.

During the third quarter of 2009 the Corporation through a wholly owned subsidiary began operating the *Algoma Dartmouth*, a product tanker, under a long-term bareboat charter arrangement. The vessel provides fuel delivery and vessel bunkering services within the Halifax Harbour. The *Algoma Dartmouth* was built in Turkey in 2007. It is a high specification double-hull IMO II oil and chemical tanker. The vessel was subsequently purchased in February 2010 for a total purchase price of US$9,500.

An extensive modernization of the hotel owned by the Corporation begun in 2009 was completed in January 2010. Upon completion of the $6,700 renovation Delta Hotels took over management of the Delta Sault Ste. Marie Waterfront Hotel and Conference Centre.

During 2009, the Corporation completed a two-year $260,000 credit facility with a syndicate of six financial institutions. This credit facility replaced a former $110,000 revolving facility previously held by the Corporation. The new facility consisted of a $200,000 non-revolving term loan facility and a $60,000 revolving loan facility. There were no required repayments during the term of the facility. The facility was used to repay the amount outstanding on the previous revolving facility of approximately $80,000 and to fund planned capital expenditures.

Substantially, all of the wholly owned marine assets of the Corporation were provided as collateral for the line of credit. The pricing on the credit facility was based on the total debt to earnings before interest, taxes and amortization ratio and ranges from 350 to 450 basis points for Canadian B.A. and LIBOR borrowings. This facility was refinanced in 2011.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2010

In fiscal 2010 the Federal Government eliminated the 25% duty on the importation of dry cargo and product tanker vessels. This announcement successfully culminated many years of dialogue with the Federal Government and other stakeholders regarding the importance of removing this disincentive to invest in the Canadian domestic fleet. As a result of the duty removal, the Corporation received $15,301 of duty remission on recently imported vessels.

On December 21, 2010 the Corporation entered into contracts with Nantong Mingde Heavy Industries, a shipyard located in the Yangtze Delta area of China, for the construction of four new maximum Seaway-sized dry-bulk lake freighters, the Equinox Class. The contract also provided for the purchase of two additional vessels at the Corporation's option. This project, in which the Corporation expects to invest $205,000 (excluding the value of the options), provides for the construction of one gearless bulk freighter and three self-unloading bulk freighters. Upon arrival, which is expected to be staggered between early- 2013 and mid- 2014, these new vessels will replace existing vessels that are approaching the end of their economic lives.

The first of the two coastal class maximum seaway-sized self-unloaders being constructed at Chengxi Shipyard in China was delivered in November 2009. This vessel, renamed the *Algobay* and jointly owned with our partner in SMT, entered service with SMT on February 27, 2010, when the vessel loaded 39,906 tonnes of iron ore at Port Cartier destined for New Orleans.

In July 2010, the first of the three Algoma Shipping Inc. owned ocean class bulk carriers arrived in Canada after undergoing a dry-docking and refit in China at Chengxi Shipyard. This vessel, the *Algoma Guardian,* upon completion of the Canadianization process in Halifax, commenced operations in the Corporation domestic fleet. The other two vessels, the *Algoma Discovery* and *Algoma Spirit,* both arrived in Canada on October 2010 and entered domestic operations shortly thereafter.

In September 2007, the Corporation through a wholly owned subsidiary entered into contracts to build three 16,500 deadweight product tankers at the Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. in China. Each contract contained provisions that allowed for cancellation due to excessive delivery delays, which has occurred. Due to the excessive non-permissible delays, the Corporation issued formal notices of its intention to rescind the three shipbuilding contracts. Upon receipt of this notice, the shipyard disputed our right to rescind and put the issue to arbitration, as provided for in the contracts. To date, the Corporation has made instalments to the shipyard totalling USD $35,400. Payments made to the shipyard are backed by refund guarantees issued by major Chinese banks. Our right to demand payment on the refund guarantee has been stayed pending the outcome of the arbitration.

2011

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

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

Upon closing the transaction, the Corporation merged its commercial, technical ship management, and administrative staff with those of SMT.

On February 8, 2011 the Canadian Wheat Board and Upper Lakes Group Inc. announced that they have entered into contracts with Nantong Mingde Heavy Industries for the construction of two and one Equinox Class gearless bulk carriers, respectively. As a result of the ULG transaction, the Corporation acquired Upper Lakes Group Inc.'s interest in the Equinox Class vessel. In addition, the Corporation negotiated the conversion of the sole remaining contract for a 25,000 deadweight tonne product tanker into self-unloading Equinox Class bulk carrier, bringing its total vessel order to six. As a result of this conversion, the Corporation has no open construction contracts for product tankers.

