2015 ANNUAL REPORT

Short Sea Shipping is OUR BUSINESS

Algoma Vision

Algoma's Vision is to grow our position as the carrier of choice for bulk commodities in the Great Lakes - St. Lawrence Waterway to become a leader in short sea shipping globally.

Short Sea Shipping is OUR BUSINESS

Domestic fleets doing coastal or inland trade are often referred to as being involved in short sea shipping. Although the definition of short sea shipping varies by country, this specific activity is usually understood as the movement of cargo by water without directly crossing an ocean. In North America and Europe these inland waterways and coastal areas are often referred to as "marine highways". Great Lakes and St. Lawrence waterway navigation is typical of short sea shipping, as goods are moved by lakers between inland ports and to ports in the east, where cargo for overseas customers is loaded on foreign-flag ocean-going vessels.

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About the Company

Algoma Central Corporation operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway. The Company operates a Canadian flag fleet consisting of thirteen self-unloading dry-bulk carriers, seven gearless dry-bulk carriers and six product tankers. The Company also has seven construction contracts in place for Equinox Class vessels for domestic dry-bulk service.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Company's 19 vessel fleet and the commercial and operational management of an additional vessel owned by a third party. 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 three vessels owned by other ship owners.

The Product Tankers marine transportation segment includes ownership and management of the operational and commercial activities of six Canadian flag tanker vessels operating on the Great Lakes, the St. Lawrence Seaway and the east coast of North America.

The Ocean Shipping marine transportation segment includes ownership of four 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.

The Company announced on January 15, 2016 that it had entered into a business venture agreement with Nova Ship Invest SGPS and Nova Marine Holdings SA ("Nova") of Lugano, Switzerland to create a specialized global fleet of pneumatic cement carriers to support infrastructure projects world-wide. The Company, through a foreign subsidiary, owns 50% of the cement carrier business.

Financial Highlights

In thousands of dollars except per share data	2015	2014
For the year		
Revenue	**$ 413,493**	$ 473,446
Net earnings	**$ 25,771**	$ 52,765
Operating ratio (Note 1)	**96.4 %**	88.9%
EBITDA	**$ 80,362**	$ 106,485
Cash flow generated from operating activities	**$ 57,751**	$ 97,647
Additions to property, plant and equipment	**$ 115,857**	$ 25,332
Dividends paid per common share	**$ 0.28**	$ 0.28
Basic earnings per common share	**$ 0.66**	$ 1.36
Return on capital employed (Note 2)	**2.5 %**	6.3%
Adjusted return on capital employed (Note 3)	**4.1 %**	10.7%
Return on equity	**4.2 %**	9.0%
Total shareholder return (Note 4)	**(6.1)%**	0.5%
At December 31		
Total assets	**$ 988,805**	$ 974,055
Shareholders' equity	**$ 618,610**	$ 607,099
Long-term debt (including current)	**$ 245,306**	$ 227,562
Equity per common share	**$ 15.90**	$ 15.60
Common shares outstanding	**38,913,733**	38,912,110

Note 1 - Operating ratio is defined as operating expenses plus depreciation as a percent of revenue.

Note 2 - Return on capital employed is defined as 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.

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

Message to Shareholders

On April 1st of last year I joined Algoma Central Corporation as President and Chief Executive Officer. I assumed the role just as the 2015 navigation season was getting underway. The industry had weathered its second harsh winter in a row and Algoma was taking a more cautious approach to fitting out the fleet, remembering well the long delays and lengthy queues encountered in April of 2014.

Once again, our crews' performance was exemplary in tough circumstances and for the first few months of 2015 business appeared reasonably healthy, albeit down slightly from prior years. Unfortunately, as the year progressed business softened noticeably as several of our key customers reported activity and results that were below their earlier expectations; in some cases, dramatically so.

Financial Results

For the year, the Company's consolidated revenues were $413.5 million compared to $473.4 million in 2014. Fuel costs, which are largely passed on to customers through our freight rates, declined significantly during the year. Approximately $38.0 million of the decrease in revenue is a direct result of the pass-through effect of decreased fuel costs. This change in the price of marine diesel and heavy fuel oil had only a marginal impact on operating income.

The balance of the decrease in revenues results from a drop in rates earned due to stiff competition in our domestic dry-bulk business and to a drop in volumes carried in our product tanker and ocean dry-bulk business units.

Our two most important dry-bulk industries domestically are the iron and steel industry and the grain industry and both faced their share of challenges this year. Our grain customers faced much stronger competition from Russian and Eastern European suppliers, as strong harvests enabled suppliers in those regions to re-enter export markets they had largely been absent from in recent years. Grain shipments headed east were down as inventories grew in the St. Lawrence elevator network.

The iron and steel market has also suffered from growing competition, in this case from cheaper foreign imports. Although our principal customer in this market, ArcelorMittal, is well positioned in the higher quality steel markets, two of the three large, integrated steel companies in Canada are operating under creditor protection. Industry volumes were down substantially this year.

One bright spot is the continued improvement in construction materials. Our customers in this industry are reporting stronger sales, driven by the improving strength of construction in the key U.S. markets and the lower value of the Canadian dollar. Volumes in construction materials rose, although rates were impacted by the stiff competition amongst marine carriers.

Salt volumes were also strong in 2015, coming on the heels of two abnormally cold and long winters.

Net earnings for 2015 were $25.8 million or $0.66 per share compared to 2014 net earnings of $52.8 million or $1.36 per share. The main factors contributing to this decrease were:

- Fiscal 2014 earnings included net impairment reversals of $7.4 million ($0.19 per share) which were not repeated in 2015.
- The drop in revenues, particularly in our Domestic Dry-Bulk business, drove a $27.0 million decrease in earnings before depreciation, interest, foreign exchange adjustments and taxes.
- Depreciation expense for 2015 rose $5.7 million compared to the prior year.
- Earlier this year, we reported an unusual gain of $10.0 million resulting from our decision to formally cancel the Mingde ship construction contracts.

Cash flow from operating activities for 2015 totaled $57.8 million compared to $97.6 million for 2014. Following the cancellation of the Mingde Shipyard contracts, we entered into seven new contracts with new shipyards. Our investment in property, plant, and equipment totaled $113.3 million this year, up substantially from $23.7 million invested in 2014. In addition to instalments on our new contracts, we also added a five year old ocean vessel, the *Algoma Integrity,* to our fleet.

The frustrating delay encountered with the Mingde Shipyard led to a substantial build up in cash on our Balance Sheet. Despite the substantial increase in capital expenditures this year, we ended the year with $210.6 million in cash.

Real Estate

I should note at this point that our financial statements for 2015, and my comments above, mark a departure from our presentation style of prior years. In November, we announced our decision to sell our portfolio of real estate holdings and as a result, Algoma Central Properties is now considered a discontinued operation. The results of our real estate division are no longer included in the consolidated details in our financial statements and instead are reported on a single line in each of the statements.

We are not selling our real estate because of any disappointment in the operating results of the business. In fact, Algoma Central Properties had their best year ever in 2015, reporting record revenues and earnings. Rather, our sale of these assets will enable Algoma to focus on its existing shipping businesses and on some exciting opportunities that we see in niche international markets.

We are all very proud of what Algoma Central Properties has achieved over the last few years. From a notable increase in occupancy in many of the buildings through an appealing renovation of the Station Mall that brings it up to contemporary standards, the efforts of the real estate team in Sault Ste. Marie and St. Catharines position these properties as attractive acquisition targets and we are confident in the ability of this team to continue to deliver these kinds of results, even in the environment of uncertainty that a sales process will naturally involve.

