2014 ANNUAL REPORT

Algoma Central Corporation

Domestic Dry-Bulk		Product Tankers		Ocean Shipping		Real Estate
Dry-bulk Shipping	**Algoma Ship Repair**	**Algoma Tankers**	**Algoma Tankers International Inc.**	**Algoma Shipping Ltd.**	**Marbulk Canada Inc. Marbulk Shipping**	**Algoma Central Properties Inc.**
18 self-unloaders 7 bulkers *5 Equinox Class vessels on order* ***(Note 1)***	Ship repair & steel fabrication services	8 domestic tankers	owns 1 tanker chartered to Algoma Tankers	2 self-unloaders	3 self-unloaders	Properties in Sault Ste. Marie St. Catharines Waterloo
100%	100%	100%	100%	100%	50%	100%

Note 1 - In addition to the vessels owned by the Corporation, one bulk carrier owned by CWB Inc. is managed by the Corporation. Of the five Equinox vessels on order, four vessels are to be owned by the Corporation and one is to be owned by CWB Inc. and managed by the Corporation.

THE NEXT GENERATION

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About the Corporation

Algoma Central Corporation owns and operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway. The Corporation's Canadian flag fleet consists of eighteen self-unloading dry-bulk carriers, seven gearless dry-bulk carriers and eight product tankers. The Corporation also currently has four Equinox Class vessels under construction for domestic dry-bulk service. Subsequent to the year-end the Corporation retired two dry-bulk vessels and a product tanker.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Corporation's 25 - vessel fleet. The dry-bulk vessels carry cargoes of raw materials such as grain, iron ore, salt and aggregates and operate throughout the Great Lakes - St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes a diversified ship repair and steel fabricating facility operating in the Great Lakes and St. Lawrence regions of Canada and the operational management of vessels owned by other ship owners.

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

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

In addition to the marine businesses, the Corporation also owns and manages commercial real estate in Sault Ste. Marie, Waterloo and St. Catharines, Ontario.

Financial Highlights

In thousands except per share figures	2014	2013
For the year		
Revenue	$ 503,683	$ 491,499
Net earnings	$ 52,765	$ 41,923
Operating ratio *(Note 1)*	83%	84%
EBITDA	$ 109,841	$ 104,677
Cash flow generated from operating activities	$ 104,872	$ 108,979
Additions to Property, plant, and equipment and investment properties, net	$ 37,112	$ 51,883
Dividends paid per common share	$ 0.28	$ 0.28
Basic earnings per common share	$ 1.36	$ 1.08
Return on capital employed *(Note 2)*	6.3%	6.1%
Adjusted return on capital employed *(Note 3)*	10.7%	10.1%
Return on equity	9.0%	7.9%
Total shareholder return *(Note 4)*	0.5%	19.6%
At December 31		
Total assets	$ 974,055	$ 932,354
Shareholders' equity	$ 607,099	$ 561,086
Long-term debt (including current)	$ 227,562	$ 232,922
Equity per common share	$ 15.60	$ 14.42
Common shares outstanding	38,912,110	38,912,110

Note 1 - Operating ratio is defined as operating expenses plus depreciation on property, plant, and equipment and investment property as a percent of revenue.

Note 2 - Return on capital employed is defined as segment operating earnings after income taxes expressed as a percent of average opening and closing capital employed. Capital employed is long-term debt plus shareholders' equity.

Note 3 - Adjusted return on capital employed is defined as segment operating earnings after income taxes expressed as a percent of adjusted average capital employed. Adjusted average capital employed is capital employed less the average cash in excess of $10 million and less the average amount of instalments on ship-building contracts, reflecting the fact that these assets are currently not generating operating earnings.

Note 4 - Total shareholder return is defined as the increase in the year in the common share price plus dividends paid expressed as a percent of the opening share price.

Message to Shareholders

The winter of 2014 will long be remembered as one of the most severe on record with ice coverage on the Great Lakes reaching near record levels. In early March, almost the total surface area of the Great Lakes (92%) was covered in ice. As a result, the industry, including the Corporation, experienced significant delays at the beginning of the season and even with the additional ice breaking units from Eastern Canada assigned to the Great Lakes, the opening of the 2014 season was delayed due to the ice conditions.

Vessel transits through the St. Mary's River and across Lake Superior were the most challenging at the season opening. Vessels encountered very lengthy delays waiting in assigned queues for ice breaking escorts in convoys across Lake Superior. The transit time of these convoys was very slow and as a result the waiting list of vessels requiring transit grew to over seventy vessels at the peak. The need for these ice breaker assisted convoys in Lake Superior persisted into the second week of May.

I would like to express my thanks to our vessel Captains and Chief Engineers and all crew who worked under such difficult operating conditions. To do so without any significant incidents is a credit to all.

Financial Results

These difficult operating conditions and the delayed start at the beginning of the 2014 navigation season resulted in significant schedule disruptions, delays and extended trip times and led to our second quarter segment earnings after income taxes being down from the previous year by $4.4 million.

For the year the Corporation's consolidated revenues were $503.7 million compared to $491.5 million in 2013. This $12.2 million increase was due mainly to improved revenues in domestic dry-bulk.

Net earnings for 2014 were $52.8 million or $1.36 per share compared to 2013 net earnings of $41.9 million or $1.08 per share. The main factors contributing to this $10.8 million increase were:

- Increased earnings before depreciation, interest, currency translation, impairment reversals and taxes of $7.3 million.
- Net impairment reversals of $7.4 million.
- Decreased income taxes resulting from higher earnings from foreign subsidiaries that are not taxed and the one-time impact in 2013 of the finalization of our valuation issue with CRA.
- Decrease in net gain on translation of foreign currency.
- Increase in net interest expense mainly due to the recovery in 2013 of interest relating to the arbitration settlement on cancelled product tanker shipbuilding contracts.

Cash flow from operating activities for 2014 totaled $104.9 million or $2.70 per share compared to $109.0 million or $2.80 per share in 2013.

This cash flow was used in part to fund dividends of $10.9 million, repay non-revolving long-term debt of $13.5 million and to fund our $36.2 million capital expenditure program.

This continued strong cash flow has resulted in further strengthening of our balance sheet. With our cash balance increased to $256.9 million, long-term debt of $223.8 million and shareholders' equity of $607.1 million, we are very well positioned to take advantage of future opportunities including additional fleet renewal projects.

Accomplishments

Fiscal 2014 was marked by the delivery of two additional Equinox Class vessels. The *Algoma Harvester*, our second Equinox Class vessel, was delivered to the Corporation on May 13th in China and arrived in Port Cartier on July 11th following a 54 day voyage across the Pacific Ocean and through the Panama Canal.

Upon arrival in Port Cartier, the *Algoma Harvester* loaded a first cargo of iron ore and then headed for Hamilton. A christening ceremony took place in Hamilton with Kathy Baske, wife of Jim Baske, then the President and CEO of ArcelorMittal Dofasco, imparting the traditional blessing and launching a ceremonial bottle of champagne against the bow of the ship.

Following the christening ceremony Jim Baske offered a few words of congratulations on behalf of ArcelorMittal Dofasco. Following is an excerpt from his remarks.

"Great Lakes and St. Lawrence Seaway marine transport is integral to our business and fleet renewal is critical for a sustainable supply chain. Sustainability is a core value for our company and a main area of focus. The range of environmental improvements that we see on this fleet aligns with our efforts to continuously improve our productivity, efficiency and environmental footprint. It is a win-win when one of our partners is able to achieve the kinds of improvement that Algoma has with this new fleet, effectively reducing the environmental impact of our supply chain, from raw material inputs to shipping of finished products."

The third Equinox Class vessel, the *CWB Marquis* was delivered to its owner, the CWB Inc., formerly the Canadian Wheat Board, on October 31st in China.

The vessel arrived in Canada on January 1st, 2015 and will join the Algoma fleet for the start of the 2015 navigation season. The *CWB Marquis* will be managed both commercially and technically by the Corporation and the vessel will be operated by Algoma crews.

The *Algoma Harvester* and *CWB Marquis* are the 2nd and 3rd Equinox Class gearless bulk carriers to join the Algoma fleet. These vessels are part of a series of eight vessels being built at Nantong Mingde shipyard in Nantong, China. The series consists of four gearless bulk carriers and four self-unloading bulk carriers. Algoma will own six of the series, consisting of the *Algoma Equinox* and *Algoma Harvester* and the four self-unloading vessels. CWB Inc. will own the *CWB Marquis* and the soon to be delivered *CWB Strongfield*, which will also be managed by Algoma.

The Equinox Class represents the next generation of Great Lakes – St. Lawrence Waterway bulk cargo vessels. Our $300 million investment in the six Equinox Class vessels demonstrates the Corporation's commitment to operating in a sustainable manner. These vessels have been designed to optimize fuel efficiency and operating performance, thus minimizing their environmental impact. A 45% improvement in energy efficiency over Algoma's current fleet average is expected, resulting from the use of modern and efficient Tier II compliant main engines, significantly increased cargo capacity and an advance hull form that produces less resistance through the water. In addition, a fully integrated IMO approved and Lloyds certified exhaust gas scrubber will remove 97% of all sulfur oxides from shipboard emissions. The use of exhaust gas scrubbers represents the first application of an IMO approved integrated scrubber on the Great Lakes – St. Lawrence Waterway.

We expect the *CWB Strongfield* to be delivered early in the second quarter of 2015 and the first two self-unloaders, the *Algoma Conveyor* and *Algoma Sault* to be delivered later in the second quarter and late fourth quarter of 2015, respectively. The remaining two self-unloaders will arrive in 2016.

On December 26th a local court in Nantong, China approved Sainty Marine's application for the restructuring of Nantong Mingde Heavy Industries (NMHI) Shipyard, in Nantong. In the application, Sainty Marine indicated they are seeking to assume the shipbuilding contracts and business of NMHI after a successful completion of the restructuring process. This restructuring is expected to take between five and seven months. Sainty Marine has indicated to Algoma that they intend to continue work on the Equinox vessels under construction at NMHI during the restructuring period.

The Corporation has re-qualified for the Best Managed Companies for 2014. Canada's Best Managed Companies, which continues to be the mark of excellence for Canadian owned and managed private companies and closely held public companies, is a rigorous and independent process that evaluates the calibre of management's abilities and practices. This program is co-sponsored by Deloitte LLP, Canadian Imperial Bank of Commerce, National Post and Queen's School of Business.

Algoma common shares trade on the TSX under the symbol ALC. After several years of strong gains, the shares entered a consolidation phase in 2014. For the year, total shareholder return (TSR), which includes share appreciation and dividends for Algoma Central Corporation shareholders, was 0.5%. By comparison, the TSX Composite Total Return Index Value increased by 10.6% for the same period. This follows TSR's for Algoma shareholders of 20% for 2013, 41% for 2012 and 11% for 2011. Over the ten-year period ended December 31, 2014 the TSR for the Corporation's common shares was a compound rate of 9.9% and by way of comparison, the TSX Composite was a compound rate of 7.6%

Marine Money Magazine's 2013 Rankings included 84 publically traded shipping companies from around the world. The annual Marine Money Overall Performance Rankings are designed to measure a company's ability to improve efficiency and to create shareholder value. For 2013, Algoma dropped to 23rd in this ranking, down from 6th place in 2012. Despite our strong 2013 TSR, a number of our international competitors outpaced Algoma to finish higher in these annual rankings.

Marine Money also ranks companies based on financial strength. In 2013, Algoma placed 2nd in this ranking, up from 5th place in 2012. This is a very impressive performance when you consider our competition is the entire world. These results continue to validate that Algoma is a "World Class" company.

Sustainability

Sustainability continues as a key component of our strategic vision: "Continual long-term growth in Shareholder Value while operating in a sustainable manner and always being governed by our core values".

In 2013, we highlighted our sustainability initiatives and accomplishments with the publication of our inaugural Sustainability Report. This document provided a detailed report card on all aspects of our sustainability performance, highlighting performance against metrics for safety, environmental impact, community involvement and governance.

We are very pleased with the report and plan on following this up with our 2nd Sustainability Report in the first quarter of 2016.

One of our key sustainability highlights in 2014 was the announcement that we had received all required approvals for the exhaust gas scrubbing systems installed on our Equinox Class series of vessels. The scrubber units, manufactured by Wartsila, are designed to remove 97% of sulfur oxide emissions from the vessels' exhaust streams. The scrubber concept works with fresh water recirculating in a closed loop system. The sulfur oxides are washed out of the exhaust then neutralized. The resulting contaminants are disposed of at reception facilities in port.

Commissioning of the first scrubber unit installed on the *Algoma Equinox* was completed by a team from Wartsila, together with Algoma technical and shipboard personnel during the summer of 2014.

After rigorous testing it was confirmed that the scrubber was effective in removing at least 97% of the sulfur oxides emissions from all engine exhaust streams onboard the *Algoma Equinox*.

We are extremely pleased to have the first unit commissioned and the entire Equinox Class series approved for use. Our Equinox Class are not only the most fuel efficient vessels operating on the Great Lakes – St. Lawrence Waterway, they are now clearly the cleanest.

We continued to focus on Operations Excellence including cost control, reduced incidents, minimized unproductive time and improved asset utilization as part of our Return on Capital Employed (ROCE) Improvement Plan. In 2014, our ROCE after adjusting for excess cash and for deposits on vessels under construction and not delivered into service was 10.7% compared to adjusted ROCE of 10.1% in 2013.

We also continued to focus on our workers' safety practices, employee health and welfare progress and community involvement. We believe very strongly that each employee should return home to his or her family in the same condition as when they left for work. Our team works very hard to provide a safe and secure working environment for our over 2,000 employees. Our goal is zero workplace incidents, an achievement that many of our individual vessels and workplaces have achieved. We have reduced our lost time injury frequency for all business units combined by 50% over the last five years. Although we are pleased with this improvement in performance, anything above zero is unacceptable.

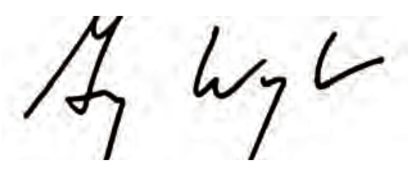
We recognize that to be truly sustainable we also have a responsibility to continue to provide value to our customers, to maintain long-term profitability and to increase our shareholder value. We have a long and proud history as a successful Canadian company and we continue to make significant investments to ensure the continued success and well being of our company, our employees and the customers we serve.

Outlook for 2015

We see many encouraging signs for the 2015 season. Volumes shipped and vessel activities are expected to increase further as demand from grain shippers and salt producers is forecasted to increase. In addition, the drop in the value of the Canadian dollar against the U.S. dollar should have a positive impact for exporting of Canadian commodities such as aggregates, and, coupled with the low cost of fuel, this should support increased commodity movements by vessels.

In addition, we look forward to further Equinox Class deliveries in 2015 and to realizing the significant operating efficiencies these Equinox Class vessels will deliver.

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 but is only made possible by the hard work and dedication of each and every one of our over 2,000 employees and the strong leadership and guidance of our Board of Directors.



Greg D. Wight, FCPA, FCA

President and Chief Executive Officer

Chairman's Message

On March 31, 2015 Greg Wight retired after 35 years with the Corporation, the last seven as President and Chief Executive Officer.

Greg has provided exceptional leadership for the Company during his tenure and set the foundation for the Company's success for years to come with the fleet renewal program he championed. He has served shareholders well as the Company's stock has returned 16% per annum including stock price appreciation and annual dividends over the past five years. Over Greg's 35 years with the Company he has been an unrelenting advocate for the Great Lakes and been instrumental to Algoma's rise as a dominant player on the lakes and successful expansion overseas.

On behalf of the board of directors, I thank Greg for his service to the Company and wish him all the best.

Effective April 1, 2015, Ken Bloch Soerensen will assume the role of President and Chief Executive Officer.

Ken, a native of Denmark and most recently based in Dubai, joins Algoma following a successful career in the international maritime sector. Ken began his career with 18 years at A.P. Moller/Maersk where he held the position of General Manager in several of Maersk's global operating units. Following his years with Maersk, Ken served as CEO of Swiss Federal Railways Cargo and in later roles focused on container shipping in the Asian, North Atlantic and Middle Eastern markets. Most notably, Ken was CEO of United Arab Shipping Co. from 2005 to 2009. Ken also served for two years as the Executive Director of the European Liner Affairs Association in Brussels, representing the industry on regulatory matters in the European Union and was most recently Managing Director and Partner in IPSA Capital Limited.

We are very pleased that Ken has agreed to join Algoma as its new President and CEO at this important time in the evolution of the Company, Ken brings a wealth of experience and a depth of knowledge, particularly in international marine operations, which will be critically important to Algoma as we seek out new opportunities for investments in growth initiatives.

The Annual Meeting of Shareholders will be held in St. Catharines on May 1, 2015. I invite you to attend and look forward to seeing you at that time.

Duncan N. R. Jackman

Chairman of the Board

Management's Discussion and Analysis

General

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

This Management's Discussion and Analysis ("MD&A") of the Corporation should be read in conjunction with its consolidated financial statements for the years ending December 31, 2014 and 2013 and related notes thereto and has been prepared as at February 20, 2015.

The MD&A has been prepared by reference to the disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on the Corporation, including its 2014 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Corporation's website at *www.algonet.com*.

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

Use of Non-GAAP Measures

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

Return on capital employed (ROCE) refers to segment operating earnings after income taxes expressed as a percentage of average opening and closing capital employed. Capital employed is long-term debt 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. ROCE is also used as one of the benchmark rates of return in assessing capital investment opportunities.

The Corporation also uses Adjusted Return on Capital Employed (AROCE) to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders and, in conjunction with other measures of operating performance, as one of the metrics for purposes of determining incentive compensation. The Corporation defines AROCE as segment operating earnings after income taxes expressed as a percentage of adjusted average capital employed. Adjusted average capital employed is average capital employed, less the average cash in excess of $10 million and less the average amount of instalments on shipbuilding contracts, reflecting the fact that these assets are currently not generating operating earnings.

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

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

EBITDA refers to earnings before interest, taxes, depreciation, and amortization. We also include our share of the EBITDA of our joint arrangements in this measure. EBITDA is not a recognized measure for financial statement presentation under generally accepted accounting principles as defined by IFRS. EBITDA is not intended to represent cash flow from operations and it should not be considered as an alternative to net earnings, cash flow from operations, or any other measure of performance prescribed by IFRS. The Corporation's EBITDA may also not be comparable to EBITDA used by other corporations, which may be calculated differently. The Corporation considers EBITDA to be a meaningful measure to assess its operating performance in addition to other IFRS 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, and it is used by credit providers in the financial covenants of the Corporation's long-term debt.

Caution Regarding Forward-Looking Statements

Algoma Central Corporation's public communications often include written or oral forward-looking statements. Statements of this type are included in this document and may be included in other filings with Canadian securities regulators or in other communications. All such statements are made pursuant to the safe harbour provisions of any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2015 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price and the results of or outlook for our operations or for the Canadian and U.S. economies. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

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

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

For more information, please see the discussion on pages 12 to 18 in the Corporation's Annual Information Form for the year ended December 31, 2014, which outlines in detail certain key factors that may affect the Corporation's future results. This should not be considered a complete list of all risks to which the Corporation may be subject from time to time. When relying on forward looking statements to make decisions with respect to the Corporation, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. The Corporation does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives and may not be appropriate for other purposes.

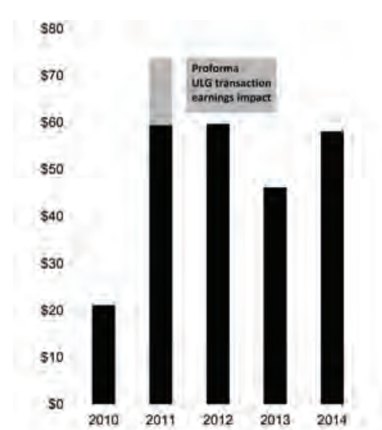
Overall Performance

	2014	2013	2012
For year ended December 31			
Revenues	$ **503,683**	$ 491,499	$ 527,871
Segment operating earnings, net of income tax	$ **58,104**	$ 46,146	$ 59,807
Net earnings	$ **52,765**	$ 41,923	$ 42,156
Basic earnings per common share	$ **1.36**	$ 1.08	$ 1.08
Diluted earnings per common share	$ **1.31**	$ 1.06	$ 1.06
At December 31			
Total assets	$ **974,055**	$ 932,354	$ 875,752
Total long-term financial liabilities	$ **227,562**	$ 232,922	$ 232,935

The Corporation is reporting 2014 revenues of $503,683 compared to $491,499 for the same period in 2013. The increase is mainly attributable to the domestic dry-bulk business as a result of strong customer demand and high fleet utilization compared to the prior year. This increase was partially offset by reduced volumes for domestic tankers and ocean shipping. Real estate revenues were higher in 2014 compared to 2013.

