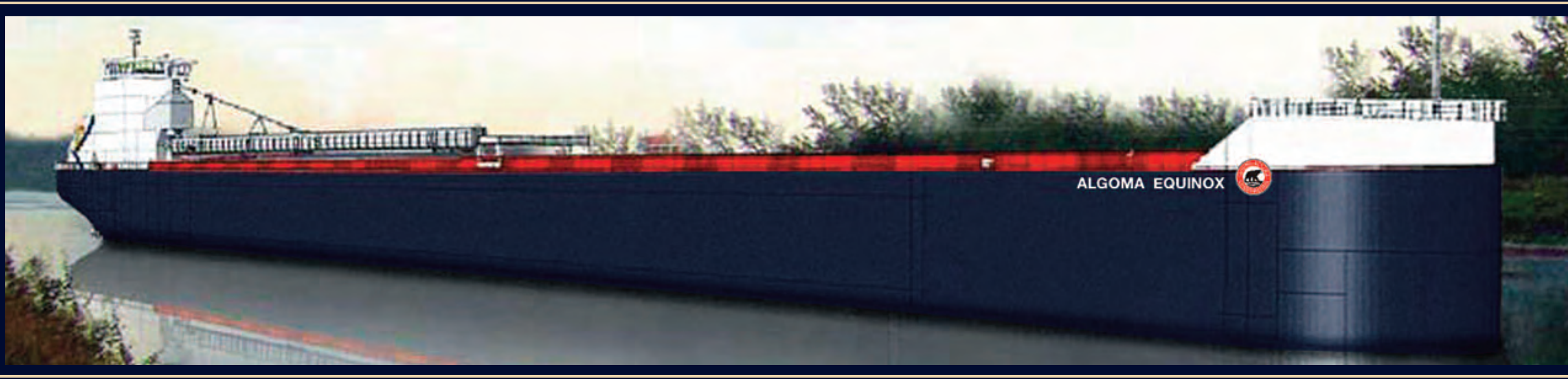

2010 ANNUAL REPORT

Algoma Central Corporation

Domestic Dry-Bulk		Product Tankers		Ocean Shipping		Real Estate
Seaway Marine Transport	**Fraser Marine & Industrial**	**Algoma Tankers**	**Algoma Tankers International Inc.**	**Algoma Shipping Inc.**	**Marbulk Canada Inc. Marbulk Shipping**	**Algoma Central Properties Inc.**
Dry-bulk pool of 32 vessels *1 under construction* *5 on order*	**Ship repair**	**Owns 7 domestic tankers**	**Owns 1 foreign-flag tanker** *5 under construction*	**Owns 2 self-unloaders & 3 bulkers**	**Owns 5 self-unloaders**	**Sault Ste. Marie** **St. Catharines** **Waterloo**
59%	100%	100%	100%	100%	50%	100%

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ABOUT THE COVER

The front cover depicts a new class of dry bulk carriers, the *Equinox Class* of vessels. The *Equinox Class* will include both self-unloaders and gearless bulk carriers. Developed by the Corporation together with a team of world class designers, architects, engineers and researchers, these state-of-the-art vessels represent the next generation of Great Lakes dry-bulk carriers. The *Equinox Class* design balances hull form, power and speed with optimal operating performance and environmental efficiency. These new vessels will improve operating efficiencies while at the same time reducing fuel consumption, air emissions, and other environmental impacts.

About the Corporation

Algoma Central Corporation owns Canada's largest fleet of vessels operating on the Great Lakes - St. Lawrence Waterway. This fleet consists of twelve self-unloading and seven gearless bulk carriers and seven product tankers. The Corporation has interests in ocean dry-bulk and product tanker vessels operating in international markets. The Corporation owns a diversified ship and diesel engine repair and fabricating facility active in the Great Lakes and St. Lawrence regions of Canada. In addition, through Algoma Central Properties Inc. and Algoma Central Hotels Ltd., the Corporation owns and manages 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 1,500 people worldwide. The Corporation has assets of $741 million and revenues of $536 million.

The Domestic Dry-Bulk segment includes twelve self-unloading and seven bulk carriers and Fraser Marine and Industrial, a division that provides ship and diesel engine repair and steel fabricating services. Seaway Marine Transport (SMT) a partnership with Upper Lakes Shipping Inc., an unrelated company, commercially and operationally manages the Corporation's vessels. SMT also holds a 25% interest in Laken Shipping Corporation (Laken), a U.S. company that owns a U.S. flag tug and barge.

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. The Corporation's wholly owned subsidiary, Algoma Tankers International Inc. (ATI) owns one product tanker currently active in international markets. ATI's existing product tanker and product tankers under construction will become part of the new international product tanker venture called Hanseatic Tankers. Other participants in Hanseatic Tankers include Bernhard Schulte of Hamburg, Germany, Sloman Neptun of Bremen, Germany, and Intrepid Shipping LLC of Stamford, Connecticut.

The Corporation's international Ocean Shipping segment consists of two entities. The Corporation and CSL Group Inc. jointly own Marbulk Canada Inc. (MCI). 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 eighteen other ocean self-unloaders owned by CSL International Inc., of Beverly, Massachusetts, Oldendorff Carriers, based in Lübeck, Germany and T. Klaveness Shipping AS, based in Oslo, Norway to form the CSL International (CSLI) commercial arrangement.

Financial Highlights

In thousands except per share figures		2010		2009
For the year				
Revenue	$	**536,373**	$	520,147
Net earnings	$	**32,602**	$	38,845
Operating ratio *(Note 1)*		**86%**		88%
Cash flow from operations	$	**74,008**	$	60,336
Capital asset additions	$	**48,113**	$	90,711
Dividends paid per common share	$	**1.80**	$	1.80
Earnings per common share	$	**8.38**	$	9.98
At December 31				
Total assets	$	**741,450**	$	694,306
Shareholders' equity	$	**452,522**	$	438,733
Long-term debt (including current)	$	**118,369**	$	112,953
Common shares outstanding		**3,891**		3,891
Equity per common share	$	**116.30**	$	112.76

Note 1- Operating ratio is defined as operating expenses plus amortization on capital assets as a percent of revenue.

Message to Shareholders

On February 25, 2011 we announced that the Corporation had entered into a definitive agreement to acquire from Upper Lakes Group Inc. (ULG) its partnership interest in Seaway Marine Transport and related entities (SMT) along with the vessels and assets owned by ULG and its affiliates and used by SMT in its Great Lakes – St. Lawrence Waterway dry-bulk freight business. The purchase price under the transaction is $85 million, subject to certain adjustments. The transaction is expected to close by the end of March, 2011 subject to customary closing conditions including receipt of all required regulatory approvals.

Under the terms of the transaction, Algoma will acquire 11 vessels currently owned by ULG, consisting of four gearless and seven self-unloading bulk freighters. Algoma will also acquire ULG's interest in two gearless and two self-unloading bulk freighters that are now owned jointly, as well as ULG's interest in a self-unloader currently under construction at Chengxi Shipyard in China which is expected to arrive in Canada in July 2011.

We are extremely pleased to have been able to reach this historic agreement with our longstanding partner and to welcome the shipboard personnel of the acquired vessels to the Algoma family. Combined with the recent announcement of our significant investment in state of the art new *Equinox Class* lake freighters, the acquisition of the ULG fleet and the remaining interest in SMT will allow Algoma to enhance its focus on its domestic dry-bulk marine transportation segment and the very important task of fleet renewal. New *Equinox Class* vessels will provide much needed improvements in operating efficiency and environmental performance. Fleet renewal will allow us to continue our leadership position in domestic dry-bulk transportation and maintain Canadian jobs in this essential sector.

Fiscal 2010 will long be remembered as the year that the Federal Government eliminated the 25% duty on the importation of dry cargo and product tanker vessels. This announcement, which took place in St. Catharines on October 1, 2010, 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. I would like to quote my response that day to Minister Flaherty after he made this historic announcement;

"Minister Flaherty, we applaud your vision to see beyond the short term tax effect of this change. We have long said that removing this disincentive to invest in the Canadian maritime fleet would be the best infrastructure investment that Canada can make. Mr. Minister, I am here to tell you that we are ready, willing and able to act. Your announcement today will help to ensure that the customers and industries along the Great Lakes / St. Lawrence Waterway will be served by the most efficient and environmentally friendly mode of transportation – that being Water Transportation – well into the future."

Concurrent with the work that was ongoing by Algoma staff and many other industry associates to remove the Canadian vessel import duty, our new vessel development team was continuing to finalize our new vessel design and related shipbuilding contracts.

This work culminated in our announcement on December 21st that the Corporation had entered into a contract 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 for our Canadian flag domestic dry-bulk fleet. The contract also provides for the purchase of two additional vessels at the Corporation's option. This project, in which the Corporation expects to invest $205 million (excluding the value of the options), provides for the construction of one gearless bulk freighter and three self-unloading bulk freighters.

Subsequently on February 8, 2011, the Canadian Wheat Board and ULG announced that they had also entered into contracts with Nantong Mingde Heavy Industries for the construction of two and one gearless bulk carriers, respectively. As a result of the recently announced transaction, the ULG contract will be assumed by the Corporation. The arrival of these seven vessels is expected to be staggered between mid 2013 and mid 2014. These new vessels will replace existing vessels that are approaching the end of their economic lives.

The innovative new design of these vessels is a result of our project team working in conjunction with Deltamarin, a leading vessel design firm, for almost two years. The result is a new series of vessels that will carry more cargo, at higher speeds and with improved fuel efficiency; resulting in significantly reduced emissions per tonne-kilometre of cargo moved. In short, this new class of vessels, called *Equinox Class*, will be considerably more efficient while at the same time will have a significantly reduced environmental footprint.

This new seven vessel order is not only very important to the future of the Corporation; it could not have come at a more opportune time. Fleet renewal has become a critical issue for Canada's marine transportation industry at a time when the demand for improved environmental efficiency has never been greater.

Fleet renewal is necessary in order to maintain safe, reliable and efficient transportation services for the many industries and shippers located throughout the Great Lakes-St. Lawrence Waterway that depend upon us to deliver their raw materials and finished products. These industries represent the foundation of the North American economy: steel, construction materials, agricultural products, energy and petroleum products.

This new vessel order which is the beginning of the domestic fleet renewal process will bring with it increased operating efficiencies and improved environmental performance which not only better serves our customers but also better serves the needs of all who rely upon our shared Great Lakes-St. Lawrence Waterway.

Although the duty removal announcement and the new vessel order are the highlights for 2010, there are a number of other noteworthy events that also took place in 2010.

On January 18th, our hotel property in Sault Ste. Marie re-opened as the Delta Sault Ste. Marie Waterfront Hotel and Conference Centre. This upgrade project was completed at a cost of $6.5 million and has positioned the property as the city's only upscale, full service, four-star hotel. We are very excited about the transformation of our hotel property and are pleased to be part of the Delta Hotels family.

On February 2nd, we acquired ownership of the product tanker, *Algoma Dartmouth*, for a total purchase price of $9.5 million. Prior to this acquisition, it was operated by the Corporation's subsidiary, Algoma Tankers Limited, under a long-term bareboat charter arrangement. This vessel, with a cargo carrying capacity of 3,569 tonnes, provides fuel delivery and vessel bunkering services within the Halifax Harbour area.

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.

On July 20th, the first of the three Algoma Shipping Inc. owned ocean class bulk carriers arrived in Canada. This vessel, the *Algoma Guardian*, upon completion of the Canadianization process in Halifax, commenced its long-term time charter with SMT. The other two vessels, the *Algoma*

Discovery and *Algoma Spirit*, arrived in Canada on October 8th and October 27th respectively and entered time charter service with SMT shortly thereafter. The Corporation provides operating management and crewing services for all three vessels.

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 has 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 has put the issue to arbitration, as provided for in the contracts. To date, the Corporation has made installments to the shipyard totalling U.S. $35.4 million. Payments made to the shipyard are backed by refund guarantees issued by major Chinese banks, although our right to demand payment on the refund guarantee has been stayed pending the outcome of the arbitration.

These vessels, upon delivery, were intended to join the Hanseatic Tanker commercial arrangement along with the two 25,000-deadweight product / chemical tankers being constructed for the Corporation at Nantong Mingde Shipyard in China. Currently eight vessels, including our *Algoma Hansa*, are being operated by Hanseatic Tankers.

The tonnage levels for four of our six major commodity sectors increased from 2009 levels. The iron and steel sector experienced an increase of 19% due mainly to the rebound of the North American economy, the agriculture sector increased by 18% due mainly to strong worldwide grain demand in the second half of the year, construction materials increased by 5% due to the impact of government infrastructure projects, and petroleum products increased by 4% due to the rebound of the North American economy.

These increases were offset by an 11% decline in the power generation sector, due to the impact of reduced demand for electricity and a 30% decrease in the salt sector mainly due to the very mild winter experienced around the Great Lakes basin during the 2009 – 2010 winter.

The Corporation is reporting a 9% increase in segment operating earnings net of income tax in 2010 of $33.6 million compared to $30.7 million for the previous year. The increase in the segment operating earnings net of income tax was due primarily to improvements in the Domestic Dry-Bulk and Product Tanker segments due to a combination of increased operating days and a reduction in operating costs. Despite the increase in segment operating earnings net of income tax, net earnings for 2010 decreased by $6.2 million to $32.6 million compared to net earnings of $38.8 million for 2009 due primarily to increases in financial and income tax expenses and a decrease in net foreign exchange gains on the translation of foreign denominated assets and liabilities.

As a general statement, our overall financial results for 2010 showed an improvement over the results experienced in 2009, although not nearly enough to bring us back to the levels enjoyed before 2009.

Our consolidated revenue increased to $536.4 million, up 3% from consolidated revenue of $520.1 million in 2009. The main factors contributing to this increase in revenue were the increase in Domestic Dry-Bulk revenue due mainly to increased operating days and increased fuel cost recoveries and the increase in Real Estate revenue due to the hotel property being re-opened and operating for the majority of the year. These increases were offset somewhat by the reduction of Ocean Shipping revenue due mainly to the impact of the strengthening of the Canadian dollar compared to the U.S. dollar, as Ocean Shipping's underlying currency is the U.S. dollar.

Cash flow from operations also increased to $74.0 million or $19.02 per share compared to $60.3 million or $15.51 per share. This 23% increase can be mainly attributed to the improvement in operating earnings of the business segments. This cash flow was used to fund dividends of $6.9 million, repay long-term debt of $6.0 million and fund the $32.8 million capital expenditure program. The balance of the cash flow generated was used to reduce our revolving long-term debt and increase cash balances.

Following is a summary of the significant capital projects undertaken in 2010.

- Progress payments of $9.9 million for construction of a second coastal class maximum seaway-sized vessel at Chengxi Shipyard in China.
- Payment of $9.0 million for the purchase of the *Algoma Dartmouth*.
- Payment of $4.3 million for the five Ocean Product Tankers under construction in China. The majority of this amount is related to capitalized interest during construction.
- Final payments totalling $2.2 million in respect of the renovation and modernization of our hotel property now known as the Delta Sault Ste. Marie Waterfront Hotel and Conference Centre.
- Payments totalling $12.4 million relating to the upgrades made on three ocean bulkers.
- Payments totaling $7.3 million in respect of four new maximum seaway size dry-bulk lake freighters
- Refund of $15.3 million in import duties paid for the *Algonova* and *AlgoCanada*. Remission of duties paid on these vessels, which were brought into Canada in 2008 and 2009 respectively, was part of the October 1, 2010 announcement by Minister Flaherty.

As stated in previous years, fleet renewal of our Domestic Dry-Bulk fleet has been the cornerstone of our strategic planning process. With fleet renewal now a reality the positive impact on the Corporation's sustainability will be significant and unprecedented. We are committed to maintaining our strategic focus on sustainability, which includes four main tenets; Operations Excellence, Environmental Sustainability, Social Responsibility and Corporate Governance.

Operations Excellence addresses quality performance measured by cost control, reduced incidents and minimized non-productive time. Our Operations Excellence metrics should be significantly enhanced once the newly ordered vessels start to arrive in Canada and enter service.

Environmental Sustainability addresses our impact on the environment mainly through the reduction of emissions to the air and water. The newly ordered vessels will contribute greatly to reduced air and water emissions through significantly reduced fuel consumption and more robust wastewater treatment. These new vessels will be designed to accommodate exhaust gas scrubbing systems to achieve further reductions of emissions to the air and ballast water treatment equipment to improve emissions to the water. We note that these technologies are still under active development and the regulatory requirements vary between jurisdictions within our operating areas. With improved clarity on the technological and regulatory fronts we will be in a position to act affirmatively. We also will continue with initiatives such as "Green Marine", an industry-led environmental improvement program and the continued evolution of our ISO 1400 Environmental Management Systems throughout our fleets and various offices.

Social Responsibility addresses employee health and welfare programs, worker safety practices and community involvement. We continue to enhance our worker safety practices and programs which have been instituted in all business segments, with the goal to achieve zero incidents throughout the Corporation. Although this goal has not yet been achieved, we are pleased to note that in 2010 our lost time injury frequency per 200,000 hours worked for all business units combined was reduced by 21% from 2009 and 37% from 2008.

Our charitable giving program is structured to encourage employee involvement through corporate matching. Our corporate causes such as United Way, local hospitals and two cancer fundraising initiatives, Run for the Cure and Relay for Life are focused mainly in improving the quality of life within the communities that our employees work and live.

Governance responsibilities are addressed through clear and transparent policies such as the Code of Conduct Policy, Corporate Disclosure Policy, Insider Trading Policy and Whistle Blower Policy. The Code of Conduct Policy is affirmatively acknowledged by all employees and directors each year.

Building on the improvements we have experienced in 2010, we share the cautious optimism of leading experts and forecasters for continued economic recovery and growth in 2011. We are hopeful that this recovery and growth will extend across the primary markets served by the Corporation. Recovery and growth will be enhanced by our dedicated and highly skilled employees who continue to demonstrate their commitment to achieving their personal goals and objectives as well as the Corporation's goals while being guided by our shared values of integrity, responsibility, respect, leadership and teamwork.

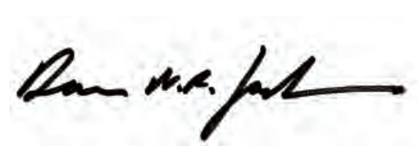
On April 30, 2010, The Honourable Roy MacLaren and Mr. Bruce Jodrey retired from the Board of directors of the Corporation after serving 10 years and 20 years respectively, as Directors. We wish to thank both Roy and Bruce for their outstanding service and wise counsel to the Corporation, and wish them all the best in their future endeavours.

As well, on April 30, 2010, Radcliffe (Rad) R. Latimer retired as Chairman and as a Director of the Corporation after serving 28 years as a Director and the last seven as Chairman. On behalf of all the Algoma Central family, we wish to express our sincere appreciation to Mr. Latimer for his leadership and guidance during his 28 year association with Algoma Central Corporation. Duncan N. R. Jackman succeeded Mr. Latimer as Chairman of the Corporation effective the same day. Mr. Jackman has served as a director of the Corporation since 1997 and had been Chairman of the Corporate Governance Committee since May 2002.

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

The Annual Meeting of Shareholders will be held in St. Catharines on April 29, 2011. We invite you to attend and look forward to seeing many of you at that time.

Greg D. Wight, FCA
President and Chief Executive Officer



Duncan N. R. Jackman
Chairman of the Board

Management's Discussion and Analysis

General

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

This Management's Discussion and Analysis of Algoma Central Corporation should be read in conjunction with its consolidated financial statements for the years ending December 31, 2010 and 2009 and related notes thereto, and has been prepared as at February 16 2011.