The Corporation had an interest in a tug/barge unit that was operated for a single customer. That contract was prematurely terminated in 2009 due to the customer's circumstances. The barge unit was sold in 2011 and the tug unit was sold in January of 2012.

In April 2011, the Corporation issued $69,000 of convertible unsecured subordinated debentures which bear interest at 6% and are due March 31, 2018. Each debenture will be convertible into common shares of the Corporation at the option of the holder at any time prior to maturity at a price equal to $154.00 per common share, subject to certain adjustments. On redemption at the maturity date, the Corporation may repay the indebtedness represented by the debentures by paying an amount equal to the aggregate principal amount of the outstanding debentures. The Corporation has the option to repay the principal amount with common shares. The proceeds of the debenture issue, net of related costs, were $65,695.

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

The Bank Facility consists of a $150,000 senior secured revolving bank credit facility due July 19, 2016 with a syndicate of six banks. The Bank Facility bears interest at rates that are based on the Corporation's ratio of senior debt to earnings before interest, taxes and amortization and ranges from 175 to 275 basis points above bankers' acceptance or LIBOR rates.

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

The senior debt ranks pari passu and the Corporation has granted a general security agreement in favour of the senior secured lenders and has granted specific collateral mortgages covering

2. GENERAL DEVELOPMENT OF THE BUSINESS

its wholly owned vessels. The Corporation's real estate assets and vessels that are not wholly owned are not directly encumbered under these agreements.

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

The Corporation is subject to restrictive and financial covenants with respect to maintaining certain financial ratios and other conditions under the terms of the Bank Facility and the Notes. At December 31, 2011 the Corporation was in compliance with all of the covenants.

Safety and Environmental Matters

The Corporation strives to be an exemplary leader in safety and environmental management, and is committed to the protection of the environment, the prevention of human injury and loss of life and the protection of property.

The Corporation's Environmental Protection Policy stipulates the principles to which Algoma Central Corporation and its subsidiaries will adhere, the environmental commitment of the Board of Directors and Corporate Officers, the environmental management system, which underlies the compliance program, and the communications that are expected in the commitment to the preservation of the environment for health, safety, recreation and renewal.

The policy of the Corporation is as follows:

1. To be managed to meet its balanced responsibilities to its shareholders, employees, customers and to society.
2. To strive to be an exemplary employer and corporate citizen in environment management by carrying out sound operational and management practices to ensure its operations and facilities are in compliance with all applicable legislation providing for the protection of the environment, employees and the public.
3. In the absence of legislation, to minimize the environmental impact on the public, employees, customers and property within the limitations of technology and economic viability.
4. To constantly aspire to a safe, clean healthy workplace within the context of a clean, healthy, sustainable natural environment.
5. To manage renewable and non-renewable resources for the benefit of future generations and to seek methods to improve the wise use of resources through such methods as renew and recycling.

2. GENERAL DEVELOPMENT OF THE BUSINESS

To achieve this policy our operations are guided by the following seven basic principles:

1. Management, operating, maintenance, health, safety and emergency response practices will be conducted in accordance with documented procedures that meet or exceed the highest national and international standards for the industries in which we operate and ensure compliance with all applicable regulations and legislation.
2. Risks to the safety of ships, health of employees and preservation of the environment, will be constantly evaluated and managed.
3. Specific resources will be dedicated to the continual management of safety, health and environmental protection programs, and to communication and co-operation in that respect with Government Agencies, customers and industry associations.
4. All management systems will be subject to periodical internal and external audit, with specific emphasis on health, safety and environmental protection.
5. New projects will be evaluated for potential risks to employees, customers, the general public and the environment.
6. Education and training will ensure personnel familiarize themselves with all applicable procedures and conduct themselves conscientiously with respect to health, safety and environmental protection.
7. Safety and environmental management will be subject to regular review by the Environmental Health and Safety Committee of the Corporation.

The Corporation has implemented an ISO 14001 compliant Environmental Management System on our domestic fleet. This Environmental Management System provides the framework for a structured approach to understanding and managing Algoma's impact on the environment. Through this process, we can systematically identify environmental laws and other requirements that are relevant to us and manage aspects of our business that impact on the environment. We are able to produce objectives for improvement and a management program to achieve them with regular reviews to measure continual improvement.

Both our domestic dry-bulk and product tanker fleets are involved in an industry initiative called the "Green Marine" program. This initiative's objective is to implement a voluntary environmental improvement program in the areas of aquatic invasive species, pollutant air emissions (SOx and NOx), greenhouse gases, cargo residue and recycled water. The "Green Marine" program requires water transportation companies to implement specific best practices that will contribute to reducing the environmental impact of their business activities. Each company's performance will be rated on a scale of one to five, beginning with regulatory compliance and culminating in excellence and leadership. The results are audited by an independent party and communicated annually to the public in a "Green Marine" annual report which began in 2010.