Segment Operating Earnings Net of Tax

(IN MILLIONS)



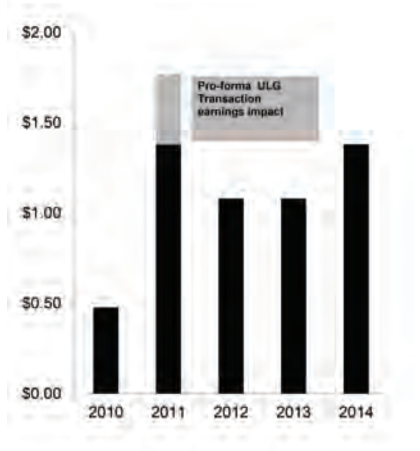
Segment earnings after income taxes were $58,104 in 2014 compared to $46,146 for 2013. Increases in the operating earnings of Domestic Dry-Bulk, Product Tankers and Real Estate segments were partially offset by a reduction in the earnings of the Ocean Shipping segment. In addition to a net improvement in earnings of the business units, 2014 segment earnings reflect a net impairment reversal on property, plant, and equipment of $7,362, inclusive of the tax effect.

Income tax expense for 2014 was $8,700 compared to $15,524 for the previous year. Fiscal 2013 tax expense included $4,618 relating to reassessed taxes on a valuation issue settled last year. The reversal of an impairment of $10,302 in a foreign subsidiary in 2014 did not result in any tax expense.

Net earnings and basic earnings per share were $52,765 and $1.36, respectively, compared to $41,923 and $1.08, respectively, for the same period last year. The increase in segment earnings was partially offset by reduced foreign exchange gains, reduced interest income and a decrease in income tax expense. Net earnings for 2013 included a foreign exchange translation gain of $5,587 compared to a gain of $885 for the same period in 2014. The decrease in interest income is due primarily to interest received in 2013 on the recovery of vessel instalments and interest on refunded income tax instalments.

Basic Earnings Per Share

(IN DOLLARS)



The decrease in segment operating earnings net of income tax between 2012 and 2013 was due primarily to lower revenues for the Domestic Dry-Bulk and Real Estate segments which drove operating income down for those segments. This was partially offset by improved earnings from Product Tankers.

The increase in total assets in 2014 when compared to 2013 and 2012 was due primarily to an increase in net cash generated during the year.

Summary of Quarterly Results

The results for the last eight quarters are as follows:

Year	Quarter	Revenue	Net earnings (loss)	Basic earnings (loss) per share
2014	Quarter 4	$ 149,662	$ 35,318	$ 0.91
	Quarter 3	$ 163,950	$ 24,367	$ 0.63
	Quarter 2	$ 138,333	$ 14,946	$ 0.38
	Quarter 1	$ 51,738	$ (21,866)	$ (0.56)
2013	Quarter 4	$ 148,864	$ 22,849	$ 0.59
	Quarter 3	$ 146,948	$ 28,328	$ 0.73
	Quarter 2	$ 144,930	$ 19,381	$ 0.50
	Quarter 1	$ 50,757	$ (28,635)	$ (0.74)

Impact of Seasonality on the Business

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

Business Segment Discussion

Domestic Dry-Bulk

Business Segment and Markets

Revenue

Domestic Dry-Bulk

(IN MILLIONS)

The Domestic Dry-Bulk segment includes the activities of the Corporation's Canadian flag dry-bulk vessels, ship management and ship repair and steel fabrication businesses.

The Corporation's Canadian flag dry-bulk fleet is the largest and most diversified dry-bulk cargo fleet operating on the Great Lakes. The size of the fleet, together with its variety of vessel configurations, allows the Corporation to accommodate almost every dry-bulk shipping requirement. The Corporation's fleet complies with and is certified under the ISO: 9001 Quality Management standard, the International Safety Management Code (ISM) and the ISO 14001 Environmental Management standard. In early 2015, our domestic dry-bulk fleet and our product tanker fleet received certification under OHSAS 18001, the internationally recognized standard for occupational health and safety management systems. All of the Corporation's vessels have approved security plans that fully comply with Canadian and U.S. regulations and the International Ship and Port Security Code. The Corporation is a member of Green Marine, an industry-led environmental initiative.

During 2014, the Corporation operated 18 self-unloading bulk carriers and seven gearless bulk carriers in its Canadian flag dry-bulk fleet, including the arrival of the Corporation's second Equinox Class Vessel, the *Algoma Harvester*. 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 gearless bulk carriers require shore-side facilities to discharge cargo. This latter type of vessel is primarily deployed in the movement of grain and iron ore.

The *Algoma Harvester* entered service on July 11, 2014 when it docked at Port Cartier, Quebec to load its first cargo of iron ore for delivery to ArcelorMittal Dofasco in Hamilton. This marked the end of the vessel's long journey from the Nantong Mingde Shipyard in Nantong City, China, via the Panama Canal. On January 1, 2015, the third Equinox Class vessel, the *CWB Marquis*, completed its delivery voyage from China when it too arrived at Port Cartier, Quebec to load an iron ore cargo destined for ArcelorMittal Dofasco. The *CWB Marquis* is the first of two Equinox Class vessels to be owned by CWB. Both CWB vessels are gearless bulkers that will be commercially and technically managed by the Corporation for CWB. Together, the two CWB vessels plus the six gearless bulkers owned by the Corporation, of which two are also Equinox Class, will form the Algoma Bulker Pool to be managed by the Corporation.

The Equinox Class vessel design balances hull form, power and speed with cargo-carrying capability for optimal performance and environmental efficiency. Developed by Algoma, together with a team of world class vessel designers, architects, and engineers, these state-of-the-art vessels represent the next generation of Great Lakes bulk carriers. These vessels will significantly reduce the environmental footprint of our Great Lakes dry-bulk fleet. The Equinox Class will include both self-unloaders and gearless bulk carriers that will significantly improve the performance and capability of the Corporation's domestic dry-bulk fleet. They will carry significantly more cargo at faster speeds using less fuel. Lower fuel consumption means lower fuel costs and lower emissions. The new ships are designed to be 45% more efficient than existing conventional vessels measured on a cargo-tonne-kilometer basis.

Each Equinox Class vessel is equipped with an Exhaust Gas Cleaning System (scrubber). These scrubbers remove 97% of the sulphur oxides emissions generated by the vessel's engines and also remove up to 65% of all air borne particulate matter (PM) from the exhaust gas stream. During 2014, the exhaust gas scrubber system aboard the first Equinox Class vessel, the *Algoma Equinox*, was commissioned and certified to all Canadian, U.S. and international regulations. The system certification applies to each subsequent Equinox Class vessel. The Equinox Class vessels are the first class of ships to operate on the Great Lakes – St. Lawrence Waterway with exhaust gas scrubbing systems, making them the most environmentally advanced and the cleanest vessels operating in this region. They are also able to use lower cost heavy marine fuels, which enhances the competitiveness of the vessels.

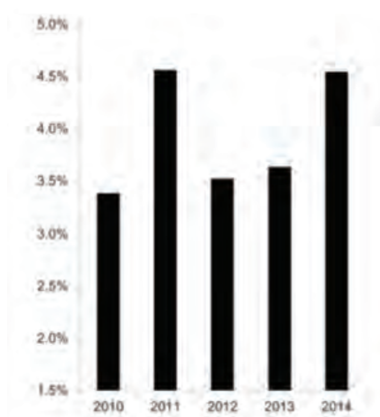
Effective cost control, operations excellence and continuous improvement are critical to the Corporation's goal of being the most competitive and dependable marine transportation service provider on the Great Lakes - St. Lawrence Waterway. A key measure of quality performance is incident costs. In 2014, as a result of damage and mechanical failures affecting certain of our older ships, incident costs as a percentage of net revenues increased to 4.5% from the 2013 level of 3.6%. The Corporation continues to focus its attention on improving performance on these measures.

The Corporation serves a wide variety of major industrial segments, including iron and steel producers, aggregate producers, cement and building material producers, electric utilities, salt producers and agriculture product producers. Our customer base includes leading organizations in each market sector and service relationships are typically long-term in nature.

Incident Costs

Domestic Dry-Bulk

(PERCENTAGE OF NET REVENUES)



Fiscal 2014 saw an increase of 4.0% in total dry-bulk tonnes carried and a 7.6% increase in vessels days utilized. The larger gain in vessel days utilized compared to the gain in tonnage is attributable primarily to incremental grain and iron ore cargoes that required longer than average voyage durations. The gains experienced in 2014 occurred despite the very slow and difficult start to the navigation season that resulted from record levels of ice coverage on the upper Great Lakes. The impact of the delay was mitigated in part by working closely with shippers to schedule cargoes to help optimize available vessel capacity and accessible routes. Importantly, the Corporation was able to deploy additional vessels that were originally slated for retirement due to new Equinox Class arrivals to help make up early season shortfalls caused by the ice conditions.

The largest gains in 2014 activity occurred within the agriculture segment. Fuelled by record crop production in 2013, tonnage increased in this segment by 32.0% over the prior year levels. Vessel days utilized in this sector increased by 39.1% over 2013 levels. The Corporation holds contracts with each major grain shipper, including the CWB, which formerly held the monopoly for Canadian wheat and barley exports.

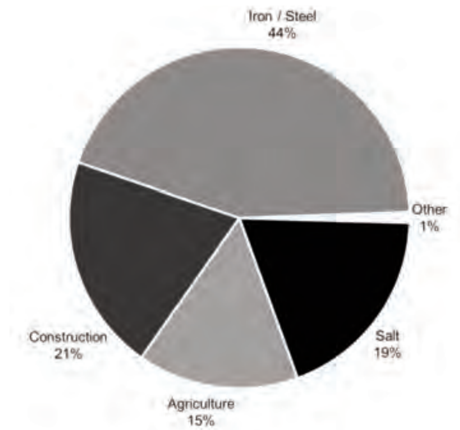
Shipments of aggregates and construction materials in 2014 increased by 6.7% over the prior year. Increased construction activity and a lower Canadian dollar helped improve deliveries from Canadian aggregate quarries. The U.S. based Lake Carrier's Association reported that Great Lakes based limestone shipments decreased by 1.8% from 2013, primarily because of the very difficult start to the season and the resulting delay in the start of quarry shipments. Shipments from Canadian ports on the other hand increased by 12.5% over 2013 levels, as increasing demand for construction materials and the lower value of the Canadian dollar against the U.S. dollar helped the competitiveness of Canadian suppliers.

The iron and steel industry segment saw an increase in shipments of 3.6%. North American steel producers experienced increasing demand for their products as demand for such things as new automobiles reached post recession highs. The World Steel Association (WSA) has reported that total world crude steel production increased by 1.2% to 1,662 million tonnes in 2014 from the level set in 2013. U.S. production increased by 1.7% while Canadian crude steel production increased by 2.0%.

Industry Segments

Domestic Dry-Bulk

(BY TONNES)



The severe winter of 2014 led to very strong demand for salt used for winter road safety. Inventories in most salt depots around the Great Lakes were fully depleted by the end of the winter and required replenishing during the navigation season. In fact, demand for salt was so high that foreign supplies were entering the Great Lakes markets in greater than normal volumes. Salt tonnage shipped by our primary customer in this market increased 14.6% compared to 2013 and vessel utilization was very strong but this was offset by reduced volumes for another customer.

The heavy winter ice cover on most of the upper Great Lakes limited evaporation and above average precipitation amounts led to increasing lake levels throughout 2014. By year-end, water levels were above both 2013 levels and average long-term levels for the first time in over a decade. The U.S. Army Corps of Engineers is forecasting that water levels will remain at or above the long-term average during at least the first half of 2015. The increased water levels were a welcome relief for the shipping industry, as higher water levels allow vessels to load to deeper drafts and carry more cargo on many voyages. Every additional inch of draft on a maximum seaway-sized lakes vessel represents an additional 120-130 tonnes of cargo.

Ship Repair

The Corporation's ship repair business operates as Algoma Ship Repair ("ASR"). ASR 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, ASR 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 Canadian Great Lakes vessels generally use for winter lay-up berths. Although these ports are the main winter repair centres, ASR can quickly mobilize a work force in any Great Lakes port.

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

ASR 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.

Domestic Dry-Bulk Financial Review

	2014	2013	Favourable (Unfavourable)
Revenue	$ 337,244	$ 323,023	$ 14,221
Operating expenses	(268,234)	(261,122)	(7,112)
General and administrative	(15,560)	(15,326)	(234)
	53,450	46,575	6,875
Depreciation	(25,067)	(25,989)	922
Impairment	(4,000)	-	(4,000)
Income taxes	(6,984)	(5,677)	(1,307)
Net earnings	$ 17,399	$ 14,909	$ 2,490
Operating ratio	91.6%	93.6%	
Additions to Property, plant, and equipment	$ 24,750	$ 41,266	
Total assets	$ 410,856	$ 409,772	

Revenues for 2014 increased by $14,221 or 4.4% from prior year levels due primarily to an increase in the total tonnage carried. All commodity sectors experienced increases in volumes with the most significant for the agriculture and construction sectors. Fiscal 2014 revenues reflected continued strong customer demand and high fleet utilization and a corresponding increase in operating days. The Corporation operated all available vessels in 2014 including two that were expected to be retired from service at the end of 2013. In addition, two of our new Equinox Class vessels, the *Algoma Equinox* and the *Algoma Harvester*, operated in 2014 with the *Equinox* operating for the full year. These vessels are more efficient to operate than the ships they replaced and consequently, contribute substantially higher operating income.

Operating expenses for 2014 were higher by $7,112 or 2.7% driven mainly by the increase in operating days. Increases in variable costs due to high utilization and higher insurance costs were partially offset by lower overall spending on maintenance, the majority of which is incurred in the first quarter each year.

Depreciation expense for 2014 is lower than 2013. Depreciation decreased due to the end of service lives of certain vessels; however, this decrease was offset by depreciation expense for the *Algoma Equinox*, which joined the fleet late in 2013 and the *Algoma Harvester*, which joined the fleet in July 2014.

A pre-tax impairment of $4,000 was recognized in 2014 on certain major vessel parts and spares that the Corporation deemed to be surplus. The Corporation has determined that the value of the parts is impaired as a result of the Corporation concluding that use of these components on the Corporation's vessels is no longer economically feasible.

Additions to property plant, and equipment in both years include payments related to the Equinox Class vessels, life extensions and capitalized dry-dockings costs on certain other vessels.

Equinox Project

The Corporation entered into contracts to construct a total of six Equinox Class dry-bulk vessels in 2010, continuing the fleet renewal initiative begun with the arrival of the *Radcliffe R. Latimer* (then called the *Algobay*) in 2009 and the *Algoma Mariner* in 2011. The Equinox Project will entail a total investment of $300 million, including approximately $230 million of contractual payments to the shipyard, with the balance being other construction costs.

On September 25, 2013 the Corporation took delivery of the first ship, named the *Algoma Equinox* in recognition of its role as the vanguard of the new fleet. The *Algoma Equinox* entered service in Canada on November 30, 2013. The second ship in the class, the *Algoma Harvester*, arrived in Canada on July 11, 2014. The third ship in this series and the first of two Equinox Class ships to be owned by the CWB arrived in Canada on January 1, 2015. The fourth ship in the series, also a bulker owned by the CWB, is expected to be launched in early 2015. The fifth ship of the series and the first self-unloader is significantly advanced in its hull construction and is expected to be delivered later in 2015. The remaining three self-unloaders are expected to be delivered in late 2015 and 2016. While progress on this construction project has been slower than anticipated, construction quality remains very high and the Corporation continues to be very pleased with the performance of the new vessels.

On December 26, 2014 Nantong Mingde Heavy Industry Co., Ltd., the builder of Equinox class series of vessels entered a court supervised restructuring process. This process was initiated by Sainty Marine Co. Ltd which is both the largest creditor to the shipyard and also the seller of record under several of the ship building contracts held by Algoma. At this point it is not known what impact, if any, this will have on the timing of future ship deliveries, although work continues to progress in the shipyard. All monies paid by the Corporation against these shipbuilding contracts are supported by refund guarantees issued by Chinese state banks.

The remaining contractual commitments at December 31, 2014 on the four vessels total U.S. $97.7 million.

Outlook

Volumes shipped and vessel activities are expected to increase further in 2015 as demand from grain shippers and salt producers are forecasted to increase. The drop in the value of the Canadian dollar against the U.S. dollar is expected to have a positive impact for exporters of Canadian commodities and this coupled with the low cost of fuel, should support commodity movements by vessel. Offsetting these positive factors is a concern that the Corporation's domestic dry-bulk fleet may be adversely affected if sustained low energy prices reduces economic growth and activity and the demand for certain products.

Product Tankers

Business Segment and Markets

The domestic Canadian flag product tanker fleet provides safe and reliable transportation of 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. To help achieve this goal, our tanker fleet operates under an ISO 14001 compliant environmental management system, ISM Code and an ISO 9001 quality management systems and OHSAS 18001 health and safety management system. As noted for the domestic dry-bulk segment, the Corporation is a member of Green Marine, an industry-led environmental initiative.

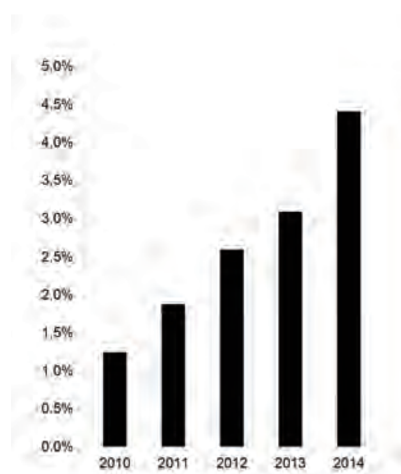
During 2014, the Corporation's product tanker segment served both domestic and international markets. At the commencement of 2014, this segment consisted of seven double-hull product tankers employed in domestic Canadian flag service and one product tanker trading in international markets. In August, 2014 the international tanker was positioned to Canada to meet incremental domestic product tanker requirements. The vessel was brought under Canadian flag and is now crewed by Canadian mariners. It is expected the tanker will remain in Canada indefinitely as a replacement for retiring existing domestic tankers.

Prior to joining the Corporation's domestic product tanker fleet in August, 2014 the Corporation's international product tanker, the *Algoma Hansa*, traded as part of the Navig8 Brizo8 international pool, a fully integrated provider of shipping management services and the world's largest independent pool and commercial management company. They operate vessel pools in tankers, chemical tankers, product tankers and dry-bulk. In international operations, the vessel's technical management was outsourced to a leading international ship management company with oversight by the Corporation's technical experts. As a Canadian flag vessel, all commercial and operations management functions are carried out by Algoma's own team of professionals located in St. Catharines, Ontario. This group is focused on Operations Excellence, which comprises customer service, continual improved quality and safety performance and environmental responsibilities.

Incident Costs

Domestic Tankers

(PERCENTAGE OF NET REVENUES)



A key measure of quality performance is the cost of incidents. A mechanical failure in 2013 and a vessel fire in early 2014 resulted in incident costs as a percentage of net revenue being 3.1% in 2013 and 4.4% in 2014. The 2014 fire was contained by the vessel's crew and no injuries or adverse environmental impacts occurred; however, repairs took over 90 days, which resulted in lost opportunity during a period of high vessel demand. Had this single incident not occurred then net incident costs for 2014 would have been 1.6% of net freight revenues. The Corporation considers all incidents to be very serious. It thoroughly reviews all incidents and modifies onboard operating and management procedures and shore management procedures as indicated.

The closure of Imperial Oil's Dartmouth refinery in Halifax in September 2013 and its conversion to an oil terminal resulted in a major change in the deployment of the Corporation's domestic product tankers. As a result of the refinery closure, the sourcing of petroleum products by the Corporation's major shipper for their eastern terminals shifted to other sources of supply, including other Canadian and international sources. Operating days for the Corporation's vessels increased by 1.5% in 2014 compared to 2013 levels as a result of these shifting trade patterns.