This Management's Discussion and Analysis has been prepared by reference to the disclosure requirement established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on Algoma Central Corporation, including its annual information form, is available on the Corporation's website at *www.algonet.com* and the SEDAR website at *www.sedar.com*.

The accounting principles used by Algoma Central Corporation to prepare the financial data contained in this Management's Discussion and Analysis are fully described in the notes to the consolidated financial statements. The reporting currency used is the Canadian dollar unless otherwise noted and all amounts are reported in thousands of dollars except for per share data.

This Management's Discussion and Analysis 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 change, weather conditions and the material risks and uncertainties identified by the Corporation and discussed on pages 23 to 27 in this report and in the Corporation's Annual Information Form.

Use of Non-GAAP Measures

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

Return on capital employed refers to earnings before financial expense and gains or losses on the translation of foreign currency-denominated assets and liabilities, on an after-tax basis, and expressed as a percentage of average capital. Capital is long-term debt including the current portion plus shareholders' equity. The Corporation uses return on capital employed to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders.

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

EBITA refers to earnings before interest, taxes and amortization. EBITA is not a recognized measure for financial statement presentation under Canadian generally accepted accounting principles. EBITA is not intended to represent cash flow from operations, as defined by Canadian GAAP, and it should not be considered as an alternative to net earnings, cash flow from operations, or any other measure of performance prescribed by GAAP. The Corporation's EBITA may also not be comparable to EBITA used by other corporations, which may be calculated differently. The Corporation considers EBITA to be a meaningful measure to assess its operating performance in addition to GAAP measures. It is included because the Corporation believes it can be useful in measuring its ability to service debt, fund capital expenditures, and expand its business.

Overall Performance

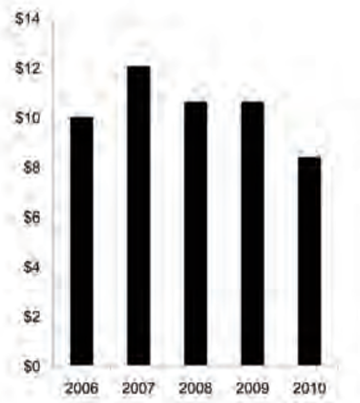
The Corporation is reporting 2010 net earnings of $32,602 compared to net earnings of $38,845 for 2009 and segment operating earnings net of income tax increased 9% in 2010 to $33,634 compared to $30,717 for the previous year.

The factors affecting the comparability of the segment operating earnings net of income tax is as follows:

- The Domestic Dry-Bulk segment's operating earnings net of income tax in 2010 were $5,078 compared to $3,230 for 2009, due primarily to increased operating days and a reduction in operating costs.
- The Product Tanker segment's operating earnings net of income tax in 2010 were up strongly at $11,260 compared to $8,107 also due to increased operating days and a reduction in operating costs.
- The Ocean Shipping segment's operating earnings net of income tax decreased from $15,943 in 2009 to $14,013 due primarily to the foreign exchange effect of the stronger Canadian dollar versus the U.S. dollar in 2010 compared to 2009.
- The Real Estate segment's operating earnings net of income tax decreased from $3,437 in 2009 to $3,283 in 2010 due primarily to a gain realized in 2009 on a sale of a property and an increase in 2010 in general and administrative expenses.

Earnings Per Share

(IN DOLLARS)



The decrease in net earnings of $6,243 was due primarily to increases in financial and income tax expenses and a decrease in net foreign exchange gains on the translation of foreign denominated assets and liabilities.

Financial expense in 2010 increased to $10,493 from $4,941 in 2009 as a result of the impact of a non-cash mark-to-market adjustment to recognize the fair value of certain foreign exchange forward 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.

The 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 realized losses on the return of capital from foreign subsidiaries and a reduction in the gains related to the translation to Canadian dollars of the Corporation's foreign denominated debt. Both of these decreases compared to last year are a result of 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 to the corporate income tax rate. In addition, in 2009, the Corporation recognized an income tax benefit of $1,386 relating to a tax reduction due to an environmental allowance.

Selected Annual Information

	2010	2009	2008
For year ended December 31			
Revenues	$ **536,373**	$ 520,147	$ 688,914
Net earnings	$ **32,602**	$ 38,845	$ 41,280
Earnings per common share	$ **8.38**	$ 9.98	$ 10.61
At December 31			
Total assets	$ **741,450**	$ 694,306	$ 706,092
Total long-term financial liabilities	$ **118,369**	$ 112,953	$ 95,184

The increase in assets in 2010 of $47,144 was due largely to an increase in cash of $33,381. Capital assets decreased marginally by $2,153 in 2010, reflecting additions of $64,613, a reduction resulting from import duty refunds received on two vessels of $15,301, amortization of $34,915 and a reduction of $12,754 relating to the translation of the capital assets of foreign self- sustaining operations to Canadian dollars due to the stronger Canadian dollar.

Long-term financial liabilities, which consist of long-term debt including the current portion, increased by $5,416 in 2010 primarily for financing of capital asset purchases.

Results of Operations

Net earnings for 2010 were $ 32,602 as compared to $38,845 for 2009. Net earnings by segment are as follows.

	2010	2009
Operating earnings net of income tax		
Domestic Dry-Bulk	$ **4,978**	$ (1,949)
Loss of non-controlling interest - *(Note 1)*	**100**	2,622
Gain on insurance proceeds on loss of *Algoport*	**-**	2,557
	5,078	3,230
Product Tankers	**11,260**	8,107
Ocean Shipping	**14,013**	15,943
Real Estate	**3,283**	3,437
Segment operating earnings net of income tax	**33,634**	30,717
Not specifically identifiable to segments		
Net gain on translation of foreign-denominated monetary assets and liabilities	**652**	3,387
Financial expense	**(10,493)**	(4,941)
Income tax	**8,809**	9,682
	$ **32,602**	$ 38,845

Note 1 - The operating loss of the non-controlling interest is net of imputed tax expense.

The Corporation's MD&A of the results of operations for the year ended December 31, 2010 compared to 2009 is contained in the Overall Performance section on page 9. Additional information on certain line items from the earnings statement follows.

Revenues

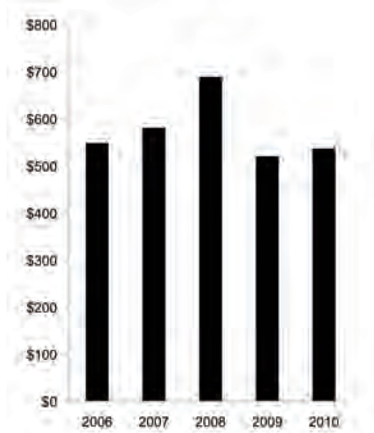
Revenue by business segment is as follows:

	2010	2009
Domestic Dry-Bulk	$ **346,291**	$ 326,015
Product Tankers	**75,462**	75,466
Ocean Shipping	**85,654**	92,620
Real Estate	**28,966**	26,046
	$ **536,373**	$ 520,147

The increase in revenue for the Domestic Dry-Bulk segment for 2010 when compared to 2009 was due primarily to an increase in operating days largely due to a stronger demand for iron ore, aggregate products and construction materials. In addition, additional revenue was realized due to increased fuel costs that are recovered through fuel surcharges paid by customers.

Revenue

(IN MILLIONS)



The Product Tankers segment revenue was essentially the same in 2010 when compared to 2009. A revenue increase as a result of more operating days for the *AlgoCanada*, the *Algonova* and the *Algoma Dartmouth* was largely offset by lower revenue from the foreign tanker caused by reduced international market rates.

The Ocean Shipping revenue decrease in 2010 when compared to 2009 was due to a reduction in operating days due to planned regulatory dry-dockings and the foreign exchange effect of converting revenues denominated in U.S. dollars to Canadian dollars at a lower average foreign exchange rate in 2010 when compared to 2009.

The increase in revenue for the Real Estate segment was due primarily to higher occupancy and rates at the hotel property, partially offset with lower occupancy at the shopping mall in Sault Ste. Marie.

Operating Expenses

The operating expenses by business segment are as follows:

	2010	2009
Domestic Dry-Bulk	$ **305,176**	$ 293,135
Product Tankers	**44,699**	47,570
Ocean Shipping	**60,719**	64,575
Real Estate	**17,391**	14,701
	$ **427,985**	$ 419,981

The increase in operating expenses of the Domestic Dry-Bulk segment for 2010 compared to 2009 was due to the increase in operating days and fuel costs, partially offset by a decrease in repair and maintenance costs.

The decrease in operating expenses of the Product Tankers segment for 2010 compared to 2009 was due largely to fewer in-charter days and lower planned regulatory dry-docking costs.

The decrease in operating expenses of the Ocean Shipping segment for 2010 when compared to 2009 was due primarily to a reduction in costs for planned regulatory dry-dockings and the foreign exchange effect of converting expenses denominated in U.S. dollars to Canadian dollars at a lower average foreign exchange rate in 2010 when compared to 2009. Partially offsetting these amounts was an increase in fuel expense caused by higher prices.

The increase in the operating expenses of the Real Estate segment was due primarily to additional costs related to the re-opening and higher occupancy of the hotel property in Sault Ste. Marie.

General and Administrative

General and administrative expenses for 2010 decreased by $735 over 2009. The decrease was due to lower provincial capital taxes, industry membership costs and computer costs, partially offset by an increase in professional fees relating to the unionization of the Corporation's domestic dry-bulk captains and chief engineers.

Amortization

Amortization expense on capital assets was $34,915 for the year ended December 31, 2010 compared to $36,103 in 2009. Increases in amortization expense resulted from the additions of the *Algoma Dartmouth* (February 2010) and the *Algobay* (November 2009). Decreases in amortization occurred in Ocean Shipping due mainly to the foreign exchange impact on the conversion to Canadian dollar due to the strengthening of the Canadian dollar compared to the U.S. dollar.

Financial Expense

Financial expense for 2010 and 2009 consists of the following:

		2010		2009
Interest expense on borrowings	**$**	**10,545**	$	7,362
Amortization of financing costs		**2,092**		1,072
Mark to market for derivatives that are not eligible for hedge accounting		**3,364**		-
Interest capitalized		**(5,508)**		(3,493)
	$	**10,493**	$	4,941

Financial expense in 2010 increased to $10,493 from $4,941 in 2009, due primarily to the charge required to recognize the non-cash adjustment to fair value in 2010 on foreign exchange forward contracts and the increase in the amortization of financing costs associated with the Corporation's expanded credit facilities.

Net Gain on Translation of Foreign Assets and Liabilities

The net gain on translation of foreign denominated assets and liabilities for 2010 and 2009 consists of the following:

		2010		2009
Gain on U.S. long-term debt	$	**2,368**	$	3,866
Realized (loss) gain on return of capital from foreign subsidiaries		**(1,673)**		313
Other		**(43)**		(792)
	$	**652**	$	3,387

The gains on the U.S. denominated debt are related to the translation to Canadian dollars of the U.S. denominated debt. At December 31, 2010 and 2009, the Corporation had U.S. debt of $42,000. The gains in both 2010 and 2009 were due to the continuing strengthening of the Canadian dollar against the U.S. dollar.

The realized gain and loss on the return of capital from foreign subsidiaries relates to the foreign exchange gains and losses on cash returned to the Corporation from its self-sustaining foreign operations.

Income Tax Provision

The income tax provision was $3,454 for the year ended December 31, 2010 compared to $386 in 2009.

Included in both years are decreases of $2,034 and $4,741 respectively, relating to the decrease in the Corporation's future tax liabilities as a result of the passing into law by the Ontario government in 2009 of reductions in the corporate income tax rate. Also included in 2009 was a decrease of $1,386 relating to the tax credit resulting from an environmental allowance. Excluding these adjustments in 2010 and 2009, the income tax provision for 2010 would have been $5,488 and for 2009 $6,513.

Excluding the items mentioned above, the effective income tax rate for 2010 was 15% compared to 19% in 2009. The Canadian statutory rate for the Corporation for 2010 and 2009 was 31% and 33% respectively. The variation in the effective income tax rate from the statutory income tax rate in 2010 and 2009 was due primarily to lower income tax rates of certain foreign subsidiaries.

Non-Controlling Interest

The Domestic Dry-Bulk fleet operates primarily through the Seaway Marine Transport partnership, which is fully consolidated as a variable interest entity in the Corporation's consolidated financial statements. The operational and commercial activities of the Domestic Dry-Bulk fleet are combined in the partnership with those of another unrelated Canadian ship owner.

The loss of the non-controlling interest in the amount $145 for the year ended December 31, 2010 compared to a loss of $5,178 in 2009 represents the other partner's proportionate share of loss in the Seaway Marine Transport partnership.

Comprehensive Earnings

Comprehensive earnings are composed of the Corporation's net earnings and other comprehensive earnings or losses. Other comprehensive earnings or losses of the Corporation includes unrealized gains and losses on the foreign currency translation of the net investment in self-sustaining operations and changes in the fair market value of the interest rate swap agreements the Corporation utilizes on certain debt instruments to manage risks associated with interest rate movements.

As of December 31, 2010, the Corporation had in its Shareholders' Equity an "Accumulated Other Comprehensive Loss" balance of $21,239 compared to earnings of $10,979 at December 31, 2009. The balance consists of the unrealized losses on the translation of the financial statements of foreign self-sustaining operations and the net unrealized losses on hedging instruments.

The increase in the comprehensive earnings in 2010 when compared to 2009 was due primarily to a reduction in the unrealized losses in the year on the translation of the net investment in foreign self-sustaining operations because of the continuing strengthening of the Canadian dollar against the U.S. dollar. At December 31, 2010 and 2009, 32% and 35% respectively of the Corporation's total assets are in foreign self-sustaining operations and are denominated in U.S. dollars.

The unrealized losses at December 31, 2010 would reverse with a weakening of the Canadian dollar against the U.S. dollar. The losses at December 31, 2010 will only be realized if a foreign self-sustaining subsidiary is disposed of or cash held in a foreign subsidiary were transferred to Canada as a return of the remaining Corporation's net investment in foreign subsidiaries.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

		2010		2009		Increase (Decrease)
Net earnings	$	**32,602**	$	38,845	$	(6,243)
Cash provided from operations before changes in working capital	$	**69,195**	$	57,872	$	11,323
Cash provided from operations after changes in working capital	$	**74,008**	$	60,336	$	13,672
Cash used in investing activities	$	**31,043**	$	82,071	$	(51,028)
Cash (used) provided from financing activities	$	**(9,136)**	$	21,863	$	(30,999)

Cash Provided from Operating Activities

Cash provided from operations in 2010 was $74,008 compared to $60,336 in 2009. The increase in cash flow was due primarily to improved earnings from operations partially offset with an increase in payments relating to post retirement benefits and corporate income tax payments.

Cash Used in Investing Activities

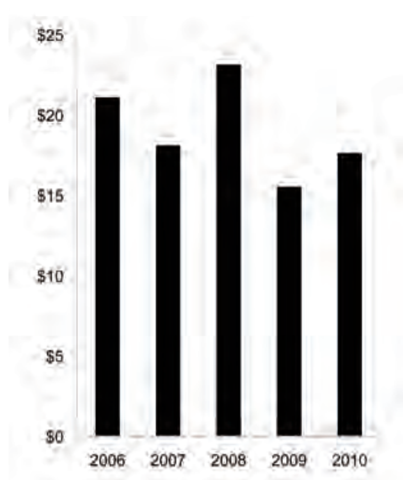
Cash used in investing activities decreased from $82,071 in 2009 to $31,043 in 2010 due mainly to a reduction in additions to capital assets and the refund of $15,301 in import duties for the *Algonova* and *AlgoCanada*.

In 2010, capital asset additions of $48,113 include the following:

- $7,280 for four new maximum Seaway-sized dry-bulk lake freighters.
- $9,925 on deposits made for a self-unloading vessel.
- $12,362 relating to the upgrades made on the three ocean bulkers.
- $9,000 for the purchase of the *Algoma Dartmouth*.

Cash Provided from Operations per Share

(IN DOLLARS)



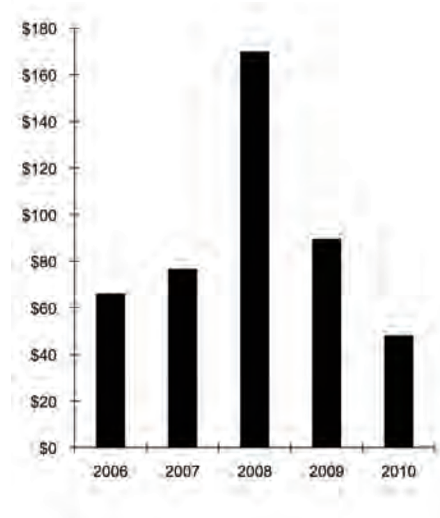
- $4,267 for the five Ocean Product Tankers under construction in China related to capitalized interest during construction.
- $2,224 in respect of the renovation and modernization of the hotel property in Sault Ste. Marie.

In 2009, significant additions to capital assets included:

- Payments on the two seaway size self-unloaders of $26,259.
- Deposits on the five new product tankers under construction of $42,282.
- Expenditures for domestic dry-bulk vessels of $5,644, consisting primarily of generator replacements.
- Payments for the *AlgoCanada* of $8,661, consisting primarily of the duty, which was due on the vessel's entry in Canada.
- Hotel modernization improvements of $4,191.

Capital Asset Additions

(IN MILLIONS)



Cash Provided by or Used in Financing Activities

Cash used in financing activities in 2010 was $9,136 compared to cash provided of $21,863 for 2009.

Cash from financing activities in 2010 and 2009 consisted primarily of proceeds from long-term debt to assist with the financing of capital asset purchases and the payment of dividends to shareholders. For the twelve months ended December 31, 2010, the Corporation received $11,993 in net proceeds from long-term debt compared to $27,135 for the same period in 2009.

Repayments on long-term debt in 2010 and 2009 were $6,000 and $5,500 respectively, which represents the required installments on two of the Corporation's term bank loans.

Dividends were paid in both years to shareholders at a rate of $1.80 per common share, totalling $6,861 for 2010 and $6,835 for 2009.

Capital Resources

The Corporation manages its capital to ensure that there are adequate capital resources to safeguard the Corporation's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of long-term debt and shareholders' equity, comprising share capital and retained earnings. The basis for the Corporation's capital structure is dependent on the Corporation's expected business growth and changes in business environment.

The cash and cash equivalents on hand at December 31, 2010, existing credit facilities and expected cash from operations should exceed the Corporation's planned operating and capital requirements and other contractual obligations for 2011. In fiscal 2009, the Corporation entered into a two-year bank credit facility that expires on November 3, 2011. The Corporation is currently in discussion with its bankers and other parties to secure an extension and expansion of the existing facilities intended to support the Corporation's long-term capital needs associated with the planned domestic dry-bulk fleet renewal.

Contingencies

For information on contingencies, please refer to Note 17 of the consolidated financial statements.

Transactions with Related Parties

There were no transactions with related parties in 2010 or 2009.

Fourth Quarter 2010

The Corporation is reporting net earnings for the three months ended December 31, 2010 of $20,969 compared to $23,169 for the same period in 2009. Segment operating earnings net of income tax for the fourth quarter were $19,911 compared to $15,725 for the prior year quarter, an increase of 27%.

The increase in segment operating earnings net of income tax was primarily a result of an increase in the Product Tanker segment earnings due to increased operating days and a reduction in costs. The Ocean Shipping segment also increased over the 2009 quarter, as the prior year quarter included the impact of a planned regulatory dry-docking.