2015 Accomplishments

As noted earlier, competition in the domestic dry-bulk market was intense in 2015. The capacity of the industry outstrips the needs of customers at the present time and such a situation inevitably leads to price competition. Our focus throughout the year was to maintain our high level of service and reliability to meet the needs of our customers. When required, we met the competition head on, and despite the fact that rate concessions were required, I am happy to report that we retained all of our important customers and, in fact, secured additional volumes from a few for future years.

It is no secret that we have been very frustrated and disappointed with the progress of construction and delivery of the first round of our Equinox Class fleet renewal. By the end of 2014, just three of eight ships on order had been delivered. Late in 2014, the Mingde Shipyard entered a restructuring process and work stopped altogether.

In early June, senior management of Algoma travelled to China to assess the situation and make a decision on the future of that project. Seeing no path forward, upon their return to Canada, Algoma formally cancelled the remaining contracts and we immediately began the search for new shipyards. In a very short period of time we had identified two replacement yards, one in Croatia, which we had already chosen to build two new 650 foot self-unloaders, and one in China. Our technical team was able to quickly develop contract specifications and in August and October, respectively, we signed contracts for five new 740 foot self unloaders to be delivered in 2018. This replaces the four cancelled Mingde orders and adds a further vessel to replace the *Algoma Integrity* as it takes its place in the Pool.

By the time we take delivery of the fourth vessel, we will be at least 17 vessel years behind in realizing the improvements we expect from these new ships. This is very disappointing to everyone at Algoma; however, we are very pleased with the performance of the three vessels that are now in our fleet. These ships are delivering the level of performance our original plans projected, thus reaffirming the value of fleet renewal.

In addition to these entirely new vessels, Algoma acquired the *Algoma Integrity* in April 2015. The *Algoma Integrity* was purchased principally as an eventual Algoma entry into the international Pool of which we are a member. In the meantime, she has been operating in the St. Lawrence as a domestically flagged vessel, partially offsetting the impact of the Equinox delay.

Late in the year we learned that our primary tanker customer would implement a sourcing change for its East Coast markets, reducing their demand by approximately 1.2 vessels. In response, we have increased our business with other customers and we have, for the first time, moved a vessel from domestic service into international markets for the winter. While ocean returns are typically less attractive than those in our domestic market, we plan to keep the ship utilization up in international trades while we build replacement business in Canada.

Also late in the year, we negotiated the purchase of two vessels and a half interest in a third vessel from one of our international Pool partners, marking their withdrawal from the Pool. It has been our ambition to take a greater role in the Pool and with this purchase, which closed in January 2016, our effective interest in the Pool doubled.

In early 2016, it was announced that the Company has qualified for Gold Level status in Canada's Best Managed Companies for 2015. I would like to thank the efforts of all Algoma employees, without whom this achievement would not be possible.

New Initiatives

As I mentioned earlier, our decision to sell our real estate assets was taken to allow us to focus on the marine shipping industry. In particular, the Company is looking for growth opportunities outside of its traditional markets.

Algoma is an important player in the domestic shipping industry focused on the Great Lakes and St. Lawrence River and the related waterways and canals (the Waterway). The market is characterized by a small number of large shippers and a limited number of carriers. Although volumes vary year-to-year, growth in this market is expected to be limited. Our strategy is to be an efficient, flexible, and dependable carrier serving this market. On-going investment in fleet renewal and operating an efficient fleet will be key to our strategy in this market.

Our ambitions for growth must be fulfilled from outside of our traditional markets. We are currently looking at Canadian markets outside of the Waterway that we have not previously serviced, as well as specialty international markets. In short, we are focusing on opportunities in the global short-sea shipping market.

To find attractive entry points, we are looking for a number of characteristics:

- A form of specialization or niche requiring technical differentiation or expertise.
- Fragmentation without an existing dominant player.
- Expectations of growth for the underlying market.
- Opportunity to acquire competitive advantage through capital investment in new technology or equipment.
- Similarities with our current businesses in types of customers or products, types of vessels or operating conditions.

In January 2016, we announced our first investment under this initiative and the creation of a new joint venture, NovaAlgoma Cement Carriers. This investment, through which we are partnering with an established player in the pneumatic cement carrier business, ticks many of the above boxes. It is a quintessential short-sea shipping business, with smaller, specialized vessels serving the regional distribution needs of cement powder manufacturers. We have some insight into the business already as two of the vessels for which we provide technical management services on the Great Lakes belong to cement manufacturers serving the Canadian and U.S. markets. With newer pneumatic vessels providing service capabilities that cannot be matched by older vessels, we believe this market is primed for consolidation and fleet renewal. We are looking forward to announcing further investments in this venture and others as we roll out our new strategy.

Outlook for 2016

The consensus outlook for Canada is a year of slow growth and further pressure on the commodity markets that underpin many of our customers' businesses.

Unlike the last two years, the winter of 2015/2016 was later getting started and has been milder and less snowy than most. While the lack of snow and ice will mean the season will open much more smoothly than it did in the previous two years, it also means that salt usage will be lower, negatively impacting one of our important industry segments. In fact, we expect our first quarter revenues, which we will report at the time of our Annual General Meeting, will be below 2015 levels, largely due to the impact on salt volumes shipped in the winter months.

In markets that are characterized by excess fleet capacity we have responded by retiring five of our older, more expensive ships. While this reduces our capacity by approximately 16%, it allows us to focus on our best customers and ensuring their needs are met using the ships best suited to the purpose.

We expect 2016 to be a difficult year for the Canadian industry but that will not dissuade us from pursuing our fleet renewal strategy or from looking for new and exciting opportunities in other markets. Algoma has a strong balance sheet, supportive capital providers and a strategy of investing for the long term. This positions us well to make the kind of decisions necessary to support the future success of the Company.

On behalf of the Company and our employees, I 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 1,900 employees and the strong leadership and guidance of our Board of Directors. I would also like to invite you to attend our Annual General Meeting at 11:30 a.m. on May 10th, 2016. This year our meeting will be held in the new FirstOntario Performing Arts Centre in St. Catharines, Ontario. I look forward to meeting you.

Ken Bloch Soerensen
President and Chief Executive Officer

General

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

This Management's Discussion and Analysis ("MD&A") of the Company should be read in conjunction with its consolidated financial statements for the years ending December 31, 2015 and 2014 and related notes thereto and has been prepared as at February 19, 2016.

The MD&A has been prepared by reference to the disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on the Company, including its 2015 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Company's website at *www.algonet.com*.

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

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 companies.

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 Company 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 Company 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 discontinued operations and our equity interest in joints arrangement in this measure. EBITDA is not a recognized measure for financial statement presentation under generally accepted accounting principles as defined by IFRS. EBITDA is not intended to represent cash flow from operations and it should not be considered as an alternative to net earnings, cash flow from operations, or any other measure of performance prescribed by IFRS. The Company's EBITDA may also not be comparable to EBITDA used by other corporations, which may be calculated differently. The Company considers EBITDA to be a meaningful measure to assess its operating performance in addition to other IFRS measures. It is included because the Company believes it can be useful in measuring its ability to service debt, fund capital expenditures, and expand its business, and it is used by credit providers in the financial covenants of the Company'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 2016 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; 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 9 to 15 in the Company's Annual Information Form for the year ended December 31, 2015, which outlines in detail certain key factors that may affect the Company's future results. This should not be considered a complete list of all risks to which the Company may be subject from time to time. When relying on forward looking statements to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives and may not be appropriate for other purposes.