Product Tankers Financial Review

	2014	2013	Favourable (Unfavourable)
Revenue	$ 95,152	$ 100,635	$ (5,483)
Operating expenses	(62,896)	(67,388)	4,492
General and administrative	(3,605)	(4,394)	789
	28,651	28,853	(202)
Depreciation	(9,484)	(9,607)	123
Impairment reversal	10,302	-	10,302
Income taxes	(5,013)	(5,552)	539
Net earnings	$ 24,456	$ 13,694	$ 10,762
Operating ratio	79.9%	80.9%	
Additions to Property, plant, and equipment	$ 582	$ 3,707	
Total assets	$ 151,596	$ 146,597	

Revenue for the Product Tankers segment for 2014 decreased by $5,483 or 5.4% when compared to a very strong 2013. Strong customer shipments in 2013 resulted in the utilization of outside charters to meet customer demand; however, outside charters generate only limited operating income.

Operating costs for the 2014 were $4,492 or 6.7% lower due primarily to reduced outside vessel charters partially offset by an increase in direct costs for the additional operating days and a general inflationary impact on expenses.

The *Algoma Hansa* was acquired in 2006 to be operated as an ocean tanker. As a result of the severe impact of the 2009/2010 recession on ocean tanker trades and vessel values, impairment provisions totalling U.S. $13.5 million were recorded in 2009 and 2010 to reduce the vessel's carrying value to its estimated net realizable value. In 2014, it was determined that the *Algoma Hansa* could be used to service the domestic tanker business after modifications were made to the ship to make her better suited for this use. Given the decision to have the *Algoma Hansa* stay in Canadian service indefinitely, evidence of sustained improved cash flows from the asset necessitated a reversal of the impairment provisions in the amount of $10,302.

Revenue
Algoma Tankers
(IN MILLIONS)

Operating earnings net of income tax excluding the impairment reversal for the Product Tankers segment increased from $13,694 in 2013 to $14,154 in 2014.

Additions to Property, plant, and equipment totaled $582 compared to $3,707 in 2013. Five of the Corporation's tankers undertook dry-dockings in fiscal 2013.

Outlook

The Corporation plans to operate six product tankers domestically in 2015. The Corporation operated seven domestically until August 2014 and eight tankers throughout the remainder of 2014. In 2015, the former international flag product tanker *Algoma Hansa*, with a capacity of 16,175 tonnes and able to operate year-round, will replace the Corporation's two oldest and smaller product tankers, the *Algoeast*, built in 1977 and the *Algosar*, built in 1978 and not able to operate during winter months. With increased fleet utilization and the larger more efficient *Algoma Hansa*, we expect overall shipments in 2015 to remain similar to 2014 levels.

As announced early in the year, the Corporation entered an agreement with a third party to provide bunker fuel delivery services in Halifax Harbour and the surrounding area using the *Algoma Dartmouth*. The chartering party is a long-time business partner of the Corporation who initiated a new fuel sales and delivery business in Halifax and the surrounding region in 2014 to fill the void left with the closure of the Dartmouth refinery. The Corporation is encouraged by the success experienced by this new venture in 2014.

Ocean Dry-Bulk Shipping

Business Segment and Markets

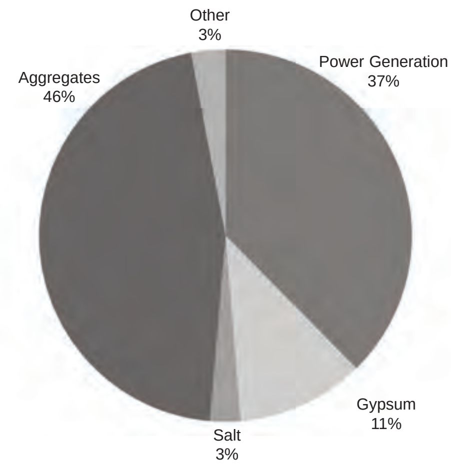
The Corporation's interests in Ocean Shipping consist of joint interests in three ocean going self-unloading vessels and 100% interests in two ocean going self-unloading vessels. Four of these five self-unloaders are part of the world's largest pool of ocean going self-unloaders (the Pool), which at the end of 2014 totalled 26 vessels. In 2014, the oldest and smallest of the Corporation's ocean-going self-unloading fleet was retired and sold for demolition.

The major commodities carried by ocean going self-unloaders include coal for power generation, crushed aggregates for construction, gypsum for wallboard manufacturing, iron ore for the steel industry and salt for winter road safety. Markets are centered in North and South America; however, activities can be worldwide. Service is provided typically under long-term contracts with leading companies in each sector. As a result, this ocean going sector is considerably less volatile than the general international shipping market.

Industry Segments

Ocean Shipping

(BY TONNES)



The economic recovery from the recession continued in 2014 and overall tonnage shipped increased 1.0%, primarily on strength in crushed aggregates. Time chartering of pool vessels continued to increase in 2014, recording 26.7% growth over 2013. These time-chartered ships are involved in trans-shipment projects, transferring various bulk commodities between shore facilities and other ocean-going vessels, using their specialized self-unloading equipment. The tonnage carried by these vessels is not considered to be Pool volume and therefore is not reflected in the volume figures below. Despite the increase in volumes shipped and in time charters, Pool revenues overall decreased 2.0% due to pressure on freight rates.

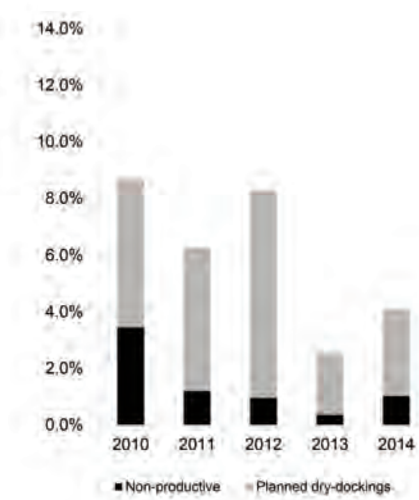
Construction product transportation, consisting primarily of crushed stone, limestone and granite products is the largest market segment served by the Pool. Tonnages shipped increased by 10.5% over 2013. Coal transportation for power generation, the second largest sector served by the Pool, decreased 4% in 2014 as low natural gas prices affected demand for coal in this region. The third largest market segment served by the Pool is gypsum. Although new home construction has been improving in the U.S., changes in the sourcing of gypsum supply caused a 6.7% decrease in gypsum transported by the Pool. Combined, shipments of other lesser commodities dropped 10.5%.

Vessel management and maintenance is outsourced to leading international ship management companies. Technical experts employed by the Corporation 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.

Non Productive Days

Ocean Shipping

(PERCENTAGE OF AVAILABLE DAYS)



A key measure of quality performance is the cost of incidents. Over the past year incident costs as a percentage of net revenue in the Ocean dry-bulk segment decreased from 0.49% in 2013 to 0.35% in 2014. This continues the five year downward trend in the cost of incidents in our Ocean dry-bulk segment. Notwithstanding this improvement, the Corporation considers all incidents to be very serious. It thoroughly reviews all incidents in conjunction with our Ocean dry-bulk ship management companies. Onboard operating and management procedures and shore management procedures are then modified as may be required.

Ocean Shipping Financial Review

	2014	2013	Favourable (Unfavourable)
Corporation's share of Pool revenue	$ 61,119	$ 64,112	$ (2,993)
Less revenues included in earnings of joint arrangements	20,069	24,599	(4,530)
Consolidated segment revenue	41,050	39,513	1,537
Operating expenses	(25,770)	(23,702)	(2,068)
General and administrative	(2,974)	(2,983)	9
	12,306	12,828	(522)
Depreciation	(4,704)	(4,371)	(333)
Income taxes	(170)	167	(337)
Earnings from joint venture	6,216	6,711	(495)
Net earnings	$ 13,648	$ 15,335	$ (1,687)
Operating ratio	81.5%	78.6%	
Additions to Property, plant, and equipment	$ 1,683	$ -	
Total assets	$ 69,082	$ 70,865	

Revenue

Ocean Shipping

(IN MILLIONS)

The Corporation's vessels operate as part of an international commercial Pool. For Ocean Shipping, revenue generated by these ships is the principal driving factor behind this segment's operating results, regardless of whether those ships are owned directly or indirectly through the jointly owned non-controlled investee. The accounting presentation dictated by IFRS excludes all of the revenue earned by ships in which we do not hold a controlling interest from reported revenues. In order to improve the understanding of the results for the Ocean Shipping segment, the segment earnings statement above includes disclosure of our total share of revenue from the Pool as well as the amount that we report in our consolidated revenue. The Corporation's share of Pool revenue is a non-GAAP financial measure which may not be comparable to similar measures reported by other corporations.

The Corporation's share of Pool revenues was down 4.7% or $2,993 when compared to 2013. The decrease in revenue is due primarily to lower Pool revenues and the loss of revenue resulting from the retirement of a 50% owned vessel in July 2014. This decrease was partially offset by a weaker Canadian dollar as the Pool conducts its business in U.S. dollars.

Operating costs, reflecting only our 100% owned vessels, were up in 2014 compared to the prior year due primarily to an increase in voyage-related costs.

Depreciation expense was up by $333 for 2014 compared to 2013. The increase was a result of regulatory dry-docking costs incurred in 2013.

The joint venture generated lower earnings in 2014 when compared to the prior year. Lower earnings in 2014 were a result of lower operating days compared to the prior period due to the retirement of the 50% owned vessel, partially offset by a gain on the sale of the vessel.

Outlook

The Pool was encouraged by increased shipments of aggregate products in 2014 and it expects further growth in 2015 with continuing strengthening of the U.S. economy. This growth will coincide with the expected return of several vessels from time charter activity to normal Pool trading in 2015 and Pool managers are focused on finding profitable employment for those vessels.

Real Estate

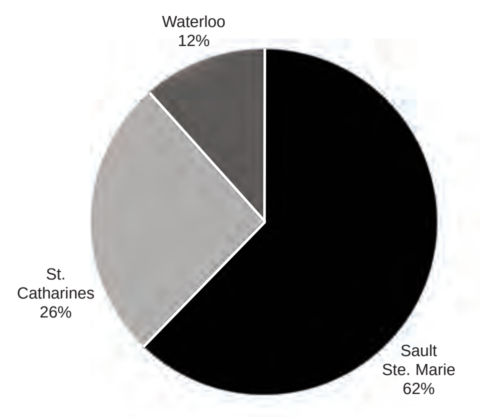
Business Segment and Markets

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.

Geographic Diversification

Real Estate

(BY SQUARE FOOT)



In Sault Ste. Marie, where approximately 62% of ACP's holdings are located, ACP owns and manages Station Mall, the largest mall in the region, Station '49', a residential apartment building, and the Station Tower and 289 Bay Street office buildings. ACP 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, ACP 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.

In 2014, significant improvement in the portfolio's occupancy level was achieved with several major transactions being completed during the year. As these new tenants moved in during the year, the full annual benefit of this increased rent will not be fully realized until 2015.

Sault Ste. Marie

Working closely with the Cineplex located at Station Mall, we completed a right sizing of the cinemas, allowing us to build a new H&M store and to welcome Dollarama back to the mall. Additionally, having secured a number of smaller new tenants, and many renewals, we were able to bring the building's occupancy up to 94% by the end of the year.

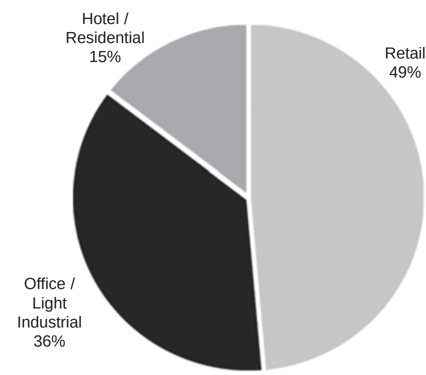
The hotel market in Sault Ste. Marie continues to be weak with one new 80 unit hotel opening, adding to the competitive mix for a market in which total hotel stays remain near record lows. Average occupancy increased slightly from 48.5% in 2013 to 52% in 2014; however this increase only translated into a marginal increase in operating income.

The financial performance of all other properties is consistent with 2013 levels.

Asset Mix

Real Estate

(BY SQUARE FOOTAGE)



St Catharines

Our St. Catharines properties continue to show net leasing progress with a number of new lease deals and renewals, however, the local business climate in St. Catharines has not improved and our buildings also lost tenants throughout the year.

The most significant lease deal occurred at 20 Corporate Park with the leasing of the entire 3rd floor to a large regional accounting firm. This tenant took occupancy in December.

Waterloo

Although there continues to be uncertainty in the Waterloo real estate market, our three Waterloo office buildings are now 100% leased. We were able to renew the TD Bank lease and were fortunate to secure a lease for the final vacancy to a local technology company. With these properties now fully leased, our focus for the next several years will be on service, maintenance and cost control.

Real Estate Financial Review

	2014	2013	Favourable (Unfavourable)
Revenue	$ 30,237	$ 28,328	$ 1,909
Add revenue from related parties eliminated on consolidation	748	702	46
	30,985	29,030	1,955
Operating expenses	(18,547)	(17,794)	(753)
General and administrative	(3,862)	(3,895)	33
	8,576	7,341	1,235
Depreciation	(5,362)	(4,748)	(614)
Income taxes	(868)	(683)	(185)
Earnings from joint venture	255	298	(43)
Net earnings	$ 2,601	$ 2,208	$ 393
Operating ratio	91.8%	93.3%	
Average occupancy	88.6%	87.4%	
Additions to investment properties	$ 11,834	$ 6,970	
Total assets	$ 84,429	$ 76,400	

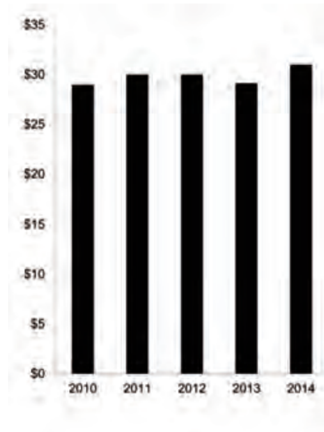
Revenue in the Real Estate segment increased by 6.7% or $1,955 in 2014. The increase was due largely to higher occupancy in certain buildings.

Operating expenses were up in 2014, reflecting general inflation and the impact of the harsh 2014 winter conditions that resulted in significantly higher utility and snow removal costs. Depreciation expense was up as well in 2014, reflecting the capitalized cost of improvements made in prior years to various properties.

Revenue

Real Estate

(IN MILLIONS)



Outlook

While we were able to complete many new lease deals in 2014, the financial benefits will only be realized in 2015 and onward, as the annualized impact of the leases is realized. The occupancy rate increased over the course of the year from 88.7% in January to a more acceptable 93.0% in December; however, as the majority of vacant space was not filled until later in the year, average occupancy for 2014 does not fully reflect this improvement. We expect to fill several of our smaller vacancies during 2015; however, the real estate markets in which we are invested are not expected to improve dramatically over the coming year. This may limit our ability to further improve operating results in the short term.

While the hotel is expected to improve marginally in 2015, there isn't a major increase in travel to the Sault Ste. Marie area forecast for the foreseeable future. We continue to work with Delta's management to drive better returns from the hotel investment.

Consolidated

	2014	2013	Increase (Decrease)
Revenue	$ 503,683	$ 491,499	$ 12,184
Operating expenses	(375,439)	(370,006)	(5,433)
General and administrative	(26,001)	(26,598)	597
	102,243	94,895	7,348
Depreciation	(44,617)	(44,715)	98
Net impairment reversal	6,302	-	6,302
Interest expense	(10,139)	(11,824)	1,685
Interest income	320	6,495	(6,175)
Net gain on foreign currency translation	885	5,587	(4,702)
Income tax expense	(8,700)	(15,524)	6,824
Earnings of joint ventures	6,471	7,009	(538)
Net earnings	$ 52,765	$ 41,923	$ 10,842

General and Administrative Expenses

General and administrative expenses in 2014 were $597 less than the amount for 2013. Included in 2014 expenses was $1,300 related to impairments of certain accounts receivable balances. This increase was more than offset by reduced legal fees in 2014 when compared to 2013 as a number of outstanding legal matters were concluded last year.

General and administrative costs, including all costs associated with the Corporate office are fully allocated to the business units discussed above.

Net Impairment Reversal

At the end of each reporting period, the Corporation reviews its long-lived assets to determine whether there is any indication that those assets have suffered impairment, or if an impairment loss previously recognized requires a reversal. For the year ended December 31, 2014, a net pre-tax impairment reversal of $6,302 has been recognized consisting of the two items previously discussed in the business segment disclosures.

Interest Income

Interest income consists of the following:

	2014	2013	Increase (Decrease)
Interest on cash balances	$ 818	$ 640	$ 178
Interest on recovered vessel instalments	-	3,849	(3,849)
Interest on refunded income tax instalments	(498)	2,006	(2,504)
	$ 320	$ 6,495	$ (6,175)

Interest income on cash balances increased in 2014 as a result of additional cash balances generated from operations. We anticipate utilizing a portion of the existing cash for instalments on the remaining Equinox Class vessels. At December 31, 2014 the Corporation had $256,896 in cash balances compared to $216,057 at the end of the previous year. The Corporation has designated U.S. $97.7 million of its cash as a hedge of the remaining Equinox project instalments due to the shipyard.

Interest income for 2013 includes $3,849 collected with the refund of the international tanker construction instalments.

Also in 2013, the Corporation settled an outstanding tax dispute with the Canada Revenue Agency (CRA). Settlement of the dispute resulted in the partial return of a tax instalment including interest. Interest income for 2014 reflects an adjustment to reduce an accrual booked in the prior year related to this recovery to the amount actually received.

Interest Expense

Interest expense consists of the following:

	2014	2013	Increase (Decrease)
Interest expense on borrowings	$ 14,174	$ 14,579	$ (405)
Interest on income tax settlement	-	2,094	(2,094)
Interest on employee future benefits, net	608	1,663	(1,055)
Amortization of financing costs	1,862	1,414	448
Interest capitalized	(6,505)	(7,926)	1,421
	$ 10,139	$ 11,824	$ (1,685)

Net interest expense decreased in 2014 by $1,685 due to a number of factors.

In 2014, the Corporation prepaid certain non-revolving debt facilities and accordingly accelerated the amortization of deferred financing costs associated with these facilities. This resulted in an increase of $448 in amortization of deferred financing costs incurred in 2014 which was almost entirely offset by lower interest on borrowings.

Lower interest on employee future benefits in 2014 resulted from a reduced net liability for employee future benefit plans.

The lower interest capitalized on vessels under construction is due to the *Algoma Equinox* and *Algoma Harvester* entering service, the delay in construction, and the agreed deferral of instalment obligations on our remaining Equinox Class vessel contracts.

Interest expense for 2013 included $2,094 on the taxes due under our tax dispute settlement for the period prior to when we deposited the disputed amount with the CRA.

Net Gain on Foreign Currency Translation

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

	2014	2013	Increase (Decrease)
Loss on U.S. long-term debt	$ -	$ (3,352)	$ 3,352
Gain on U.S. cash	40	3,300	(3,260)
Realized gain on return of capital from foreign subsidiaries	590	3,071	(2,481)
Gain on mark-to-market for derivatives that are not eligible for hedge accoutning	340	2,568	(2,228)
Other	(85)	-	(85)
	$ 885	$ 5,587	$ (4,702)

As of July 13, 2013 the Corporation designated a portion of its investment in foreign subsidiaries as a hedge against its U.S. dollar denominated debt. As of October 1, 2013 the Corporation designated a portion of its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments relating to the Equinox Class vessel contracts. From the date on which the respective hedges were designated to the end of the financial reporting period, gains and losses on the translation of the U.S. dollar debt and cash designated as a hedge are recorded in other comprehensive earnings.

The realized gain on capital returned from foreign investee in 2014 and 2013 reflects gains on U.S. dollar cash returned from the Corporation's non-controlled foreign investee.

The mark-to-market gain on derivatives is a result of the fluctuation in the periods of the fair value of certain currency contracts. The contracts are marked to market each quarter and the gain or loss is dictated by the change in the value of the Canadian dollar compared to U.S. dollar. The Corporation has no outstanding currency contracts at December 31, 2014.