The decrease in net earnings of $2,200 was due primarily to the following:

- Increased income tax expense of $2,415 due primarily to reductions in the Corporation's future tax liabilities recorded in the 2009 fourth quarter to reflect decreases in the Ontario corporate income tax rate and a tax reduction due to an environmental allowance.
- Increase in financing costs of $3,662 due to the unfavourable adjustment required to recognize the fair value of certain foreign exchange forward contracts.

Refer to the Corporation's news release announcing fourth quarter results dated February 17, 2011, which can be accessed, from the SEDAR website at *www.sedar.com* or the Corporation's website at *www.algonet.com*.

Critical Accounting Estimates

The Corporation's significant accounting policies are described in Note 2 to the consolidated financial statements. Some of these accounting policies require management to make estimates and assumptions about matters that are uncertain at the time the estimates and assumptions are made. Management believes that the estimates are reasonable; however, different estimates could potentially have a material impact on the Corporation's financial position or results of operations.

Employee Future Benefits

The Corporation provides pensions and post-retirement benefits including health care, dental care and life insurance to certain employees. The determination of the obligation and expense for defined benefit pension plans and other post-retirement benefits is dependent on the selection of certain assumptions used by the Corporation in calculating such amounts. Those assumptions are disclosed in Note 9 to the Corporation's consolidated financial statements, the most significant of which are the discount rate, the rate of increase of compensation, expected rates of return on plan assets, the rate of increase in the cost of health care and the estimated average remaining service lives of employees. The assumptions are reviewed annually and the impact of any changes in the assumptions is reflected in accounting gains or losses as disclosed in Note 9 to the consolidated financial statements. The significant accounting assumptions adopted are internally consistent and reflect the long-term nature of employee future benefits. Significant changes in assumptions could materially affect the Corporation's employee benefit obligations and future expense.

Capital Assets

The Corporation reviews on a regular basis the amortization periods of capital assets for changes in estimated useful lives. The Corporation reviews for impairment whenever indications exist and at a minimum on an annual basis whether there are any signs of impairment in accordance with the Corporation's accounting policy.

Change in Accounting Estimates

Employee Future Benefits

Effective December 31, 2010 the Corporation changed its assumption on the discount rate from 6.4% to 5.3% for purposes of calculating the accrued benefit obligation at December 31. At December 31, 2009 the discount rate was changed from 7.3% to 6.4%. The discount rate assumption is based on long-term corporate bond rates which fluctuate due to market conditions.

The adoption of these new assumptions has had the following effect on the consolidated financial statements.

	2010	2009
Increase in accrued benefit obligation	$ **14,140**	$ 9,834
Increase in unamortized amounts	$ **14,140**	$ 9,834

Future Accounting Changes

International Financial Reporting Standards

The CICA guidance "Adopting IFRSs in Canada" incorporates International Financial Reporting Standards ("IFRS") into the CICA Accounting Handbook effective for interim and annual financial statements relating to financial periods beginning on or after January 1, 2011. Publicly accountable enterprises are required to prepare financial statements in accordance with IFRS.

The Corporation will be adopting IFRS in the first quarter of fiscal year 2011.

The Corporation's analysis of IFRS and comparison with Canadian GAAP has identified a number of differences. Many of the differences identified will not have a material impact on the reported results and financial position. However, there may be significant changes in certain areas following the implementation of IFRS accounting principles.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings on the first comparative balance sheet. Transitional adjustments relating to those standards where comparative figures are not required to be restated and are applied prospectively will only be made as of the first day of the year of adoption. January 1, 2010 is the transition and opening balance sheet date.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

Impact of IFRS on Financial Position

Set out below are the key areas where changes in accounting policies as a result of the transition to IFRS will impact the Corporation's consolidated financial statements. The list and comments below should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight those areas thought to be most significant.

Property Plant and Equipment

Current accounting policy	The cost of an item of property, plant and equipment is stated at cost less accumulated amortization and amounts written down to net recoverable value. All major components are amortized over the same estimated life.
IFRS accounting policy	Historical cost accounting has been selected instead of the revaluation model which is consistent with the Corporation's current accounting policy. The Corporation has elected not to take the IFRS 1 election to revalue property, plant and equipment to fair value. Under IFRS, property, plant and equipment, consisting primarily of vessels, will be composed of two separate components, regulatory dry-docking costs and vessels which will be amortized separately.
Opening balance sheet impact	The Corporation estimates the impact on the opening balance sheet will be increases to property, plant and equipment of approximately $7,577, future taxes of $1,985 and equity of $5,592.
Accounting impact on our continuing operations	IFRS requires capitalization and amortization of regulatory dry-docking costs as a separate component of the vessel. The current policy of the Corporation is to expense these costs as incurred. This change in accounting policy is not expected to have a significant impact on the financial statements.

Employee Benefits

Current accounting policy	The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is not immediately recognized in earnings but is amortized over the remaining service period of active employees. Past service costs of defined benefit plans are currently amortized over the estimated average remaining service life of plan members. The expected return on plan assets and the interest on the liability are recorded as part of pension expense.
IFRS accounting policy	Actuarial gains and losses for the defined benefit plans will be recognized in the period in which they occur in other comprehensive earnings. The Corporation will take the IFRS 1 election to recognize in opening accumulated other comprehensive earnings at December 31, 2009 the cumulative net unrecognized actuarial gains and losses, unamortized past service costs and unamortized transitional obligation.

	Vested past service costs will be expensed immediately while unvested past service costs will be amortized over the vesting period.
	Under certain circumstances, an additional minimum liability will be recognized under the rules of IFRIC 14, "The limit on a defined benefit asset, minimum funding requirements and their interaction". Changes to this amount will be recorded in other comprehensive earnings.
Opening balance sheet impact	The Corporation estimates the impact on the opening balance sheet will be to reduce other assets by $11,487, increase other liabilities by $10,448, reduce future taxes by $7,019 and reduce equity by $14,916.
Accounting impact on our continuing operations	All actuarial gains and losses incurred in the period will be recorded directly to other comprehensive earnings. This policy choice will give rise to more fluctuation in other comprehensive earnings.
	The expected return on plan assets and the interest on obligations will be included in financing expense.
	Volatility in the accrued benefit assets and liabilities and equity will arise as a result of the changes due to the rules of IFRIC 14.

Investment Property

Current accounting policy	The Corporation's real estate assets are stated at cost less accumulated amortization and are included in capital assets.
IFRS accounting policy	The Corporation's real estate assets will be classified separately as investment property on the balance sheet and accounted for using the cost model. The fair value disclosure will be included in the notes to the financial statements.
Opening balance sheet impact	No effect on the opening balance sheet.
Accounting impact on continuing operations	No effect on continuing operations.

Impairment of Long-Lived Assets

Current accounting policy	The Corporation reviews whenever indications exist and at a minimum on an annual basis, whether there are any signs of impairment of its capital assets and identifiable intangible assets ("long-lived assets"). The impairment of a long-lived asset is measured by comparing the expected future undiscounted cash flows to the carrying amount of the asset. If the carrying value exceeds the amount recoverable, the carrying values are written down to estimated fair value.
IFRS accounting policy	Under IFRS, if there are indicators of impairment, impairment testing is a one-step process; the carrying amount of the

	asset is directly compared to the recoverable amount, which is the higher of fair value less costs to sell and value in use. Value in use is calculated using the discounted future cash flows expected to result from the use and eventual disposition of the asset.
Opening balance sheet impact	The Corporation is estimating the impairment for certain operating assets and assets under construction will be approximately $15,000. The impairment will be recognized as a decrease to property, plant and equipment and equity.
Accounting impact on our continuing operations	This one-step impairment test under IFRS may result in more frequent write-downs of assets. Reversals of previous write-downs may be required in future periods, in particular with the assets under construction if the ship building contracts are cancelled.

Foreign Currency Translation Adjustment (CTA)

Current accounting policy	Foreign exchange gains or losses arising from the translation into Canadian dollars of foreign self-sustaining operations are included in accumulated other comprehensive earnings, which is a separate component of shareholders' equity.
IFRS accounting policy	No significant changes have been identified from our current accounting policy.
Opening balance sheet impact	IFRS 1 allows a first-time adopter on its date of transition to reclassify its CTA from all its foreign operations to retained earnings and reset the CTA balance to nil. The Corporation has elected to exercise this option. Retained earnings will be reduced and accumulated other comprehensive earnings will be increased by $9,576.
Accounting impact on our continuing operations	Future translation gains or losses will result from the translation into Canadian dollars of foreign self-sustaining operations at the exchange rate in effect. The changes due to the translations will be included in Currency Translation Adjustment. The Corporation does not expect a significant impact on continuing operations.

Joint Ventures

Current accounting policy	The Corporation has an interest in one of its joint ventures, which is reported in accordance with accounting for variable interest entities and therefore is fully consolidated in the results of the Corporation with the non-controlling interests share separately identified. All other joint ventures are accounted for using the proportionate consolidation method.
IFRS accounting policy	Under the current IAS 31 Interest in Joint Ventures ("IAS 31"), the Corporation will be accounting for all of its joint ventures using proportionate consolidation.

Opening balance sheet impact	The accounting policy under the existing IAS 31 standard will have a significant effect on the opening balance sheet. Certain assets and liabilities will be reduced for the non-controlling interest's share of the joint venture that is accounted for in accordance with accounting for variable interest entities. There is no effect on equity.
Accounting impact on our continuing operations	The revised accounting policy will have no effect on net earnings but revenues and expenses will be reduced by the non-controlling interest's share and non-controlling interests line items will be eliminated.

The differences identified in this document should not be regarded as an exhaustive list and other changes may result from our conversion to IFRS. Furthermore, the disclosed impacts of our conversion to IFRS reflect our most recent assumptions, estimates and expectations, including our assessment of the IFRS standards expected to be applicable at time of conversion. Because of changes in circumstances, such as economic conditions or operations, and the inherent uncertainty from the use of assumptions, the actual impacts of our conversion to IFRS may different from those presented above.

Internal Controls and Disclosure Controls over Financial Reporting

In accordance with the requirements of National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, the Corporation's management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), have evaluated the operating effectiveness of the Corporation's internal controls over financial reporting. Under the supervision of and with the participation of the CEO and the CFO, management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Management assessed the effectiveness of the Corporation's internal controls over financial reporting as of December 31, 2010. Based on this assessment, the CEO and CFO have concluded that the Corporation's internal controls over financial reporting are operating effectively as of December 31, 2010. Management determined that there were no material weaknesses in the Corporation's internal controls over financial reporting as of December 31, 2010. There have been no changes in the Corporation's internal controls over financial reporting during the year ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect its internal controls over financial reporting.

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is reported to the CEO and CFO on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at the financial year ended December 31, 2010, an evaluation of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures was carried out under the supervision of and with the participation of the CEO and CFO in accordance with National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings. Based on that evaluation, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures are effective as of December 31, 2010, to provide reasonable assurance that material information relating to the Corporation and its consolidated subsidiaries would be made known to them by others within those entities.

Derivative Financial Instruments

The Corporation utilizes interest rate swap agreements on its debt instruments to manage risks associated with interest rate movements. At December 31, 2010 and 2009, the interest rate swap agreements had a negative fair value of $2,135 and $2,156 respectively. The amounts have been recorded on the financial statements in accordance with the Corporation's hedge accounting policy.

In addition to the interest rate swap agreements, the Corporation utilizes foreign exchange forward contracts to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join our domestic dry-bulk fleet.

In November 2010, the Corporation entered into foreign exchange forward contracts with two major financial institutions having a combined value of $124,500. The foreign exchange forward contracts relate to the payments that are required under shipbuilding contracts for the construction of four new maximum Seaway-sized dry-bulk lake freighters. The contracts have options at various dates throughout the construction period to purchase U.S. funds at a rate not exceeding Canadian 1.05 and a barrier or floor rate of Canadian 0.99. The Corporation has not applied hedge accounting to these contracts and at December 31, 2010, the fair market value for these contracts was unfavourable to the Corporation by $3,364.

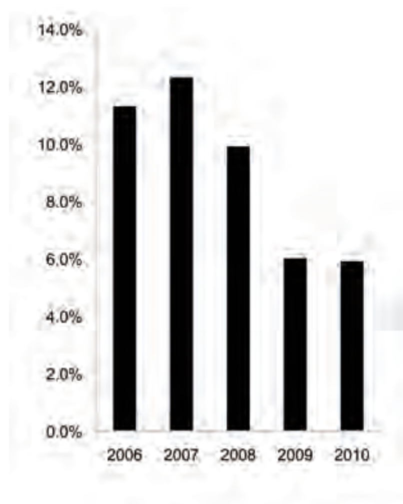
Return on Capital Employed

The Corporation uses Return on Capital Employed (ROCE) to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders.

The Corporation defines ROCE as earnings before financial expense and gains or losses on the translation of foreign-denominated assets and liabilities, on an after-tax basis, and expressed as a percentage of average capital. Capital is long-term debt, including the current portion plus shareholders' equity.

The ROCE in 2010 fell slightly to 5.9% from 6.0% in 2009 primarily as a result of progress payments on capital assets under construction and not yet in service.

Return on Capital Employed



Summary of Quarterly Results

The results for the last eight quarters are as follows with amounts in thousands of dollars except per share figures:

Year	Quarter	Revenue	Net earnings (loss)	Earnings (loss) per share
2010	Quarter 4	$ 164,410	$ 20,969	$ 5.39
	Quarter 3	$ 159,506	$ 17,218	$ 4.43
	Quarter 2	$ 154,613	$ 11,352	$ 2.91
	Quarter 1	$ 57,844	$ (16,937)	$ (4.35)
2009	Quarter 4	$ 167,059	$ 23,169	$ 5.95
	Quarter 3	$ 151,454	$ 20,620	$ 5.30
	Quarter 2	$ 141,199	$ 13,509	$ 3.47
	Quarter 1	$ 60,435	$ (18,453)	$ (4.74)

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 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 Shipping segments operating year round, a somewhat longer season for the Domestic Dry-Bulk fleet, and the increase in our Real Estate segment.

Contractual Obligation

The table below provides aggregate information about the Corporation's contractual obligations at December 31, 2010, which affects the Corporation's liquidity and capital resource needs. The Corporation's contractual obligations consist primarily of the repayment of long-term debt and the purchase of capital assets.

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Repayment of long-term debt	$ 96,431	$ 12,000	$ 12,000	$ 1,500	$ 121,931
Capital asset commitments	141,458	108,206	20,713	-	270,377
Defined benefit pension payments	2,382	4,764	3,804	-	10,950
Other commitments	250	500	500	1,000	2,250
	$ 240,521	$ 125,470	$ 37,017	$ 2,500	$ 405,508

The capital asset commitments include:

- Construction of four new maximum Seaway-sized dry-bulk lake freighters at Nantong Mingde Heavy Industries in China. These vessels are expected to be delivered in late 2013 and 2014 and have remaining commitments of approximately $145, 000.
- Construction of three 16,500-deadweight petroleum product tankers at Jiangxi Jiangzhou Union Shipbuilding Ltd. in China and have remaining commitments of approximately $59,493. Although we have issued notices of rescission on these contracts, we will report these balances as commitments pending resolution of the arbitration.
- Construction of one maximum Seaway sized self-unloading vessel at Chengxi Shipyard in China. The Corporation's share of the remaining commitments for this vessel, which is expected to be delivered in April 2011, is approximately $12,837.
- Construction of two 25,000-deadweight petroleum product tankers at Nantong Mingde Shipyard in China and have remaining commitments of approximately $53,047.

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

In 2010, the short-term challenge of retaining skilled crews and addressing skill shortages in certain skilled positions continued. 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

All positions on the Corporation's domestic vessels are unionized. The collective agreements on the domestic product tanker group expired on July 31, 2010 and negotiations are underway to renew these collective agreements. The existing collective agreements on the domestic dry-bulk fleet expire on May 31, 2011. On April 9, 2010, the Captains and Chief Engineers of the Corporation's domestic dry-bulk fleet were granted trade union status by the Canadian Industrial Relations Board. The Corporation has applied for a judicial review which is scheduled to be heard on March 10, 2011. In the meantime, the Corporation has commenced the collective bargaining process with the domestic dry-bulk Captains and Chief Engineers. Certain employees of the Corporation's ship repair facility are employed under a collective agreement that expires on May 31, 2012. Failure to enter into new collective agreements with any of the unions representing workers could result in service outages. The Corporation believes it has strong relations with each union representing its workers and does not expect service interruptions.

Partnering

The Corporation operates a significant portion of its capital assets 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.

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.

Capital Assets

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 $273 million for the construction of ten 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 installments 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 a credit facility currently expiring in November 2011 with a syndicate of six leading banks that will meet the cash requirements for its existing commitments. The Corporation is working with its existing lenders as well as exploring alternative financing arrangements to ensure sufficient funds are available to meet its on-going needs.

Competitive Markets

The marine transportation and real estate businesses are competitive on both domestic and international fronts. Marine transportation is subject to competition from other forms of transportation such as road and rail freight. Competition may decrease the profitability associated with any particular contract and may increase the cost of acquisitions. The Corporation strives to differentiate itself from the competition with superior customer service, having vessels suited to each customer's needs and maintaining a compliant, safe, efficient and reliable fleet.

Changes in general economic conditions or conditions specific to a particular customer may affect the demand for vessel capacity. The Corporation believes that due to the long-term nature of its service contracts, vessel configurations and geographic diversity 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.

Certain jurisdictions have created Emission Control Areas (ECA) that governs vessel emissions and fuel quality requirements. Canada and the U.S. have submitted a joint request to the International Maritime Organization (IMO) to establish a North American ECA. This proposal does not include internal waters such as the Great Lakes – St. Lawrence Waterway. The U.S. Environmental Protection Agency published an official rule to implement a North American ECA in late December 2009. This rule will come into force initially in August 2012. The rule seeks to limit the sulphur content of fuels used in vessels operating within the ECA initially to 1% dropping in 2015 to 0.1%. The Corporation's vessels are capable of using lower sulphur fuels although the cost and availability of low sulphur fuels may be a risk.

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.

Seaway Marine Transport completed its ISO 14001 Environmental Management System certification in October 2010 in addition to its current 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 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. Water levels declined in 2010 compared to 2009. Although not an exact science, it is generally thought that global warming may have a negative effect on Great Lakes and St. Lawrence 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.

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.

Pension Plans

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.

Domestic Dry-Bulk

The Domestic Dry-Bulk segment includes the activities of the Corporation's Canadian flag dry-bulk vessels, our interest in one U.S. flag tug and barge unit and our ship repair and marine engineering business.

The commercial and vessel operating functions required for the Corporation's Canadian flag vessels, which include twelve self-unloading vessels and four bulk carriers, are managed by Seaway Marine Transport (SMT). SMT's responsibilities include marketing and sales, vessel traffic, vessel operations management, purchasing, accounting and administrative functions for the Corporation's dry-bulk vessels. The Corporation maintains the responsibility to provide crew for these vessels.

During 2010, SMT concluded agreements to time charter the bulk carriers *Algoma Spirit*, *Algoma Discovery* and the *Algoma Guardian* from the Corporation's wholly owned subsidiary Algoma Shipping Inc. The Corporation provides crewing and operations management services for these vessels. SMT remains responsible for the commercial activities of these ships.

SMT has a 25% interest in Laken Shipping Corporation (Laken), a U.S. company that owns a U.S. flag 5,000 HP tug and 10,200 net ton capacity self-unloading barge. This business unit was inactive in 2010. SMT (USA) and the major user of the tug and barge reached a negotiated settlement to end their service agreement as of the commencement of the 2010 season. Laken is pursuing the sale of this tug and barge.