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The Corporation's results for 2010 were as follows:

Priority Issue	Algoma Dry-Bulk	Algoma Tankers	Industry
Aquatic Invasive Species	3	3	2.9
Air Emissions – NOx	4	3	3.9
Air Emissions – SOx	3	3	2.6
Greenhouse Gases	3	3	3.2
Cargo Residues	3	4	3.5
Oily Waters	4	4	2.9

Subsequent to the year-end, the Corporation announced that it will invest $12,000 to install scrubbers to emissions of sulphur oxides on its Equinox Class vessels. The scrubbers are designed to clean the exhaust gases of the vessels' main and auxiliary engines as well as the oil-fired boiler and will meet more stringent environmental regulations taking effect over the next three years. These scrubber systems will allow Algoma to use lower cost, heavy fuel oils while, at the same time, meet the new Emission Control Area sulphur limits established by the International Maritime Organization (IMO) and adopted by Canada and the United States for the Great Lakes and coastal waters. Without scrubber technology, we will be forced to convert vessels to burn more expensive diesel oil.

3. NARRATIVE DESCRIPTION OF THE BUSINESS

Principal Services

The principal services provided by the Corporation are as follows:

1. Domestic Dry-Bulk consists of 28 Canadian flagged dry-bulk lake vessels and a ship repair and steel fabrication business. The dry- bulk vessels operate within the Great Lakes, St. Lawrence Seaway and Atlantic Canada. The vessels are designed to carry a variety of dry-bulk products including grain, coal and coke, iron ore, salt and aggregates.

2. Product Tankers consist of seven Canadian flagged vessels which operate within the Great Lakes, St. Lawrence Seaway and Atlantic Canada. An eighth, foreign flagged, product tanker operates world-wide.

3. Ocean Shipping consists of the ownership of two ocean-going dry-bulk self-unloading vessels and an interest in five other self- unloaders that trade world-wide.

4. The Real Estate segment consists of development, rental, and management of a shopping centre, commercial plazas, a hotel, office buildings and an apartment building in Sault Ste. Marie, St. Catharines and Waterloo, Ontario.

Revenues

Revenue from continuing operations from third-party customers by industry segment for the two years ending December 31, 2011 and 2010 are as follows:

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

Approximately 70% (2010 - 65%) of revenue was earned in the geographic segment of Canada. The three marine operating segments in 2011 include export sales, primarily to the United States, of $172,378 (2010 - $136,300).

3. NARRATIVE DESCRIPTION OF THE BUSINESS

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

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

Seasonality

The nature of the Corporation's business is such that the earnings in the first quarter of each year is 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 and significant repair and maintenance costs are incurred in the first quarter to prepare the domestic dry-bulk fleet for the upcoming navigation season. As a result, the first quarter revenues and earnings are significantly lower than the remaining quarters in the year.

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

Foreign Operations

The Corporation has interests which carry on most of their operations in foreign jurisdictions. The Corporation's proportionate share of the property, plant and equipment in foreign jurisdictions at December 31, 2011 and 2010 were $114,580 and $166,235, respectively.

The Corporation's share of revenues in foreign jurisdiction for the years ended December 31, 2011 and 2010 were $78,057 and $89,349, respectively.

Sales outside of Canada, primarily to the United States, were $172,378 in 2011 and $136,300 in 2010.

Locations

The Domestic Dry-Bulk segment has offices in St. Catharines, Ontario, Winnipeg, Manitoba and Cleveland, Ohio. It also has vessel repair facilities in Port Colborne, Ontario.

The Product Tanker segment has offices in St. Catharines, Ontario, Beverly, Massachusetts and Bridgetown, Barbados.

The Ocean Shipping segment has offices in Beverly, Massachusetts and Bridgetown, Barbados.

The Real Estate segment has office and real estate complexes in Sault Ste. Marie, St. Catharines and Waterloo, Ontario. The complex at Sault Ste. Marie consists of a regional shopping centre, a hotel, two office buildings and an apartment building. In St. Catharines, the Corporation owns three office buildings, two commercial properties, one light industrial building,

3. NARRATIVE DESCRIPTION OF THE BUSINESS

and a 50% interest of another office building and vacant land for future development. In Waterloo, the Corporation owns and manages three commercial office buildings.

Banking

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

The Bank Facility consists of a $150,000 senior secured revolving bank credit facility due July 19, 2016 with a syndicate of six banks. The Bank Facility bears interest at rates that are based on the Corporation’s ratio of senior debt to earnings before interest, taxes and amortization and ranges from 175 to 275 basis points above bankers’ acceptance or LIBOR rates.