Overall Performance

		2015		2014		2013
For year ended December 31						
Segment revenues	**$**	**413,493**	$	473,446	$	463,055
Segment operating earnings, net of income tax	**$**	**26,794**	$	54,276	$	42,617
Net earnings from continuing operations	**$**	**21,069**	$	48,977	$	38,439
Basic earnings per common share	**$**	**0.54**	$	1.26	$	0.99
Diluted earnings per common share	**$**	**0.54**	$	1.21	$	0.97
Net earnings from discontinued operations	**$**	**4,702**	$	3,788	$	3,484
Basic and diluted earnings per common share	**$**	**0.12**	$	0.10	$	0.09
At December 31						
Common shares outstanding	**$**	**38,913,733**	$	38,912,110	$	38,912,110
Total assets	**$**	**988,805**	$	974,055	$	932,354
Total long-term financial liabilities	**$**	**245,306**	$	227,562	$	232,922

The Company is reporting 2015 revenues of $413,493 compared to $473,446 for the same period in 2014. Decreases in revenue were experienced in all three business segments. The Domestic Dry-Bulk segment saw the largest decline in revenue due primarily to lower fuel prices, falling freight rates and less efficient trade patterns. The Product Tanker segment decrease was due primarily to diminished volumes on the East Coast as a result of changes to their regional sourcing strategy made by a major customer. The Ocean Shipping segment revenue decrease was due primarily to fewer revenue days related to a regulatory dry-docking on one of its vessels.

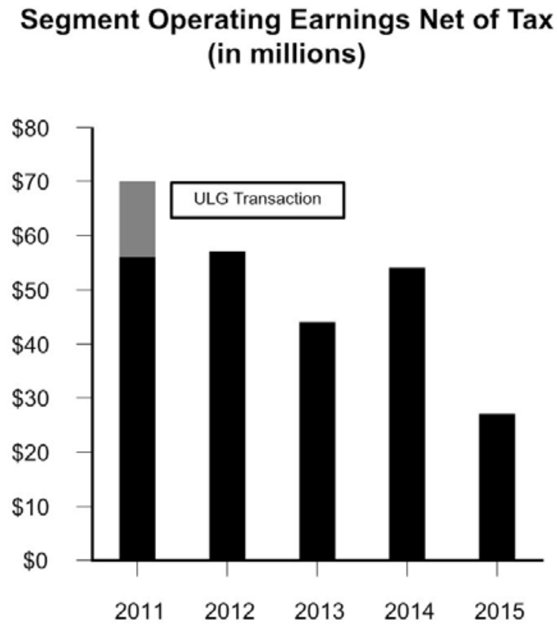
Segment operating earnings after income taxes in both 2015 and 2014 reflect the impact of unusual items. Included in 2015 segment earnings was a gain on the cancellation of shipbuilding contracts in the amount of $9,972 and in 2014, segment earnings reflect a net impairment reversal on property, plant and equipment of $7,362. Excluding these two items from segment earnings, results in 2015 earnings of $16,822 and 2014 earnings of $ $46,914, a decrease of $30,092. The significant decrease was primarily due to lower earnings in the Domestic-Dry Bulk segment.

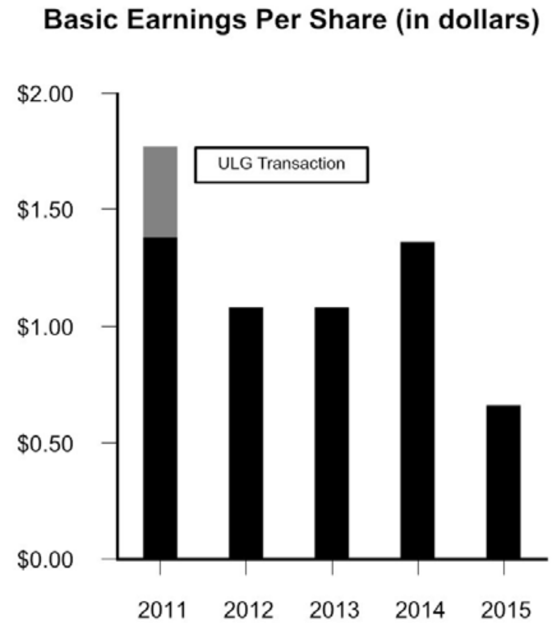
During the 2015 fourth quarter, the Company announced its intention to exit the real estate segment and divest its properties portfolio. The results of the real estate segment are now included as earnings from discontinued operations.

Net earnings and basic earnings per share from continuing operations for 2015 were $21,069 and $0.54, respectively, compared to $48,977 and $1.26, respectively, for the same period last year.

The increase in segment operating earnings net of income tax between 2013 and 2014 was due to improvements in operating earnings for the Domestic Dry- Bulk and Product Tankers segments which was partially offset by a reduction in the earnings of the Ocean Shipping segment.

The increase in total assets over the three years starting in 2013 and ending in 2015 was due primarily to an increase in cash balances generated during the years.





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
2015	Quarter 4	$	119,171	$	10,591	$	0.27
	Quarter 3	$	125,077	$	14,842	$	0.38
	Quarter 2	$	125,336	$	23,330	$	0.60
	Quarter 1	$	43,909	$	(22,992)	$	(0.59)
2014	Quarter 4	$	141,647	$	35,318	$	0.91
	Quarter 3	$	156,010	$	24,367	$	0.63
	Quarter 2	$	131,087	$	14,946	$	0.38
	Quarter 1	$	44,702	$	(21,866)	$	(0.56)

Impact of Seasonality on the Business

The nature of the Company's business is such that the earnings in the first quarter of each year are not indicative of the results for the other three quarters in the year. Due to the closing of the canal system and the winter weather conditions 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

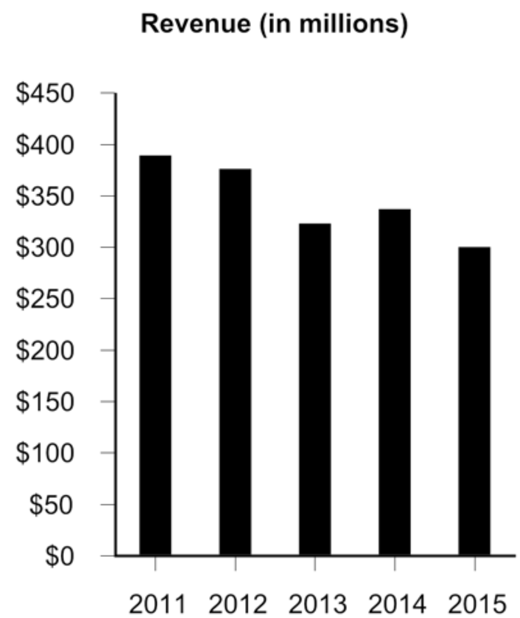
Domestic Dry-Bulk

Business Segment and Markets

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

The Company'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 Company to accommodate almost every dry-bulk shipping requirement. The Company's fleet complies with and is certified under the ISO: 9001 Quality Management standard, the International Safety Management Code (ISM), the ISO 14001 Environmental Management standard, and OHSAS 18001, the internationally recognized standard for occupational health and safety management systems. All of the Company's vessels have approved security plans that fully comply with Canadian and U.S. regulations and the International Ship and Port Security Code. The Company is a member of Green Marine, an industry-led environmental initiative.

During 2015, the Company operated 18 self-unloading bulk carriers and seven gearless bulk carriers in its Canadian flag dry-bulk fleet, including the *CWB Marquis*, the third Equinox Class vessel to join the fleet. The *CWB Marquis* is owned by G3 Canada Limited (formerly the Canadian Wheat Board) and managed commercially and technically by Algoma. The G3 vessel is a gearless bulker that, along with six gearless bulkers owned by Algoma, form the Algoma Bulker Pool. Traditional gearless bulk carriers require shore-side facilities to discharge cargo and are primarily deployed in the movement of grain and iron ore.