SMT is based in St. Catharines, Ontario and has a sales and customer service office in Winnipeg, Manitoba. SMT (USA) Inc. has an office in Cleveland, Ohio. In addition to its primary activities concerning vessels owned by the Corporation and its partner, SMT also provides ship management services for two vessels not owned by the two partners and SMT also charters vessels from third parties under various commercial arrangements.

The SMT fleet is the largest and most diversified dry-bulk cargo fleet operating on the Great Lakes. The size of the fleet, together with a variety of unique vessel configurations, allows SMT to accommodate almost every dry-bulk shipping requirement. SMT's fleet complies with and is certified under the ISO: 9001 Quality Management standard, the ISM Code and as of September, 2010 it became certified under the ISO 14001 Environmental Management standard. Certification is performed by Lloyds Register. In addition, all SMT managed vessels have approved security plans that fully comply with Canadian and U.S. regulations and the International Ship and Port Security (ISPS) Code.

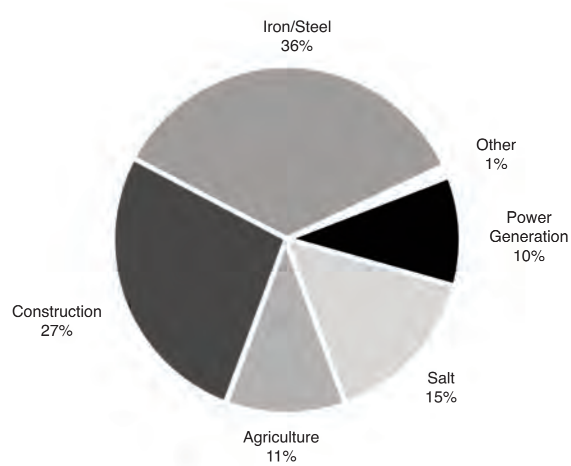
SMT, together with several other marine industry stakeholders, including Algoma Tankers Limited, is an active member of Green Marine, a collaboration of several marine industry stakeholder groups from both Canada and the U.S. that have implemented a voluntary environmental performance measurement and reporting program for the Great Lakes – Seaway Waterway. The goal of this program is to demonstrate and communicate the maritime industry's environmental performance and its commitment to improving both performance and its profile on environmental matters.

SMT serves a wide variety of major industrial segments, including iron and steel producers, aggregate producers, cement and building material producers, electric utilities, salt

Industry Segments

Seaway Marine Transport

(BY TONNES)



producers and agriculture product producers. SMT's customer group includes leading organizations in each market sector and service relationships are typically long-term in nature.

SMT's fleet includes both self-unloading and traditional bulk vessels. Self-unloading bulk carriers discharge their cargo using onboard equipment. Cargo flows from the cargo hold through gates to conveyors located below the cargo hold. The cargo is carried through the ship, and then elevated to an unloading boom at deck level. Unloading booms are 75-80 metres long and can be moved up to 90 degrees from each side of the vessel. Self-unloaders either discharge cargo to stockpiles or directly into receiving storage facilities. Due to the flexibility of self-unloaders, the demand for this type of vessel is high. Traditional bulk carriers require shore-side facilities to discharge cargo. This type of vessel is primarily deployed in the movement of grain cargoes and iron ore for steel production.

The delivery of the Corporation's new *Algobay* in 2010 was a very positive event for SMT. The new *Algobay* is the first Canadian flagged self-unloader to meet new damage stability requirements of the international SOLAS convention and Transport Canada. The vessel is classed and approved to trade in the Great Lakes and St. Lawrence as well as along both coasts of North America and the Gulf of Mexico. Although the name of the original vessel was kept for nostalgic purposes, the new *Algobay* in no way resembles the original vessel. The original *Algobay* was built in Canada in 1978 and sailed until December 2002. In December 2002, it was laid up indefinitely due to its age, deteriorating condition and high maintenance costs. The new *Algobay* was constructed at Chengxi Shipyard in Jiangyin, China. Almost all of the vessels structures and systems were newly built. The new *Algobay* has a greater capacity, is wider and longer than the original vessel and travels at a higher speed due to the new hull design and complete replacement of the propulsion plant. Only the aft engine room and accommodation outer shell and the Kamewa propeller system (which was removed and completely refurbished to a new condition) were salvaged from the old *Algobay* for use on the new vessel.

The new *Algobay* has a completely new engine room. Two new main engines were installed. A new gear set was manufactured to match the propeller shafting and the main engines. Three new MAK 6M20 diesel generator sets were installed including an electronic power management system. This system ensures that the correct amount of electrical power is being used at all times. In the event additional power is required, the system automatically starts additional generators to meet the power demand. Alternatively, if power demand is low, the system will remove generating capacity from the system by disconnecting a generator, thereby allowing the system to cool down and shut itself off. New auxiliary equipment installed in the main engine room includes main engine and generator fuel oil purifiers, a new thermal oil heating system, a exhaust gas economizer that utilizes excess heat from the main engine during its operation thereby requiring less energy to operate, a new ballast system, new sea water and fresh water piping plus various new auxiliary pumps.

The new *Algobay* self-unloading system allows for a single operator to unload the vessel from a central control room by operating gates below the cargo hold that allow cargo to exit via gravity onto a conveyor system that runs the length of the vessel. This unloading system allows the vessel to unload 38,000 tons of cargo at a rate of 5,000 tons per hour.

Work on the new sister ship to the *Algobay*, continues at Chengxi Shipyard. The vessel was launched in November 2009. The vessel's arrival in Canada will follow about two months after delivery and acceptance in China, which is expected to be in April 2011. The new ship will include all of the new features and innovations of the *Algobay* but will also include some new design innovations that are incorporated into the vessel's new stern section.

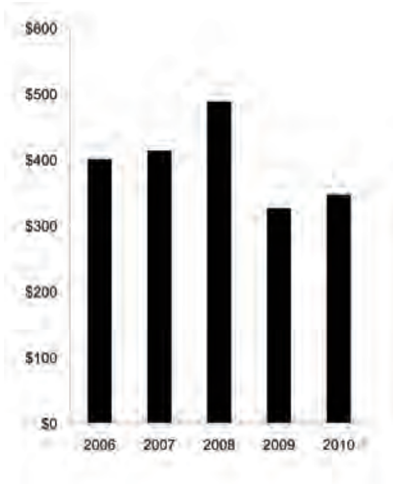
The global economic crisis and North American recession had a profoundly negative impact on most market segments served by SMT. As reported last year, total shipping activity of SMT was significantly reduced in 2009. Most sectors rebounded in 2010 but not to pre-crisis levels. In 2010, SMT operated a total of 19 self-unloaders and 9 bulkers. The total number of operating days of SMT increased in 2010 by 5.9% over the prior year. Total self-unloader days increased by 13.2%, reflecting in almost equal measures the addition of the new vessel *Algobay*, which joined the fleet in April 2010, and the positive impacts of the economic recovery. Total bulker operating days did fall, however, by 11%. Despite the net increase in vessel operating days the total amount of cargo carried by SMT was virtually unchanged from 2009 levels, falling only slightly by 0.3%.

Total revenues in the Domestic Dry-Bulk segment increased by 6.0% to $346,291 in 2010. Nearly one-third of this increase was attributable to higher fuel surcharges that were paid by customers to cover higher fuel prices during the year. Operating earnings net of income tax increased to $5,078 in 2010 from $3,230 in 2009. Included in 2009 results was the gain of $2,557 on insurance proceeds on the loss of the *Algoport.*

Revenue

Domestic Dry Bulk

(IN MILLIONS)



In 2010, SMT spent $53.3 million in vessel repairs during the winter lay-up period. These expenditures are made to enhance vessel performance and to maintain compliance with regulatory requirements. Capital projects were significantly reduced to $1.1 million in 2010, down from $5.6 million in 2009.

Effective cost control, operational excellence and continuous improvement are critical to SMT's goal of being the most competitive marine transportation service provider on the Great Lakes - St. Lawrence Seaway Waterway. Two key measures of quality performance are incident costs and non-productive days. In 2009, incident costs, as a percentage of net revenue was unchanged from 2008 and 2009 levels at 1.5%. Non-productive days as a percentage of available days fell from 3.4% in 2009 to 3.0% in 2010. SMT continues to focus its attention on improving these measures.

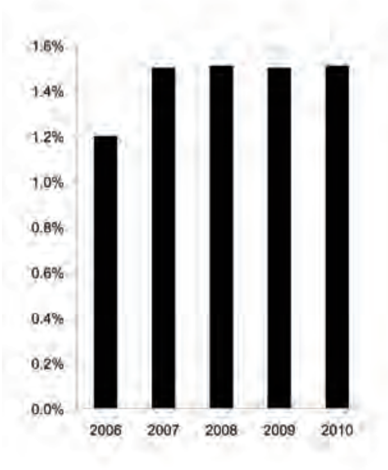
During 2010, the demand for aggregate products and construction material shipments increased by 23%, iron ore and coal shipments for steel producers rose by 15% and agriculture product shipments of grain and fertilizers rose by 20%. These increases were offset by reductions in coal shipments for power generation (27% lower) and declines in salt shipments (35% lower). Each of these major sectors is discussed below in more detail.

The demand for aggregates and construction materials had declined significantly within the Great Lakes market area during 2009. SMT saw total shipping demand from this sector fall by 41% in that year. In 2010, this sector saw increased activity as government spending in infrastructure projects increased demands. The Lakes Carrier's Association reported that in 2010 the Great Lakes based limestone shipments increased by 19% over 2009. Shipments from U.S. stone quarries rose by 20%. Vessel loadings at Canadian quarries increased 13%. Much of this increase was for metallurgical grade stone used by the iron and steel industry. SMT saw their activities in this sector increase by 23% in 2010.

Incident Costs

Domestic Dry-Bulk

(PERCENTAGE OF NET REVENUE)

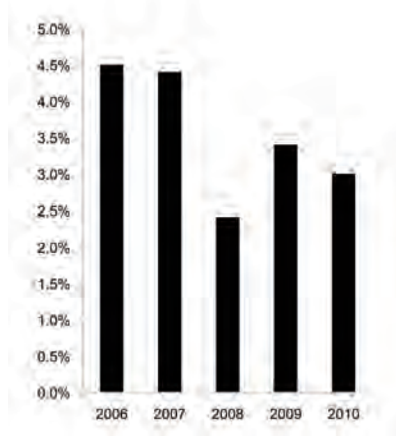


The steel industry was particularly hard hit by the global economic crisis and the North American recession. The World Steel Association (WSA) had reported that raw steel production in Canada and the U.S. declined by 39% and 36%, respectively, in 2009 from 2008. 2010 saw a dramatic turnaround in the North American steel industry. The WSA has reported that production crude steel production increased by 38% in the U.S. and 30% in Canada, over 2009. This growth was fuelled in large measure by stronger automotive demand. The WSA also reports that world crude steel production in 2010 increased by 15% over 2009 and set a new record for global crude steel production. The American Iron and Steel Institute reports improved domestic steel production with 2010 at a capability utilization rate of 70%. That is a 38% increase from 2009, when the capability utilization rate was 52%. SMT's activities in this sector rose by 15% in 2010.

Non Productive Days

Domestic Dry-Bulk

(PERCENTAGE OF AVAILABLE DAYS)



SMT's shipments of agricultural products increased by 20% in 2010. The increase was primarily due to the increased demand for grain products following the Russian Government's ban of grain exports due to its wide-spread drought. This created opportunities for North American grain producers to book additional tonnage. In Western Canada, approximately 10% of available acreage went unseeded due to above normal precipitation during the planting season. As a result, the Western Canadian Wheat Crop was lower in 2010. Statistics Canada estimated in December, 2010 that the 2010 crop is 14% lower. In the U.S., growing conditions were much better which allowed for good yields for soybeans, corn and wheat.

SMT's shipments of coal for power generation in Ontario continued to fall in 2010 despite the fact that coal usage in Ontario for electricity generation actually increased during the year. The increased requirements were met out of existing coal inventory levels at generating facilities. Shipments by SMT for this sector fell by 27% in 2010. Total electricity demand in Ontario rose only slightly, by 1%, in 2010. Electricity demand is still 5% below 2008 demand levels. Ontario coal usage increased by 29% in 2010 as coal-fired generation was required to replace reductions in available hydro generating capacity caused by low water levels. Despite the increase in coal consumption in 2010, coal usage in Ontario was still down by 45% from 2008 levels. Natural gas fired generation continues to increase in Ontario thus putting more pressure on coal requirements. The Ontario Government has announced its intention to phase out coal-fired power generation by the end of 2014. Although 2010 demonstrates that coal-fired electricity generating capacity can still plays a very important role in Ontario's electricity supply mix, it is unlikely that requirements will return to historic levels even with a recovery in total electricity demand. We expect demands from this sector to remain low for the foreseeable future.

Salt shipments were down considerably in 2010 (35%) due to the fact that the demand for road safety salt during the preceding 2009 – 2010 winter season was low. Consequently, carry-over inventory levels of road safety salt were high at depots around the Great Lakes and St. Lawrence region. We expect that with a return to normal winter conditions, inventory levels and future shipments for this sector will also return to historical levels.

Although it is difficult to predict the future, we note that most economic experts agree that the recovery experienced in 2010 will continue in 2011, but perhaps at a slower pace. SMT continues to serve leading companies from diverse industrial sectors. As proven in 2010, this diversification brings stability in the face of otherwise volatile conditions.

The Canadian flagged vessels in the SMT fleet have labour agreements with various unions representing the officers and seamen. Two labour unions represent the shipboard employees on the Corporation's dry bulk vessels, including the Canadian Merchant Service Guild ("CMSG") representing both navigation and engineering officers and the Seafarers International Union which represents unlicensed personnel. Labour agreements between the Corporation and each labour union expire on May 31, 2011. Labour agreements covering navigation and engineering officers (CMSG) on vessels owned by the Corporation's partner in SMT expired in 2010. Talks between these parties are ongoing. The labour agreement between the Corporation's partner in SMT and their unlicensed personnel (Canadian Autoworkers Union) expires on March 2011. During 2010 the Corporation's domestic dry-bulk Captains and Chief Engineers were certified by the Canadian Industrial Relations Board. The Corporation has filed for a judicial review of this decision, which will take place in March 2011. There is no collective agreement in place between the Corporation and this group; however, collective bargaining has commenced.

Over the last several years, the Corporation, together with many other leading Canadian marine transportation industry stakeholders, advocated vigorously for the elimination of the 25% Canadian Federal import duty on foreign built vessels. Stakeholders argued that the 25% vessel import duty had no equal among other modes of transportation and unfairly penalizes ship owners and users of marine transportation services. We also argued that removal of the 25% vessel import duty was essential in order to allow ship owners to renew the aging Canadian flag fleet.

In October 2009, the Canadian Government, through the Department of Finance, announced that it was seeking views on a proposal to grant the remission of import duties on certain vessels. On October 1, 2010, the Government announced a new tariff remission framework for ships, including those types used by the Corporation. The new measure was put into effect on October 13, 2010 and is retroactive to January 1, 2010.

At the time of the announcements, the Corporation reported that with this important step taken that it was prepared to proceed with re-investment in its Canadian dry-bulk fleet. As reported last year, the Corporation, together with its partner in SMT had undertaken a joint effort to develop an optimal vessel design to replace the venerable lakers that have provided decades of reliable and safe transportation services on the Great Lakes – St. Lawrence Waterway. These new vessels will be built to take full advantage of modern technologies and would be among the most efficient and environmentally advanced vessels operating in the world. On December 21, 2010, the Corporation announced that it had entered into a contract with Nantong Mingde Heavy Industries, of China, to construct four new maximum St. Lawrence Seaway-sized dry bulk lake freighters. The contract also provides for the purchase of two additional vessels at the Corporation's option. The Corporation expects to invest $205 million in the first four vessels, one gearless bulk carrier and three self-unloaders.

These new vessels, to be called the *Equinox Class*, will be chartered to SMT. The *Equinox Class* design balances hull form, power and speed with optimal operating performance and environmental efficiency. These new vessels will improve trading capacity by 15-20% while at the same time reducing fuel consumption, air emissions, and other environmental impacts.

Ship Repair

The Corporation's ship repair business operates as Fraser Marine & Industrial ("FMI"). FMI provides diversified ship repair, steel fabrication, machine shop and electrical repair services to the Corporation's vessels, as well as other fleets on the Great Lakes - St. Lawrence Waterway. From their Port Colborne, Ontario location, FMI provides marine repair services in Owen Sound, Sarnia, Hamilton, Toronto, Montreal and the Welland Canal area. Supervision and core skills are provided from Port Colborne and local, temporary labour is hired for the work in specific ports. These are the ports that the Great Lakes vessels generally use for winter lay-up berths. Although these ports are the main winter repair centers, FMI can quickly mobilize a work force in any Great Lakes port if required.

The FMI motto of "Anytime … Anywhere" recognizes the round-the-clock, mobile nature of the marine industry. During the summer months a core of supervisors and skilled workers are available for unscheduled and emergency repair work that inevitably occurs on both domestic and foreign vessels on the Great Lakes. FMI continues to work with its customers and provides competitive rates for pre-fabrication of material that is anticipated for the coming winter. This allows utilization of shop facilities and labour during slower summer months and efficient use of more limited resources in the winter.

Focus on operational strengths and efficiencies have allowed FMI to increase gross margins and operating earnings even though total revenues decreased slightly in 2010.

Annual revenue fluctuations are a result of shipping company year to year repair variances. FMI continues to make positive contributions to the Domestic Dry-Bulk financial results.

FMI is the premier top-side ship repair firm on the Great Lakes and has demonstrated its ability to take on very large and complex projects and complete them in the short winter repair period. They have an enviable reputation of finishing these projects on time, on budget and to a high standard of quality.

FMI has a three year collective bargaining agreement with the Steelworkers of America Union which will be valid until May 2012.

Product Tankers

The Corporation's Product Tanker segment serves both domestic and international markets. This segment consists of seven product tankers employed in domestic Canadian flag service and presently one product tanker trading in international markets.

The domestic fleet's primary function is to provide safe and reliable transportation services for liquid petroleum products throughout the Great Lakes, St. Lawrence Seaway and Atlantic Canada regions. Customers include major oil refiners, leading wholesale distributors and large consumers of petroleum products who demand the highest levels of quality and service. Our goal is to achieve "Flawless Execution" in delivering oil products to our customers.

The Corporation's foreign flag product tanker, the *Algoma Hansa* is owned by a wholly owned foreign subsidiary Algoma Tankers International Inc. This vessel is a sistership to the *Algosea*, which trades as part of the domestic product tanker fleet. In October 2008, the *Algoma Hansa* became the first vessel to join the new international product tanker venture, Hanseatic Tankers. As of the end of 2010, the Hanseatic Tankers fleet included five new 16,500 deadweight product tankers built in China plus the *Algoma Hansa*. Algoma Tankers International Inc. had intended to enter into the Hanseatic Tankers fleet, three new 16,500-deadweight product tankers to be built at the Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. ("JZU Shipyard") in China and two new 25,000 deadweight product tankers to be built at Nantong Mingde Heavy Industries, also in China.