Employees and Unions

The normal complement of employees is about 2,000, the majority of whom are unionized. The status of the Corporation’s labour agreements with the collective bargaining units is as follows:

Bargaining Unit	Union/Association	Expiry Date	Status
Captains & Chief Engineers – certain domestic dry-bulk vessels	Canadian Masters & Chiefs Association (CMCA)	February 29, 2012	Complete
Navigation Officers – certain domestic dry-bulk vessels	Canadian Merchant Service Guild (CMSG)	May 31, 2012	Complete
Engineering Officers– certain domestic dry-bulk vessels	CMSG	May 31, 2012	Complete
Unlicensed– certain domestic dry-bulk vessels	Canadian Maritime Union (CMU) – affiliated with CAW	March 31, 2011	Scheduled to begin Feb/12
Navigation Officers– certain domestic product tankers	CMSG	July 31, 2013	Complete
Engineering Officers – certain domestic product tankers	CMSG	July 31, 2013	Complete
Unlicensed– certain domestic product tankers	Seafarers International Union (SIU)	July 31, 2013	Complete

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Captains & Chief Engineers – certain domestic dry-bulk vessels	C&CE Association – affiliated with Canadian National Federation of Independent Unions (CNFIU)	February 28, 2013	Complete
Navigation Officers– certain domestic dry-bulk vessels	CMSG	May 31, 2011	Expected to begin in 2012
Engineering Officers– certain domestic dry-bulk vessels	CMSG	May 31, 2011	Expected to begin in 2012
Unlicensed– certain domestic dry-bulk vessels	SIU	May 31, 2016	Complete
Hourly workers – Fraser Marine and Industrial	United Steel Workers	May 31, 2012	Expected to begin in 2012
Hotel staff	Retail, Wholesale and Department Store Union	July 5, 2012	Expected to begin in 2012

4. RISKS AND UNCERTAINTIES

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

Shipboard Personnel

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

Unions

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

Partnering

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

Outsourcing

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

4. RISKS AND UNCERTAINTIES

Service Failure

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

Health and Safety

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

Property, Plant and Equipment

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

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

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

Competitive Markets

The marine transportation and real estate businesses are competitive on both domestic and international fronts. Marine transportation is subject to competition from other forms of transportation such as road and rail freight. Competition may decrease the profitability associated with any particular contract and may increase the cost of acquisitions. The

4. RISKS AND UNCERTAINTIES

Corporation strives to differentiate itself from the competition with superior customer service, having vessels suited to each customer's needs and maintaining a compliant, safe, efficient and reliable fleet.

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

Real estate assets are well maintained to provide long-term capacity to tenants and their users. The geographic and operational diversity of the Corporation will help to mitigate negative economic impact to the sectors in which it operates.

Environmental

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

The year 2012 marks the commencement of implementation of progressively stricter rules for marine air emissions in North America. The North American ECA, regulating the coasts, and the U.S. Environmental Protection Agency's rules regulating the U.S. waters of the Great Lakes, both come into force on August 1, 2012. Canada's proposed 'Fleet Averaging' framework for domestic vessels is nearing completion with an implementation target date also of August 1 to coincide with the U.S. and ECA rules. Common to all regulations is the imposition of declining fuel sulphur limits out to 2020, at which point all regulations stipulate a maximum limit of 0.1% sulphur, necessitating use of diesel fuel, installation of exhaust gas scrubbers or use of alternative fuels such as Liquefied Natural Gas (LNG) on all vessels by 2020. The Corporation's vessels are capable of using lower sulphur fuels although the cost and availability of low sulphur fuels may be a risk.

The U.S. Environmental Protection Agency (EPA) recently released the draft version of the next revision to the Vessel General Permit (VGP), the federal permit regulating vessel discharges to water, including a long anticipated federal ballast water discharge standard. The draft permit proposes an International Maritime Organization (IMO) treatment standard and schedule for all vessels operating in U.S. waters, with the exception that it recognizes the unique operational and technical difficulties of installing ballast water treatment systems on lakes vessels and therefore offers an exemption. This exemption is only available to vessels operating exclusively upstream of the Welland Canal. Canadian ship owners will oppose this exclusion and argue for extension of the exemption to include all domestic vessels operating within the Great Lakes St. Lawrence Seaway. The ultimate success of this approach is uncertain, given both the stated intention of the EPA to further pursue a treatment requirement for lakers when the technology is available and the ability of the individual states to 'add-on' state specific requirements to the federal permit. .

4. RISKS AND UNCERTAINTIES

Additional rulemakings are not yet finalized including U.S. Coast Guard Final Ballast Water Rules and Canada's regulatory approach for domestic vessels.