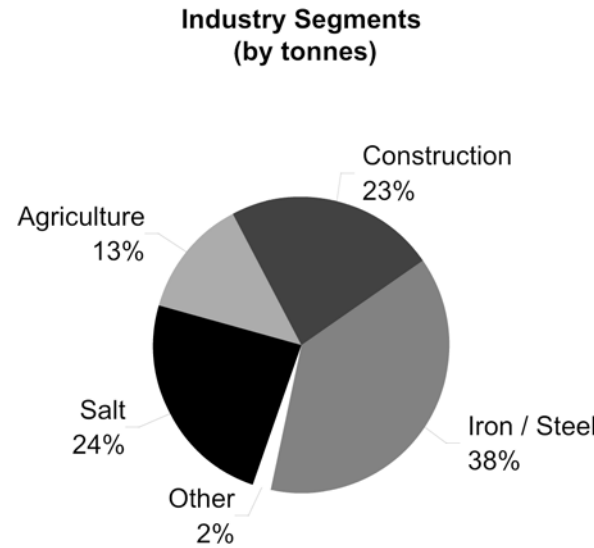


Self-unloading bulk carriers discharge their cargo using onboard equipment. Cargo flows from the cargo hold through gates to conveyors located below the cargo hold. The cargo is carried through the ship, and then elevated to an unloading boom at deck level. Unloading booms are 75-80 metres long and can 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.

The Company 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.

Total cargo volumes for fiscal 2015 were essentially unchanged from volumes for fiscal 2014; however, vessel revenue days for the commercial fleet were 2.4% lower. The decreased vessel days resulted from a change in the mix of trades that led to a combination of increased cargo sizes and reduced number of cargoes required to move the volumes. Volumes were lower in both iron and steel and agricultural markets and higher in construction materials and salt. Cargo size, trip times, and freight rates are typically lower for construction materials and salt than they are for agricultural products and iron ore.

The largest decrease in 2015 activity occurred within the iron and steel segment where total shipments were affected by a maintenance shut-down by our primary customer. Overall volumes in the market for iron and steel companies have been negatively impacted by the financial difficulty currently being experienced by two of the large Canadian steel manufacturers. Competition from cheap foreign steel has been raised as an issue by the domestic industry. Although our primary customer is focused on high value-added products and has not been as affected by these same issues, the overall level of iron ore and metallurgical coal moving through the system has been reduced. The total volume moved for our iron and steel customers decreased 9.0% compared to 2014, while revenues were lower by 9.5%.



After two very strong years in 2013 and 2014, grain volumes slowed slightly in 2015, with total volumes carried down 3.2%. Backlogs in east coast elevators and slower than expected exports from those locations reduced the total amount of grain shipped from the western end of the Great Lakes to the St. Lawrence Gulf. Given the length of these voyages, the drop in grain volumes contributed significantly to the decreased revenue days, with a drop of 13.9% compared to 2014 activity.

Shipments of aggregates and construction materials increased by 12.1% in 2015 compared to the prior year, driving a 17.6% improvement in revenue days for this segment. Increased construction activity and a lower Canadian dollar continued to help improve deliveries from Canadian aggregate quarries. Similarly, salt volumes increased again in 2015 as salt producers and municipalities worked to rebuild inventories depleted by the second cold and snowy winter in a row. Salt volumes grew 10.6% and revenue days increased 18.1%.

The domestic marine transportation industry is facing a significant challenge from over capacity. A number of companies, including Algoma, have been forced to lay ships up due to lack of business, particularly in the summer period. Although summer is typically a slower season for the industry, the increased amount of idle capacity combined with the expectations for reduced demand over the next one to two years, increases the likelihood that idle capacity will go up. Responding to this, Algoma has taken the unprecedented step of retiring five dry-bulk vessels at the completion of their 2016 winter season work. The vessels being demised include the *Algomarine,* the *Peter R. Cresswell*, the *Algoma Navigator*, and the *Algosoo*. The *Algosteel* will be maintained in cold lay-up as a spare vessel in the event that customer demand unexpectedly increases but steps are being taken to direct the remaining ships to scrapping.

The choice of vessels for retirement is based on their age, the expected cost of dry-docking of two of the vessels, and the high daily operating costs of the other three. Although three of these vessels had reached the end of their accounting life by the end of 2015, the remaining two are being retired early and as a result, we have recorded accelerated depreciation totalling $3.3 million in the fourth quarter.

Equinox Project

The Company entered into contracts in 2010 with Nantong Mingde Heavy Industry Co., Ltd. (“Mingde” or the “Yard”) in China to construct a total of six Equinox Class dry-bulk vessels, continuing the fleet renewal initiative that began with the arrival of the *Radcliffe R Latimer* in 2009 and the *Algoma Mariner* in 2011.

By June 2014, Algoma had taken delivery of two bulkers, the *Algoma Equinox* and the *Algoma Harvester.* The remaining four vessels, all self unloaders, were expected to be delivered in 2015 and 2016.

As reported last year, on December 26, 2014, Mingde entered a court supervised restructuring process. This process was initiated by Sainty Marine Co. Ltd. which is both the largest creditor of the Yard and also the seller of record under one of the shipbuilding contracts held by Algoma. All monies paid by the Company against these shipbuilding contracts are supported by Refund Guarantees.

During the first half of 2015, the Yard made little progress on the construction of any of the remaining Algoma vessels and in June, senior management of Algoma visited the Yard to meet with Yard officials, the restructuring Administrator, one of the Refund Guarantee banks, and other parties to assess the situation and determine whether continuing to work with the Yard to complete the vessels would lead to delivery of the ships. Following these meetings, and based on a determination that there was no likelihood the Yard could devise a plan to emerge from creditor protection, the Company advised the Yard it no longer intended to take delivery of the four vessels, formally cancelled the remaining contracts, and re-commenced the arbitration processes that had been stayed.

As a result of cancelling these contracts, the Company has recognized a net gain of $9,972, comprising a foreign exchange gain on cash balances previously designated as a hedge of U.S. dollar purchase commitments and netted against a write-off of certain soft costs incurred on the construction project.

Cancellation of the Mingde contracts on their terms entitles the Company to demand repayment of construction instalments paid to date, along with accrued interest. The Company has been enforcing its rights with respect to these recoveries and these amounts are supported by bank Refund Guarantees. Although the Yard had previously exercised its right to request arbitration on this claim, during the second half of 2015 the Yard announced to the arbitration panel that it would drop its objection.

On February 16, 2016, the London arbitration panel found in favour of Algoma on three of the four matters before it. The arbitration on the fourth matter is on-going as the co-seller on that contract continues to exercise its right to object. The basis of our claim in all four cancellations is the same.

Algoma has commenced formal demand proceedings to collect the money owed it by the Yard and the Refund Guarantee banks. As at the date of this report, the fair value of the three contracts including interest on which payment is being sought totals $73,689 compared to a carrying value of $54,467. The net gain arising from this is expected to be recognized in the first quarter of 2016. Algoma will continue to pursue collection of the refund of the remaining instalments and we are hopeful the matter can be resolved in 2016 given the similarity of the claims.

While delayed, the overall fleet renewal program, of which these Equinox Class ships were a part, remains a priority for the Company. Algoma now has contracts in place for the construction of two new Equinox Class 650’ self-unloaders and five Equinox Class 740’ self-unloaders. Management expects the two 650’ Equinox self-unloaders to be delivered in 2017 and is targeting 2018 for delivery of the five 740’ Equinox self-unloaders.