Algoma Tankers International Inc. served notice to JZU Shipyard on August 7, 2010 that it was rescinding the three 16,500-deadweight product tanker contracts (the "JZU Contracts") due to excessive non-permissible delivery delays in relation to a third party sistership. JZU Shipyard has exercised its right to submit to arbitration the action of Algoma Tankers International Inc., to rescind the shipbuilding contracts. The arbitration process is in accordance with English law and will take place in London, England. The Corporation had made installments to the JZU Shipyard totalling U.S. $35.4 million. If the Shipbuilding Contracts are ultimately found to be properly cancelled in accordance with the terms and conditions of the JZU Contracts, Algoma Tankers International Inc. may receive a refund of the installments it has made to the Shipyard. These refunds, properly owed, are guaranteed by major Chinese banks.

In addition to the Corporation, other members of Hanseatic Tankers have also rescinded four additional shipbuilding contracts with the shipyard due also to excessive non-permissible delays. These cancellations as of the end of 2010 are subject to similar but independent arbitration proceedings.

The Corporation, through its wholly owned subsidiary has also made installment payments of US$32.6 million for two new 25,000 DWT product tankers to be built at Nantong Mingde Heavy Industry Stock Co., Ltd. in China.

On October 1, 2010, the Government of Canada announced the removal of import duties on certain types of vessels imported into Canada retroactive to January 1, 2010 and the remission of $15.3 million in customs duties paid by the Corporation for the importation of two product tankers, the *Algonova* and the *AlgoCanada*. These vessels were imported by the Corporation in 2008 and 2009, respectively. The remission payment has allowed the Corporation to reduce the freight rates for its customers.

The *Algoma Dartmouth* was also a beneficiary of the announcement. On February 2, 2010, the Corporation, through a wholly subsidiary acquired ownership of the vessel. The vessel had been granted a temporary “Coasting License” and as a condition of this authorization, a duty payment equal to 1/120th of the amount of import duty otherwise to be payable was paid monthly. This payment obligation ended upon the enactment of the Government of Canada’s new duty remission framework. The impact of this duty remission has also been passed through to customers through reduced freight rates for services from this ship.

The *Algonova* and *AlgoCanada* (both built in 2008), *Algoma Dartmouth* (built in 2007), *Algoscotia* (built in 2004), *Algosea* (built in 1998), *Algosar* (built in 1978) and the *Algoeast* (built in 1977 and converted to a full double hull in 2000) make up the domestic tanker fleet. Since 2006, the Corporation has operated only double-hulled product tankers and its fleet is the most modern fleet operating in its service area.

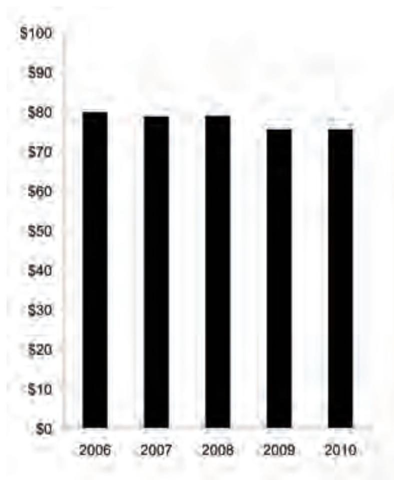
The impact of the global economic crisis and North American recession on the demand for petroleum products continues to be significant. During 2010, gross revenues for the Corporation’s Product Tanker were virtually unchanged at $75,462 from the prior year. Domestic tankers utilization fell 3% during 2010, but the volume of oil products moved up slightly, by 1%. Internationally, freight revenues dropped significantly (33%) as low demand and excess capacity eroded freight values. Operating earnings net of income tax for the Product Tankers segment increased by 39% to $11,260 during 2010. The Corporation anticipates that with continuing economic recovery through 2011 the demand for petroleum product shipments will increase both domestically and internationally.

The domestic fleet’s technical and commercial operations are managed by the Corporation’s own team of professionals located in St. Catharines, Ontario. This group is focused on customer service, quality, performance, safety, security and environmental responsibilities. Two key performance indicators tracked are incident costs, expressed as a percentage of net revenue and non-productive days, expressed as a percentage of available days. Over the past year, both performance indicators showed improvement.

Revenue

Algoma Tankers

(IN MILLIONS)

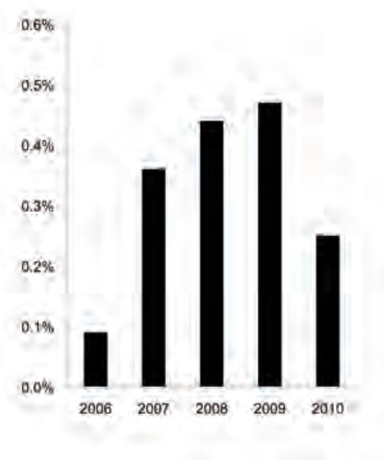


Incident costs as a percentage of net revenue decreased from 0.47% in 2009 to 0.25% in 2010 and non-productive days decreased from 11.3% in 2009 to 1.23% in 2010. These results are a significant improvement from 2009 which, as previously reported, was adversely affected by two incidents. Although they did not result in a personal injury, loss or damage to cargo or any adverse environmental impact, the Corporation nevertheless considered the incidents to be very serious leading to modified onboard operating and management procedures and shore management procedures.

Incident Costs

Algoma Tankers

(PERCENTAGE OF NET REVENUE)

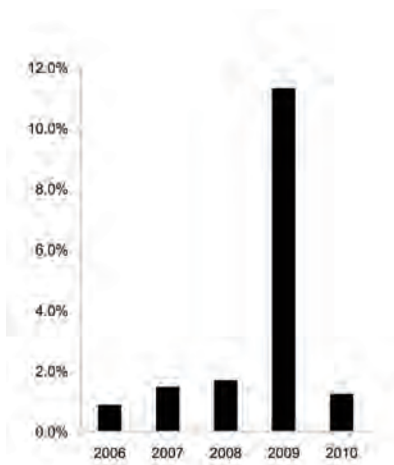


Shipboard employees on the domestic product tanker vessels are represented by two labour unions, the Canadian Merchant Service Guild representing navigation officers and engineers and the Seafarers International Union representing unlicensed personnel. Labour agreements with both unions expired on July 31, 2010 and negotiations have commenced on a new labour agreement.

Non Productive Days

Algoma Tankers

(PERCENTAGE OF AVAILABLE DAYS)



Vessel management and maintenance of the *Algoma Hansa* is outsourced to Bernhard Schulte Shipmanagement, a leading ship management company. Technical experts employed by the Corporation's international subsidiaries maintain oversight responsibility for the *Algoma Hansa*.

The domestic fleet operates an ISO 14001 compliant Environmental Management System launched in 2008. This system builds upon the domestic fleet's successful and compliant International Safety Management (ISM) Code and ISO 9001 Quality Management Systems. Further enhancing the Corporation's focus on environmental performance is its voluntary membership in the industry led "Green Marine" environmental initiative. The Corporation, together with several other marine industry stakeholders from both Canada and the U.S., including SMT, is an active member of Green Marine. The members of Green Marine have implemented a voluntary environmental performance measurement and reporting program for the Great Lakes-St. Lawrence Waterway. The goal of this program is to demonstrate and communicate the maritime industry's environmental performance and its commitment to improving both performance and its profile on environmental matters.

Over the last eleven years, the Corporation has invested nearly $190 million to create and sustain the most modern tanker fleet operating in the Great Lakes, St. Lawrence and Atlantic Canada market areas. Internationally, we have taken positive action to react to the non-performance of the JZU Shipyard by rescinding our three shipbuilding contracts with them. Unfortunately, this has caused uncertainty with our investment and participation in the Hanseatic Tankers fleet. Although the *Algoma Hansa* remains an active participant in the Hanseatic Tankers fleet, we recognize that uncertainty over the extent of our role in this international product tanker segment will remain until the arbitration process with JZU Shipyard has reached its conclusion. At that time, we will be prepared to assess our willingness and ability to remain in this market segment.

Ocean Shipping

The Corporation's interest in Ocean Shipping consists of a joint interest in five ocean self-unloaders and two wholly owned ocean self-unloading vessels and three wholly owned ocean bulk carriers. The seven ocean self-unloaders are combined with eighteen other vessels in the international ocean self-unloader fleet. The ocean self-unloader fleet consists of 25 vessels. This fleet remains the largest of its kind, providing ocean going self-unloader transportation services.

As reported previously, the Corporation's wholly-owned subsidiary, Algoma Shipping Inc. reached an agreement with SMT to time charter its three ocean bulk carriers commencing in 2010. These vessels, the *Algoma Spirit*, the *Algoma Guardian*, and the *Algoma Discovery* are all maximum seaway size bulkers and were built in 1986 (*Spirit*) and 1987 (*Guardian* and *Discovery*). Upon their arrival in Canada, the Corporation is providing operating management and crewing services for the three vessels.

The major commodities carried by ocean self-unloaders include coal for power generation, crushed aggregates for construction and gypsum for wallboard manufacturing. Ocean self-unloaders also provide transportation services for steel industry and for salt shippers. Markets are centered in North and South America, however, activities can be worldwide. Service is provided under long-term contracts to leading companies in each sector. As a result, the ocean self-unloader sector is considerably less volatile than the general international shipping market.

Since the global financial crisis and North American recession other members of the ocean self-unloader pool have retired three vessels and the time charter arrangement of the pool for a fourth vessel reached its expiry and was not renewed. This adjustment in vessel supply has helped to match the contraction of the market that has taken place since the onset of the recession. In 2010, the total tonnage shipped by the ocean self-unloader pool dropped by 4%. This was significantly less than the drop experienced in 2009 when shipments fell by 18%. With vessel supply and demand in close balance, utilization has remained high.

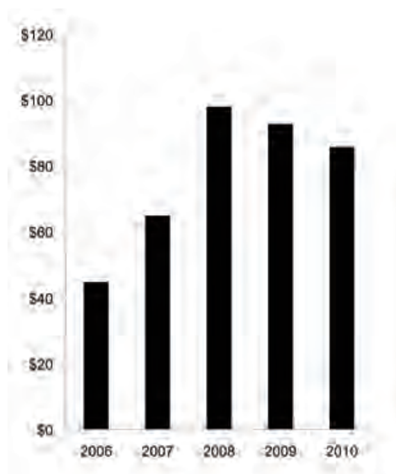
Coal transportation for power generation represents the largest single market segment served by ocean self-unloaders. During 2010, coal shipments were reduced by a further 6% following a 7% reduction in 2009. Lingering impacts of the North American recession on the demand for electricity and increased competition from natural gas are primary causes. Notwithstanding these adverse impacts, the movement of coal for power generation continues to be an important market segment for ocean self-unloaders. It is expected that coal imports into the U.S. will increase in the coming years and growth in Central and South American coal requirements is expected to increase as these regions invest heavily in their infrastructure.

Aggregate transportation remains the second largest market segment served by ocean self-unloaders. Tonnage grew by 1% in 2010 following a 27% decrease in 2009. The third largest market segment served by ocean self-unloaders, gypsum, declined a further 20% in 2010 following a 34% decline in 2009. Housing starts in the U.S. rebounded slightly in 2010 but remain well below pre-crisis levels. U.S. infrastructure funding has been slow to be seen or to have an impact in the market areas served by ocean self-unloaders. Continuing economic recovery is expected to lead these sectors slowly back to pre-crisis levels of activity. Shipments of iron ore rebounded by 47% in 2010 as the North American steel producing sector regained markets.

Revenue

Ocean Shipping

(IN MILLIONS)



Results from Ocean Shipping fell in 2010 when compared to 2009. Revenue declined by 8% from $92,620 in 2009 to $85,654 in 2010 due to a reduction in operating days due to planned regulatory dry-dockings and the foreign exchange effect of converting expenses denominated in U.S. dollars to Canadian dollars at a lower average foreign exchange rate in 2010 when compared to 2009.

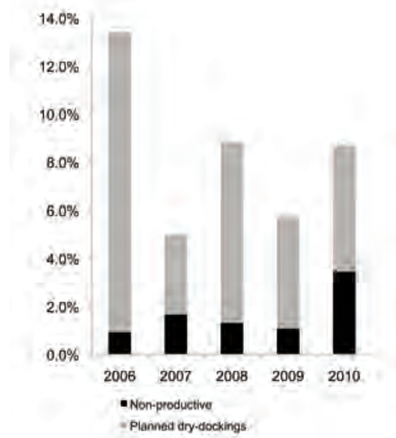
Operating earnings net of income tax fell by 12% from $15,943 in 2009 to $14,013 in 2010 primarily due primarily to the foreign exchange effect of the stronger Canadian dollar versus the U.S. dollar in 2010 compared to 2009.

Planned dry-docking days as a percentage of available days increased from 4.66% in 2009 to 5.23%. Total non-productive operating days (excluding dry-docking days) increased from 1.07% to 3.45% during the same period.

Non Productive Days

Ocean Shipping

(PERCENTAGE OF AVAILABLE DAYS)



Vessel management and maintenance of the *Honourable Henry Jackman*, *Bahama Spirit* and *Weser Stahl* is outsourced to Bernhard Schulte Shipmanagement and the other four MCI vessels are managed by V-Ships. The three ocean bulkers were managed by Wallem Shipmanagement until the commencement of the time charter with SMT when they came under the management of the Corporation. The ship management companies used by the Corporation are all leading companies in this area. Technical experts employed by the Corporation's subsidiaries and its partners maintain oversight responsibilities for the ocean shipping fleet. The Corporation and its ship managers continue to focus on productivity, operational excellence, safety, security and environmental protection.

Real Estate

Algoma Central Properties Inc. ("ACP") is the real estate segment of the Corporation. This segment owns and manages properties in Sault Ste. Marie, St. Catharines, and Waterloo, Ontario.

In Sault Ste. Marie, the location of the majority of ACP's holdings, ACP owns and manages Station Mall, Station '49', a residential apartment building, and the Station Tower and 289 Bay Street office buildings. The segment also owns, but does not manage, the Delta Sault Ste. Marie Waterfront Hotel and Conference Centre. In St. Catharines, ACP owns and manages three office buildings - 63 Church Street, 20 Corporate Park Drive, and 25 Corporate Park Drive - as well as two commercial plazas, Ridley Square and Huntington Square, and a light industrial plaza known as Martindale Business Centre. In addition, the segment manages an office building in St. Catharines jointly owned with the lead tenant. ACP also owns and manages three office buildings in Waterloo, known collectively as the Waterloo Technology Campus.

Revenue increased by 11% in 2010 to $28,966, compared to 2009 revenue of $26,046. The revenue increase is attributable primarily to the hotel which, prior to 2010, was managed under a temporary arrangement and for only a portion of the year due to the pending renovation. The hotel reopened for business in January 2010. Operating earnings net of income

Revenue

Real Estate

(IN MILLIONS)

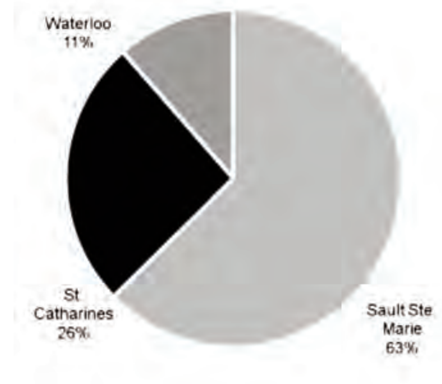
tax decreased by 4% to $3,283 in 2010 from $3,437 in 2009. The decrease is mainly attributable to the hotel operating in its first year following a major renovation and the decrease in Station Mall earnings due to the construction of the SportChek store commencing in the latter part of 2010.

With the SportChek announcement in late 2010, the renovation of Station Mall was initiated and will be completed in two phases. Phase 1 will involve a total expenditure of $1,620 in 2011 and Phase 2 approximately $9,154 in 2012.

Geographic Diversification

Real Estate

(BY SQUARE FOOT)



Sault Ste. Marie, Ontario

Station Mall revenue decreased by 6% in the period 2010 to 2009 due in large part to decreased rental income as the occupancy level decreased to 92% from 93% over the course of the year. This decrease in occupancy is attributable to the clearing of the north corridor to make way for the SportChek store. Additional large format stores are expected to be leased in 2011 and 2012 which should reduce the vacancy to more acceptable levels.

As reported last year, the Delta Sault Ste. Marie Waterfront Hotel and Conference Centre opened on January 18, 2010. The hotel industry in Sault Ste Marie struggled throughout the year, but the Delta saw steady improvement as the year progressed, leading us to an optimistic forecast for the coming year.

At Station Tower, both revenue and operating income increased substantially in 2010, 5% and 17% respectively. We hope to see continued improvement in 2011. Our 289 Bay Street office building, which remains at 100% occupancy, also maintained a solid performance in 2010.

The Station ‘49’ apartment building is currently 100% leased with increased operating earnings of 17% in 2010 over 2009 mainly due to increases in rental rates. Occupancy commonly fluctuates throughout the year due to typical tenant turnover.

St. Catharines, Ontario

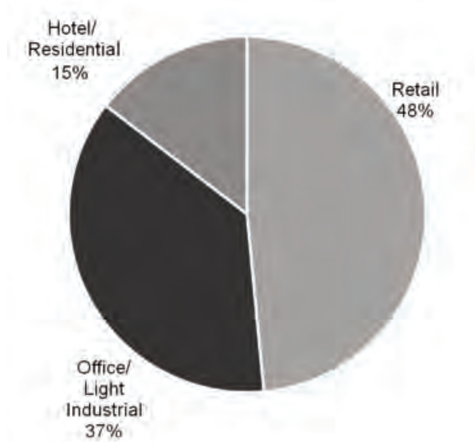
Operating earnings from the downtown office building, 63 Church Street, which also houses the Corporation’s executive offices, increased modestly by 4% due to a slight increase in occupancy. The downtown St Catharines office market continues to be in distress and is not expected to improve throughout 2011.

The demand for suburban office space in St Catharines also continues to be sluggish and we experienced no change in the occupancy at the Henley Corporate Park properties with 20 Corporate Park and 75 Corporate Park, our joint venture building, both continuing to perform well with 94% and 100% respective occupancy. 25 Corporate Park, however, saw no additional leasing in 2010 and is currently at 63% occupied. We hope to see some modest increase in occupancy in 2011.

Asset Mix

Real Estate

(BY SQUARE FOOT)



At Ridley Square, the Shoppers Drugmart lease expired and only a small percentage of the space has been re-leased with a year-end occupancy of 84%. Operating earnings fell 20% due to this increased vacancy. We are currently in negotiations with a number of prospects and expect to end 2011 with very little space available in the property. Huntington Square saw little change throughout the year with only a modest reduction in occupancy and operating earnings, 2% and 3% respectively. We anticipate being able to fill some of the small vacancies in the property during the next year.

With the expiry and relocation of ParaMed earlier in the year, the occupancy for the Martindale Business Centre dropped from 96% in 2009 to 86% in 2010, while the revenue fell correspondingly by 28%. The challenging office market will continue to hamper our ability to fill these vacancies in the near future.

Waterloo, Ontario

At the Waterloo Technology Campus there was very little change to report with respect to year over year changes in occupancy or earnings, however, with lease renewal initiatives completed near the end of the year, as well as those expected to be finalized in the first quarter of 2011, we expect to have secured long term tenancies with existing tenants in two of the buildings. The transactions involve considerable construction to accommodate the tenants' changing technical needs, as well as to facilitate the corresponding space reduction for one tenant and the expansion of another.

Responsibility for Financial Statements

The consolidated financial statements of Algoma Central Corporation and its subsidiaries, and all information in this annual report, are the responsibility of management and have been approved by the Board of Directors.