Income Tax Provision

The income tax provision decreased to $8,700 for 2014 compared to $15,524 in 2013. Below is a reconciliation of the provision for 2014 and 2013.

	2014	2013
Combined federal and provincial statutory income tax rates	26.5%	26.5%
Earnings before income taxes and earnings of joint ventures	$ 54,994	$ 50,438
Expected income tax provision	$ 14,573	$ 13,366
Increase (decrease) resulting from:		
Effect of items that are not deductible (taxable)	(661)	41
Foreign tax rates different from statutory rate	(5,492)	(2,838)
Adjustment of prior years taxes on filing	357	(20)
Effect of income tax settlement	361	4,618
Other	(438)	357
	$ 8,700	$ 15,524

Even though the earnings before income taxes and earnings of joint ventures increased in 2014, there was a decrease in the provision due primarily to two factors.

Earnings from the Corporation's foreign subsidiaries are taxed in jurisdictions which have nil income tax rates. The 2014 pre-tax earnings of the foreign subsidiaries increased significantly when compared to 2013 primarily as a result of the reversal of an impairment loss. This increase in earnings resulted in no income tax impact.

For 2013, income tax expense includes $4,618 on the settlement of a valuation dispute related to the sale of land reported for tax purposes in 1997.

The Canadian statutory rate for the Corporation for 2014 and 2013 was 26.5%. Any variation in the effective income tax rate from the statutory income tax rate is due mainly to the lower income tax rates applicable to foreign subsidiaries, the effect of taxable and non-taxable items that may or may not be included in earnings and changes to income tax provisions related to prior periods.

Comprehensive Earnings

Comprehensive earnings for 2014 were $55,910 compared to $73,189 for 2013. The decrease was due to actuarial losses incurred on employee future benefit plans in 2014 compared to gains realized in the prior year.

Employee future benefits for 2014 experienced an actuarial loss, net of income tax, of $6,153 compared to a net actuarial gain of $18,873 for 2013. The net loss in 2014 includes an actuarial loss of $14,979 related to the discount rate changing from 4.7% to 3.9%. This loss was partially offset by investment returns on pension fund assets of $4,028 and an adjustment of $1,558 on implementing the new Canadian mortality table. The discount rate, which is based on long-term interest rates, is used to value the liabilities of the post-employment plans. Included in 2013 are actuarial gains net of income tax of $18,873 resulting primarily from investment returns and an increase in the discount rate from 4.0% to 4.7%.

The Corporation has a net investment in foreign subsidiaries of approximately U.S. $125 million. The Corporation recognized unrealized gains on the translation of the financial statement of foreign subsidiaries of $10,145 in 2014 and $11,761 in 2013 due to the Canadian dollar weakening when compared to the U.S. dollar.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

	2014	2013	Increase (Decrease)
Net earnings	$ 52,765	$ 41,923	$ 10,842
Net cash generated from operating activities	$ 104,872	$ 108,979	$ (4,107)
Net cash used in (generated from) investing activities	$ 35,798	$ (7,178)	$ 42,976
Cash used in financing activities	$ 38,569	$ 31,474	$ 7,095

Net Cash Generated from Operating Activities

Cash Generated from Operations per Share

(IN DOLLARS)

Net cash generated from operating activities in 2014 decreased by $4,107 when compared to 2013.

Increases in cash from operations due to improved earnings adjusted for non-cash items was more than offset by a reduction in cash in 2014 from working capital. In 2013, cash generated from working capital was $12,157 compared to $1,264 in 2014. Net cash also improved in 2014 as a result of reduced net instalments on income taxes and employee future benefits.

Net Cash Used in (Generated from) Investing Activities

Net cash used in investing activities for 2014 was $35,798. Fiscal 2013 investing activities included a refund of $41,684 for instalments made on the cancelled international tanker construction contracts. Excluding this refund, net cash used in investing activities for 2013 would have been $34,506 compared to the 2014 amount of $35,798. Additions in both years include payments related to the Equinox Class vessels, life extensions and capitalized dry-dockings costs on certain other vessels, and leasehold improvements on various rental properties.

Retired vessels were sold in each of 2014 and 2013 for net proceeds of $385 and $1,280, respectively.

Net Cash Used in Financing Activities

Included in the net cash used in financing activities in both periods are repayments of term debt, payment of interest on borrowings and the payment of dividends to shareholders. Dividends were paid to shareholders at $0.28 per common share in both 2014 and 2013.

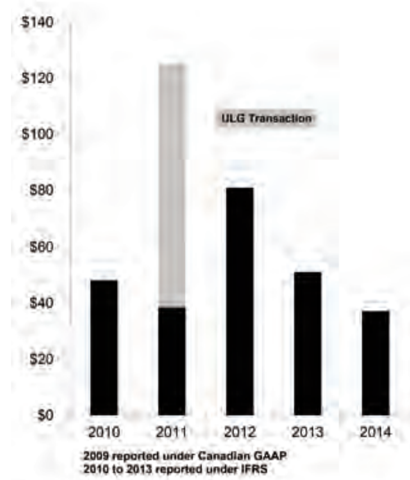
Capital Resources

Cash and cash equivalents on hand at December 31, 2014 of $256,896, credit facilities and projected cash from operations for 2015 will be more than sufficient to meet the Corporation's planned operating and capital requirements and other contractual obligations for the year.

The Corporation maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. The total authorized credit facilities at December 31, 2014 with the Corporation's bank syndicate consisted of a $150,000 revolving facility of which $149,754 was available at December 31, 2014.

Cash Used in Investing Activities

(IN MILLIONS)



Labour Update

The majority of our shipboard employees, along with hourly employees of Algoma Ship Repair and the Delta Hotel in Sault Ste. Marie are unionized. Details of the status of the various union agreements are provided below.

Shipboard Managers

Certain Captains and Chief Engineers are represented by the Canadian Masters and Chiefs Association. Their current collective agreement expires on February 28, 2015.

All other Captains and Chief Engineers of the Corporation are non-unionized.

Navigation and Engineering Officers

Navigation and engineering officers are represented by six separate bargaining units of the Canadian Merchant Service Guild. Four of these agreements will expire on May 31, 2016 and the other two agreements will expire on July 31, 2016.

Unlicensed Employees

The Seafarers' International Union (SIU) and the Canadian Maritime Union, a unit of Unifor, represent our unlicensed employees. The collective bargaining agreement with one bargaining unit of the SIU expired July 31, 2013 and bargaining is underway to renew the agreement. The other agreements with unlicensed employees will expire on March 31, 2015 and May 31, 2016.

Algoma Ship Repair

The collective agreement between Algoma Ship Repair and its hourly paid workers, who are represented by the United Steelworkers, expires on May 31, 2015.

Algoma Central Properties

The Delta Sault Ste. Marie Waterfront Hotel & Conference Centre's hourly paid workers are represented by the Retail, Wholesale and Department Store Union. The collective agreement with this group will expire on July 5, 2015.

Contingencies

For information on contingencies, please refer to Notes 26 and 27 of the consolidated financial statements for the years ending December 31, 2014 and 2013. There have been no significant changes in the items presented since December 31, 2013.

Transactions with Related Parties

The Corporation's ultimate controlling party is The Honourable Henry N. R. Jackman, a Canadian resident, together with a trust created in 1969 by his father, Henry R. Jackman.

There were no transactions with related parties in 2014 and 2013.

Three-Month Results Ending December 31, 2014 and 2013

	2014	2013	Favourable (Unfavourable)
Revenues			
Domestic Dry-Bulk	$ 106,568	$ 102,610	$ 3,958
Product Tankers	25,221	29,188	(3,967)
Ocean Shipping	9,858	9,760	98
Real Estate	8,015	7,306	709
	$ 149,662	$ 148,864	$ 798

		2014	2013	Favourable (Unfavourable)
Operating earnings net of income tax				
Domestic Dry-Bulk		$ 16,462	$ 14,563	$ 1,899
Product Tankers	4,916	-	3,119	1,797
Impairment reversal on vessel	10,302	15,218	-	10,302
Ocean Shipping		3,321	3,421	(100)
Real Estate		894	470	424
		35,895	21,573	14,322
Not specifically identifiable to segments				
Net gain on translation of foreign-denominated monetary assets and liabilities		(28)	3,243	(3,271)
Interest expense, net		(2,568)	(4,667)	2,099
Interest income		273	6,142	(5,869)
Income tax recovery (expense)		1,745	(3,442)	5,187
		$ 35,317	$ 22,849	$ 12,468
Basic earnings per common share		$ 0.91	$ 0.59	$ 0.33

The Corporation is reporting revenues for the 2014 fourth quarter of $149,662 compared to $148,864 for the fourth quarter of 2013. Increases in revenues were achieved for all segments except the Product Tanker segment.

The segment earnings after income taxes were $35,895 for the 2014 fourth quarter. Included in the 2014 quarterly results was an impairment reversal in the Product Tanker segment of $10,302. Excluding this from the 2014 quarterly results, segment earnings for the 2014 quarter would have been $25,593 compared to earnings of $21,573 for the fourth quarter of 2013.

All business segments experienced improvements in earnings except for the Ocean segment whose earnings for the 2014 fourth quarter were approximately the same as the 2013 fourth quarter. The results of the Domestic Dry Bulk segment increased primarily due to the addition of the two new Equinox vessels and strong domestic demand.

Product Tanker results improved due to additional operating days and reduced expenses. Real Estate results improved due to higher occupancy and a reduction in one time costs that were incurred in 2013.

Interest income in 2013 includes $3,849 on interest received on our recovered international tanker construction instalments. Also in 2013, the Corporation settled an outstanding tax dispute with the Canada Revenue Agency resulting in the partial return of tax instalments, including interest of $2,006.

Income tax expense in 2013 includes a provision of $4,618 related to the settlement of the outstanding tax dispute with the Canada Revenue Agency.

The net earnings and basic earnings per share were $35,318 and $0.91, respectively, compared to $22,849 and $0.59, respectively, for the same period last year.

Critical Accounting Estimates

The Corporation's significant accounting policies are described in Note 4 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-employment benefits including health care, dental care and life insurance to certain employees. The determination of the obligations and expense for the employee future benefits is dependent on the selection of certain assumptions used by the Corporation in calculating such amounts. Those assumptions are disclosed in Note 18 to the Corporation's consolidated financial statements, the most significant of which are the discount rate, the rate of increase in 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, some of which are defined by regulation. The assumptions are reviewed annually and the impact of any changes in the assumptions is reflected in actuarial gains or losses as disclosed in Note 18 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 reported employee future benefit obligations and future expense.

Property, plant, and equipment and Investment Properties

The Corporation reviews the depreciation periods of Property, plant, and equipment and investment properties on a regular basis for changes in estimated useful lives. The Corporation also reviews for impairment indicators on a quarterly basis, and at a minimum on an annual basis, whether there are any signs of impairment or a reversal of a previously recognized impairment in accordance with the Corporation's accounting policy.

Change in Accounting Estimates

Employee Future Benefits

In 2014 the Corporation made the following changes to the assumptions relating to employee future benefits:

1. Effective December 31, 2014 and after consultation with its actuary, the Corporation decreased its assumed discount rate for purposes of calculating the accrued benefit obligation at December 31 from 4.7% to 3.9%. At December 31, 2013 the discount rate was increased from 4.0% to 4.7%. The discount rate assumption is based on current long-term corporate bond rates which fluctuate due to market conditions. Increases in the assumed discount rate will result in a decrease in the accrued benefit obligation and decreases in the assumed discount rate will result in an increase in the accrued benefit obligation.

2. Effective December 31, 2013 the Corporation changed the mortality assumption to the 2014 Canadian Pensioners' Mortality Private Table "CPM 2014 Private". This table is based on Canadian pensioner mortality experience from 1999 to 2008 and is commonly used for pension plans in the private sector. The accrued benefit obligation at December 31, 2013 was calculated using the "UP94Gen" mortality table.

The effect on the consolidated financial statements resulting from the adoption of the changes in the assumptions was an increase in the accrued benefit obligation of $13,421 (2013 decrease - $5,152) and decrease in the actuarial gain of $13,421 of (2013 increase - $5,152). All such changes are recorded in other comprehensive income.

Application of New and Revised International Financial Reporting Standards (IFRS)

The following standards were adopted by the Corporation on January 1, 2014.

Financial Assets and Financial Liabilities

In December 2011, the IASB issued amendments to IAS 32, Financial Instruments: Presentation (IAS 32). The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retroactively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements.

Levies

In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, Levies. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retroactively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

Disclosure of Recoverable Amounts

In May 2013, the IASB issued amendments to IAS 36 Impairment of Assets (IAS 36). The amendments in IAS 36 are effective for annual periods beginning on or after January 1, 2014 and are to be applied retroactively. The amendments reverse the unintended requirement in IFRS 13 to disclose the recoverable amount of every cash generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under these amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed.

The Corporation has applied these new standards in the financial statements for the annual period beginning January 1, 2014. The new standards did not have a material impact on the financial statements.

New Accounting Standards Not Yet Applied

Revenue Recognition

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

Additional disclosure is required under the standard including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgements and estimates. The standard is effective for annual periods beginning on or after January 1, 2017. Early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning in the initial period of adoption and restatements to the comparative periods are not required. The Corporation is required to disclose the impact by financial line item as a result of the adoption of the new standard.

Financial Instruments

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

The Corporation is currently evaluating the impact of these new pronouncements on its consolidated financial statements.

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 IFRS.

Management assessed the effectiveness of the Corporation's internal controls over financial reporting as of December 31, 2014. 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, 2014. Management determined that there were no material weaknesses in the Corporation's internal controls over financial reporting as of December 31, 2014. There have been no changes in the Corporation's internal controls over financial reporting during the year ended December 31, 2014, 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, 2014, 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, 2014, 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 has hedged part of its investments in foreign subsidiaries against its foreign denominated long-term debt. At December 31, 2014, the net investment in U.S. dollar foreign subsidiaries was $125,106 and the amount used as a hedge was $75,000 U.S. dollars.

The Corporation also utilizes U.S. cash as a hedge on purchase commitments 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.

The Corporation has utilized interest rate swap agreements on certain of its debt instruments to manage risks associated with interest rate movements and foreign exchange forward contracts to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders. At December 31, 2014 there were no interest rate swap agreements or foreign exchange contracts outstanding.

Return on Capital Employed (ROCE)

The Corporation's Board of Directors reviews the ROCE target on an annual basis.

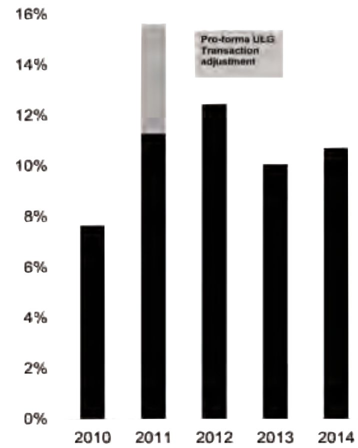
The returns on capital employed over the last five years of the Corporation ranged from 5.9% to 8.2%.

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

The AROCE for 2014 was 10.7% versus 10.1% for 2013 and it has averaged 10.4% over the five years ended December 31, 2014. The increase in the AROCE for 2014 was due primarily to an increase in the after tax operating earnings of the business segments.

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

Adjusted Return on Capital Employed



Contractual Obligations

The table below provides aggregate information about the Corporation's contractual obligations at December 31, 2014 that affect the Corporation's liquidity and capital resource needs.

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Long-term debt including equity component	$ -	$ -	$ 69,000	$ 162,008	$ 231,008
Capital asset commitments	74,495	57,069	-	-	131,564
Dividends payable	1,242	-	-	-	1,242
Interest payments	12,726	25,452	18,207	14,941	71,326
Employee future benefit payments	2,375	4,750	2,375	-	9,500
	$ 90,838	$ 87,271	$ 89,582	$ 176,949	$ 444,640

Equinox Project

Negotiations between the Corporation, the Shipyard, Sainty Marine, and certain other parties in 2013 and 2014 resulted in amended ship building contracts for four of the remaining seven Equinox Class vessels (the Vessels), including two to be owned by CWB. In addition, tentative agreements setting out the terms for amendments to the original ship building contracts for two of the remaining Vessels were reached. Importantly for the Corporation, these amendments and proposed amendments replaced the existing co-seller from the original contracts with a new co-seller, Sainty Marine, a partially state-owned shipyard. To date, the tentative agreements have not been converted into amended ship building contracts. An amended contract remains in place for the seventh and final Vessel, which included a different co-seller.

During fiscal 2014, the Shipyard completed construction of two Vessels, including one owned by CWB, and made substantial progress on four others, including the second CWB Vessel and three Algoma Vessels. Very limited progress has been made to date on the final Algoma Vessel. The current production schedule, as provided by the Shipyard, estimates that two of the Algoma Vessels will be delivered in 2015 and the remaining two in 2016. These deliveries will follow completion of the remaining CWB-owned Vessel early in the second quarter of 2015.

Despite the progress made to date, Algoma has issued formal cancellation notices on three of its four remaining contracts due to excessive delays. These cancellation notices have been issued in order to protect the Corporation's rights under refund guarantees from large Chinese state banks that secure the instalments payments previously made on these vessels.

On December 26th 2014, a local court in Nantong, China approved Sainty Marine's application for the court supervised restructuring of the Shipyard. In the application, Sainty Marine indicated they are seeking to assume the shipbuilding contracts and business of the Shipyard after a successful completion of the restructuring process. This restructuring is expected to take between five and seven months; however, there is no certainty on the time required or on the likelihood of a successful completion. Sainty Marine has indicated to Algoma that they intend to continue work on their contracted Vessels currently under construction at the Shipyard, including those subject to the tentative agreements, during the restructuring period. The Administrator of the restructuring has given us no indication of their intent with respect to the seventh and final shipbuilding contract.

Under the terms of the revised contracts and the tentative agreements, Algoma undertook to pay for the Vessels upon delivery and as a result, no construction instalments have been paid since 2012 on undelivered Vessels. The Commitments above include construction instalments that will become payable under the terms of the amended contracts and the tentative agreements upon delivery of the Vessels. In addition, the commitments include amounts payable to the Shipyard related to the seventh Vessel. Total commitment included above related to the Equinox contracts amount to U.S. $97,735.

Although the Corporation's investment to date in these ships remains secured with refund guarantees, currently there is uncertainty regarding the construction schedule and further delay in the delivery of the remaining vessels is possible.

Risks and Uncertainties

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

Shipboard Personnel

The long-term challenge of recruiting and retaining skilled crews in the marine industry continues to be an area of focus. The challenge of recruiting new employees into the marine industry, competition for skilled labour from other sectors, and the limited number of cadet berths 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 interruptions. 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.

Unions

The majority of the positions on the Corporation's domestic vessels are unionized. Failure to enter into new collective agreements with any of the unions representing workers could result in service interruptions. The Corporation believes it offers fair and competitive compensation packages and does not expect service interruptions.

Partnering

The Corporation operates a portion of its business 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 information technology and 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. The Corporation deals with leading international companies for these services.

Service Failure

The Corporation's customers demand a high standard of operations 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 "Operations 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 our ability to perform the required service. In the case of a significant customer, it could also lead to the termination of the service agreement.

Property, Plant, and Equipment

The failure by 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 ofU.S.$97,735 for the construction of four Equinox Class vessels with delivery dates currently estimated to extend through 2016. These vessels are important to the modernization and service capacity of its fleet and to the business strategy of the Corporation. The Corporation has a knowledgeable supervision team in place at the shipyard to monitor the quality of construction and to assist the shipyard in moving to a successful completion of the contract. In addition, the Corporation holds refund guarantees from the shipyard's bankers for instalments made by the Corporation.

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

Competitive Markets

The marine transportation and real estate businesses are competitive on both domestic and international fronts. Marine transportation is subject to competition from other forms of transportation such as road and rail freight. Competition may decrease the profitability associated with any particular contract and may increase the cost of acquisitions. The 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 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 not be material.

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

Environmental protection continues to be a dominant topic on the world legislative agenda and is a primary focus of the Corporation throughout its operations. Environmental issues such as aquatic invasive species, pollutant air emissions (SOx and NOx), greenhouse gases and cargo residues/wash waters are being scrutinized and regulated worldwide. A change in environmental legislation could have a significant impact on the Corporation's future operations and profitability.