Domestic Dry-Bulk Financial Review	**2015**	2014	Favourable (Unfavourable)
Revenue	**$ 299,553**	$ 337,244	$ (37,691)
Operating expenses	**(256,020)**	(268,950)	12,930
General and administrative	**(19,027)**	(17,223)	(1,804)
	24,506	51,071	(26,565)
Depreciation	**(29,240)**	(25,067)	(4,173)
Impairment	**(937)**	(4,000)	3,063
Gain on cancellation of shipbuilding contracts	**13,567**	—	13,567
Income taxes	**(2,093)**	(5,832)	3,739
Net earnings	**$ 5,803**	$ 16,172	$ (10,369)
Operating ratio	**101.6%**	91.6%	
Additions to property, plant and equipment	**$ 111,194**	$ 24,750	
Total assets	**$ 466,582**	$ 410,856	

The Company operated all available vessels in 2015 and total tonnage carried for 2015 was approximately the same as 2014. Volumes increases in the construction and salt sectors were offset with drops in volumes in the agricultural and iron and steel sectors. Revenues for 2015 decreased by $37,691 or 11.2% when compared to 2014 due largely to reduced shipments of agricultural and iron and steel products, lower revenue from the fuel component of our freight rates as a result of lower fuel prices, and a reduction in net freight rates in some markets. These decreases were partially offset by higher volumes in the salt and construction products sectors.

Operating expenses for 2015 were lower than 2014 by $12,930 or 4.8% driven by the decrease in operating days and lower fuel costs. These decreases were partially offset by higher overall spending on maintenance, the majority of which is incurred in the first quarter each year and the profit-sharing on the Algoma Bulker Pool, which is new this year.

Depreciation expense for 2015 is higher than 2014. Depreciation increased due to the end of service lives of certain vessels and a full year of depreciation expense for the *Algoma Harvester*, which joined the fleet in July 2014.

Impairments of $937 and $4,000 were recognized in 2015 and 2014, respectively, on certain major vessel parts and spares that the Company deemed to be surplus. We have determined that use of these components on the Company's vessels is no longer economically feasible.

Segment earnings for 2015 of $5,803 were $10,369 less than 2014 period reported earnings of $16,172 as a result of the items noted above.

Additions to property plant, and equipment in both years include payments related to the Equinox Class vessels, life extensions on certain vessels and capitalized dry-dockings costs on certain other vessels. In addition, 2015 includes the purchase of the *Algoma Integrity.*

Outlook

The economic outlook for Canada for 2016 predicts a general softness as commodities continue to be under pressure in world markets. As noted earlier, we have taken steps to reduce costs by retiring older ships, but we expect that competition for business will remain fierce. Focusing on meeting the needs of our customers will remain an Algoma priority. We expect overall volumes to be lower; however we are working to offset the impact of this by reducing daily operating costs. Looking past 2016, with the arrival of new and more efficient vessels expected in 2017 and 2018, we are confident that the decrease in operating returns experienced this year will be reversed.

Product Tankers

Business Segment and Markets

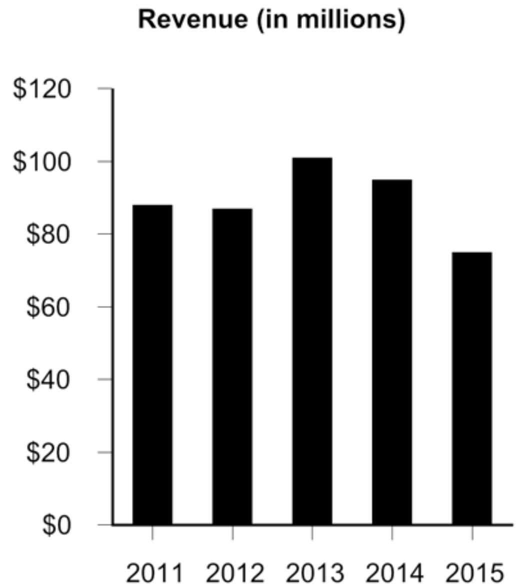
The Canadian flag product tanker fleet provides safe and reliable transportation of liquid petroleum products throughout the Great Lakes, St. Lawrence Seaway and Atlantic Canada regions. Customers include major oil refiners, leading wholesale distributors and large consumers of petroleum products who 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 Company is a member of Green Marine, an industry-led environmental initiative.

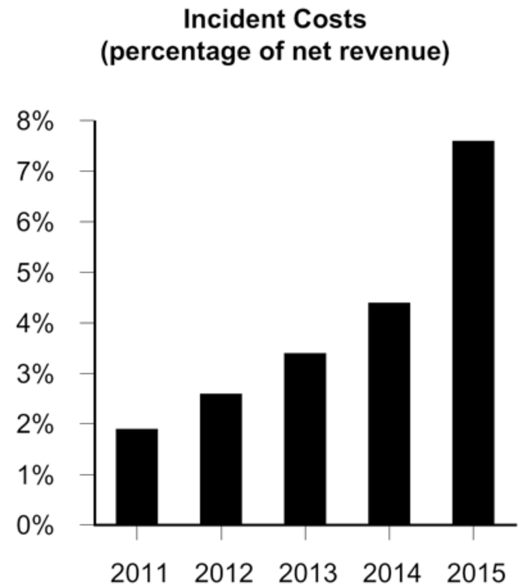
During 2015, the Company’s product tanker segment served both domestic and international markets. This segment consisted of seven double-hull product tankers employed in domestic Canadian flag service. At the end of 2015, one of our domestic tankers was temporarily re-flagged to service international markets for the winter. This tanker would otherwise have been laid up until spring. In addition, the *Algosar* reached the end of its useful life in 2015 and was retired from service at the end of the season.

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.

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 Company’s domestic product tankers in 2014 and 2015. As a result of the refinery closure, the sourcing of petroleum products by the Company’s major shipper for their eastern terminals shifted to other sources of supply, including other Canadian and international sources. Late in 2015 we were advised by this customer that all future product for this market will be supplied by other manufacturers who provide delivery service. This has resulted in an estimated reduction in customer demand totalling approximately 1.2 vessels. We are taking steps to find alternative business for this vessel, including making it available to service international markets.

Vessel operating days decreased by 11% in 2015 compared to 2014 levels. This was partially as a result of these shifting trade patterns and also due to a mechanical failure that resulted in one ship being out of service for over 150 days. This mechanical failure was a major disappointment, following as it did on the heels of a vessel fire on the same ship in 2014. The cost of this equipment failure caused incident costs to increase to 7.6% of net freight revenue. Incident costs are a key measure of quality performance and we are committed to take all necessary steps to eliminate the costly impact on our business unit results from incidents of all types. Management considers all incidents to be very serious and thoroughly reviews all incidents and modifies onboard operating and management procedures and shore management procedures as indicated.





Product Tankers Financial Review	**2015**	2014	Favourable (Unfavourable)
Revenue	**$ 75,335**	$ 95,152	$ (19,817)
Operating expenses	**(46,519)**	(62,896)	16,377
General and administrative	**(4,062)**	(3,605)	(457)
	24,754	28,651	(3,897)
Depreciation	**(10,161)**	(9,484)	(677)
Impairment reversal	**—**	10,302	(10,302)
Income taxes	**(4,408)**	(5,013)	605
Net earnings	**$ 10,185**	$ 24,456	$ (14,271)
Operating ratio	**80.6%**	79.9%	
Additions to property, plant and equipment	**$ 459**	$ 582	
Total assets	**$ 135,975**	$ 151,596	

Revenue for the Product Tankers segment for 2015 decreased by $19,817 or 20.8% when compared to 2014. Revenues were lower in 2015 due to the reduced customer shipments and lower fuel prices, partially offset by higher rates. Customer demand fell in 2015 due primarily to the closure of a refinery on the East Coast. In addition, a change in trade patterns later in the year resulted in fewer revenue days.