The financial statements were prepared by management in conformity with Canadian generally accepted accounting principles and necessarily include some amounts that are based on estimates and judgments. Information used elsewhere in this annual report is consistent with that in the financial statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss and that financial records are reliable.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, which consists solely of outside directors. The Audit Committee meets periodically with management and the auditors to review results of audit examinations and financial reporting matters. The independent auditors appointed by the shareholders have full access to the Audit Committee, with and without management present.

The Audit Committee reviewed the financial statements in this report and recommended that they be approved by the Board of Directors.

Greg D. Wight, FCA
President and Chief Executive Officer
February 16, 2011

Peter D. Winkley, CA
Vice President, Finance and Chief Financial Officer
February 16, 2011

Independent Auditor's Report

To the Shareholders of
Algoma Central Corporation

We have audited the accompanying consolidated financial statements of Algoma Central Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, and the consolidated statements of earnings and retained earnings, comprehensive earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Algoma Central Corporation as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
February 16, 2011

Consolidated Statements of Earnings and Retained Earnings

Years ended December 31, 2010 and 2009
(In thousands of dollars, except per share figures)

	2010	2009
REVENUE	$ 536,373	$ 520,147
EXPENSES		
Operations	427,985	419,981
General and administrative	27,721	28,456
	455,706	448,437
EARNINGS BEFORE UNDERNOTED ITEMS	80,667	71,710
Amortization on capital assets	(34,915)	(36,103)
Financial expense *(Note 4)*	(10,493)	(4,941)
Net gain on translation of foreign-denominated assets and liabilities	652	3,387
EARNINGS BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	35,911	34,053
INCOME TAX PROVISION *(Note 5)*	(3,454)	(386)
LOSS OF NON-CONTROLLING INTEREST	145	5,178
NET EARNINGS	32,602	38,845
RETAINED EARNINGS, BEGINNING OF YEAR	429,476	398,723
DIVIDENDS	(6,910)	(6,910)
REFUNDABLE DIVIDEND TAXES *(Note 6)*	(1,643)	(1,182)
RETAINED EARNINGS, END OF YEAR	$ 453,525	$ 429,476
BASIC AND DILUTED EARNINGS PER SHARE	$ 8.38	$ 9.98

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

December 31, 2010 and 2009
(In thousands of dollars)

	2010	2009
ASSETS		
CURRENT		
Cash and cash equivalents *(Note 7)*	$ 45,537	$ 12,156
Accounts receivable	67,643	64,589
Materials and supplies	10,726	11,087
Prepaid expenses	9,924	4,334
Income taxes recoverable	16,271	12,057
	150,101	104,223
CAPITAL ASSETS *(Note 8)*	576,443	578,596
EMPLOYEE FUTURE BENEFITS *(Note 9)*	14,906	11,487
	$ 741,450	$ 694,306
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	$ 78,255	$ 55,843
Deferred revenue *(Note 11)*	11,325	-
Current portion of future income taxes *(Note 5)*	13,288	17,409
Advances and profits due to non-controlling interest	20,485	28,753
Dividends payable	820	772
Current portion of long-term debt *(Note 10)*	94,670	4,232
	218,843	107,009
FUTURE INCOME TAXES *(Note 5)*	35,117	29,557
LONG-TERM DEBT *(Note 10)*	23,699	108,721
EMPLOYEE FUTURE BENEFIT *(Note 9)*	11,269	10,286
COMMITMENTS AND CONTINGENCIES *(Notes 16 and 17)*	-	-
	288,928	255,573
SHAREHOLDERS' EQUITY		
SHARE CAPITAL *(Note 12)*	8,319	8,319
CONTRIBUTED SURPLUS	11,917	11,917
ACCUMULATED OTHER COMPREHENSIVE LOSS *(Note 13)*	(21,239)	(10,979)
RETAINED EARNINGS	453,525	429,476
	452,522	438,733
	$ 741,450	$ 694,306

APPROVED BY THE BOARD

________________ Director ________________ Director

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Earnings

Years ended December 31, 2010 and 2009
(In thousands of dollars)

		2010		2009
NET EARNINGS	$	32,602	$	38,845
OTHER COMPREHENSIVE (LOSS) EARNINGS				
Unrealized loss on translation of financial statements of foreign self-sustaining operations		(10,369)		(32,933)
Unrealized gain on hedging instruments, net of income tax of $165 and $578		109		843
		(10,260)		(32,090)
COMPREHENSIVE EARNINGS	$	22,342	$	6,755

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2010 and 2009
(In thousands of dollars)

	2010	2009
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	$ 32,602	$ 38,845
Items not affecting cash		
Amortization	37,007	37,175
Future income taxes	1,439	(5,950)
Loss of non-controlling interest	(145)	(5,178)
Net gain on translation of foreign-denominated assets and liabilities	(652)	(3,387)
Loss (gain) on disposal of capital assets	1,740	(3,945)
Other	(2,796)	312
	69,195	57,872
Net change in non-cash operating working capital *(Note 14)*	4,813	2,464
	74,008	60,336
INVESTING		
Additions to capital assets	(48,113)	(90,711)
Duty refunds on vessels	15,301	-
Proceeds from disposal of capital assets	1,769	8,640
	(31,043)	(82,071)
FINANCING		
Proceeds from issue of long-term debt	11,993	27,135
Repayment of long-term debt	(6,000)	(5,500)
Net payments (to) from non-controlling interest	(8,268)	7,063
Dividends paid	(6,861)	(6,835)
	(9,136)	21,863
(LOSS) GAIN ON CASH HELD IN FOREIGN CURRENCY	(448)	228
NET CHANGE IN CASH AND CASH EQUIVALENTS	33,381	356
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,156	11,800
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 45,537	$ 12,156

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2010 and 2009 (In thousands of dollars)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

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 twelve self-unloading, seven 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 and diesel engine repair and fabricating 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 1,500 people worldwide. The Corporation has assets of $741 million and revenues of $536 million.

The Domestic Dry-Bulk segment includes the Corporation's twelve self-unloading and seven bulk carriers and Fraser Marine and Industrial, a division that provides ship and diesel engine repair and steel fabricating services. The Corporation's vessels are commercially and operationally managed by Seaway Marine Transport (SMT) a partnership with Upper Lakes Shipping Inc., an unrelated company. SMT holds a 25% interest in Laken Shipping Corporation (Laken), a U.S. company that owns a U.S. flag tug and barge.

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 part of the international product tanker venture called Hanseatic Tankers.

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 twenty other ocean self-unloaders owned by others to form the CSL International (CSLI) commercial arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Corporation are as follows:

Basis of Presentation

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and comprise the accounts of Algoma Central Corporation, its subsidiary companies, its variable interest entities and its proportionate share of joint ventures.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates. Significant estimates made by the Corporation include the useful lives of capital assets, the recoverability of long-lived assets and future income taxes.

In addition, the Corporation provides pensions and other post-retirement benefits including health care, dental care and life insurance to certain employees. The determination of the obligation and expense for defined benefit pension plans and post-retirement benefits is dependent on the selection of certain assumptions used by the Corporation in calculating such amounts. Those assumptions and changes to those assumptions during the year are disclosed in Note 9 to the Corporation's consolidated financial statements.

Consolidation of Variable Interest Entities

The Canadian Institute of Chartered Accountants (CICA) Accounting Guideline 15 (AcG 15) "Consolidation of Variable Interest Entities" requires the consolidation of variable interest entities where the Corporation is the primary beneficiary. A variable interest entity is any type of legal structure which does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. A primary beneficiary is required to consolidate an entity when that party will absorb a majority of a variable interest entity's expected losses and/or receive a majority of the expected residual returns through contractual, ownership or other financial arrangements, as opposed to traditional voting rights.

The Corporation has an interest in Seaway Marine Transport with an unrelated company and also has a non-controlling interest in Laken Shipping Corporation. Both of these interests are reported in accordance with accounting for variable interest entities and therefore are fully consolidated in the results of the Corporation.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in the bank less outstanding cheques and short-term deposits that are readily convertible into a known amount of cash and are subject to a minimal change in value.

Materials and Supplies

Materials and supplies consist primarily of fuel on board vessels and are recorded at the lower of cost and net realizable value with cost being determined on a weighted average basis. Net realizable value of fuel on board vessels is the estimated revenue generated from the voyage less the cost associated with the voyage.

Capital Assets

Capital assets are stated at cost less accumulated amortization and amounts written down to net recoverable value. Interest incurred on funds borrowed to finance capital asset acquisitions is capitalized during the construction period.

The Corporation accounts for acquisitions of income–producing properties initiated on or after September 12, 2003 in accordance with EIC-140, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination". The Corporation allocates the purchase price of real property to land, building, tenant improvements, and intangibles, such as the value of above-market and below-market leases, lease origination costs and customer relationships, if any.

Domestic dry-bulk vessels are amortized on a straight-line basis over their remaining estimated lives of up to 24 years. The amortization on the tug and barge vessel ceased in October 2009 when the vessel was reclassified as an asset held for sale.

Product tanker vessels are amortized on a straight-line basis over their remaining estimated lives of up to 23 years.

Ocean shipping vessels are amortized on a straight-line basis over their remaining estimated lives of up to 17 years.

Real estate assets including site improvements are amortized on a straight-line basis over their remaining estimated lives of up to 32 years.

Leasehold improvements are amortized over the remaining term of the respective lease agreements.

Marine assets are not amortized during the period when the vessels are under construction or are undergoing a significant improvement to extend their estimated useful life.

Impairment of Long-Lived Assets

The Corporation reviews whenever indications exist and at a minimum on an annual basis, whether there are any signs of impairment of its capital assets and identifiable intangible assets (“long-lived assets”). The impairment of a long-lived asset is measured by comparing the expected future undiscounted cash flows to the carrying amount of the asset. If the carrying value exceeds the amount recoverable, the carrying values are written down to estimated fair value.

Asset Retirement Obligations

The Corporation accounts for the recognition and measurement of liabilities related to legal obligations associated with the retirement of tangible long-lived assets by initially measuring the liability at fair value and subsequently adjusting the liability for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is capitalized to the related asset and amortized into earnings over time. At December 31, 2010, there were no asset retirement obligations.

Vessel Repair and Maintenance

The Corporation incurs dry-docking costs during the performance of scheduled inspection of its vessels, which occur at least once every five years. The costs of dry-docking are expensed as incurred.

Revenue Recognition

Revenues from marine operations are recognized ratably over the term of a voyage. Revenues from real estate rental operations with contractual rent increases are recognized on a straight-line basis over the terms of the respective leases. Revenue is only recognized when there is persuasive evidence that an arrangement exists, the amount is fixed or determinable and collection is probable.

Foreign Currency Translation

The financial statements of the Corporation’s foreign self-sustaining joint ventures and subsidiary companies have been translated into Canadian dollars using the year-end exchange rate for assets and liabilities and the average exchange rate for revenues and expenses. Translation adjustments are recorded as part of Accumulated Other Comprehensive Earnings (Loss) included in Shareholders’ Equity.

Exchange differences arising from the translation of monetary assets and liabilities denominated in foreign currencies are recorded in earnings.

Employee Future Benefits

The Corporation sponsors defined benefit pension plans, a defined contribution pension plan and other post-retirement benefits including life insurance and health care. The benefit plans are further described in Note 9.

The cost of defined benefit pensions and other post-retirement benefits that relate to employees' current service is charged to earnings annually. The cost is computed on an actuarial basis using the projected benefit method prorated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value.

The discount rate used to measure the interest cost on the accrued future employee benefit obligation is set with reference to market interest rates on high-quality debt instruments. The excess of the net cumulative actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of the benefit assets and adjustments resulting from benefit amendments are amortized over the average remaining service life of active employees.

The Corporation's portion of the cost of defined contribution pensions is expensed as earned by employees.

Income Taxes

The Corporation follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the accounting and the tax bases of assets and liabilities and are measured using the enacted and substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Financial Instruments

The Corporation's financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Corporation's designation of such instruments.

The Corporation is required to classify all financial assets either as held-for-trading, available-for-sale, held-to-maturity, or loans and receivables and, financial liabilities are classified as either held-for-trading or other liabilities. The standards require that all financial assets and financial liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, available-for-sale financial assets that do not have quoted market prices in an active market, and other liabilities.

The Corporation classifies its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, advances and profits due to non-controlling interest, dividends payable and financial long-term debt are classified as other financial liabilities, which are also measured at amortized cost.

Financial statements measured at fair value are required to be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets.
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The Corporation's takes its own credit risk and that of the relevant counterparty(s) into account when determining the fair value of financial assets and financial liabilities, including derivative instruments.

Embedded Derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contracts, the terms of the embedded derivative are the same as those of a free standing derivative, and the combined instrument or contract is not measured at fair value, with changes in fair value recognized in net earnings. The Corporation selected January 1, 2003 as the transition date to apply fair value accounting for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives.

At December 31, 2010 the Corporation has embedded derivatives that are required to be accounted for separately. The embedded derivatives relate to the foreign exchange component of certain contracts the Corporation entered into for the purchase of capital assets. The embedded derivatives were initially measured at fair value with subsequent changes in fair value being recognized in net earnings.

Transaction Costs

Transaction costs related to held-for-trading financial assets and liabilities are expensed to interest and other expenses. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are amortized over the expected life of the instrument using the effective interest method.

Comprehensive Earnings

Comprehensive earnings are composed of the Corporation's net earnings or loss and other comprehensive earnings. Other comprehensive earnings includes unrealized gains and losses on foreign currency translation of the net investment in self-sustaining operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. The components of comprehensive earnings or loss are disclosed in the consolidated statements of comprehensive earnings. Accumulated Other Comprehensive Earnings (Loss) is included on the consolidated balance sheet as a separate component of shareholders' equity.

Hedges

The Corporation, in keeping with its risk management strategy, has elected to apply hedge accounting to its interest rate swaps and designate them as cash flow hedges. These derivatives are marked-to-market at each period end and resulting gains or losses are recognized in comprehensive earnings to the extent the hedging relationship is effective. The Corporation has also entered into forward currency contracts to manage foreign currency exposure for commitments to purchase capital assets. Hedge accounting has not been applied for these contracts and are therefore, marked-to-market at each period end with resulting gains or losses being recognized in net earnings.

Earnings per Share

Earnings per share are calculated using the weighted average number of shares outstanding during the year. The Corporation does not have any dilutive instruments.

Future Accounting Changes

International Financial Reporting Standards

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The changeover date is for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Corporation for the year ended December 31, 2010.

The Corporation will adopt IFRS in the first quarter of fiscal year 2011.

3. INTERESTS IN JOINT VENTURES

The Corporation, through its wholly owned subsidiary Algoma Shipping Inc. and through a joint venture interest in Marbulk Canada Inc., owns and operates ocean-going vessels. Both Algoma Shipping Inc. and Marbulk Canada Inc. are participants in an international commercial arrangement, whereby the marketing and commercial operations of the vessel management are outsourced.

The Corporation, through its wholly owned subsidiary, Algoma Central Properties Inc., has an interest in Seventy-Five Corporate Park Drive Ltd. with an unrelated corporation. This joint venture owns an office building.

The Corporation, through its wholly owned subsidiary Algoma Tankers International Inc., has an interest in Hanseatic Tankers, a foreign joint venture with two other unrelated corporations. The Hanseatic Tankers joint venture commenced operations in October 2008 and was originally intended to consist of twenty-four product tankers when and if all vessels are delivered.

The Corporation's interests in the joint ventures are accounted for using the proportionate consolidation method.

The Corporation's share in the revenues, expenses, net earnings, assets, liabilities and cash flows of these jointly controlled operations is as follows:

	2010	2009
Revenue	$ **86,722**	$ 87,430
Expenses	**59,290**	67,682
Net earnings	$ **27,432**	$ 19,748
Assets		
Current	$ **13,790**	$ 14,951
Long-term	**17,224**	20,781
	$ **31,014**	$ 35,732
Liabilities		
Current	$ **7,615**	$ 5,642
Long-term	**3,903**	3,559
	$ **11,518**	$ 9,201
Cash inflow (outflow) from:		
Operating Activities	$ **27,384**	$ 22,858
Investing Activities	**-**	(63)
Financing Activities	**(345)**	(375)
	$ **27,039**	$ 22,420

4. FINANCIAL EXPENSE

The components of financial expense for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Interest expense on borrowings	$ 10,545	$ 7,362
Amortization of financing costs	2,092	1,072
Mark to market for derivatives that are not eligible for hedge accounting	3,364	-
Net interest capitalized	(5,508)	(3,493)
	$ 10,493	$ 4,941

5. INCOME TAXES

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

	2010	2009
Combined federal and provincial statutory income tax rate	31.0%	33.0%
Earnings before income taxes and non-controlling interest	$ 35,911	$ 34,053
Expected income tax provision	$ 11,132	$ 11,237
Increase (decrease) resulting from:		
Effect of foreign exchange translation	(53)	(143)
Tax reduction due to environmental allowance	-	(1,386)
Tax applicable to earnings of non-controlling interest	45	1,708
Foreign tax rates different from statutory rate	(4,325)	(5,414)
Effect of corporate tax rate reduction	(2,034)	(4,741)
Other	(1,311)	(875)
	$ 3,454	$ 386

The components of the income tax provision for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Current income tax	$ 2,015	$ 6,336
Future income tax	1,439	(5,950)
	$ 3,454	$ 386

The components of the future tax liability at December 31, 2010 and 2009 are as follows:

	2010	2009
Capital assets	$ 27,616	$ 25,241
Accounting income not currently taxable	16,026	15,225
Other	4,763	6,500
	48,405	46,966
Less current portion of future tax liabilities	13,288	17,409
	$ 35,117	$ 29,557

6. REFUNDABLE DIVIDEND TAXES

The Corporation has interests in two joint ventures which are classified as private corporations under The Income Tax Act of Canada. A portion of the income tax that is paid on investment income by the private corporations is refundable as taxable dividends are paid by the private corporations. The Corporation's share of the accrued balance of the refundable dividend tax at December 31, 2010 and 2009 amounts to $1,996 and $1,656, respectively.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash balances with banks and investments in short term deposits with maturities of less than 90 days.

Cash and cash equivalents at December 31, 2010 and 2009 consist of the following:

	2010	2009
Cash in banks	$ 35,537	$ 11,893
Short-term deposits	10,000	263
	$ 45,537	$ 12,156

8. CAPITAL ASSETS

2010	Land	Amortizable Assets	Accumulated Amortization	Net
Domestic Dry-Bulk	$ 96	$ 575,947	$ 378,291	$ 197,752
Product Tankers	-	280,608	44,580	236,028
Ocean Shipping	-	123,530	52,201	71,329
Real Estate	7,648	105,392	41,706	71,334
	$ 7,744	$ 1,085,477	$ 516,778	$ 576,443

2009	Land	Amortizable Assets	Accumulated Amortization	Net
Domestic Dry-Bulk	$ 96	$ 512,820	$ 377,737	$ 135,179
Product Tankers	-	286,510	35,040	251,470
Ocean Shipping	-	172,395	52,484	119,911
Real Estate	7,648	102,768	38,380	72,036
	$ 7,744	$ 1,074,493	$ 503,641	$ 578,596

In 2010, the Corporation recorded duty refunds of $20,585 which has been applied to the cost of the assets acquired.

Amortizable assets at December 31, 2010 includes $82,055 relating to the new product tanker vessels, and $45,842 relating to the construction of four maximum seaway size self-unloading vessel and one bulker vessel.

Amortizable assets at December 31, 2009 includes $77,788 relating to the progress payments on new product tanker vessels, $15,934 relating to the progress payments on the construction of a maximum seaway size self-unloading vessel and $4,317 relating to a hotel modernization.