The Corporation's fleet continues to monitor fuel sulphur levels in accordance with Emission Control Area (ECA) and Fleet Averaging requirements and remains in compliance with all requirements. The Corporation's highly efficient Equinox Class ships are equipped with exhaust gas scrubbers designed to satisfy the air emission rules. The Corporation's other vessels are capable of using lower sulphur fuels to satisfy air emission rules, although the cost and availability of low sulphur fuels may be a risk in the future.

Emission Control Area rules also require mandatory and significant reduction in NOx emissions for new engines installed after January 1, 2016. Cost and availability of this 'Tier III NOx' compliant equipment for new vessels constructed after 2016 may represent a risk to the Corporation.

Monitoring, reporting and verification of greenhouse gases (GHGs) is in the planning stages at the International Maritime Organization (IMO) and mandatory GHG reporting is anticipated to be implemented in the near future by Canada and the United States. There is potential for mandatory GHG reduction targets or market-based measures such as fuel levies or carbon taxes to be applied to the marine industry in the future. If implemented, such measures could have an impact on operating costs that cannot be estimated at this time.

Canada is a signatory to the IMO Ballast Water Convention. Although the convention is not yet ratified, the Canadian government is currently developing amendments to its own ballast water regulations to implement the international ballast water discharge standards in Canadian waters. A portion of the Corporation's vessels also remain subject to United States regulations that will require installation of ballast water treatment systems during future dry dockings. There are presently no U.S. Coast Guard approved ballast water treatment systems available and furthermore there are no technologies proven to work in the unique operating conditions of the Great Lakes. The current imposition of unachievable and discriminatory ballast water regulations by the U.S. on Canadian vessels presents an economic and regulatory risk to the Corporation. The Corporation and other stakeholders continue to express their concern that the domestic industry needs a unique solution that provides a single, achievable regulatory approach for all domestic vessels operating in Canadian waters.

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 offer efficient 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.

The Corporation has employees participating in a number of industry associations that advise and provide feedback on potential regulatory change and to ensure we maintain 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 River. Rising or declining water levels in ports in which the vessels load and unload have the effect of increasing or reducing cargo sizes and this affects the profitability of these vessels.

Drops in water levels in the Great Lakes and the St. Lawrence, 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 heavy winter ice cover on most of the Upper Great Lakes in 2014 limited evaporation and above average precipitation amounts led to increasing lake levels throughout the year. By year-end, water levels were above 2013 levels and average long-term levels for the first time in over a decade. The U.S. Army Corps of Engineers is forecasting water levels to remain at or above the long-term average at least the first half of 2015.

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 partial financial protection for the impact of 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 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 utilizing U.S. cash as a hedge on purchase commitments required under ship building contracts with foreign shipbuilders and 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.

Employee Future Benefits

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

Judicial and Other Proceedings

From time to time, the Corporation is a party to judicial, arbitration, or similar proceedings either as claimant or as respondent. Although the Corporation will take any actions it deems necessary to represent its interests in these proceedings, the ultimate outcomes of such proceedings are outside of the control of the Corporation. The realizable value of any assets and the exposure to liabilities associated with such proceedings may be different than the carrying value of those assets or liabilities on the financial statements of the Corporation.

Responsibility for Financial Statements

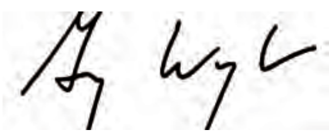
The consolidated financial statements of Algoma Central Corporation and its subsidiaries, and all information in this annual report, are the responsibility of management and have been approved by the Board of Directors.

The financial statements were prepared by management in accordance with International Financial Reporting Standards 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, FCPA, FCA
President and Chief Executive Officer
February 20, 2015

Peter D. Winkley, CPA, CA
Vice President, Finance and Chief Financial Officer
February 20, 2015

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, 2014 and December 31, 2013 and the consolidated statements of earnings, consolidated statements of comprehensive earnings, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2014 and December 31, 2013, 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 International Financial Reporting Standards, 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, 2014 and December 31, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
February 24, 2015

Consolidated Statements of Earnings

Years ended December 31, 2014 and 2013
(In thousands of dollars, except per share data)

	Notes	2014	2013
REVENUE	28	$ 503,683	$ 491,499
EXPENSES			
Operations	28	375,439	370,006
General and administrative		26,001	26,598
		401,440	396,604
EARNINGS BEFORE UNDERNOTED ITEMS		102,243	94,895
Depreciation of property, plant, and equipment and investment properties	15, 16	(44,617)	(44,715)
Net impairment reversal	15	6,302	-
Interest expense	8	(10,139)	(11,824)
Interest income	9	320	6,495
Net gain on foreign currency translation	10	885	5,587
EARNINGS BEFORE INCOME TAX EXPENSE AND EARNINGS OF JOINT VENTURES		54,994	50,438
INCOME TAX EXPENSE	11	(8,700)	(15,524)
EARNINGS OF JOINT VENTURES	7	6,471	7,009
NET EARNINGS		$ 52,765	$ 41,923
BASIC EARNINGS PER SHARE	21	$ 1.36	$ 1.08
DILUTED EARNINGS PER SHARE	21	$ 1.31	$ 1.06

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Earnings

Years ended December 31, 2014 and 2013
(In thousands of dollars)

	2014	2013
NET EARNINGS	$ 52,765	$ 41,923
OTHER COMPREHENSIVE EARNINGS		
Items that may be subsequently reclassified to net earnings:		
Unrealized gain on translation of financial statements of foreign operations	10,145	11,761
Unrealized (loss) gain on hedging instruments, net of income tax	(28)	632
Deferred foreign exchange gain transferred to property, plant, and equipment	(819)	-
Items that will not be subsequently reclassified to net earnings:		
Employee future benefits		
Actuarial (loss) gain, net of income tax	(6,153)	18,873
	3,145	31,266
COMPREHENSIVE EARNINGS	$ 55,910	$ 73,189

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

Years ended December 31, 2014 and 2013
(In thousands of dollars)

	Notes	December 31 2014		2013
ASSETS				
CURRENT				
Cash and cash equivalents	12	$	256,896	$ 216,057
Accounts receivable	13		66,631	61,820
Derivative assets			-	1,055
Materials and supplies			9,810	10,437
Prepaid expenses			5,016	3,305
Income taxes recoverable			3,397	10,530
			341,750	303,204
EMPLOYEE FUTURE BENEFITS	18		1,439	7,458
PROPERTY, PLANT, AND EQUIPMENT	15		530,726	529,734
GOODWILL			7,910	7,910
INVESTMENT PROPERTIES	16		78,493	72,074
INVESTMENT IN JOINT VENTURES	7		13,737	11,974
		$	974,055	$ 932,354
LIABILITIES				
CURRENT				
Accounts payable and accrued charges	17	$	65,491	$ 63,093
Dividends payable			1,242	1,139
Current portion of long-term debt	19		-	4,576
			66,733	68,808
DEFERRED INCOME TAXES	11		53,143	59,535
EMPLOYEE FUTURE BENEFITS	18		23,325	20,373
LONG-TERM DEBT	19		223,755	222,552
			300,223	302,460
COMMITMENTS	25		-	-
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	21		8,319	8,319
CONTRIBUTED SURPLUS			11,917	11,917
CONVERTIBLE DEBENTURES	20		4,632	4,632
ACCUMULATED OTHER COMPREHENSIVE EARNINGS	22		11,089	1,791
RETAINED EARNINGS			571,142	534,427
			607,099	561,086
		$	974,055	$ 932,354

See accompanying notes to the consolidated financial statements.

APPROVED BY THE BOARD

Greg D. Wight, FCPA, FCA Director

Duncan N. R. Jackman, Director

Consolidated Statements of Changes in Equity

Years ended December 31, 2014 and 2013
(In thousands of dollars)

	Share Capital	Contributed Surplus and Convertible Debentures	Accumulated Other Comprehensive (Loss) Earnings (Note 22)	Retained Earnings	Total Equity
BALANCE AT DECEMBER 31, 2012	$ 8,319	$ 16,549	$ (10,602)	$ 484,188	$ 498,454
Net earnings	-	-	-	41,923	41,923
Dividends declared	-	-	-	(10,557)	(10,557)
Other comprehensive earnings	-	-	12,393	18,873	31,266
BALANCE AT DECEMBER 31, 2013	$ 8,319	$ 16,549	$ 1,791	$ 534,427	$ 561,086
Net earnings	-	-	-	52,765	52,765
Dividends declared	-	-	-	(10,736)	(10,736)
Other comprehensive earnings (loss)	-	-	9,298	(6,153)	3,145
Refundable dividend tax on hand	-	-	-	839	839
BALANCE AT DECEMBER 31, 2014	$ 8,319	$ 16,549	$ 11,089	$ 571,142	$ 607,099

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013
(In thousands of dollars)

	Notes	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
OPERATING			
Net earnings		$ 52,765	$ 41,923
Earnings of joint ventures	7	(6,471)	(7,009)
Dividends received from joint ventures		6,681	10,886
Items not affecting cash			
Depreciation of property, plant, and equipment and investment property	15, 16	44,617	44,715
Net gain on foreign currency translation	10	(885)	(5,587)
Income tax expense	11	8,700	15,524
Interest income	9	(320)	(6,495)
Interest expense	8	10,139	11,824
Net impairment reversal	15	(6,302)	-
Other		(62)	(409)
		108,862	105,372
Net change in non-cash operating working capital	23	1,264	12,157
		110,126	117,529
Income taxes paid		(4,523)	(9,097)
Interest income received		320	4,492
Employee future benefits paid		(1,051)	(3,945)
Net cash generated from operating activities		104,872	108,979
INVESTING			
Additions to property, plant, and equipment	28	(23,697)	(30,620)
Additions to investment properties	28	(12,486)	(5,166)
Proceeds on sale of property, plant, and equipment		385	1,280
Recoverable vessel deposits	14	-	41,684
Net cash (used in) generated from investing activities		(35,798)	7,178
FINANCING			
Interest paid		(14,174)	(14,579)
Repayment of long-term debt		(13,500)	(6,000)
Dividends paid		(10,895)	(10,895)
Cash used in financing activities		(38,569)	(31,474)
NET CHANGE IN CASH AND CASH EQUIVALENTS		30,505	84,683
EFFECTS OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		10,334	6,880
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		216,057	124,494
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 256,896	$ 216,057

See accompanying notes to the consolidated financial statements

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Algoma Central Corporation (the "Corporation") is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Corporation's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The consolidated financial statements of the Corporation for the years ended December 31, 2014 and 2013 comprise the Corporation, its subsidiaries and the Corporation's interest in associated and jointly controlled entities.

The principal subsidiaries are Algoma Shipping Ltd., Algoma Tankers International Inc., Algoma Tankers Limited, and Algoma Central Properties Inc. The principal joint ventures are Marbulk Canada Inc. (50%) and Seventy Five Corporate Park Drive Ltd. (50%). In addition, Algoma Shipping Ltd. is a member of an international pool arrangement (the "Pool"), whereby revenues and related voyage expenses are distributed to each Pool member based on the earning capacity of the vessels. At December 31, 2014, Algoma Shipping Ltd.'s proportionate share of the Pool was 10% (2013 - 9%).

Algoma Central Corporation owns and operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway. The Corporation's Canadian flag fleet consists of eighteen self-unloading dry-bulk carriers, seven gearless dry-bulk carriers and eight product tankers. The Corporation also currently has four Equinox Class vessels under construction for domestic dry-bulk service. Subsequent to the year-end, the Corporation retired two dry-bulk vessels and a product tanker.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Corporation's 25 – vessel fleet. The dry-bulk vessels carry cargoes of raw materials such as grain, iron ore, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes a diversified ship repair and steel fabricating facility operating in the Great Lakes and St. Lawrence regions of Canada and the operational management of vessels owned by other ship owners.

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

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

In addition to the marine businesses, the Corporation also owns and manages commercial real estate in Sault Ste. Marie, Waterloo and St. Catharines, Ontario.

The nature of the Corporation's business is such that the earnings in the first quarter of each year are not indicative of the results for the other three quarters in a year. Due to the closing of the canal system and the winter weather conditions in the Great Lakes–St. Lawrence Waterway, the majority of the domestic dry-bulk fleet does not operate for much of the first quarter.

In addition, significant repair and maintenance costs are incurred in the first quarter to prepare the domestic dry-bulk fleet for the upcoming navigation season. As a result, first quarter revenues and earnings are significantly lower than those for the remaining three quarters of the year.

2. STATEMENT OF COMPLIANCE

The Corporation has prepared the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued and adopted by the International Accounting Standards Board ("IASB"). The accounting policies have been applied consistently within 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.

The financial statements were approved by the Board of Directors and authorized for issue on February 20, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The following are the principal accounting policies of the Corporation:

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and entities controlled by the Corporation (its subsidiaries). Control is achieved where the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee.

Earnings and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of earnings from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-company transactions, balances, earnings and expenses are eliminated on consolidation.

Interests in Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control.

The Corporation has assessed its interests in joint arrangements in order to classify them as either joint operations or joint ventures. When making the assessment, the Corporation considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. The Corporation has concluded that its interests in the joint arrangements are joint ventures and has accounted for these using the equity method.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in the bank less outstanding cheques and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes 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.

Property, Plant, and Equipment

Vessels

Vessels include dry-bulk carriers, product tankers, ocean shipping vessels and vessels under construction. They are measured at cost less accumulated depreciation and accumulated impairments. Cost includes expenditures that are directly attributable to the acquisition up to the time when the asset is ready for use and include installation costs, mobilization costs to the operating location, and borrowing costs on qualifying assets. All major components of the vessels, except for the dry-docking costs, are depreciated on a straight-line basis to the estimated residual value over their useful lives, which the Corporation initially estimates to be 25 years.

Depreciation

Depreciation is based on cost less residual value. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per tonne. The remaining useful life and residual value of the vessels are reviewed at least annually and depreciation for remaining future periods is adjusted accordingly.

Dry-docking

From time to time, vessels are required to be dry-docked for inspection and re-certification, at which time replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are afloat, are generally performed. These dry-docking costs are capitalized and depreciated on a straight-line basis

over the estimated period until the next dry-docking, which may vary from two and a half to five years. The residual value of such components is estimated at nil. The useful lives of the dry-docking costs are reviewed at least annually based on market conditions, regulatory requirements and the Corporation's business plans.

A portion of the cost of acquiring a vessel is allocated to the components expected to be replaced or refurbished at the next dry-docking. For new vessels, the initial dry-docking asset is estimated based on the expected costs related to the first dry-docking. The estimate is based on experience and history for similar vessels.

At subsequent dry-dockings, the costs comprise the actual costs incurred. Dry-docking costs may include the cost of hiring crews to effect replacements and repairs, the cost of parts and materials used, cost of travel, lodging and supervision of the Corporation's personnel, and the cost of hiring third party personnel to oversee a dry-docking, netted with any revenue which may be earned during the dry-docking period.

The useful life of the dry-docking component depends on the regulatory dry-docking schedule for the vessel.

Investment Properties

Investment properties comprise a number of commercial, office and residential properties held to earn rentals and/or capital appreciation. Investment properties are measured at cost less accumulated depreciation. Real estate assets, including site improvements, are amortized on a straight-line basis over their useful lives, which the Corporation initially estimates to be 35 years.

Tenant improvements include costs incurred to meet the Corporation's lease obligations and are classified as either tenant improvements owned by the landlord or tenant incentives. When the obligation is determined to be an improvement that benefits the landlord and is owned by the landlord, the improvement is accounted for as a capital expenditure and included in the carrying amount of investment properties in the consolidated balance sheet.

Leasing costs include initial direct costs associated with leasing activities such as commissions. These costs are included in the carrying amount of investment properties in the consolidated balance sheet.

Impairment of Long-Lived Assets

At the end of each reporting period, the Corporation reviews its long-lived assets to determine whether there is any indication that those assets have suffered impairment.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable value of an individual asset, the Corporation estimates the recoverable value of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings.

Where an impairment loss subsequently reverses in whole or in part, the carrying value of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, not to exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in net earnings.

Goodwill

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the Corporation's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the business combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying value, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit to nil and then to the other assets of the unit on a pro-rata basis based on the carrying value of each asset in the unit. Any impairment loss for goodwill is recognized directly in earnings in the consolidated statements of earnings. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Operating Segments

The Corporation's operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The President and Chief Executive Officer has authority for resource allocation and assessment of the Corporation's performance and is therefore the chief operating decision-maker.

Revenue Recognition

Revenues from marine operations are recognized pro-rata over the term of a voyage and are measured at the fair value of consideration received or receivable. 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 the amount and stage of completion can be measured reliably, it is probable that economic benefits will flow to the Corporation, and the costs incurred and costs to complete the transaction can be measured reliably.

The Corporation has not transferred substantially all of the risks and benefits of ownership of its real estate properties and therefore accounts for leases with its tenants as operating leases. Revenue from properties includes rents from tenants under leases, percentage participation rents, property tax and operating cost recoveries, lease cancellation fees, leasing concessions, parking income and incidental income. Percentage participation rents are accrued based on sales estimates submitted by tenants if the tenant anticipates attaining the minimum sales level stipulated in the tenant lease. All other rental revenue is recognized in accordance with each lease.

The Corporation accounts for free rent periods and stepped rents on a straight-line basis. Rents recorded in advance of cash received are included in amounts receivable. Tenant incentives are deducted from rental revenue on a straight-line basis over the term of the tenant's lease.

Foreign Currency

The individual financial statements of each group entity are maintained in the currency of the primary economic environment in which the entity operates (its functional currency). For purposes of the consolidated financial statements, the results and financial position of each group entity are expressed in Canadian dollars, which is the functional currency of the Corporation and the presentation currency for the consolidated financial statements.

Transactions in currencies other than the Canadian dollar are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Exchange differences on monetary items are recognized in earnings or other comprehensive earnings in the period in which they arise.

The assets and liabilities of the Corporation's foreign operations are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Earnings and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive earnings and accumulated in equity.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction, or production of assets that take a substantial period of time to prepare for their intended use are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in earnings in the period in which they are incurred.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying value is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee Future Benefits

The Corporation maintains defined benefit pension plans, defined contribution pension plans and other, unfunded, post-employment benefits including certain retirement obligations, life insurance and health care.

The asset or liability recognized in the balance sheets is the present value of the obligation of the plans at the balance sheet date less the fair value of plan assets if any. The liability includes the present value of the obligations as determined by discounting the estimated future required contributions using interest rates of high-quality long-term corporate bonds. All actuarial gains and losses that arise in calculating the present value of the obligations and the fair value of plan assets are recognized immediately in the Consolidate Statement of Comprehensive Earnings.

The cost of defined benefit and defined contribution pensions and other post-retirement benefits that relate to employees' current service is charged to earnings annually. The cost for the defined benefit plans is computed on an actuarial basis using the projected unit credit method prorated on services and management's best estimate of salary escalation, retirement ages of employees and expected future health care costs.

Net interest consists of the interest cost on the benefit obligation and the expected return on plan assets. Net interest is determined by applying the discount rate to the net benefit obligation or asset. The net interest income/expense is included in interest expense on the Consolidated Statements of Earnings.

Actuarial gains and losses arising from the employee future benefit plans are recognized immediately in other comprehensive earnings. Past service costs are recognized in earnings at the earlier of when the plan amendment or curtailment occurs or when the Corporation recognizes the related restructuring costs.

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

Income Taxes

Income tax expense represents the sum of the tax currently payable, deferred tax and refundable tax.

Current tax

Current tax is based on taxable earnings for the period. Taxable earnings may differ from earnings as reported in the consolidated statements of earnings because of items of income and expenses that are taxable or deductible in other years and items that will never be taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying values of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

Financial Instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

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 fair value through profit or loss, available-for-sale, held-to-maturity, or loans and receivables and, financial liabilities are classified as either fair value through profit or loss, 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 whose fair value cannot be reliably estimated, and other liabilities.

The Corporation's cash and cash equivalents, and accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, dividends payable and long-term debt are classified as other financial liabilities and are also measured at amortized cost.

The Corporation takes its own credit risk into account and that of the relevant counterparties when determining the fair value of financial assets and financial liabilities, including derivative instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, including cash and cash equivalents and accounts receivable, are measured at amortized cost using the effective interest method, less any impairment.