Operating costs for the 2015 were $16,377 or 26.0% lower due primarily to reduced operating days, lower fuel costs and a reduction in in-chartered capacity.

The impairment reversal in 2014 related to the *Algoma Hansa* which previously 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 2014 in the amount of $10,302.

Segment operating earnings net of income tax excluding the impairment reversal for the Product Tankers segment decreased from $14,154 in 2014 to $10,185 in 2015.

Additions to property, plant and equipment consisted of capitalized dry-docking costs and totalled $459 in 2015 compared to $582 in 2014.

Outlook

The Company plans to operate five product tankers domestically in 2016 and to have a sixth tanker that operates one half of the year domestically and one half of the year in international markets.

While still accounting for the majority of our revenue days, an expected reduction in demand resulting from our primary customer's new east coast sourcing strategy will free up ship capacity to service other markets. We are focused on growing our book of business with new customers both domestically and in international markets. We expect utilization to be down in 2016 as we work to build this new business.

Ocean Dry-Bulk Shipping

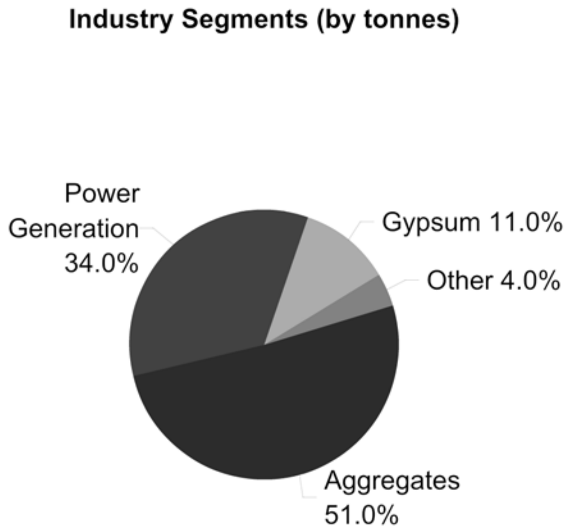
Business Segment and Markets

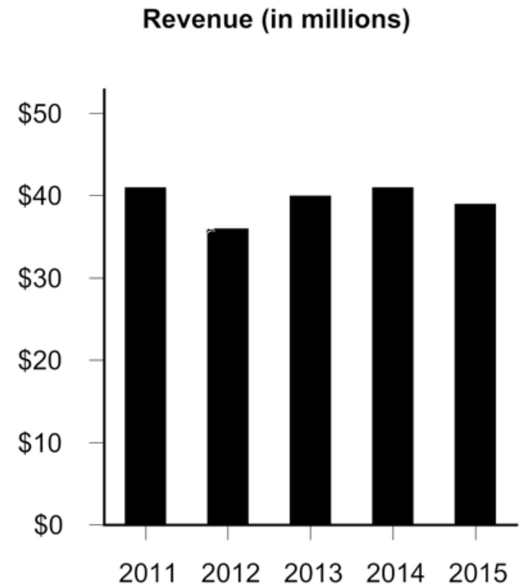
At year -end, the Company's interests in Ocean Shipping consist of two wholly owned ocean-going self-unloaders and joint interests in two other ocean going self-unloading vessels. Three of these four self-unloaders are part of the world's largest pool of ocean-going self-unloaders (the Pool), which at the end of 2015 totalled 26 vessels. In 2015, the charter party for the oldest of the Company's ocean-going self-unloading fleet bought out the balance of its charter commitment and returned the vessel. As the prospects for returning this vessel to service in the Pool were limited, the Company and its partner in the vessel determined that the vessel should be retired and sold for demolition. This transaction was completed during the second quarter.

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.

While the economic recovery has remained soft in 2015, overall tonnage shipped increased 13%, particularly reflecting strength in construction materials and iron ore. Time chartering of pool vessels decreased in 2015, with several ships returning to the Pool. Time-chartered ships are generally involved in trans-shipment projects, transferring various bulk commodities between shore facilities and large 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, Pool revenues overall decreased 5.9% due to the decrease in time charters.

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 22% over 2014. Coal transportation for power generation, the second largest sector served by the Pool, increased 5% in 2015. The third largest market segment served by the Pool is gypsum, which reversed the trend of last year, increasing 20% over 2014 levels. A 22% increase in iron ore shipments offset minor volume changes in other lesser commodity segments.





Vessel technical management for our Ocean ships is outsourced to international ship management companies. Technical experts employed by the Company and its partner maintain oversight responsibilities for the Ocean Shipping fleet. The Company and its ship managers continue to focus on productivity, operational excellence, safety, security and environmental protection.

Ocean Shipping Financial Review		**2015**		2014		Favourable (Unfavourable)
Revenue	**$**	**38,605**	$	41,050	$	(2,445)
Operating expenses		**(24,683)**		(25,769)		1,086
General and administrative		**(3,224)**		(2,974)		(250)
		10,698		12,307		(1,609)
Depreciation		**(5,506)**		(4,704)		(802)
Income taxes		**(261)**		(171)		(90)
Earnings from joint venture		**5,875**		6,216		(341)
Net earnings	**$**	**10,806**	$	13,648	$	(2,842)
Operating ratio		**86.7%**		81.5%		
Additions to property, plant and equipment	**$**	**4,204**	$	—		
Total assets	**$**	**77,154**	$	65,446		

The Company’s share of Pool revenues for 2015 decreased by $2,445 or 6.0% when compared to 2014. The Company’s vessel, the *Bahama Spirit* ,underwent a regulatory dry-docking in the 2015 first quarter, resulting in fewer revenue days. Partially offsetting these decreases were improvements in revenue resulting from a weaker Canadian dollar.

Operating costs were down in 2015 by $1,086 or 4.2% compared to the prior year. The decrease in operating expenses was due largely to lower fuel costs, reduced outside charters by the Pool, and operating costs associated with the *Bahama Spirit* dry-docking in 2015, which are capitalized under IFRS. Partially offsetting these decreases in expenses are increases due to the cost of regular maintenance completed during the dry-docking, losses related to fuel derivative contracts and the weakening Canadian dollar.

Depreciation expense was up by $802 for 2015 compared to 2014. The increase was primarily a result of a weaker Canadian dollar.

The share of Pool revenue earned by our joint venture vessels decreased due to the sale of a vessel in April 2015. As a result, the joint venture generated slightly lower net earnings in 2015 when compared to the prior year.

Outlook

We are cautious in our outlook for 2016. While the U.S. economy has shown continued strength, many of our customers are providing more modest outlooks. In addition, as a result of the cancellation of offshore time charters caused by weakness in markets in Europe, Africa, and Asia, the Pool currently has more vessel supply than customer forecasts indicate is required. For the Pool, this excess capacity will lead to reduced returns on a per-vessel basis. Offsetting this, with the purchase of the Klaveness vessels, Algoma's interest in the Pool doubles to 26%.

Real Estate

In November 2015, the Company announced its decision to sell its real estate properties comprising commercial, retail and other buildings located in Sault Ste. Marie, St. Catharines and Waterloo, Ontario. The decision to sell the investment properties is a result of a review of the strategic objectives of the Company and a decision to focus the Company's capital on domestic and international shipping opportunities. Marketing of the properties has begun.

Properties held for sale are classified as assets held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" . The results of discontinued operations, net of tax, are presented separately from the results of continuing operations in the consolidated statements of earnings. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the consolidated statements of cash flows. All comparative periods are restated in the period that a component is classified as a discontinued operation.