Amortization on these assets will commence when they are placed in service, which will occur at various dates over the next three years.

In addition, amortizable assets include $4,482 and $4,737 at December 31, 2010 and 2009 respectively relating to an asset held for sale which is not being amortized.

In September 2007, the Corporation through a wholly owned subsidiary entered into contracts to build three 16,500-ton 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. Because of 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.

To date the Corporation has made installments to the shipyard totalling USD $35,370. Payments made to the shipyard are backed by refund guarantees issued by major Chinese banks.

The amount the Corporation may realize from the arbitration proceeding is uncertain. If the contracts to build the three vessels are ultimately cancelled, and the Corporation is able to fully recover the installments made to the shipyard, the Corporation will record an impairment relating to letter of credit fees, net interest, commission payments and supervision costs that have been capitalized for approximately $2,700, net of income tax.

9. EMPLOYEE FUTURE BENEFITS

The Corporation maintains three defined benefit pension plans and a defined contribution pension plan, which covers substantially all of its employees except for the majority of shipboard employees, who belong to pension plans not sponsored 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 post-retirement benefits including life insurance and health care to certain employees.

The Corporation measures its accrued benefit obligations and the fair value of the plan assets for accounting purposes at December 31 of each year.

The most recent actuarial valuations of the obligations for the two defined benefit plans for funding purposes were as of January 1, 2010 and June 1, 2008. The next required valuation for the defined benefit plans will be as of January 1, 2011 and June 1, 2011.

Information, in aggregate, regarding the Corporation's future benefit plans for the years 2010 and 2009 is as follows:

	Pension Plans		Other Benefit Plans	
	2010	2009	**2010**	2009
Plan Assets				
Fair value, beginning of year	**$ 99,931**	$ 95,186	**$ -**	$ -
Actual return on plan assets	**6,740**	11,498	**-**	-
Benefits paid	**(6,476)**	(7,304)	**-**	-
Employee contributions to plans	**227**	181	**-**	-
Employer contributions to plans	**4,039**	370	**-**	-
Fair value, end of year	**104,461**	99,931	**-**	-
Accrued Benefit Obligations				
Obligations, beginning of year	**103,141**	92,430	**6,356**	5,385
Current service cost	**2,644**	2,246	**242**	209
Interest cost	**6,464**	6,564	**398**	386
Benefits paid	**(6,926)**	(7,377)	**(200)**	(180)
Change in assumptions	**14,302**	9,278	**815**	556
Obligations, end of year	**119,625**	103,141	**7,611**	6,356
Accounting plan deficit	**(15,164)**	(3,210)	**(7,611)**	(6,356)
Unamortized amounts	**23,661**	8,578	**2,751**	2,189
Net benefit asset (liability)	**$ 8,497**	$ 5,368	**$ (4,860)**	$ (4,167)

The net benefit asset of all employee future benefit plans of $3,637 and $1,201 at December 31, 2010 and 2009 consists of the following:

	2010	2009
Employee benefit assets		
Pension plans	**$ 14,906**	$ 11,487
Employee benefit liabilities		
Pension plans	**$ 6,409**	$ 6,119
Other benefit plans	**4,860**	4,167
Total	**$ 11,269**	$ 10,286
	$ 3,637	$ 1,201

The accounting plan surplus (deficit) of the pension plans consist of the following:

	2010	2009
The Employee Pension Plan of Algoma Central Corporation	$ (7,834)	$ 2,784
The Union Employee Pension Plan of Fraser Marine & Industrial	925	1,309
Supplementary Employee Retirement Plan	(8,255)	(7,303)
	$ (15,164)	$ (3,210)

The unamortized amounts consist of the following:

	Pension Plans		Other Benefit Plans	
	2010	2009	2010	2009
Unamortized transitional (asset) liability	$ -	$ (1,896)	$ -	$ 159
Unamortized past service costs	1,272	1,465	-	-
Unamortized net loss	22,389	9,009	2,751	2,030
	$ 23,661	$ 8,578	$ 2,751	$ 2,189

The Corporation's net benefit cost incurred and net benefit expense is as follows:

	2010	2009	2010	2009
Current service cost	$ 2,644	$ 2,246	$ 242	$ 209
Interest cost on plan obligations	6,464	6,564	398	386
Actual return on plan assets	(6,740)	(11,498)	-	-
Net benefit cost incurred	2,368	(2,688)	640	595
Difference between actual return and estimated return	811	5,978	-	-
Amortization of transitional (asset) obligation	(1,896)	(1,896)	159	138
Amortization of actuarial gains	203	171	-	-
Amortization of past service costs	193	193	93	84
Net benefit expense recognized	$ 1,679	$ 1,758	$ 892	$ 817

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

	2010		2009	
	Amount	% of total	Amount	% of total
Short term notes	**$ 6,051**	**5.5%**	$ 2,240	2.1%
Canadian bonds	**51,077**	**46.6%**	50,847	48.7%
Canadian equities	**19,521**	**17.8%**	22,072	21.2%
Foreign equities	**25,641**	**23.4%**	20,448	19.6%
Annuities	**7,388**	**6.7%**	8,723	8.4%
	109,678	**100.0%**	104,330	100.0%
Amount related to defined contribution plan	**(5,217)**		(4,399)	
	$ 104,461		$ 99,931	

Plan assets do not include any common shares of the Corporation.

The determination of the obligation and expense for defined benefit pension plans and other post-retirement benefits is dependent on the selection of certain assumptions which are reviewed annually and used by the Corporation in calculating such amounts. The most significant are the discount rate, the rate of increase of compensation, expected rates of return on plan assets, and the rate of increase in the cost of health care.

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

	Pension Plan		Other Benefit Plans	
	2010	2009	**2010**	2009
Discount rate used for estimating accrued benefit obligation	**5.3%**	6.4%	**5.3%**	6.4%
Discount rate used for estimating interest cost included in net benefit cost incurred	**6.4%**	7.3%	**6.4%**	7.3%
Long-term rate of return on plan assets	**6.0%**	6.0%	**NA**	NA
Rate of compensation increases	**4.0%**	4.0%	**4.0%**	4.0%
Average remaining service period of active employees in years	**11**	11	**12**	12

The adoption of the change in the discount rate assumptions has had the following effect on the consolidated financial statements.

	2010	2009
Increase in accrued benefit obligation	**$ 14,140**	$ 9,834
Increase in unamortized amounts	**$ 14,140**	$ 9,834

The Corporation's growth rate of health care costs was estimated at 6.0% (2009 – 8.0%), with the rate trending to 5.0% per annum over the next two years. Increasing or decreasing the assumed health care rate cost trend rates by one percentage point would have the following effect for 2010.

	Increase	Decrease
Service and interest cost	$ 101	$ 82
Accrued benefit obligation	$ 769	$ 629

10. LONG-TERM DEBT

The long-term debt at December 31, 2010 and December 31, 2009 consists of the following:

	2010	2009
Secured non-revolving term loan, due October 20, 2014, interest fixed at 5.90%	$ 8,000	$ 10,000
Secured non-revolving term loan, due October 20, 2016, interest fixed at 5.02% to May 30, 2013	23,500	27,500
Secured revolving loans, due November 3, 2011		
Direct loans, interest at prime plus 3.0%	-	1,191
Secured non-revolving term loans, due November 3, 2011		
US Direct loans, interest at prime plus 3.0%,	159	-
Canadian B.A. rate plus 3.5%,	-	35,500
Canadian B.A., interest fixed at 5.36% on $18,000 to November 3, 2011, $30,500 at B.A. rate plus 3.50%	48,500	-
U.S. $42,000, interest fixed at 4.71% to November 3, 2011 (2009 U.S. $42,000)	41,772	44,310
	121,931	118,501
Less unamortized financing expenses	3,562	5,548
	118,369	112,953
Current portion	94,670	4,232
	$ 23,699	$ 108,721

Interest on long-term debt amounted to $10,545 and $6,111 in 2010 and 2009 respectively, of which $5,508 and $3,493 respectively was capitalized to the cost of vessels during the construction period.

The Corporation has credit facilities in place with a syndicate of six financial institutions for $247.5 million. The facility consists of $187.5 million in three non-revolving term loan facilities and a $60.0 million revolving loan facility. Two of the non-revolving facilities require annual repayment of $6.0 million during the term of the facility.

This financing facility combined with forecasted cash flows should be sufficient to meet the Corporation’s existing capital commitments of approximately $273 million and meet the Corporation’s working capital requirements.

In fiscal 2009, the Corporation entered into a two-year bank credit facility that expires on November 3, 2011. The Corporation is currently in discussion with its bankers and other parties to secure an extension and expansion of the existing facilities intended to support the Corporation's long-term capital needs associated with the planned domestic dry-bulk fleet renewal.

Substantially all of the wholly owned marine assets of the Corporation were pledged as collateral for the line of credit. The pricing on the credit facility is 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 for those borrowings.

According to the conditions of the credit agreement, the Corporation is subject to certain restrictive covenants with respect to maintaining minimum financial ratios and certain other conditions and at December 31, 2010, the Corporation was in compliance with all of the covenants.

The unamortized financing costs relate primarily to costs incurred on the secured non-revolving term credits and are being amortized over the remaining terms using the effective yield method.

Principal payments required to service the debt are as follows:

2011	$	96,431
2012		6,000
2013		6,000
2014		6,000
2015		6,000
Thereafter		1,500
	$	121,931

11. DEFERRED REVENUE

Deferred revenue consists primarily of a payment of U.S.$11,080 received by Seaway Marine Transport partnership from one of its customers. The payment relates to a prepayment on account of freight to be provided during the 2011 shipping season.

12. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common and preferred shares. At December 31, 2010 and 2009, there were 3,891,211 common shares and no preferred shares issued and outstanding.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

The accumulated other comprehensive loss balances are as follows:

		2010		2009
Unrealized losses on translation of financial statements of foreign self-sustaining operations	$	**(19,945)**	$	(9,576)
Unrealized losses on hedging instruments, net of income tax of $526 and $691		**(1,294)**		(1,403)
Accumulated other comprehensive loss		**(21,239)**		(10,979)
Retained earnings		**453,525**		429,476
	$	**432,286**	$	418,497

14. SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

	2010	2009
Change in non-cash operating working capital		
Accounts receivable	$ 174	$ 15,775
Materials and supplies	361	(153)
Prepaid expenses	(5,590)	1,998
Income taxes recoverable	(4,214)	8,009
Accounts payable and accrued charges	2,757	(23,165)
Deferred revenue	11,325	-
	$ 4,813	$ 2,464
Interest paid	$ 10,796	$ 14,587
Income taxes paid	$ 7,676	$ 1,211

15. CAPITAL DISCLOSURES

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

- Provide sustained growth of shareholder value by earning returns on capital employed in the 10% to 12% range.
- Maintain a strong capital base to ensure 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.

Included in capital employed are shareholders' equity and long term-debt including the current portion.

The Corporation's Board of Directors annually reviews the return on capital employed target and also reviews on a quarterly basis the level of dividends to be paid to the Corporation's shareholders. The nature of the Corporation's business results in periods in which the Corporation makes significant capital expenditures over extended periods. During those times, a large portion of the capital employed in the business will be invested in assets that are not yet generating revenues or operating earnings. During these periods, the return on capital employed may be lower than the targeted range.

The Corporation is also subject to financial covenants in its credit agreements that are measured on a quarterly basis. The Corporation is in compliance with all financial covenants.

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

The debt to shareholders' equity ratio at December 31, 2010 and 2009 is as follows:

	2010	2009
Total long-term debt	$ 121,931	$ 118,501
Shareholders' equity	$ 452,522	$ 438,733
Debt to shareholders' equity ratio	0.27 to 1	0.27 to 1

16. COMMITMENTS

The Corporation, including its share of commitments in its joint ventures, has remaining commitments, primarily for capital expenditures, at December 31, 2010 and 2009 of $283,577 and $149,057, respectively.

The commitments at December 31, 2010 relate primarily to the purchase of five new product tankers, four new maximum seaway size self-unloading vessels and one bulker vessel, and commitments relating to its defined benefit pension plans.

Approximately $144,090 is due for payment in 2011, $55,644 is due in 2012, $57,826 is due in 2013 and $26,017 due in 2014 and beyond.

The commitments at December 31, 2009 related primarily to the purchase of five new product tankers and the Corporation's share of the cost to construct one maximum seaway size self-unloading vessel.

17. CONTINGENCIES

Income taxes

In 1997, the Corporation sold substantially all of its forest lands and reported for income tax purposes a capital gain of $28,076. The Corporation determined the gain based on an independent appraisal on the forest lands as of December 31, 1971 in the amount of $34,868.

Canada Revenue Agency ("CRA") has audited the 1997 income tax return filed by the Corporation and is in disagreement with the December 31, 1971 valuation of the forest lands used by the Corporation. In 2003, CRA issued a Notice of Reassessment to the Corporation adjusting the valuation to $12,338.

The Corporation believes it has determined the gain correctly and is defending its position. In 2003, the Corporation filed a Notice of Objection with the CRA and in February 2009, it filed a Notice of Appeal with the Tax Court of Canada.

If the Corporation were to be unsuccessful, the estimated tax and accrued interest owing to December 31, 2010 would be approximately $11,000. In 2002, the Corporation deposited $11,000 with the relevant taxation authorities pending the outcome of the reassessment.

The ultimate liability, if any, is not expected to have a material impact on the financial statements.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

The Corporation's financial instruments that are included in the Consolidated Balance Sheets comprise cash and cash equivalents, accounts receivable, accounts payable and accrued charges, long-term debt and the advance and profits due to the non-controlling interest.

Fair value

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued charges approximates their carrying values due to their near-term maturity. The fair value of the amount due to the non-controlling interest approximates its carrying value as the interest rate approximates current market rates for similar debt. The fair value of long-term debt including the current portion is approximately $124,066 compared to the carrying value of $121,931 due to the difference in the rates in the interest rate swap agreements when compared to current market rates for similar instruments with similar terms.

The fair values as defined in Note 2 includes cash and cash equivalents (Level 1) of $45,537 (2009-$12,156) derivative assets (Level 2) of $352 (2009-$398) and derivative liabilities (Level 2) of $5,759 (2009-$2,156) as of December 31, 2010.

Derivative financial instruments

The Corporation utilizes interest rate swap agreements on certain term debt instruments to manage risks associated with interest rate movements.

The Corporation also utilizes foreign exchange forward contracts to manage its foreign exchange risk associated with payments required under ship building contracts with foreign shipbuilders for vessels that will join our Canadian flag domestic dry-bulk fleet.

Hedging relationships are documented and designated at inception and their continuing effectiveness is assessed quarterly.

Risk Management and Financial Instruments

The Corporation is exposed to various risks arising from financial instruments. The following analysis provides a measurement of risks as of December 31, 2010.

Credit risk

The Corporation's principal financial assets are cash and cash equivalents and accounts receivable.

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

	Base currency	Canadian equivalent
Canadian dollar balances	$ 32,335	$ 32,335
U.S. dollar balances	$ 11,645	$ 11,575
Euro dollar balances	€ 1,134	$ 1,627

Canadian dollar cash and cash equivalents are held primarily with a major Canadian financial institution and the risk of default of this institution is considered remote. Cash balances outside of Canada are also held with major financial institutions and are generally kept to a minimum. The U.S. dollar balances relate primarily to the working capital requirements of domestic and foreign subsidiaries and commercial arrangements.

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation is exposed to credit risk from customers. The maximum exposure to credit risk is represented by the carrying value of accounts receivable on the balance sheet.

The Corporation believes that the credit risk for accounts receivable is limited due to the following reasons:

- 98% of accounts receivable has been outstanding for 60 days or less.
- The Corporation has in recent history recorded minimal bad debts;
- The customer base consists of relatively few large industrial concerns in diverse industries and quasi-governmental agencies; and,
- Credit reviews are performed prior to extending credit and reviewed on an on-going basis.

A provision for bad debts is established when it is determined the amount to be collected is lower than the carrying value. The allowance for doubtful accounts at December 31, 2010 and 2009 was not material.

The Corporation has two customers whose revenues exceed 10% of 2010 and 2009 consolidated revenues on an annual basis. At December 31, 2010 and 2009, the amounts owing by these two customers represent 19% and 20%, respectively, of the accounts receivable balance.

The Corporation does not consider there is any risk of default based on the financial strength of these customers.

Liquidity risk

The cash and cash equivalents on hand, expected cash from operations and existing credit facilities will allow the Corporation to meet its planned operating and capital requirements and other contractual obligations.

The Corporation maintains credit facilities, which are reviewed regularly to ensure it has sufficient capital available to meet current and anticipated needs. The total authorized credit facilities at December 31, 2010 were $247,500 consisting of $60,000 in a revolving facility and $187,500 in term facilities. At December 31, 2010, the Corporation had $124,539 available in existing credit facilities.

Substantially all of the wholly owned marine assets of the Corporation were given as collateral for the line of credit.

The contractual maturities of financial liabilities at December 31, 2010 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 78,255	$ -	$ -	$ -	$ 78,255
Deferred revenue	11,325	-	-	-	11,325
Dividends payable	820	-	-	-	820
Long-term debt	96,431	12,000	12,000	1,500	121,931
Advances and profits due to non-controlling interest	20,485	-	-	-	20,485
Total	$ 207,316	$ 12,000	$ 12,000	$ 1,500	$ 232,816

Market risk

(a) Fuel prices

The Corporation has fuel surcharge provisions in the vast majority of its contracts with customers. Accordingly, there is not a significant exposure to the volatility of fuel prices.

(b) Interest rate risk

At December 31, 2010, the Corporation did not have any significant cash flow exposure to interest rate movements for its bank loans. Three of the Corporation's term bank loans have interest rates that have been fixed through interest rate swap agreements expiring in 2011, 2013 and 2014. In addition to the term loans, the Corporation entered into an interest rate swap agreement on the U.S. non-revolving loan of $42,000, which expires on November 3, 2011.These bank loans with fixed interest rates represent 75% of the outstanding debt at December 31, 2010.

The fair values of the interest rate swap contracts are based on amounts quoted by the Corporation's bankers to settle the contracts at a point in time. At December 31, 2010, the interest rate swap agreements had a negative fair value of $2,135. This amount has been recorded in the financial statements in accordance with the Corporation's hedge accounting policy.

(c) Foreign currency exchange risk

The Corporation operates internationally and is exposed to risk from changes in foreign currency rates. The foreign currency exchange risk to the Corporation results primarily from changes in exchange rates between the Corporation's reporting currency, the Canadian dollar and the U.S. dollar.

At December 31, 2010 and 2009, 32% and 35% respectively of the Corporation's total assets were denominated in U.S. dollars.

The Corporation's exposure to foreign currency fluctuations is related to its net investment in self-sustaining foreign subsidiaries and long-term debt denominated in U.S. dollars. The Corporation does not hedge its investments in the subsidiaries as the currency positions are considered long-term in nature. At December 31, 2010, the net investment in U.S. dollar denominated self-sustaining foreign subsidiaries was U.S. $216,028 and the foreign currency denominated long-term debt outstanding was U.S. $42,160.

The Corporation has significant commitments due for payment in U.S. dollars and Euros. The Corporation utilizes foreign exchange forward contracts to manage its foreign exchange risk associated with payments required under ship building contracts with foreign shipbuilders for vessels that will join our Canadian flag domestic dry-bulk fleet. For payments due in U.S. dollars for foreign vessels, the Corporation mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt. The notional amount of the foreign exchange forward contracts at December 31, 2010 is U.S. $131,495 and Euro 4,889. At December 31, 2010, the U.S. denominated foreign exchange forward contracts had an unfavourable fair value of $3,272, the Euro denominated foreign exchange contract had a negative fair value of $352 and the embedded derivatives had a favourable fair value of $352.