In 2012, significant efforts will continue to be directed to advocating for a reasonable ballast water regulatory framework for ACC vessels. Several U.S. states have imposed restrictions on the discharge of ballast water and have introduced requirements to add ballast water treatment facilities onboard vessels. Differences between individual state future requirements and inconsistency between some of these requirements and the current state of ballast treatment technologies result in an uncertain operating environment.

The Corporation completed ISO 14001 Environmental Management System certification of its domestic fleet and is in compliance with International Safety Management Code and ISO 9001 Quality Management Systems. The Corporation's business segments are in compliance with all applicable environmental laws and regulations. Domestically, the Corporation is a member of the industry's "Green Marine" initiative to communicate and demonstrate its commitment to playing a leading role in environmental management. Participants are required to implement specific best practices that will reduce the impact on the environment of their business activities. The results are communicated annually to the general public.

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

Regulatory

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

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

Water Levels

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

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

4. RISKS AND UNCERTAINTIES

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

Catastrophic Loss

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

Foreign Exchange

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

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

Credit Risk

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

Employee Future Benefits

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

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The table below provides summarized consolidated financial data for the last three years.

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

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

Factors affecting the comparability of financial data presented above are as follows:

The financial information for 2009 is prepared in accordance with Canadian generally accepted accounting principles and the financial information for 2010 and 2011 is prepared in accordance with International Financial Reporting Standards and the results for 2010 and 2011 may not be directly comparable to those of 2009 as a result of this accounting difference.

2009

In 2009, the Corporation suffered a significant reduction in operating days in its domestic dry bulk fleet due to the economic downturn. This had a significant impact on revenue and earnings and was partially offset by a gain on the insurance proceeds on the loss of the *Algoport*. The ocean shipping fleet had decreased earnings due primarily to a reduction in results of the international commercial arrangement and higher operating costs. In addition, fuel costs are generally a pass through to customers; the reduction in fuel prices from 2008 has caused a decline in revenue with no corresponding impact on earnings.

During 2009 the Ontario government substantially enacted a reduction in future tax rates; as a result the Corporation recorded a significant reduction in future income tax liabilities and the recognition in 2009 of the income tax benefit of a deduction relating to investments to acquire new pollution control equipment. These two factors combined generated a significant reduction in tax expense.

Financial expense in 2009 increased due primarily to an increase in borrowings to finance capital expenditures along with costs incurred in 2009 associated with the Corporation’s credit facilities.

There were net foreign exchange gains on the translation of foreign denominated assets and liabilities compared to losses in 2008. The gains and losses in both years are related primarily to the translation to Canadian dollars of foreign denominated debt. During 2009, the Canadian

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

dollar strengthened relative to the U.S. dollar after weakening throughout 2008. In addition, in 2008, the Corporation had foreign exchange gains on the translation to Canadian dollars of Euro denominated short-term investments.

2010

2010 net earnings are distorted by factors such as the impact of unrealized foreign exchange gains and losses, the impact of one-time corporate income tax rates reductions and the impact on the adjustment to fair value in 2010 on forward exchange contracts.

Financial expense in 2010 includes the adjustment to recognize the fair value of certain forward exchange contracts relating to the construction of four new maximum Seaway-sized dry-bulk lake freighters. Amortization of financing costs incurred in 2009 associated with the Corporation's expanded credit facilities also contributed to the increase.

Net foreign exchange gains on the translation of foreign denominated assets and liabilities were $652 compared to a gain of $3,387 in 2009. The decrease was due to larger losses on the return of capital from foreign subsidiaries on cash returned to the Corporation from its self-sustaining foreign operations, and a reduction in the gains related to the translation to Canadian dollars of the Corporation's foreign denominated debt from the strengthening Canadian dollar relative to the U.S. dollar.

The income tax expense in 2010 was $3,454 compared to $386 in 2009. The increase of $3,068 related primarily to a reduction in the prior year's future income liabilities with the passing into law in 2009 by the Ontario government of future reductions of the income tax rate. In addition, in 2009 the Corporation recognized an income tax benefit of $1,386 relating to new pollution control equipment.

2011

In 2010, the Corporation reported only its 59% share of Seaway Marine Transport revenues and earnings. As a result of the ULG Transaction, for the majority of 2011 the Corporation has reported 100% of the results of its domestic dry-bulk business and Seaway Marine Transport. The increase in the reported share of revenues accounts for 74% of the 95% increase in domestic dry-bulk revenues compared to 2010, with the balance of the increase resulting from a 16% year-over-year increase in revenues from the underlying domestic dry-bulk business. Improved freight rates, better product mix, higher fuel prices, and increased revenue days more than offset a marginal decrease in total tonnage shipped.