Markets

In Sault Ste. Marie, the Company 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. The Company also owns, but does not manage, the Delta Marriott Sault Ste. Marie Waterfront Hotel and Conference Centre. Approximately 63% of Company's holdings are located in Sault Ste. Marie.

With several small leases being signed and a large number of tenants renewing their leases, the occupancy of our regional shopping centre remained unchanged in 2015, even though the Canadian retail environment continues to be challenged. Average store sales improved throughout the year by over 5%.

The Delta Hotel had a significant increase in operating results over the previous year, with overall room occupancy increasing this year from 52% to over 55%, while average room rates remained unchanged. During the year Marriott International purchased the Delta Hotel chain.

The financial performance of all other properties in Sault Ste. Marie remained unchanged from last year.

In St. Catharines, the Company owns and manages three office buildings - 63 Church Street, 20 Corporate Park Drive, and 25 Corporate Park Drive - as well as two commercial plazas, Ridley Square and Huntington Square, and a light industrial plaza known as Martindale Business Centre. In addition, the Company manages an office building in St. Catharines jointly owned with the lead tenant, Meridian Credit Union.

Our St. Catharines properties' performance remained consistent with occupancy remaining unchanged from last year's results. The local Niagara economy continues to be challenging, nonetheless several mid-sized leases were signed during the year with long term tenants such as BDC and Unifor in our Corporate Park properties.

In Waterloo, the Company owns and manages three office buildings, known collectively as the Waterloo Technology Campus. The properties remain 100% leased with no leases scheduled to expire in the coming year.

Real Estate Financial Review	**2015**	2014	Favourable (Unfavourable)
Revenue	**$ 33,709**	$ 31,749	$ 1,960
Operating expenses	**(19,533)**	(18,931)	(602)
General and administrative	**(2,212)**	(2,170)	(42)
	11,964	10,648	1,316
Depreciation	**(5,544)**	(5,441)	(103)
Income taxes	**(1,718)**	(1,419)	(299)
Net earnings	**$ 4,702**	$ 3,788	$ 914
Average occupancy	**92.7%**	88.6%	
Additions to properties	**$ 5,844**	$ 12,540	
Total assets	**$ 82,665**	$ 84,429	

Revenue in the Real Estate segment increased by 6.2% or $1,960 in 2015. The increase was due primarily to increased occupancy in several of our buildings and the resulting increase in the recoverable share of common area costs.

Operating expenses were up in 2015 by $602 or 3.2% reflecting general inflation and the impact of the harsh winter conditions in early 2015 that resulted in significantly higher utility and snow removal costs.

Depreciation expense ceased as of November 1, 2015 as a result of the properties being classified as assets held for sale.

Outlook

Year-over-year results of the real estate portfolio improved as a result of leases signed in previous years, which should continue to impact future years.

Additionally, the Canadian dollar is expected to remain low throughout 2016, which should be a positive factor for the Station Mall tenants, from whom we receive percentage rents, and for the Delta Marriott Hotel with more leisure travel stays in Canada.

The outlook for operating income for the portfolio is positive as we expect continued improvements in occupancy levels.

Consolidated

	2015	2014	Favourable (Unfavourable)
Revenue	**$ 413,493**	$ 473,446	$ (59,953)
Operating expenses	**(327,222)**	(357,615)	30,393
General and administrative	**(26,313)**	(23,831)	(2,482)
	59,958	92,000	(32,042)
Depreciation	**(44,907)**	(39,255)	(5,652)
Net gain on cancellation of shipbuilding contracts	**13,567**	—	13,567
Impairment (expense) reversal	**(937)**	6,302	(7,239)
Interest expense	**(13,280)**	(10,139)	(3,141)
Interest income	**1,270**	320	950
Net gain on foreign currency translation	**3,789**	885	2,904
Income tax expense	**(4,266)**	(7,351)	3,085
Earnings of joint venture	**5,875**	6,215	(340)
Net earnings from continuing operations	**$ 21,069**	$ 48,977	$ (27,908)

General and Administrative Expenses

General and administrative expenses in 2015 were $2,482 higher than the amount for 2014. Included in 2015 expenses are certain costs related to senior management transition, as well as higher compensation and professional fees related primarily to business development activities.

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

Net Gain on Cancellation of Shipbuilding contracts

As previously described in this report, as a result of the cancellation of the Nantong Mingde shipbuilding contracts, the Company recognized a gain of $13,567 as a result of the bankruptcy and the related contract cancellation. The gain consisted of a foreign exchange gain on cash balances previously designated as a hedge of U.S. dollar purchase commitments, net of a write-off of certain soft costs incurred on the construction project.

Impairment (Expense) Reversal

At the end of each reporting period, the Company 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 reversal. For the year ended December 31, 2015 an impairment of $937 on spare parts inventory was recognized. For the year ended December 31, 2014, a net impairment reversal of $6,302 was recognized consisting of the two items previously discussed in the business segment disclosures.

Interest Expense

Interest expense consists of the following:

		2015		2014		Favourable (Unfavourable)
Interest expense on borrowings	**$**	**14,960**	$	14,174	$	(786)
Interest on employee future benefits, net		**1,049**		1,862		813
Amortization of financing costs		**951**		608		(343)
Interest capitalized		**(3,680)**		(6,505)		(2,825)
	$	**13,280**	$	10,139	$	(3,141)

Net interest expense increased by $3,141 due to a number of factors.

Total interest on borrowings increased due to the conversion of the U.S. dollar interest to Canadian dollars due to the weakening of the Canadian dollar.

The interest capitalized on vessels under construction relates to interest incurred on payments made to various shipyards for the construction of Equinox vessels. The lower interest capitalized in 2015 relates to the cessation of capitalizing interest in the 2015 second quarter on payments made to the Nantong Mingde Shipyard with the cancellation of these shipbuilding contracts.

In 2014, the Company prepaid certain non-revolving debt facilities and accordingly accelerated the amortization of deferred financing costs associated with those 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 2015 resulted from a reduction in the discount rate used to calculate the net interest expense on employee future benefit plans.

Net Gain on Foreign Currency Translation

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

		2015		2014		Favourable (Unfavourable)
Gain on U.S. cash	**$**	**20,623**	$	9,643	$	10,980
Portion of the gain on U.S. cash recorded in:						
Net gain on cancellation of shipbuilding contracts		**(8,689)**		—		(8,689)
Other comprehensive earnings		**(9,720)**		(9,603)		(117)
Realized gain on return of capital from foreign subsidiary		**1,575**		590		985
Gain on mark-to-market for derivatives that are not eligible for hedge accounting		**—**		340		(340)
Other		**—**		(85)		85
	$	**3,789**	$	885	$	2,904

The Company designated its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments relating to the Equinox Class project with the Nantong Mingde Shipyard. In June 2015, the cash hedge against the U.S. dollar purchase commitments became ineffective as a result of the cancellation of the shipbuilding contracts. Gains and losses on the translation of the U.S. dollar cash from the date on which the respective hedges were designated to the date on which the hedge ceased to be so designated, were initially recorded in other comprehensive earnings.

As of July 1, 2015, the Company re-designated its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments for two new Equinox Class 650' self unloaders with a Croatian shipyard. Gains and losses on the translation of the U.S. dollar cash from the date on which these respective hedges were designated to the end of the financial reporting period are being recorded in other comprehensive earnings.

The realized gain on capital returned from a foreign investee in 2015 and 2014 reflects gains on U.S. dollar cash returned from the Company'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. As of December 31, 2015 the Company had a Euro denominated foreign exchange forward contract outstanding with a notional principal and fair value of $7,147 (2014 - nil). The contract matures on December 1, 2017.