(d) Market sensitivity analysis (after income tax)

Based on the Corporation's estimates, a ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would reduce net earnings by $2,550.

Based on the balances at December 31, 2010:

• A ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would decrease Other Comprehensive Earnings by $21,603.

• A ten-cent strengthening in the Canadian dollar relative to the U.S. dollar would reduce total assets by $23,901.

• A ten-cent strengthening in the Canadian dollar relative to the U.S dollar would reduce total liabilities by $4,216.

• An increase in interest rates of 100 basis points (one percent) would reduce annual net earnings by $219.

For a ten cent weakening in the Canadian dollar relative to the U.S. dollar and a decrease in interest rates of 100 basis points, there would be an equal but opposite impact to the amounts stated above.

19. SEGMENT DISCLOSURES

The Corporation operates through four segments; Domestic Dry-Bulk, Product Tankers, Ocean Shipping and Real Estate.

The Domestic Dry-Bulk marine transportation segment includes the Corporation's domestic dry-bulk fleet, an interest in two self-unloading vessels, one of which is under construction, one tug and barge, three ocean –going vessels which were previously in the Ocean Shipping segment and a ship repair and marine engineering business. The domestic dry-bulk fleet operates primarily through the Seaway Marine Transport partnership, which is fully consolidated as a variable interest entity in the Corporation's consolidated financial statements. The operational and commercial activities of the domestic dry-bulk fleet are pooled with those of an unrelated Canadian ship owner in the partnership. Each partner owns its vessels separately from the other partner. The partnership includes 35 Canadian flagged vessels, 24 of which are in service and 11 of which have been designated as vessels that are not expected to operate in the future. 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. Twenty vessels have self-unloading gear, which enables them to deliver cargoes at locations where there is no shore-side unloading equipment, and fifteen are bulk carriers, which unload by means of shore-side equipment.

The Product Tankers marine transportation segment includes direct ownership and management of the operational and commercial activities of seven Canadian flag tanker vessels. The tankers carry petroleum products on the Great Lakes, the St. Lawrence Seaway and the east coast of North America. It also includes the ownership of one product tanker through a wholly owned foreign subsidiary engaged in worldwide trades. The Product Tanker segment also has five product tankers currently under construction.

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

The Real Estate segment includes the ownership and management of commercial real estate in Sault Ste. Marie, St. Catharines, and Waterloo, Ontario. In Sault Ste. Marie, it manages and owns a retail mall, two office buildings, a residential apartment building and a hotel. In St. Catharines, properties include two commercial plazas, one light industrial building, three office buildings, a 50% interest of another office building and vacant land for future development. In Waterloo, the Corporation owns and manages three commercial office buildings.

The following presents the Corporation's earnings from operations by reportable segment.

	2010	2009
Revenues		
Domestic Dry-Bulk	$ 346,291	$ 326,015
Product Tankers	75,462	75,466
Ocean Shipping	85,654	92,620
Real Estate	28,966	26,046
	$ 536,373	$ 520,147
Earnings from Operations		
Operating earnings net of income tax		
Domestic Dry-Bulk	$ 4,978	$ (1,949)
Loss of non-controlling interest - *(Note 1)*	100	2,622
Gain on insurance proceeds on loss of *Algoport*	-	2,557
	5,078	3,230
Product Tankers	11,260	8,107
Ocean Shipping	14,013	15,943
Real Estate	3,283	3,437
	33,634	30,717
Not specifically identifiable to segments		
Net gain on translation of foreign-denominated assets and liabilities	652	3,387
Financial expense	(10,493)	(4,941)
Income tax	8,809	9,682
	$ 32,602	$ 38,845

Note 1 - The operating loss of the non-controlling interest is net of imputed income tax expense.

	2010	2009
Assets		
Domestic Dry-Bulk	$ 267,719	$ 194,898
Product Tankers	245,379	259,986
Ocean Shipping	79,280	129,674
Real Estate	73,641	73,993
	666,019	658,551
Not specifically identifiable to segments		
Current assets	60,525	24,268
Other	14,906	11,487
	$ 741,450	$ 694,306

		2010		2009
Additions to Capital Assets *(Note 8)*				
Domestic Dry-Bulk	$	**37,697**	$	33,654
Product Tankers		**13,267**		51,848
Ocean Shipping		**9,938**		354
Real Estate		**3,711**		5,462
		64,613		91,318
Capital asset additions not involving cash		**-**		646
Capital asset additions included in working capital components		**(16,500)**		(1,253)
Total per consolidated statement of cash flows	$	**48,113**	$	$90,711
Amortization on Capital Assets				
Domestic Dry-Bulk	$	**13,821**	$	14,027
Product Tankers		**9,876**		9,937
Ocean Shipping		**7,200**		8,412
Real Estate		**4,018**		3,727
	$	**34,915**	$	36,103

The Corporation has interests which carry on most of their operations in multiple foreign jurisdictions.

The Corporation's proportionate share of the assets and revenues in multiple foreign jurisdictions at December 31, 2010 and 2009 is as follows:

		2010		2009
Capital assets	$	**166,235**	$	221,771
Revenues	$	**89,349**	$	102,149

Sales outside of Canada, primarily to the United States, relate to vessel operations and is based on the location at which a shipment is unloaded. For the year ended December 31, 2010 sales outside of Canada were $177,215 and $176,909 for 2009.

The Corporation had two customers in 2010 and 2009, whose revenues exceeded 10% of consolidated revenues. Sales to these customers are as follows:

		2010		2009
Domestic Dry-Bulk	$	**92,742**	$	83,057
Product Tankers	$	**57,565**	$	64,996

FIVE-YEAR SUMMARY

	2010	2009	2008	2007	2006
Revenue					
Domestic Dry-Bulk	$ 346,291	$ 326,015	$ 487,751	$ 413,398	$ 400,461
Product Tankers	75,462	75,466	78,848	78,719	79,832
Ocean Shipping	85,654	92,620	97,924	64,793	44,813
Real Estate	28,966	26,046	24,391	23,636	22,887
	$ 536,373	$ 520,147	$ 688,914	$ 580,546	$ 547,993
Net earnings	$ 32,602	$ 38,845	$ 41,280	$ 52,443	$ 42,059
Earnings from continuing operations	$ 32,602	$ 38,845	$ 41,280	$ 52,443	$ 41,575
Segment operating earnings net of income taxes	$ 33,634	$ 30,717	$ 45,861	$ 44,682	$ 40,736
Amortization on capital assets	$ 34,915	$ 36,103	$ 34,221	$ 29,432	$ 29,163
General and administrative expenses	$ 27,721	$ 28,456	$ 26,802	$ 24,675	$ 21,450
Cash flow from operations	$ 74,008	$ 60,336	$ 89,975	$ 70,411	$ 82,013
Dividends paid	$ 6,861	$ 6,835	$ 6,455	$ 5,316	$ 4,935
Capital asset additions					
Domestic Dry-Bulk	$ 37,697	$ 33,654	$ 30,473	$ 29,629	$ 5,421
Product Tankers	13,267	51,848	97,054	18,667	30,633
Ocean Shipping	9,938	354	40,060	23,733	27,551
Real Estate	3,711	5,462	2,318	4,662	2,549
	$ 64,613	$ 91,318	$ 169,905	$ 76,691	$ 66,154
Net capital assets					
Domestic Dry-Bulk	$ 197,752	$ 135,179	$ 120,971	$ 105,796	$ 93,254
Product Tankers	236,028	251,470	222,001	118,944	110,376
Ocean Shipping	71,329	119,911	148,025	86,382	81,893
Real Estate	71,334	72,036	71,093	73,332	71,182
	$ 576,443	$ 578,596	$ 562,090	$ 384,454	$ 356,705
EBITA					
Domestic Dry-Bulk	$ 20,895	$ 18,846	$ 36,570	$ 33,701	$ 30,760
Product Tankers	25,880	22,448	17,583	23,192	27,296
Ocean Shipping	22,126	25,501	27,243	22,150	14,830
Real Estate	8,776	8,827	11,435	10,955	11,155
	$ 77,677	$ 75,622	$ 92,831	$ 89,998	$ 84,041
Total assets	$ 741,450	$ 694,306	$ 706,092	$ 533,508	$ 514,299
Long-term debt including current	$ 118,369	$ 112,953	$ 95,184	$ 13,825	$ 38,282
Shareholders' equity	$ 452,522	$ 438,733	$ 444,070	$ 362,663	$ 333,514
LTD as % of shareholders' equity	26.2%	25.7%	21.6%	3.8%	11.5%
Return on capital employed *(Note 1)*	5.9%	6.0%	9.9%	12.3%	11.3%
Return on equity *(Note 2)*	7.2%	8.8%	10.3%	15.1%	13.4%
Common Share Statistics					
Common shares outstanding (000)	3,891	3,891	3,891	3,891	3,891
Earnings per share	$ 8.38	$ 9.98	$ 10.61	$ 13.48	$ 10.81
Earnings per share from continuing operations	$ 8.38	$ 9.98	$ 10.61	$ 13.48	$ 10.69
Cash flow from operations per share	$ 19.02	$ 15.51	$ 23.12	$ 18.10	$ 21.08
Quoted market value					
High	$ 100.50	$ 84.00	$ 144.20	$ 148.00	$ 127.50
Low	$ 72.00	$ 51.00	$ 48.00	$ 122.00	$ 87.50
Dividends per share	$ 1.80	$ 1.80	$ 1.70	$ 1.40	$ 1.30
Shareholders' equity per share	$ 116.30	$ 112.76	$ 113.10	$ 93.21	$ 85.71

Note 1. *Return on capital employed is earnings before interest expense and gains or losses on the translation of foreign-denominated long-term assets and liabilities, on an after-tax basis, expressed as a percent of average capital. Capital is long-term debt including the current portion plus shareholders' equity.*

Note 2. *Return on equity is net earnings as a percent of average shareholders' equity.*

Directors

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

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

Tim S. Dool, CA (3)
St. Catharines, Ontario,
Corporate Director

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

Duncan N. R. Jackman (1) (2) (3) (4) (5)
Toronto, Ontario,
Chairman, President
and Chief Executive Officer,
E-L Financial Corporation Limited

Clive P. Rowe (2) (4) (5)
New York, New York,
Partner, Oskie Capital

Harold S. Stephen (1) (2) (5)
Mississauga, Ontario,
Chairman and Chief Executive Officer,
Stonecrest Capital Inc.

William S. Vaughan, BCL (3)
Toronto, Ontario,
Partner, Heenan Blaikie, LLP

Greg D. Wight, FCA (4) (5)
St. Catharines, Ontario,
President and Chief Executive Officer,
Algoma Central Corporation

Principal Officers

Duncan N. R. Jackman
Chairman

Greg D. Wight, FCA
President &
Chief Executive Officer

Wayne A. Smith
Senior Vice President, Commercial

Al J. Vanagas, CET
Senior Vice President, Technical

Thomas G. Siklos
Vice President,
Algoma Central Properties Inc.

Karen A. Watt
Vice President, Human Resources

Peter D. Winkley, CA
Vice President, Finance &
Chief Financial Officer

William S. Vaughan, BCL
Secretary

Shareholder Information

Principal Banker:
The Bank of Nova Scotia

Auditors:
Deloitte & Touche LLP

Solicitors:
Heenan Blaikie, LLP

The Toronto Stock Exchange Symbol:
ALC

Share Registrar and Transfer Agent:
CIBC Mellon Trust Company
320 Bay Street, P. O. Box 1
Toronto, Ontario M5H 4A6
(416) 643-5500; (800) 387-0825

Shareholders' Meeting:
The Annual Meeting of Shareholders will be held at 11:30 a.m., on Friday April 29, 2011, at the St. Catharines Golf & Country Club, 70 Westchester Avenue, St. Catharines, ON

Contact Information

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www.algonet.com

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(905) 687-7888

ALGOMA TANKERS LIMITED
63 Church Street, Suite 600,
St. Catharines, Ontario, L2R 3C4
(905) 687-7888

ALGOMA CENTRAL PROPERTIES INC.
ALGOMA HOTELS LTD.
421 Bay Street, P.O. Box 7000,
Sault Ste. Marie, Ontario, P6A 5P6
(705) 946-7220
63 Church Street, Suite 201,
St. Catharines, Ontario, L2R 3C4
(905) 687-7880

FRASER MARINE & INDUSTRIAL
1 Chestnut Street,
Port Colborne, Ontario, L3K 1R3
(905) 834-4549

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

MARBULK SHIPPING INC.
Chelston Park, St. Michaels,
Barbados

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

SEAWAY MARINE TRANSPORT
20 Corporate Park Drive, Suite 300,
St. Catharines, Ontario, L2S 3W2
(905) 988-2600
www.seawaymarinetransport.com

(1) Member of the Audit Committee
(2) Member of the Corporate Governance Committee
(3) Member of the Environmental, Health and Safety Committee
(4) Member of the Executive Committee
(5) Member of the Seaway Marine Transport Committee

Fleet

Cargo capacity in tonnes

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

Algoma Central Corporation
Self-Unloaders

CAPT. HENRY JACKMAN	GL	31,050	
JOHN B. AIRD	GL	31,496	
PETER R. CRESSWELL	GL	31,115	
ALGOBAY	GL/ES	34,381	
ALGOLAKE	GL	33,508	
ALGOMARINE	GL	26,548	
ALGORAIL	GL	24,191	
ALGOSOO	GL	32,004	
ALGOSTEEL	GL	26,534	
ALGOWAY	GL	24,486	
ALGOWOOD	GL	32,760	
SAUNIERE	GL/ES	23,805	(not in service)

Algoma Central Corporation
Bulk Carriers

ALGOCAPE	GL	27,125	
ALGONORTH	GL	29,210	(not in service)
ALGONTARIO	GL	28,591	(not in service)
TIM S. DOOL	GL	31,182	

Algoma Tankers
Petroleum Tankers

ALGOEAST	GL/ES	9,300
ALGOSAR	GL	11,500
ALGOSCOTIA	UO	17,980
ALGOSEA	UO	16,175
ALGONOVA	UO	11,240
ALGOCANADA	UO	11,240
ALGOMA HANSA	UO	16,175
ALGOMA DARTMOUTH	UO	3,569

Vessels Under Construction

ALGOMA NIAGARA	UO	16,500
ALGOMA ATLANTIC	UO	16,500
ALGOMA PACIFIC	UO	16,500
RADCLIFFE R. LATIMER	UO	25,000
ALGOMA TRITON	UO	25,000

Algoma Shipping Inc.
Self-Unloaders

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

Bulk Carriers

ALGOMA SPIRIT	UO	35,500	(chartered to SMT)
ALGOMA DISCOVERY	UO	35,500	(chartered to SMT)
ALGOMA GUARDIAN	UO	35,500	(chartered to SMT)

Fleet (continued)

Marbulk Canada Inc.
Self-unloaders

AMBASSADOR	UO	36,663	
EASTERN POWER	UO	67,833	
NELVANA	UO	74,374	
PIONEER	UO	36,848	
WESER STAHL	UO	46,657	

Vessels to be acquired from Upper Lakes Group Inc.

Pursuant to definitive purchase agreement announced on February 25, 2011.

Self-Unloaders

CANADIAN ENTERPRISE	GL	34,490	
CANADIAN NAVIGATOR	GL	30,820	
CANADIAN OLYMPIC	GL	34,290	
CANADIAN PROGRESS	GL	32,240	
CANADIAN TRANSPORT	GL	34,640	
CANADIAN TRANSFER	GL	15,935	
JAMES NORRIS	GL	18,690	
JOHN D. LEITCH	GL	33,530	
CANADIAN MARINER	GL/ES	34,381	(undergoing completion)

Bulk Carriers

CANADIAN PROVIDER	GL	27,890	
MONTREALAIS	GL	28,900	
QUEBECOIS	GL	28,800	
CANADIAN RANGER	GL	26,900	(not in service)
GORDON C. LEITCH	GL	32,175	

Real Estate

Sault Ste. Marie

STATION MALL	Retail	464,009 square feet
STATION TOWER	Office	61,810 square feet
289 BAY STREET	Office	18,545 square feet
STATION 49	Residential	102 suites
DELTA WATERFRONT INN & CONFERENCE CENTRE	Hotel	195 rooms

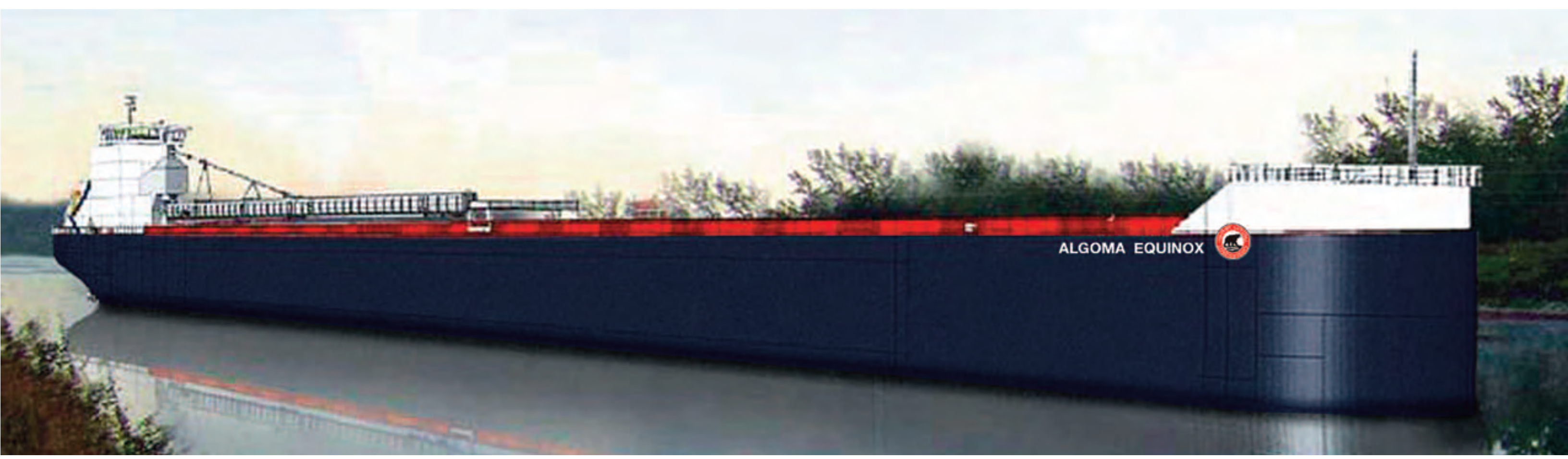
St. Catharines

63 CHURCH STREET	Office	72,256 square feet
RIDLEY SQUARE	Retail	47,585 square feet
HUNTINGTON SQUARE	Retail	43,141 square feet
MARTINDALE BUSINESS CENTRE	Office/Light Industrial	35,276 square feet
20 CORPORATE PARK DRIVE	Office	41,621 square feet
25 CORPORATE PARK DRIVE	Office	42,053 square feet
75 CORPORATE PARK DRIVE	Office	57,004 square feet

Waterloo

408 ALBERT STREET	Office	27,000 square feet
410 ALBERT STREET	Office	100,384 square feet
412 ALBERT STREET	Office	27,470 square feet

The new *Equinox Class* vessels
will carry more cargo at faster speeds
and with improved fuel efficiency
resulting in significantly reduced emissions
per tonne-kilometre of cargo moved.



Algoma Central Corporation

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