Operating income for 2011 excludes a pre tax loss $23,465 of non-controlling interest in the results of SMT during the period January 1 to completion of the ULG Transaction on April 14 2011. The domestic dry-bulk business is subject to significant seasonality due to the closure of the St Lawrence Seaway and Welland Canal during the winter months. As a result, the Corporation completes essentially all of its major planned repairs and vessel enhancements on its dry-bulk fleet during this period of inactivity, spending $45,000. Under IFRS, the substantial loss incurred during the first quarter was shared by the Corporation and its then-partner in SMT.

Interest expense net of capitalized interest was $9,935 in 2011 compared to $6,139 in 2010 due primarily to the increase in long-term debt and related financing costs incurred in 2011. Overall financial expense decreased in 2011 due primarily to adjustments to recognize the fair value

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

gain on certain foreign exchange forward contracts relating to the construction of four Equinox Class vessels. In 2010, the Corporation reported a fair value loss adjustment on these contracts. The change in the amount of the adjustment on the foreign exchange forward contracts more than offset the increase in net interest expense.

Net foreign exchange losses on the translation of foreign denominated assets and liabilities were $2,073 compared to a gain of $652 in 2010. In 2011, the Corporation incurred larger losses on cash returned to the Corporation from its self-sustaining foreign operations, and a loss related to the translation to Canadian dollars of the Corporation's net foreign denominated liabilities as a result of the strengthening U.S. dollar relative to the Canadian dollar.

The income tax expense in 2011 was $13,685 compared to $3,628 in 2010. The increase related primarily to the substantially improved operating results for 2011 compared to 2010.

Dividends

The declaration of future dividends is subject to the discretion of the Board of Directors after consideration of earnings available for dividends, financial requirements and other conditions prevailing from time to time.

Dividends were paid to shareholders at $1.80 per common share in each of 2011, 2010 and 2009.

The credit agreement the Corporation currently has with a syndicate of its bankers contains a restriction on the amount the Corporation may pay in annual dividends. At this time, the restriction does not limit the payment of the current dividend rate by the Corporation.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Corporation's Management's Discussion and Analysis is available at *www.algonet.com* and *www.sedar.com*.

7. MARKET FOR SECURITIES

The common shares of the Corporation are listed on The Toronto Stock Exchange under the symbol of ALC.

The price ranges and volume of common shares of the Corporation traded on the TSX on a monthly basis for 2011 were as follows:

Month	High	Low	Volume Traded
January	$ 101.33	$ 92.00	34,254
February	$ 99.99	$ 93.00	23,705
March	$ 101.00	$ 92.00	18,838
April	$ 100.00	$ 97.00	6,431
May	$ 101.92	$ 96.50	7,590
June	$ 102.00	$ 96.00	8,005
July	$ 99.98	$ 96.00	2,887
August	$ 98.94	$ 88.05	18,812
September	$ 91.00	$ 84.00	9,244
October	$ 95.01	$ 82.50	9,005
November	$ 104.00	$ 96.00	21,509
December	$ 102.00	$ 93.00	14,251

8. CAPITAL STRUCTURE

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

The holders of common shares of the Corporation are entitled to vote on the election of directors at the annual meeting of shareholders of the Corporation, on the appointment of auditors, and on any other business that may come before the meeting. Each common share carries one voting right.

9. DIRECTORS AND OFFICERS

The following are the names and municipalities of residence of the directors and officers of the Corporation, their positions and principal occupations within the past five years and the period during which each director has served as director of the Corporation. The bylaws of the Corporation provide that all of the directors hold office until the next annual meeting of shareholders or until their respective successor is elected.

Directors

H. Michael Burns, Vaughan, Ontario
During the last five years, Mr. Burns has been a Corporate Director.
He has served as a director of the Corporation since 1981.

Richard B. Carty, Toronto, Ontario
During the last five years Mr. Carty has been Vice-President, General Counsel and Corporate Secretary, E-L Financial Corporation Limited.
He has served as a director of the Corporation since September 2010.

Tim S. Dool, St. Catharines, Ontario
During the last five years, Mr. Dool has been a Corporate Director and President and Chief Executive Officer of the Corporation.
He has served as a director of the Corporation since 2001.

E. M. Blake Hutcheson, Toronto, Ontario
During the last five years, Mr. Hutcheson has been President and Chief Executive Officer of Oxford Properties Group Inc., Partner, Mount Kellett Capital Management LLC and Chairman and President of CB Richard Ellis Limited.
He has served as a director of the Corporation since 2003.