Other financial liabilities

Other financial liabilities, including accounts payable and accrued liabilities, dividends payable and long-term debt, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Impairment of financial assets

Financial assets, other than those recorded at fair value as adjusted through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, because of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Transaction costs

Transaction costs related to financial assets and liabilities measured at fair value through profit and loss are recorded directly to net earnings and are included in financial expense. 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.

Derivative Financial Instruments

The Corporation may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered nto and are subsequently remeasured and adjusted to their fair value at the end of each reporting period. The resulting gain or loss is recognized in net earnings immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in net earnings depends on the nature of the hedge relationship.

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.

Hedges

The Corporation has elected to apply hedge accounting to a number of derivative instruments and has designated them as cash flow hedges.

At inception of the hedge relationship, the Corporation documents the relationship between the hedging instrument and the hedged item, along with its risk management objective and its strategy for undertaking various hedge transactions. Furthermore, at inception of the hedge and on an ongoing basis, the Corporation documents whether the hedging instrument is highly effective in offsetting the changes in cash flows of the hedged item attributable to the hedged risk.

These derivatives are marked-to-market at each period end and resulting gains or losses are recognized in other comprehensive earnings to the extent the hedging relationship is effective.

The gain or loss relating to the ineffective portion is recognized immediately in net earnings and is included in the interest expense line item.

Comprehensive Earnings

Other comprehensive earnings includes unrealized gains and losses on foreign currency translation of the net investment in foreign operations having a functional currency other than Canadian dollars, changes in the fair market value of derivative instruments designated as cash flow hedges, unrealized gains and losses on the foreign currency hedges, and the actuarial gains or losses on employee benefit plans. The components of comprehensive earnings or loss are disclosed in the consolidated statements of comprehensive earnings.

Accumulated other comprehensive earnings or loss is included on the consolidated balance sheets.

Earnings Per Share

Basic earnings per share are calculated using the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by adjusting the consolidated earnings or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

4. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and earnings. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical accounting estimates and judgements are those that have a significant risk of causing material adjustment. Management believes that the following are the significant accounting estimates and judgements used in the preparation of the consolidated financial statements.

Recoverability of Assets and Useful Lives

The Corporation evaluates the carrying values of the long-lived assets which include property, plant, and equipment (made up primarily of vessels), goodwill, and investment properties to determine if events have occurred that would require a modification of their carrying values. The valuation of long-lived assets, excluding goodwill, is reviewed quarterly based on events and changes in circumstances that could indicate that the carrying value of the assets might not be recovered. In assessing the recoverability of the long-lived assets, the Corporation reviews certain indicators of potential impairment such as reported sale and purchase prices, market demand, and general market conditions. Goodwill is tested for impairment annually.

Market valuations from leading independent and internationally recognizedshipbrokers and real estate valuators (as required) could be part of the review for potential impairment indicators. If an indication of impairment is identified, the need for recognizing an impairment loss is assessed by comparing the carrying value of the long-lived asset to the higher of the fair value less costs to sell and the value-in-use.

The review for potential impairment indicators and projection of future undiscounted and discounted cash flows related to the property, plant, and equipment is complex and requires the Corporation to make various estimates including future freight rates, earnings from the vessels, and discount rates. The carrying values of the Corporation's property, plant, and equipment may not represent their fair market value at any point in time as market prices of second-hand vessels to a certain degree tend to fluctuate with changes in charter rates and the cost of new vessels; however, if the estimated future cash flow or related assumptions about the future experience change, an impairment of property, plant, and equipment may be indicated.

Judgement is required in determining the useful lives and residual values of long- lived assets. Depreciation on long-lived assets is based on cost less estimated residual value. Residual value for vessels is estimated as the lightweight tonnage of each vessel multiplied by the scrap value per tonne. The useful life and residual value of the vessels are reviewed at least each financial year-end.

Provisions

The Corporation recognizes provisions when it has a present obligation, legal, or constructive. The amount recognized is the Corporation's best estimate of the consideration required to settle the obligation at the end of a reporting period taking into account the risks and uncertainty related to the obligation.

Taxation

Income taxes are accrued by applying the annual effective income tax rates for each taxing jurisdiction to the pre-tax earnings in those jurisdictions. Estimates of income taxes include evaluating the recoverability of deferred tax assets based on an assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income before they expire.

The Corporation is subject to taxation in several jurisdictions. Significant judgment is required in determining the total provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation may maintain provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. The provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at each balance sheet date. Where the final tax outcome of these matters differs from the amount provided, it will be recorded in the period in which that final determination arises.

Employee Future Benefits

Management considers a number of factors in developing the pension and non-pension assumptions, including regulatory requirements, an evaluation of relevant discount rates, expected long-term returns on plan assets, plan asset allocations, mortality, expected changes in wages and retirement benefits, analyses of current market conditions, and input from actuaries and other consultants.

Costs of the program are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits.

A one percent increase in the discount rate assumption for the employee future benefit obligation would reduce the obligation by $18,815 (2013 - $15,044). A one percent decrease in the discount rate assumption for the employee future benefit obligation would increase the obligation by $23,307 (2013- $18,391).

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

APPLIED

Financial Assets and Financial Liabilities

In December 2011, the IASB issued amendments to IAS 32, Financial Instruments: Presentation (IAS 32). The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retroactively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements.

Levies

In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, Levies. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retroactively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

Disclosure of Recoverable Amounts

In May 2013, the IASB issued amendments to IAS 36 Impairment of Assets (IAS 36). The amendments in IAS 36 are effective for annual periods beginning on or after January 1, 2014 and are to be applied retroactively. The amendments reverse the unintended requirement in IFRS 13 to disclose the recoverable amount of every cash generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under these amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed.

The Corporation has applied these new standards in the financial statements for the annual period beginning January 1, 2014. The new standards did not have a material impact on the financial statements.

6. NEW ACCOUNTING STANDARDS NOT YET APPLIED

Revenue Recognition

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

Additional disclosure is required under the standard including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgements and estimates. The standard is effective for annual periods beginning on or after January 1, 2017. Early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning in the initial period of adoption and restatements to the comparative periods are not required. The Corporation is required to disclose the impact by financial line item as a result of the adoption of the new standard.

Financial Instruments

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

The Corporation is currently evaluating the impact of these new pronouncements on its consolidated financial statements.

7. INTERESTS IN JOINT VENTURES

The Corporation has a 50% interest in Seventy-Five Corporate Park Drive Ltd.. This joint venture owns an office building. The Corporation also has a 50% interest in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement.

The revenues, expenses and net earnings of the jointly controlled operations for the twelve months ended December 31, 2014 and 2013 are as follows:

	2014	2013
Revenue	$ 41,664	$ 50,834
Operating expenses	(25,926)	(30,742)
General and administrative	(546)	(528)
Depreciation	(2,938)	(4,962)
Earnings before income taxes	12,254	14,602
Income taxes	(688)	584
Net earnings	$ 12,942	$ 14,018

The Corporation's share of the net earnings for the twelve months ended December 31, 2014 and 2013 are as follows:

	2014	2013
Seventy-Five Corporate Park Drive Ltd.	$ 255	$ 298
Marbulk Canada Inc.	6,216	6,711
	$ 6,471	$ 7,009

The assets and liabilities of the jointly controlled operations at December 31, 2014 and 2013 are as follows:

	December 31	
	2014	2013
Cash and cash equivalents	$ 4,390	$ 5,396
Other current assets	3,592	5,130
Property, plant, and equipment	21,924	22,502
Investment property	3,166	3,218
Accounts payable and accrued charges	(2,624)	(3,348)
Income taxes payable	(194)	(1,720)
Deferred income taxes	(4,458)	(7,692)
Net assets of jointly controlled operations	$ 25,796	$ 23,486

The Corporation's net investment at December 31, 2014 and 2013 are as follows:

	December 31	
	2014	2013
Seventy-Five Corporate Park Drive Ltd.	$ 1,862	$ 1,906
Marbulk Canda Inc.	11,875	10,068
	$ 13,737	$ 11,974

In 2014 a reclassification was made to the December 31, 2013 consolidated balance sheet. The property, plant, and equipment of the Ocean Shipping segment was reduced by $3,969 with a corresponding increase in the joint venture's property, plant, and equipment

Cash flow information of the jointly controlled operations for the twelve months ended December 31, 2014 and 2013 are as follows:

	2014	2013
Net earnings	$ 12,942	$ 14,018
Net cash generated from operating activities	8,656	17,620
Net cash generated from (used in) investing activities	3,248	(60)
Distributions to owners	(13,362)	(21,772)
Decrease in cash	(1,458)	(4,212)
Impact of foreign exchange on opening cash	452	550
Cash, beginning of year	5,396	9,058
Cash, end of year	$ 4,390	$ 5,396

The Corporation's share of the cash flow for the twelve months ended December 31, 2014 and 2013 are as follows:

	2014	2013
Seventy-Five Corporate Park Drive Ltd.	$ 218	$ 205
Marbulk Canada Inc.	1,977	2,493
	$ 2,195	$ 2,698

8. INTEREST EXPENSE

The components of interest expense are as follows:

	2014	2013
Interest expense on borrowings	$ 14,174	$ 14,579
Interest assesed on tax settlement	-	2,094
Amortization of financing costs	1,862	1,414
Interest on employee future benefits, net	608	1,663
Interest capitalized on vessels under construction	(6,505)	(7,926)
	$ 10,139	$ 11,824

During 2014, the Corporation elected to prepay certain non-revolving debt and accordingly accelerated the amortization of deferred financing costs associated with these debt facilities.

9. INTEREST INCOME

The components of interest income are as follows:

	2014	2013
Interest on cash balances	$ 818	$ 640
Interest on recovered vessel instalments (Note 14)	-	3,849
Interest on refunded income tax instalments	(498)	2,006
	$ 320	$ 6,495

Interest on refunded income tax instalments reflects an adjustment made in 2014 to reduce an accrual booked in 2013 to reflect the amount actually received.

10. NET GAIN ON FOREIGN CURRENCY TRANSLATION

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

	2014	2013
Gain on return of capital from foreign subsidiaries	$ 590	$ 3,071
Gain on mark-to-market for derivatives that are not eligible for hedge accounting	340	2,568
Gain on US cash	40	3,300
Loss on long-term debt	-	(3,352)
Other	(85)	-
	$ 885	$ 5,587

As of July 13, 2013 the Corporation designated a portion of its investment in foreign subsidiaries as a hedge against its U.S. dollar denominated debt. As of October 1, 2013 the Corporation began designating a portion of its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments relating to the Equinox Class project. Gains and losses on the translation of the U.S. dollar debt and cash from the date on which the respective hedges were designated to the end of the financial reporting period are being recorded in other comprehensive earnings.

See Note 27 for the Corporation's hedge accounting policies relating to foreign currency translation gains and losses on long-term debt and U.S. cash.

11. INCOME TAXES

The components of the income tax expense are as follows:

	2014	2013
Current tax		
Expense in respect of the current year	$ 11,692	$ 9,794
Expense relating to settlement of income tax settlement	361	4,618
	12,053	14,412
Deferred tax expense recognized in the current year	(3,353)	1,112
	$ 8,700	$ 15,524

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

	2014	2013
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%
Earnings before income tax and earnings of joint ventures	**$ 54,994**	$ 50,438
Expected income tax expense	**$ 14,573**	$ 13,366
Increase (decrease) resulting from:		
Effect of items that are not deductible (taxable)	**(661)**	41
Foreign tax rates different from statutory rate	**(5,492)**	(2,838)
Adjustment of prior years taxes on filing	**357**	(20)
Effect of income tax settlement	**361**	4,618
Other	**(438)**	357
	$ 8,700	$ 15,524

Current and deferred income tax expense (recovery) recognized in other comprehensive earnings (loss) is as follows:

	2014	2013
Unrealized gains on hedging instruments	**$ 999**	$ 551
Actuarial gains (losses) on employee future benefits	**(2,219)**	6,806
	$ (1,220)	$ 7,357

An analysis of the deferred income tax liability is as follows:

December 31, 2014	Opening balance	Recognized in earnings	Recognized in other comprehensive earnings	Closing balance
Deferred tax liabilities (assets)				
Partnership profits	$ 16,560	$ (5,096)	$ -	$ 11,464
Property, plant, and equipment	43,785	212	-	43,997
Investment properties	3,922	2,513	-	6,435
Employee future benefits	(3,674)	338	(2,219)	(5,555)
Foreign exchange differences	(1,244)	(1,080)	-	(2,324)
Losses for tax purposes	(5,087)	238	-	(4,849)
Convertible debentures	1,174	(261)	-	913
Tax allowances, provisions and other	4,099	(217)	(820)	3,062
	$ 59,535	$ (3,353)	$ (3,039)	$ 53,143

December 31, 2013		Opening balance		Recognized in earnings		Recognized in other comprehensive earnings		Closing balance
Deferred tax liabilities (assets)								
Partnership profits	$	21,656	$	(5,096)	$	-	$	16,560
Property, plant, and equipment		38,633		5,152		-		43,785
Investment property		3,318		604		-		3,922
Employee future benefits		(10,246)		(234)		6,806		(3,674)
Foreign exchange differences		(592)		(651)		-		(1,243)
Losses for tax purposes		(6,087)		1,000		-		(5,087)
Convertible debentures		1,374		(200)		-		1,174
Tax provisions and other		3,010		537		551		4,098
	$	51,066	$	1,112	$	7,357	$	59,535

12. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	December 31			
		2014		2013
Cash	$	**256,896**	$	125,938
Cash equivalents		**-**		90,119
	$	**256,896**	$	216,057

13. ACCOUNTS RECEIVABLE

	December 31			
		2014		2013
Due from customers	$	**54,067**	$	49,433
Accrued revenue on voyages in process		**5,970**		4,421
Government related		**2,771**		4,124
Other		**3,823**		3,842
	$	**66,631**	$	61,820

14. RECOVERABLE VESSEL DEPOSITS

In December 2013, the Corporation received a full refund of instalments of $37,835 relating to contracts to build three product tankers that were cancelled due to excessive delivery delays. In addition to the refund of the instalments, the Corporation also received interest of $3,849 which has been recorded in the consolidated statement of earnings.

15. PROPERTY, PLANT, AND EQUIPMENT

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

Cost	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at January 1, 2013	$ 708,084	$ 230,462	$ 75,967	$ 1,014,513
Additions	41,266	3,707	-	44,973
Disposals	(25,238)	(3,730)	-	(28,968)
Other	-	646	-	646
Effect of foreign currency exchange differences	3,630	1,072	5,102	9,804
Balance at December 31, 2013	$ 727,742	$ 232,157	$ 81,069	$ 1,040,968
Additions	24,750	582	-	25,332
Disposals	(2,987)	(423)	-	(3,410)
Effect of foreign currency exchange differences	5,104	2,811	7,159	15,074
Balance December 31, 2014	$ 754,609	$ 235,127	$ 88,228	$ 1,077,964

Accumulated depreciation	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at January 1, 2013	$ 382,691	$ 91,679	$ 24,147	$ 498,517
Depreciation expense	25,989	9,607	4,371	39,967
Disposals	(26,206)	(3,683)	-	(29,889)
Effect of foreign currency exchange differences	985	659	995	2,639
Balance at December 31, 2013	$ 383,459	$ 98,262	$ 29,513	$ 511,234
Depreciation expense	25,067	9,484	4,705	39,256
Disposals	(2,651)	(409)	-	(3,060)
Impairment (reversal)	4,000	(10,302)	-	(6,302)
Effect of foreign currency exchange differences	1,800	922	3,388	6,110
Balance December 31, 2014	$ 411,675	$ 97,957	$ 37,606	$ 547,238

Net Book Value	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
December 31, 2013				
Cost	$ 727,742	$ 232,157	$ 81,069	$ 1,040,968
Accumulated depreciation	383,459	98,262	29,513	511,234
	$ 344,283	$ 133,895	$ 51,556	$ 529,734
December 31, 2014				
Cost	$ 754,609	$ 235,127	$ 88,228	$ 1,077,964
Accumulated depreciation	411,675	97,957	37,606	547,238
	$ 342,934	$ 137,170	$ 50,622	$ 530,726

Net book value at December 31, 2014 includes capitalized dry-docking costs of $30,643 (2013 – $25,087) and accumulated depreciation of $20,690 (2013 – $11,884).

Disposals include assets sold and dry-docking costs that are fully depreciated.

Depreciable assets at December 31, 2014 includes progress payments on four Equinox Class vessels totaling $89,132 (five Equinox Class vessels at December 31, 2013 - $113,054). Depreciation on the remaining four vessels under construction is expected to commence at various dates throughout 2015 and 2016.

The Corporation capitalized $6,505 in 2014 (2013- $7,926) of interest related to these vessels. The interest rate used for the capitalization of interest is based on the Corporation's effective rate on long-term debt of 6.34% in 2014 (2013 – 6.34%).

At December 31, 2014, the Corporation had certain property, plant, and equipment in the Domestic Dry-Bulk and Product Tanker segments which were determined to no longer be required and will be sold for their respective scrap values which approximate the carrying value. These assets have a combined net book value of $4,057 at December 31, 2014. There were no assets held for sale at December 31, 2013.

Impairment losses and reversals

For the year ended December 31, 2014, a net impairment reversal of $6,302 has been recognized consisting of the following two items:

An impairment loss of $4,000 was recognized on certain major vessel parts and spares that the Corporation deemed to be surplus. The Corporation has determined that they are impaired as a result of the Corporation concluding that use of these vessel components on the Corporation's vessels is not economically feasible. The impairment loss recognized was based on the difference between the carrying value of the assets and their estimated fair value based on the expected net sale proceeds from external sources expressing interest in acquiring the assets.

The Algoma Hansa was acquired in 2006 to be operated as an ocean tanker. As a result of the severe impact of the 2009/2010 recession on ocean tanker trades and vessel values, impairment provisions totalling US$13.5 million were recorded on transition to IFRS on January 1, 2010 to reduce the vessel's carrying value to its estimated net realizable value. In 2014, it was determined that the Algoma Hansa could be used to service the domestic tanker business after modifications were made to the ship to make her better suited for this use. Given the decision to have the Algoma Hansa stay in Canadian service indefinitely, evidence of sustained cash returns from the asset necessitated a reversal of the impairment provisions in the amount of $10,302.

16. INVESTMENT PROPERTIES

The fair value of the investment properties is a level 3 measurement and as at December 31, 2014 is estimated to be $177,800 compared to $160,000 as of December 31, 2013. The Corporation determined the fair value of each real estate property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable consolidated balance sheet dates, less future cash outflow pertaining to the respective leases.

The Corporation's investment properties are valued using the direct capitalization of income method. Using the direct capitalization income approach, the investment properties were valued using capitalization rates in the range of 6.0% to 9.0% applied to a stabilized net operating income (December 31, 2013 – 7.5% to 9.0%), resulting in an overall weighted average capitalization rate of 7.9% (December 31, 2013 – 8.1%).

Details of investment properties are as follows:

	Cost	Accumulated Depreciation	Net book value
Balance January 1, 2013	$ 120,304	$ 50,434	$ 69,870
Additions	6,952	4,748	2,204
Balance December 31, 2013	$ 127,256	$ 55,182	$ 72,074
Additions	11,780	5,361	6,419
Balance December 31, 2014	$ 139,036	$ 60,543	$ 78,493

17. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	December 31	
	2014	2013
Due to suppliers and accrued charges	$ **59,040**	$ 48,513
Instalment on vessel construction	**-**	7,365
Accrued interest on long-term debt	**4,963**	4,741
Commodity taxes payable	**1,488**	2,474
	$ **65,491**	$ 63,093

18. EMPLOYEE FUTURE BENEFITS

Plan Descriptions

The Corporation maintains two funded and one unfunded defined benefit pension plans and two defined contribution pension plans, which together cover all of its non-union employees and certain unionized employees. The majority of shipboard employees belong to pension plans not maintained by the Corporation.

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

The plans typically expose the Corporation to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk. The Corporation is not aware of any specific concentrations of risk to which it is exposed.

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, 2014. The next required valuation for the defined benefit plans will be as of January 1, 2015 and January 1, 2017.

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

	Pension Plans		Other Benefit Plans	
	2014	2013	2014	2013
Discount rate used for estimating accrued benefit obligation	3.9%	4.7%	3.9%	4.7%
Discount rate used for estimating net interest cost included in net benefit cost incurred	4.7%	4.0%	4.7%	4.0%
Rate of compensation increases	3.5%	3.5%	3.5%	3.5%
Mortality assumption	CPM 2014 Private Table	UP 94 Gen	CPM 2014 Private Table	UP 94 Gen

The discount rate assumption is selected with reference to market interest rates on high-quality corporate debt instruments with cash flows that match the timing and amount of expected benefit payments. During 2014, market rates on these instruments decreased resulting in a change to the discount rate.

The mortality assumption at December 31, 2014 was changed to the 2014 Canadian Pensioners' Mortality Private Table "CPM 2014 Private". This table is based on Canadian pensioner mortality experience from 1999 to 2008 and is commonly used for pension plans in the private sector. The accrued benefit obligation at December 31, 2013 was calculated using the "UP94Gen" mortality table increased by 5% to reflect expected increased longevity under the CPM Private Table which was not available at December 31, 2013.

The Corporation's growth rate of health care costs was estimated at 6.5% (2013 – 6.7%), with the rate trending to 4.6% per annum to 2022. Increasing or decreasing the assumed health care rate cost trend rates by one percentage point would have the following effect for 2014:

	Increase	Decrease
Service and interest cost	$ 98	$ (76)
Accrued benefit obligation	$ 1,538	$ (1,239)

Amounts Recognized in Other Comprehensive Earnings

The accumulated actuarial losses, net of income tax, recognized in other comprehensive earnings are as follows:

	2014	2013
Opening balance	**$ (11,297)**	$ (30,170)
(Losses) gains recognized during year	**(6,153)**	18,873
	$ (17,450)	$ (11,297)

The components of the actuarial gains (losses) recognized during the year are as follows:

	2014	2013
Return on plan assets	**$ 4,028**	$ 22,349
Actuarial gains (losses) arising from changes in mortality assumptions	**1,558**	(6,866)
Actuarial (losses) gains arising from changes in discount rates	**(14,979)**	12,018
Actuarial gains (losses) arising from experience adjustments and change in salary assumption	**188**	(1,016)
Adjustment for restrictions on the defined benefit asset	**833**	(806)
	(8,372)	25,679
Income tax (recovery) expense	**(2,219)**	6,806
	$ (6,153)	$ 18,873

Net Liability Arising from Employee Future Benefits

Information, in aggregate, regarding the Corporation's benefit plans for the years 2014 and 2013 is presented below.

Reconciliation of Net Liability Arising from Employee Future Benefits

December 31, 2014	Pension Plans	Other Benefit Plans	Total
Present value of benefit obligation	$ 157,504	$ 10,954	$ 168,458
Fair value of plan assets	146,572	-	146,572
Net liability	$ 10,932	$ 10,954	$ 21,886

December 31, 2013	Pension Plans	Other Benefit Plans	Total
Present value of benefit obligation	$ 142,405	$ 10,362	$ 152,767
Effect of asset ceiling	(806)	-	(806)
Fair value of plan assets	(137,948)	(1,098)	(139,046)
Net liability	$ 3,651	$ 9,264	$ 12,915

Presentation on the consolidated financial statements as:		**2014**		2013
Employee future benefit liabilities	$	**23,325**	$	20,373
Employee future benefit assets		**1,439**		7,458
Net liability	$	**21,886**	$	12,915

Movements in Present Value of Fair Value of Plan Assets and Defined Benefit Obligations

2014

Employee Future Benefit Assets		Pension Plans		Other Benefit Plans		Total
Fair value, beginning of year	$	138,754	$	1,098	$	139,852
Expected return on plan assets		6,477		-		6,477
Return on plan assets in excess of expected return		4,028		-		4,028
Benefits paid		(7,460)		(484)		(7,944)
Employer contributions to plans		3,473		421		3,894
Employee contributions to plans		755		-		755
Other		545		(1,035)		(490)
Fair value, end of year	$	146,572	$	-	$	146,572
Employee Future Benefit Obligations						
Obligations, beginning of year	$	142,405	$	10,362	$	152,767
Employer current service cost		2,866		178		3,044
Employee current service cost		755		-		755
Interest cost		6,548		433		6,981
Benefits paid		(7,370)		(784)		(8,154)
Actuarial losses		12,301		723		13,024
Other		-		42		42
Obligations, end of year	$	157,505	$	10,954	$	168,459

2013

Employee Future Benefit Assets	Pension Plans	Other Benefit Plans	Total
Fair value, beginning of year	$ 111,050	$ 1,052	$ 112,102
Expected return on plan assets	4,522	-	4,522
Return on plan assets in excess of expected return	23,849	-	23,849
Benefits paid	(7,499)	-	(7,499)
Employer contributions to plans	7,126	46	7,172
Employee contributions to plans	512	-	512
Effect of asset ceiling	(806)	-	(806)
Fair value, end of year	$ 138,754	$ 1,098	$ 139,852
Employee Future Benefit Obligations			
Obligations, beginning of year	$ 142,232	$ 10,706	$ 152,938
Employer current service cost	4,043	235	4,278
Employee current service cost	512	63	575
Interest cost	5,668	417	6,085
Benefits paid	(7,883)	(587)	(8,470)
Actuarial gains	(2,167)	(472)	(2,639)
Obligations, end of year	$ 142,405	$ 10,362	$ 152,767

The surplus position of the defined benefit pension plans consists of the following:

	December 31 2014	2013
The Employee Pension Plan of Algoma Central Corporation	$ **160**	$ 6,105
The Union Employee Pension Plan of Algoma Ship Repair	**1,279**	1,353
	$ **1,439**	$ 7,458

The deficit of the employee future benefit plans consist of the following:

	December 31 2014	2013
Supplementary Employee Retirement Plan	$ **12,422**	$ 11,095
Other benefit plans	**10,903**	9,278
	$ **23,325**	$ 20,373

The Corporation's net expense for the employee future benefit plans is as follows:

2014		Pension Plans		Other Benefit Plans		Total
Current service cost	$	2,866	$	178	$	3,044
Interest cost on plan obligations		6,548		433		6,981
Expected return on plan assets		(6,477)		-		(6,477)
Net benefit expense	$	2,937	$	611	$	3,548

2013		Pension Plans		Other Benefit Plans		Total
Current service cost	$	4,043	$	235	$	4,278
Interest cost on plan obligations		5,668		417		6,085
Expected return on plan assets		(4,522)		-		(4,522)
Net benefit expense	$	5,189	$	652	$	5,841

Fair value of plan assets by category

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

		2014		2013
Short term notes	$	**7,741**	$	5,869
Canadian Government bonds		**30,265**		27,625
Canadian corporate bonds		**2,838**		3,293
Canadian equities		**42,791**		40,651
Foreign equities		**65,315**		62,923
Annuities		**6,492**		6,680
		155,442		147,041
Contributions receivable		**(245)**		544
Amount related to defined contribution plans		**(8,625)**		(7,733)
	$	**146,572**	$	139,852

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

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. Management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation.

The actual return on invested plan assets for 2014 was 8.0% or $11,095 (2013 - 24.0% or $27,207).

The Corporation expects to make contributions of $4,141 (2013-$6,742) to the defined benefit pension plans during the next fiscal year.

The expense recognized in the consolidated statements of earnings for defined contribution plans is $1,261 (2013 - $1,649).

Sensitivity analyses

Significant actuarial assumptions used in the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below are determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by $18,815 (increase by $23,307).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $2,295 (decrease by $2,281).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $3,526 (decrease by $3,669).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated balance sheets.

The average duration of the benefit obligation at December 31, 2014 is 11.8 years (2013: 11.6 years), reflecting the following demographics:

- active members: 15.7 years (2013: 15.4 years);
- deferred members: 17.0 years (2013: 18.2 years); and
- retired members: 8.6 years (2013: 8.5 years).

19. LONG-TERM DEBT

	December 31	
	2014	2013
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.00%	**$ 65,554**	$ 64,652
Senior Secured Notes (Notes), due July 19, 2021 U.S. $75,000, interest fixed at 5.11%	**87,008**	79,770
Canadian $75,000, interest fixed at 5.52%	**75,000**	75,000
Senior secured non-revolving term loan, due October 20, 2014, interest fixed at 5.90%	**-**	2,000
Senior secured non-revolving term loan, due October 20, 2016, interest floating at BA rate plus 0.85%	**-**	11,500
	227,562	232,922
Less unamortized financing expenses	**3,807**	5,794
	223,755	227,128
Current portion	**-**	4,576
	$ 223,755	$ 222,552

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

The Corporation has granted a general security agreement in favour of the senior secured lenders and has granted specific collateral mortgages covering its wholly owned vessels. The Corporation's real estate assets and vessels that are not wholly owned are not directly encumbered under these agreements.

The Corporation is subject to restrictive and financial covenants with respect to maintaining certain financial ratios and other conditions under the terms of the Bank Facility and the Notes.

At December 31, 2014 and 2013 the Corporation was in compliance with all of the covenants.

The unamortized financing expenses relate to costs incurred to establish the credit facilities and to issue the debentures and senior notes and are being amortized over the remaining terms using the effective yield method.

Principal payments required to service the debt are as follows:

	December 31	
	2014	2013
Falling due within one year	$ **-**	$ 6,000
Falling due between one and two years	**-**	4,000
Falling due between two and three years	**-**	3,500
Falling due between three and four years	**65,554**	-
Falling due after five years	**162,008**	219,422
	$ **227,562**	$ 232,922

20. CONVERTIBLE DEBENTURES

Each debenture can be converted into common shares of the Corporation at the option of the holder at any time prior to maturity at a price equal to $15.40 per common share (the "Conversion Price"). On redemption at the maturity date, the Corporation may repay the indebtedness represented by the Debentures by paying an amount equal to the aggregate principal amount of the outstanding debentures. On maturity, the Corporation has the option to repay the principal amount with common shares.

The Debentures are redeemable by the Corporation after March 31, 2014. From March 31, 2014 to March 30, 2016, the Corporation may redeem the Debentures with notice, in whole or in part, for principal plus accrued interest, provided the Common Shares of the Corporation trade at a price that is not less than 125% of the Conversion Price on the date on which notice is given. From March 31, 2016 until maturity, the Corporation may redeem the Debentures with notice, in whole or in part for principal plus accrued interest at any time.

The Debentures are compound financial instruments and as such have been recorded as a liabilty and as equity. The liability component was valued first and the difference between the proceeds of the Debenture and the fair value of the liability was assigned to the equity component. The carrying value of the equity component before income tax and financing costs is $6,498. The carrying value of $4,632, which is net of financing costs and income tax, has been recorded as a separate component in shareholders' equity.

The present value of the liability at inception, net of expenses, of $59,815 was calculated using a discount rate of 7.75% which approximated the interest rate that would have been applicable to non-convertible debt of the Corporation at the time the debentures were issued. The liability component will be accreted to the $69,000 face value of the debentures over the term of the debentures with a resulting charge to interest expense.

21. SHARE CAPITAL

Share capital

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

The Corporation has 38,912,110 common shares outstanding.

At December 31, 2014 and 2013 there were no preferred shares issued and outstanding.

The Corporation's Board of Directors on January 12, 2015 authorized payment of a quarterly dividend to shareholders of $0.07 per common share. The dividend is payable on March 2, 2015 to shareholders of record on February 16, 2015.

The basic and diluted net earnings are computed as follows:

	2014	2013
Net earnings for basic earnings per share	**$ 52,765**	$ 41,923
Interest expense on debentures, net of tax	**4,038**	4,038
Net earnings for diluted earnings per share	**56,803**	45,961
Basic weighted average common shares	**38,912,110**	38,912,110
Shares due to dilutive effect of debentures	**4,339,000**	4,339,000
Diluted weighted average common shares	**43,251,110**	43,251,110
Basic earnings per common share	**$ 1.36**	$ 1.08
Diluted net earnings per common share	**$ 1.31**	$ 1.06

22. ACCUMULATED OTHER COMPREHENSIVE EARNINGS

	Hedges			Foreign	
	Cash Flow	Net Investment	Purchase commitment	exchange translation	Total
Balance at December 31, 2012	$ 566	$ -	$ -	$ (10,036)	$ (10,602)
Gain (loss)	1,435	(1,800)	1,548	11,761	12,944
Income tax (expense) recovery	(380)	239	(410)	-	(551)
Net gain (loss)	1,055	(1,561)	1,138	11,761	12,393
Balance December 31, 2013	$ 489	$ (1,561)	$ 1,138	$ 1,725	$ 1,791
(Loss) gain	(664)	(7,238)	8,054	10,145	10,297
Income tax recovery (expense)	175	959	(2,133)	-	(999)
Net (loss) gain	(489)	(6,279)	5,921	10,145	9,298
Balance December 31, 2014	**$ -**	**$ (7,840)**	**$ 7,059**	**$ 11,870**	**$ 11,089**

The net investment hedge reserve represents the cumulative exchange differences on translation of long-term debt held in foreign currency. The Corporation has elected to hedge a portion of its net investment in foreign subsidiaries with its foreign-denominated debt. Exchange differences accumulated will be reclassified to earnings in the event of a disposal of the foreign operation.

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

Exchange differences relating to the translation of the results and net assets of the Corporation's foreign operations from their functional currencies to the Corporation's presentation currency (Canadian dollars) are recognized directly in other comprehensive earnings and accumulated in the foreign exchange translation reserve. Exchange differences accumulated in the reserve are reclassified to earnings on the disposal of the foreign operation or on a pro-rata basis when cash held in the foreign subsidiary is repatriated to Canada as a return of the net investment.

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in the fair value of interest rate swap agreements entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated will be reclassified to earnings only when the hedged transaction affects earnings. There were no interest rate swap agreements outstanding at December 31, 2014.

23. SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

The change in non-cash operating working capital is as follows:

	2014	2013
Accounts receivable	**$ (4,811)**	$ 15,932
Materials and supplies	**627**	1,889
Prepaid expenses	**(1,711)**	1,472
Accounts payable and accrued charges	**7,159**	(7,136)
	$ 1,264	$ 12,157

24. CAPITAL DISCLOSURES

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

- Provide sustained growth of shareholder value by earning long-term returns on capital employed (ROCE) in the 10% to 12% range.

- Maintain a strong capital base to gain investor, creditor and market confidence and to sustain future growth. In this regard, the Corporation will target to maintain a long-term debt to equity ratio of no greater than one-to-one. The Corporation views a one-to-one ratio as a maximum rate due to the capital intensive nature of the business.

- Pay regular quarterly dividends to shareholders.

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

Included in capital employed are shareholders' equity and long-term-debt. The returns on capital employed over the last five years of the Corporation ranged from 5.9% to 8.2%.

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

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

The AROCE for 2014 was 10.7% versus 10.1% for 2013 and has averaged 10.4% over the five years ended December 31, 2014.

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

The long-term debt to shareholders' equity ratio at December 31, 2014 and 2013 is as follows:

	December 31	
	2014	2013
Total long-term debt	**$ 227,562**	$ 232,922
Shareholders' equity	**$ 607,099**	$ 561,086
Debt to shareholders' equity ratio	**0.37 to 1**	0.42 to 1

25. COMMITMENTS

The Corporation has commitments at December 31, 2014 of $137,972.

The commitments relate primarily to the purchase of four Equinox Class vessels at Nantong Mingde Heavy Industries shipyard in China (the Shipyard) and the required payments for its employee future benefit plans.

Annual expected payments over the next five years and beyond are as follows:

Due in 2015	$ 75,873
Due in 2016	57,349
Due in 2017	2,375
Due in 2018	2,375
	$ 137,972

Negotiations between the Corporation, the Shipyard, Sainty Marine Corporation Ltd (Sainty Marine), and certain other parties in 2013 and 2014 resulted in amended ship building contracts for four of the remaining seven Equinox Class vessels (the Vessels), including two to be owned by CWB. In addition, tentative agreements setting out the terms for amendments to the original ship building contracts for two of the remaining Vessels were reached. These amendments and proposed amendments replaced the existing co-seller from the original contracts with a new co-seller, Sainty Marine, a partially Chinese state-owned shipyard. To date, the tentative agreements have not been converted into amended ship building contracts. An amended contract remains in place for the seventh and final Vessel, which included a different original co-seller.

During fiscal 2014, the Shipyard completed construction of two Vessels, including one owned by CWB. Management estimates that substantial progress was made on four other vessels, including the second CWB Vessel and three Algoma Vessels, but that very limited progress has been made to date on the final Algoma Vessel. Based on a production schedule provided by the Shipyard, management estimates that two of the Algoma Vessels will be delivered in 2015 and the remaining two in 2016. These deliveries will follow completion of the remaining CWB-owned Vessel expected to occur early in the second quarter of 2015.

Despite the progress made to date, Algoma has issued formal cancellation notices on three of its four remaining contracts due to excessive delays. These cancellation notices have been issued in order to protect the Corporation's rights under refund guarantees from large Chinese state banks that secure the instalments payments previously made on these vessels.

On December 26th 2014, a local court in Nantong, China approved Sainty Marine's application for a court supervised restructuring of the Shipyard. In the application, Sainty Marine indicated they are seeking to assume the shipbuilding contracts and business of the Shipyard after a successful completion of the restructuring process. There is no certainty on the time required for the completion of the restructuring process or on the likelihood of a successful completion. Sainty Marine has indicated to the Corporation that they intend to continue work on their contracted Vessels currently under construction at the Shipyard, including those subject to the tentative agreements, during the restructuring period. The Administrator of the restructuring has given no indication of their intent with respect to the seventh and final shipbuilding contract.

Under the terms of the revised contracts and the tentative agreements, the Corporation will pay for the Vessels upon delivery and as a result, no construction instalments have been paid since 2012 on undelivered Vessels. The Commitments above include construction instalments that will become payable under the terms of the amended contracts and the tentative agreements upon delivery of the Vessels. In addition, the commitments include amounts payable to the Shipyard related to the seventh Vessel. Total commitment included above related to the Equinox contracts amount to U.S. $97,735.

Although the Corporation's investment to date in these ships remains secured with refund guarantees, currently there is uncertainty regarding the construction schedule and further delay in the delivery of the remaining vessels is possible.

26. CONTINGENCIES

Income taxes

In 2013 the Corporation settled a long- standing land valuation issue with the Canada Revenue Agency. As a result of the settlement, the financial statements of the Corporation for the year ended December 31, 2013, reflect additional income tax expense of $4,618 (Note 11), interest expense of $2,094 (Note 8) and interest income of $2,006 (Note 9). The Corporation received a refund of $4,633 in 2014 relating to an income tax instalment made in 2002 and arrears instalment interest on the overpayment.

Legal

The Corporation, in the normal course of business, may be involved in legal proceedings. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material effect on the Corporation's consolidated financial position, results of operations or liquidity.

27. 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, derivative assets, accounts payable and accrued charges and long-term debt.

Financial instruments that are measured at fair value are classified into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 and that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurements, as provided by financial institutions, in the balance sheet include derivative assets (Level 2) of $nil (December 31, 2013 - $1,055).

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

Fair value

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

	December 31	
	2014	2013
Financial assets carrying and fair value		
Cash and cash equivalents	$ **256,896**	$ 216,057
Accounts receivable	$ **66,631**	$ 61,820
Derivative assets	$ **-**	$ 1,055
Financial liabilities carrying and fair value		
Accounts payable and accrued charges	$ **65,491**	$ 63,093
Carrying value of long-term debt	$ **227,562**	$ 232,922
Fair value of long-term debt	$ **247,106**	$ 249,431

All of the above financial assets and liabilities are classified as Level 2.

The difference in the fair value of long-term debt compared to the carrying value is due to the difference in the rates on the debt compared to current market rates for similar instruments with similar terms. The fair value of the convertible debentures included in long-term debt is based on market rates.

Financial risk management objectives

The Corporation monitors and manages the financial risks relating to the operations by analyzing exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation may take steps to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is approved by the Corporation's board of directors, which provides guidance on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporation may also utilize foreign exchange forward contracts and hedges related to purchase commitments to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join the Canadian flag domestic dry-bulk fleet.

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

Risk Management and Financial Instruments

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

Credit risk

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 the financial assets on the consolidated balance sheets.

The Corporation believes that the credit risk for accounts receivable is limited since the majority of accounts receivable at December 31, 2014 and 2013 have been outstanding for 60 days or less, and the customer base consists of relatively few large industrial concerns in diverse industries and quasi-governmental agencies.