Duncan N. R. Jackman, Toronto, Ontario
During the last five years, Mr. Jackman has been Chairman, President and Chief Executive Officer, E-L Financial Corporation Limited.
He has served as a director of the Corporation since 1997.

9. DIRECTORS AND OFFICERS

Clive P. Rowe, New York, New York
During the last five years, Mr. Rowe has been a partner in the firms Oskie Capital and SLS Capital.
He has served as a director of the Corporation since 1999.

Harold S. Stephen, Mississauga, Ontario
During the last five years, Mr. Stephen has been the Chairman and Chief Executive Officer, Stonecrest Capital Inc.
He has served as a director of the Corporation since 2002.

William S. Vaughan, Toronto, Ontario
During the last five years, Mr. Vaughan has been a partner in the firm Heenan Blaikie LLP.
He has served as a director of the Corporation since 2000.

Greg D. Wight, St. Catharines, Ontario
During the last five years, Mr. Wight has been President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, and Vice President, Finance of Algoma Central Corporation.
He has served as a director of the Corporation since 2008.

Officers

Duncan N. R. Jackman, Toronto, Ontario
Chairman

Greg D. Wight, St. Catharines, Ontario
President and Chief Executive Officer
During the last five years, Mr. Wight has been President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, and Vice President, Finance of Algoma Central Corporation.

Thomas G. Siklos, Toronto, Ontario
Vice President, Algoma Central Properties Inc.
During the last five years, Mr. Siklos has been Vice President, Algoma Central Properties Inc. and Chief Operating Officer of Resort Owners Group Inc. and Director of Leasing for Blackwood Partners.

Al J. Vanagas, Welland, Ontario
Senior Vice President, Technical
During the last five years, Mr. Vanagas has been Vice President, Technical, and Vice President – Marine and General Manager – Ship Management of Algoma Central Corporation.

William S. Vaughan, Toronto, Ontario
Secretary

9. DIRECTORS AND OFFICERS

Peter D. Winkley, Toronto, Ontario
Vice President, Finance and Chief Financial Officer
During the last five years, Mr. Winkley has been Vice President, Finance and Chief Financial Officer of Algoma Central Corporation, Vice-President, Finance and Chief Financial Officer of Therapure Biopharma Inc. and Vice-President, Corporate Finance of MDS Inc.

Wayne A. Smith, St. Catharines, Ontario
Senior Vice President, Commercial
During the last five years, Mr. Smith has been Senior Vice President, Commercial of Algoma Central Corporation and Vice President, Marketing and Vessel Traffic of Seaway Marine Transport.

Karen A. Watt, Niagara Falls, Ontario
Vice President, Human Resources
During the last five years, Ms. Watt has been Vice President, Human Resources, and Director, Human Resources of Algoma Central Corporation.

Mr. Dennis McPhee, St. Catharines, Ontario
Vice-President, Sales and Traffic
During the last five years, Mr. McPhee has been Vice-President, Sales and Traffic for Seaway Marine Transport.

Capt. Jim Pound
Vice-President, Operations
During the last five years, Capt. Pound was Director of Operations for Seaway Marine Transport.

Shareholdings of Directors and Officers

The directors and senior officers of the Corporation as a group beneficially own, directly or indirectly, or exercise control or direction over 11,300 or 0.29% of the outstanding common shares of the Corporation.

Committees of the Board of Directors

Executive Committee

The members of the Executive Committee are Greg D. Wight, Duncan N. R. Jackman and Clive P. Rowe.

Audit Committee

The Corporation is required to have an Audit Committee of the Board of Directors.
The members of the Audit Committee are Harold S. Stephen (Chair), H. Michael Burns, E.M. Blake Hutcheson and Duncan N. R. Jackman.

Please refer to pages 26 to 29 of this Annual Information Form for additional information on the Audit Committee.

9. DIRECTORS AND OFFICERS

Corporate Governance Committee

The members of the Corporate Governance Committee are Clive P. Rowe (Chair), H. Michael Burns, Richard B. Carty, Duncan N. R. Jackman and Harold S. Stephen.

Environmental Health and Safety Committee

The members of the Environmental Health and Safety Committee are William S. Vaughan (Chair), H. Michael Burns, Tim S. Dool and Duncan N. R. Jackman.

10. LEGAL PROCEEDINGS

There are no legal proceedings involving a material amount outstanding against the Corporation. For information on contingencies, please refer to Note 26 of the consolidated financial statements.

11. TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company ("CIBC Mellon") is the registrar and transfer agent for the common shares of the Corporation. CIBC Mellon keeps the Register of Holders and the Register of Transfers for the common shares at its principal stock transfer office in the City of Toronto.