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, 2014 and December 31, 2013 was not significant. The percentage of accounts receivable greater than 60 days past due was 3.5% and 9.0%, for December 31, 2014 and 2013, respectively.

Liquidity risk

The cash and cash equivalents on hand, expected cash from operations and existing credit facilities are expected to be sufficient to 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 facility at December 31, 2014 was $150,000 in a revolving facility. At December 31, 2014, the Corporation had $149,754 available in the existing credit facility.

Substantially, all of the Corporation's wholly owned marine assets were pledged as collateral for the line of credit. The carrying value as of December 31, 2014 of the assets pledged was approximately $530,000. The Corporation's real estate assets and vessels that are not wholly owned are not directly encumbered under these agreements.

The contractual maturities of non-derivative financial liabilities at December 31, 2014 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 65,491	$ -	$ -	$ -	$ 65,491
Dividends payable	1,242	-	-	-	1,242
Long-term debt including equity portion	-	-	69,000	162,008	231,008
Interest payments	12,726	25,452	18,207	14,941	71,326
Total	$ 79,459	$ 25,452	$ 87,207	$ 176,949	$ 369,067

Market risk

(a) Fuel prices

The Corporation has provisions in the vast majority of its contracts with customers that provide adjustment mechanisms for changes in fuel prices. Accordingly, there is not a significant exposure to the volatility of fuel prices.

(b) Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation can borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

At December 31, 2014, the Corporation did not have any cash flow exposure to interest rate movements for its outstanding debt, since all of its borrowings have interest rates that have been fixed (Note 19). At December 31, 2013, the cash flow exposure to interest rate movements was not significant.

(c) Interest rate sensitivity analysis

At December 31, 2014, all of the Corporation borrowings have interest rates that are fixed, therefore there is no exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. At December 31, 2013 the exposure to interest rate changes was not significant.
.

(d) 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, 2014 and 2013, approximately 28% and 26%, respectively of the Corporation's total assets were denominated in U.S. dollars, including U.S. cash of $113,185 and $94,676 at December 31, 2014 and 2013, respectively.

The Corporation's exposure to foreign currency fluctuations is related to its unhedged cash balances and unhedged net investment in foreign subsidiaries. The Corporation has hedged part of its investment in the subsidiaries against its foreign denominated long-term debt. At December 31, 2014 and 2013, the net investment in U.S. dollar foreign subsidiaries was $124,473 and $164,284 U.S. dollars, respectively. The amount used as a hedge at December 31, 2014 and 2013 was $75,000 U.S. dollars.

The Corporation has significant commitments due for payment in U.S. dollars. The Corporation may utilize foreign exchange forward contracts and U.S. cash as a hedge on purchase commitments to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join our Canadian flag domestic dry-bulk fleet. For payments due in U.S. dollars for foreign vessels, the Corporation mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt.

U.S. dollar denominated contracts of $41,263 matured in 2014. As of December 31, 2014 there were no foreign exchange forward contracts outstanding (December 31, 2013 - $41,263).

(e) Foreign Currency Sensitivity Analysis (after income tax)

Based on the Corporation's estimates, a ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase net earnings in the current year by $2,247.

Based on the balances at December 31, 2014 and 2013:

- A ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase other comprehensive earnings by $13,161 and $17,388, respectively.
- A ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase total assets by $23,480 and $22,481, respectively.
- A ten-cent weakening in the Canadian dollar relative to the U.S dollar would increase total liabilities by $7,500.

For a ten cent strengthening in the Canadian dollar relative to the U.S. dollar, there would be an equal but opposite impact to the amounts stated above.

28. 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 ownership and management of the operational and commercial activities of the Corporation's 25 – vessel domestic dry-bulk fleet. The dry-bulk vessels carry cargoes of raw materials such as coal, grain, iron ore, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes a diversified ship repair and steel fabricating facility active in the Great Lakes and St. Lawrence regions of Canada and the operational management of vessels owned by other ship owners.

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 ownership of one product tanker through a wholly owned foreign subsidiary previously engaged in worldwide trades and now operating as part of the domestic tanker fleet

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 three 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, the Real Estate segment 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, one residential apartment building, 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 results from operations by reportable segment, including joint ventures.

Revenues	**2014**	2013
Domestic Dry-Bulk	$ 337,244	$ 323,023
Product Tankers	95,152	100,635
Ocean Shipping	61,119	64,112
Real Estate	31,001	29,146
	524,516	516,916
Revenues of the joint ventures	(20,833)	(25,417)
	$ 503,683	$ 491,499

Net Earnings	**2014**		2013	
Operating earnings net of income tax				
Domestic Dry-Bulk	$ 20,339		$ 14,909	
Impairment on parts and spares	(2,940)	17,399	-	14,909
Product Tankers	14,154		13,694	
Impairment reversal on vessel	10,302	24,456	-	13,694
Ocean Shipping		13,648		15,335
Real Estate		2,601		2,208
		58,104		46,146
Not specifically identifiable to segments				
Net gain on foreign currency translation		885		5,587
Interest expense		(10,139)		(11,824)
Interest income		320		6,495
Income tax recovery (expense)		3,595		(4,481)
		$ 52,765		$ 41,923

Operating Expenses	2014	2013
Domestic Dry-Bulk	$ 268,234	$ 261,122
Product Tankers	62,896	67,388
Ocean Shipping	38,374	38,727
Real Estate	18,899	18,140
	388,403	385,377
Operating expenses of the joint ventures	(12,964)	(15,371)
	$ 375,439	$ 370,006

	December 31	
Assets	2014	2013
Domestic Dry-Bulk	$ 410,856	$ 409,772
Product Tankers	151,596	146,597
Ocean Shipping	69,082	70,865
Real Estate	84,429	76,400
Total assets allocated to segments	715,963	703,634
Not specifically identifiable to segments	261,728	235,102
	977,691	938,736
Liabilities in investment in the joint ventures	(3,636)	(6,382)
Total assets	$ 974,055	$ 932,354

Additions to Property, Plant, and Equipment	2014	2013
Domestic Dry-Bulk	$ 24,750	$ 41,266
Product Tankers	582	3,707
Ocean Shipping	1,683	-
	27,015	44,973
Less additions by the joint ventures	(1,683)	-
Total per property, plant, and equipment note (Note 15)	25,332	44,973
Capitalized interest	(6,505)	(7,925)
Amounts included in working capital	4,870	(6,428)
Total per cash flow statement	$ 23,697	$ 30,620

Additions to Investment Properties	**2014**	2013
Investment properties	$ **11,834**	$ 6,970
Less additions by joint ventures	**(54)**	(60)
Total per investment properties note (Note 16)	**11,780**	6,910
Amounts included in working capital	**706**	(1,744)
Total per cash flow statement	$ **12,486**	$ 5,166

Depreciation of Property, Plant, and Equipment and Investment Properties	**2014**	2013
Domestic Dry-Bulk	$ **25,067**	$ 25,989
Product Tankers	**9,484**	9,607
Ocean Shipping	**6,094**	6,774
Real Estate	**5,441**	4,826
	46,086	47,196
Depreciation of the joint ventures	**(1,469)**	(2,481)
	$ **44,617**	$ 44,715

	December 31	
Liabilities	**2014**	2013
Domestic Dry-Bulk	$ **51,721**	$ 47,957
Product Tankers	**7,312**	9,471
Ocean Shipping	**6,120**	7,180
Real Estate	**3,974**	4,006
Total liabilities allocated to segments	**69,127**	68,614
Not specifically identifiable to segments		
Current liabilities	**1,242**	5,715
Other	**300,223**	302,460
	370,592	376,789
Liabilities in investment in the joint ventures	**(3,636)**	(5,521)
Total Liabilities	$ **366,956**	$ 371,268

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

The Corporation's proportionate share of the property, plant, and equipment and revenues from foreign operations at December 31, 2014 and 2013 is as follows:

	December 31	
	2014	2013
Property, plant, and equipment	$ **76,451**	$ 70,248
Revenues	$ **64,055**	$ 67,258

Sales outside of Canada, primarily to the United States, relate to vessel operations and are based on the location at which a shipment is unloaded. For the years ended December 31, 2014 and 2013, sales outside of Canada were $152,030 and $164,822, respectively.

The Corporation had two customers in 2014 and 2013 whose revenues exceeded 10% of consolidated revenues. Sales by segment for these customers are as follows:

	2014	2013
Domestic Dry-Bulk	$ **123,141**	$ 103,612
Product Tankers	$ **85,780**	$ 94,094

29. COMPENSATION OF KEY MANAGEMENT

The remuneration of directors and other key members of management for the years ending December 31, 2014 and 2013 are as follows:

	2014	2013
Short-term compensation and benefits	$ **3,787**	$ 3,556
Post-employment benefits	**272**	270
	$ **4,059**	$ 3,826

30. RELATED PARTIES

The Corporation's ultimate controlling party is the Honourable Henry N. R. Jackman, a Canadian resident, together with a trust created in 1969 by his father, Henry R. Jackman.

There were no transactions with related parties in 2014 and 2013.

31. LEASING ARRANGEMENTS

Leases relate to the investment properties owned by the Corporation. Leases have terms of between five to ten years, with many leases having an option to extend for a further term of between five and ten years. Lease renewal rates vary depending on the specific terms of the lease document with renewal rates ranging from no rate increases to previously agreed-to rent increases. Many of the leases have terms that allow for the renewal rate to be set to the current market rates for competitive properties. None of the leases has an option to purchase the property at the expiry of the lease period.

Non-cancellable operating lease receivables at December 31, 2014 and 2013 are as follows:

	2014	2013
Not later than 1 year	$ 11,801	$ 11,044
Later than 1 year and not longer than 5 years	35,091	30,404
Later than 5 years	17,284	15,616
	$ 64,176	$ 57,064

FIVE-YEAR SUMMARY *(Note 1)*	2014	2013	2012	2011	2010
Revenue					
Domestic Dry-Bulk	$ 337,244	$ 323,023	$ 375,554	$ 389,172	$ 202,441
Product Tankers	95,152	100,635	87,164	88,436	76,701
Ocean Shipping	41,050	39,513	35,966	40,967	47,186
Real Estate	30,237	28,328	29,187	29,188	28,104
	$ 503,683	$ 491,499	$ 527,871	$ 547,763	$ 354,432
Net earnings	$ 52,765	$ 41,923	$ 42,156	$ 68,844	$ 18,556
Segment operating earnings net of income taxes	$ 58,104	$ 46,146	$ 59,807	$ 73,628	$ 21,140
Depreciation of property, plant and equipment and investment properties	$ 44,617	$ 44,715	$ 43,038	$ 43,310	$ 37,140
General and administrative expenses	$ 26,001	$ 26,598	$ 29,745	$ 29,325	$ 23,050
Cash flow generated from operating activities	$ 104,872	$ 108,979	$ 100,062	$ 98,860	$ 67,953
Dividends paid	$ 10,895	$ 10,895	$ 8,438	$ 6,823	$ 6,861
Business acquisition	$ -	$ -	$ -	$ 86,752	$ -
Additions to Property, plant, and equipment and investment properties					
Domestic Dry-Bulk	$ 24,750	$ 41,266	$ 83,999	$ 31,129	$ 39,777
Product Tankers	582	3,707	704	3	13,657
Ocean Shipping	-	-	3,645	1,585	12,135
Real Estate	11,780	6,910	3,694	5,281	2,624
	$ 37,112	$ 51,883	$ 92,042	$ 37,998	$ 68,193
Net Property, plant, and equipment and investment properties					
Domestic Dry-Bulk	$ 342,934	$ 344,283	$ 325,393	$ 288,949	$ 172,330
Product Tankers	137,170	133,895	138,783	147,420	217,841
Ocean Shipping	50,622	51,556	55,789	57,440	57,082
Real Estate	78,493	72,074	69,870	70,680	69,573
	$ 609,219	$ 601,808	$ 589,835	$ 564,489	$ 516,826
EBITDA					
Domestic Dry-Bulk	$ 52,768	$ 46,575	$ 70,430	$ 75,166	$ 22,425
Product Tankers	28,651	28,853	23,013	28,674	26,271
Ocean Shipping	19,448	21,908	21,034	22,838	24,589
Real Estate	8,974	7,341	8,436	9,439	8,773
	$ 109,841	$ 104,677	$ 122,913	$ 136,117	$ 82,058
Total assets	$ 974,055	$ 932,354	$ 875,752	$ 867,466	$ 638,454
Long-term debt including current	$ 227,562	$ 232,922	$ 225,726	$ 231,982	$ 118,369
Shareholders' equity	$ 607,099	$ 561,086	$ 498,454	$ 468,720	$ 409,788
LTD as % of shareholders' equity	37.5%	41.5%	45.3%	49.5%	28.9%
Return on capital employed *(Note 2)*	6.3%	6.1%	8.2%	8.2%	5.9%
Adjusted return on capital employed *(Note 3)*	10.7%	10.1%	12.4%	11.3%	7.7%
Return on equity *(Note 4)*	9.0%	7.9%	8.7%	15.7%	4.4%
Total shareholder return *(Note 5)*	0.5%	19.6%	41.0%	11.0%	19.0%

FIVE-YEAR SUMMARY *(Note 1)*	2014	2013	2012	2011	2010
Common Share Statistics (Note 6)					
Common shares outstanding (000)	38,912	38,912	38,912	38,912	38,912
Basic earnings per share	$ 1.36	$ 1.08	$ 1.08	$ 1.77	$ 0.48
Diluted earnings per share	$ 1.31	$ 1.06	$ 1.06	$ 1.68	$ 0.48
Cash flow generated from operations per share	$ 2.70	$ 2.80	$ 2.57	$ 2.54	$ 1.75
Quoted market value					
High	$ 17.43	$ 17.18	$ 16.00	$ 10.40	$ 10.05
Low	$ 14.65	$ 13.33	$ 9.90	$ 8.25	$ 7.20
Dividends per share	$ 0.28	$ 0.28	$ 0.22	$ 0.18	$ 0.18
Shareholders' equity per share	$ 15.60	$ 14.42	$ 12.81	$ 12.05	$ 10.53

Note 1 - 2010 to 2012 have been restated from amounts originally reported to reflect application of new and revised IFRS standards.

Note 2 - Return on capital employed is defined as segment operating earnings after income taxes expressed as a percent of average opening and closing capital employed. Capital employed is long-term debt plus shareholder's equity.

Note 3 - Adjusted return on capital employed is defined as segment operating earnings after income taxes expressed as a percent of adjusted average capital employed. Adjusted average capital employed is capital employed less the average cash in excess of $10 million and less the average amount of instalments on shipbuilding contracts, reflecting the fact that these assets are currently not generating operating earnings.

Note 4 - Return on equity is net earnings as a percent of avearge shareholders' equity.

Note 5 - Total shareholder return is defined as the increase in the year in the common share price plus dividends paid expressed as a percentage of the opening share price.

Note 6 - Per common share amounts have been restated to reflect the common share split by way of a stock dividend of nine common shares for each common share held effective December 14, 2012.

Directors

Richard B. Carty (2) (3)
Toronto, Ontario,
Vice President, General Counsel
and Corporate Secretary
E-L Financial Corporation Limited

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

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

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

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

Eric Stevenson (3)
Toronto Ontario,
Venture Capitalist and Co-Founder
Perserverance Marine

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

Shareholders' Meeting:
The Annual Meeting of Shareholders will be held at 11:30 a.m., on Friday, May 1, 2015, at the St. Catharines Golf & Country Club, 70 Westchester Avenue, St. Catharines, ON

(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

Principal Officers

Duncan N. R. Jackman
Chairman

Greg D. Wight, FCPA, FCA
President and
Chief Executive Officer

Wayne A. Smith
Senior Vice President, Commercial

Algis J. Vanagas, CET
Senior Vice President, Technical

Dennis McPhee
Vice President, Sales and Vessel Traffic

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

Karen A. Watt, CHRL
Vice President,
Human Resources

Peter D. Winkley, FCA
Vice President, Finance and
Chief Financial Officer

J. Wesley Newton, LLB
Secretary

Contact Information

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AND TANKER OPERATIONS
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(905) 687-7888

ALGOMA CENTRAL PROPERTIES INC.
ALGOMA HOTELS LTD.
421 Bay Street, Suite 608
Sault Ste. Marie, Ontario, P6A 1X3
(705) 946-7220
63 Church Street, Suite 100,
St. Catharines, Ontario, L2R 3C4
(905) 687-7880

ALGOMA SHIP REPAIR
1 Chestnut Street,
Port Colborne, Ontario, L3K 1R3
(905) 834-4549

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

ALGOMA SHIPPING LTD.
Century House, 16 Par-la-dille Road
Hamilton, Bermuda

MARBULK SHIPPING LTD.
Cannon's Court, 22 Victoria Street
Hamilton, Bermuda

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

Shareholder Information

Principal Banker and Security Agent:
The Bank of Nova Scotia

Auditors:
Deloitte LLP

Toronto Stock Exchange Symbols:
ALC - Common Stock
ALC - DB - Convertible Debenture

Share Registrar and Transfer Agent:
CST Trust Company
P.O. Box 700, Station B
Montreal, QC H3B 3K3
Tel: 416-682-3860 1-800-387-0825
Fax: 1-888-249-6189
Email: inquiries@canstockta.com
Website: www.canstockta.com

Fleet

Cargo capacity in tonnes

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

		Maximum	Seaway Draft
Algoma Central Corporation Self-Unloaders			
CAPTAIN HENRY JACKMAN	GL	30,924	27,260
JOHN B. AIRD	GL	31,352	27.755
PETER R. CRESSWELL	GL	31,081	27,279
RADCLIFFE R. LATIMER	GL/ES	37,257	26,870
ALGOMA MARINER	GL/ES	37,257	26,870
ALGOLAKE	GL	33,334	28,042
ALGOMARINE	GL	27,185	24,942
ALGORAIL	GL	24,133	21,060
ALGOSOO	GL	30,770	27,993
ALGOSTEEL	GL	27,382	24,942
ALGOWAY	GL	24,194	21,418
ALGOWOOD	GL	32,771	27,715
ALGOMA ENTERPRISE	GL	34,398	27,997
ALGOMA NAVIGATOR	GL	30,811	26,283
ALGOMA OLYMPIC	GL	34,403	27,949
ALGOMA PROGRESS	GL	32,145	27,913
ALGOMA TRANSPORT	GL	33,203	26,815
JOHN D. LEITCH	GL	34,675	28,803
Algoma Central Corporation Bulk Carriers			
ALGOMA EQUINOX	GL	38,450	29,650
ALGOMA HARVESTER	GL	38,450	29,650
TIM S. DOOL	GL	31,553	28,116
ALGOMA MONTREALAIS	GL	29,539	26,596
ALGOMA SPIRIT	UO	37,792	25,140
ALGOMA DISCOVERY	UO	37,911	25,140
ALGOMA GUARDIAN	UO	37,911	25,140
CWB MARQUIS (*Note 1)*	GL	38,450	29,650
Vessels Under Construction Self-Unloaders			
ALGOMA CONVEYOR	GL	37,000	28,200
ALGOMA SAULT	GL	37,000	28,200
ALGOMA NIAGARA	GL	37,000	28,200
HULL MD 161	GL	37,000	28,200
Bulk Carriers			
CWB STRONGFIELD (*Note 1)*	GL	38,450	29,650

Note 1: Vessels owned by CWB and to be managed by the Corporation.

Fleet (continued)

Cargo capacity in tonnes

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

		Maximum	Winter
Algoma Tankers Limited			
Petroleum Tankers			
ALGOEAST	GL/ES	10,098	9,762
ALGOSAR	GL	12,550	11,500
ALGOSCOTIA	UO	18,580	18,000
ALGOSEA	UO	16,775	16,267
ALGONOVA	UO	11,267	10,899
ALGOCANADA	UO	11,267	10,899
ALGOMA DARTMOUTH	UO	3,568	3,436
Algoma Tankers International			
Petroleum Tanker			
ALGOMA HANSA	UO	16,775	16,267
Algoma Shipping Ltd.			
Self-Unloaders			
BAHAMA SPIRIT	UO	43,789	
HONOURABLE HENRY JACKMAN	UO	74,000	
Marbulk Canada Inc.			
Self-Unloaders			
EASTERN POWER	UO	67,833	
NELVANA	UO	74,374	
WESER STAHL	UO	46,657	

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

Notes

Notes

2014

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