12. INTERESTS OF EXPERTS

Deloitte & Touche LLP is the auditor of the Corporation and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

13. AUDIT COMMITTEE

Mandate of the Audit Committee

The purpose of the Audit Committee is to augment and improve financial disclosure by the Corporation and to ensure compliance by the Corporation with all applicable legal requirements in this connection.

In fulfilling this role, the Committee reviews quarterly and annual financial statements prior to Board approval. As part of this process, the Committee reviews all financial statements to satisfy itself with the fairness and consistency of the accounting practices used in creating the statements, ensuring that the Corporation's financial statements comply with International Financial Reporting Standards and present the approved financial statements to the Board for final approval. The Committee is also required to review all news releases containing financial information prior to their release.

The Committee also has responsibility for ensuring the integrity of the external audit process. The Committee is mandated to act as an independent liaison between external auditors and the Corporation. Additionally, the Committee is to ensure that its Auditors are independent and ultimately accountable to the Committee and the Board as representatives of the shareholders. Similarly, the Committee is expected to monitor external audits to ensure sufficient managerial independence and reporting.

The Committee is also responsible for administering the policy regarding employee complaints on accounting and auditing matters. This process allows for confidential employee submissions concerning any accounting or auditing matters.

Composition of the Audit Committee

The Audit Committee is to be composed of only independent directors. The Chair of this Committee must have significant accounting or related financial experience and should not hold more than 20% of the Corporation's issued and outstanding shares.

The members of the Audit Committee are Harold S. Stephen (Chair), H. Michael Burns, E. M. Blake Hutcheson and Duncan N. R. Jackman.

Each member of the Audit Committee is financially literate and independent.

According to Multilateral Instrument 52-110 – Audit Committees ("MI 52-110"), an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. According to MI 52-110, a member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation.

13. AUDIT COMMITTEE

Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is described below:

Audit Committee Member	*Education and Experience*
Harold S. Stephen - Chairman	Mr. Stephen is a Chartered Accountant, a Licensed Trustee in Bankruptcy, and a former partner in the accounting firm of Ernst and Young. He has over 35 years experience advising companies in financing and capital restructuring in court supervised and informal reorganization proceedings.
E. M. Blake Hutcheson	Mr. Hutcheson has over 20 years of experience in the real estate services, investment and finance business. He is currently President and Chief Executive Officer of Oxford Properties Group Inc. Prior to that, he was the Chief Executive Officer for nine years of a real estate service company with over 1,500 employees and $250,000 in annual sales. In these roles, he has dealt with multiple complex accounting issues, several years of audits, statement preparations and has a strong working knowledge of financial reporting, tax, internal controls and accounting practices.
Duncan N. R. Jackman	Mr. Jackman has over 15 years in the investment and finance industries. He has been a corporate director since 1997. He is the Chairman and President and Chief Executive Officer of E-L Financial Corporation Limited.

13. AUDIT COMMITTEE

H. Michael Burns	Mr. Burns has been a corporate director for many years serving on many corporate boards. Mr. Burns has served seventeen years in the investment banking industry, twelve of those years as a senior executive of a major listed conglomerate. Mr. Burns also was the Chief Executive Officer of two listed corporations as well as several unlisted subsidiaries of those corporations.

Pre-Approval Policies and Procedures

The Audit Committee has a process for approval of all audit and non-audit services to be provided by its current external auditor.

The process for the audit services requires that an annual client services plan be provided to and pre-approved by the Audit Committee prior to the commencement of services by the auditor.

All requests for non-audit services must be submitted in writing and must provide adequate details as to the particular services to be provided by the external auditor. The Audit Committee must be informed about each non-audit service provided and may not delegate its approval authority to management. Services may be approved by the Chairman of the Audit Committee for non-audit services up to $25 and the Chairman of the Audit Committee advises the Audit Committee of any such pre-approved services at its next meeting.

13. AUDIT COMMITTEE

External Auditor Service Fees

The aggregate fees for services provided by the external auditor in each of the last two years are as follows:

	2011	**2010**
Audit fees	$ 700	$ 505
Audit – related fees	$ 102	$ 229
Tax-related fees	$ 176	$ 144
Other	$ 46	$ 46

2011 includes fees associated with internal control testing and assistance with certain environmental projects.

2010 relates primarily to internal controls testing.

14. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's management information circular for its most recent annual meeting of shareholders which involved the election of directors. Additional financial information is provided in the Corporation's comparative financial statements for its most recently completed financial year.

Requests for additional information should be directed to the Vice President, Finance & Chief Financial Officer, Algoma Central Corporation at 63 Church Street, Suite 600, St. Catharines, Ontario, L2R 3C4.

Additional information relating to the Corporation is available on their website at www.algonet.com and with SEDAR at www.sedar.com.

Algoma Central Corporation
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