Income Tax Provision

The income tax provision on earnings from continuing operations decreased to $4,266 for 2015 compared to $7,351 in 2014. Below is a reconciliation of the provision for the two years.

		2015		2014
Combined federal and provincial statutory income tax rate		**26.5%**		26.5%
Earnings before income tax from continuing operations	**$**	**19,460**	$	50,113
Expected income tax expense	**$**	**5,157**	$	13,280
Increase (decrease) resulting from:				
Effect of items that are not deductible (taxable)		**28**		(661)
Foreign tax rates different from statutory rate		**(1,624)**		(5,492)
Adjustment of prior years taxes on filing		**637**		357
Other		**68**		(133)
	$	**4,266**	$	7,351

Earnings from the Company's foreign subsidiaries are taxed in jurisdictions which have nil income tax rates. The 2015 pre-tax earnings of the foreign subsidiaries decreased significantly when compared to 2014 primarily as a result of the reversal of an impairment loss in the prior year which is not tax impacted.

The Canadian statutory rate for the Company for 2015 and 2014 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 2015 were $20,191 compared to $55,910 for 2014. The decrease of $35,719 was due to lower net earnings from operations partially offset with foreign exchange gains on hedges and the translation of financial statements of foreign operations and an increase in gains incurred on employee future benefit plans in 2015 compared to losses realized in the prior year.

The Company has a net investment in foreign subsidiaries of approximately U.S. $125,000. The Company recognized unrealized gains on the translation of the financial statement of foreign subsidiaries of $8,079 in 2015 and $10,145 in 2014 due to the Canadian dollar weakening when compared to the U.S. dollar.

The Company has hedged a portion of its future commitments on shipbuilding contracts with U.S. cash. The cumulative exchange differences on translation of cash held in foreign currency for 2015 were $2,574 compared to a loss of $28 for 2014. Exchange differences accumulated in the hedge reserve will be reclassified to property, plant, and equipment when the payments to the supplier are made or to earnings if a hedge is deemed to be ineffective.

Employee future benefits for 2015 experienced an actuarial gain, net of income tax, of $824 compared to a net actuarial loss of $6,153 for 2014. 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. The discount rate at December 31, 2015 and 2014 was 3.9%.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

		2015		2014		Favourable (Unfavourable)
Net earnings from continuing operations	**$**	**21,069**	$	48,977	$	(27,908)
Net cash generated from operating activities	**$**	**57,751**	$	97,647	$	(39,896)
Net cash used in investing activities	**$**	**109,613**	$	23,312	$	(86,301)
Net cash used in financing activities	**$**	**24,016**	$	38,569	$	14,553

Net Cash Generated from Operating Activities

Net cash generated from operating activities in 2015 decreased by $27,908 when compared to 2014.

The reduced net cash from operating activities in 2015 resulted from lower operating income and additional net cash required for corporate income tax instalments compared to 2014 when the Company received a tax refund related to a settled tax dispute. These decreases were partially offset with favourable changes in cash provided from working capital.

Net Cash Used in Investing Activities

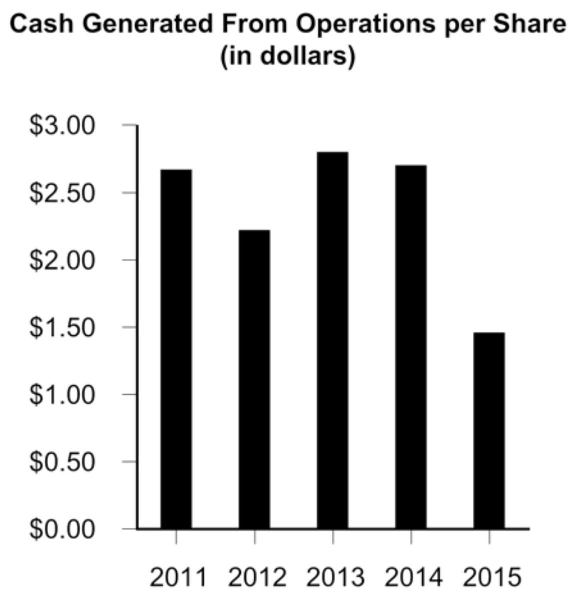
Net cash used in investing activities in 2015 was primarily for the purchase of a used self-unloading bulker, the *Algoma Integrity*, instalments on the two new 650' and five new self unloaders and costs related to life extensions and capitalized dry-dockings costs on certain vessels.

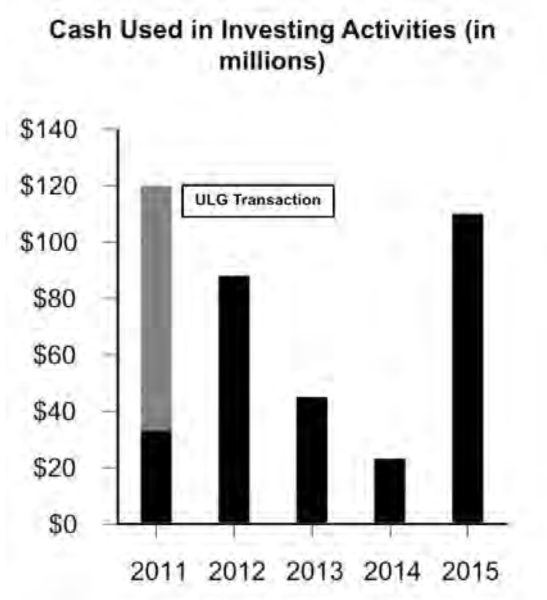
Net cash used in investing activities for 2014 include payments related to the Equinox Class vessels, life extensions and capitalized dry-dockings costs on certain other vessels.

Retired vessels were sold in each of 2015 and 2014 for net proceeds of $3,687 and $385, 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 2015 and 2014.





Capital Resources

Cash and cash equivalents on hand at December 31, 2015 of $210,562, credit facilities and projected cash from operations for 2016 are expected to be more than sufficient to meet the Company's planned operating and capital requirements and other contractual obligations for the year.

The Company maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. The total authorized credit facilities at December 31, 2015 with the Company's bank syndicate consisted of a $150,000 revolving facility of which $147,975 was available at December 31, 2015.

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.

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

There are three unlicensed bargaining units of shipboard employees. The Seafarers' International Union (SIU) represents two unlicensed employee bargaining units and the Canadian Maritime Union, a unit of Unifor, represents one unlicensed employees bargaining unit.

The collective bargaining agreement with one bargaining unit of the SIU was renewed in 2015 and will expire on July 31, 2018. The second collective bargaining agreement with the SIU will expire on May 31, 2016.

The collective agreement with Unifor expired on March 31, 2015 and bargaining is underway to renew the collective agreement.

Algoma Ship Repair

The collective agreement between Algoma Ship Repair and its hourly paid workers, who are represented by the United Steelworkers, expired on May 31, 2015 and was renewed for a three year period. This agreement will now expire on May 31, 2018.

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 expired on July 5, 2015 and was renewed for a three-year term. This agreement will now expire on July 5, 2018.

Contingencies

For information on contingencies, please refer to Notes 23 and 24 of the consolidated financial statements for the years ending December 31, 2015 and 2014. There have been no significant changes in the items presented since December 31, 2014.

Transactions with Related Parties

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

There were no transactions with related parties in 2015 and 2014.

Three-Month Results Ending December 31, 2015 and 2014

	2015	2014	Favourable (Unfavourable)
Revenues			
Domestic Dry-Bulk	**$ 92,081**	$ 106,567	$ (14,486)
Product Tankers	**16,426**	25,221	(8,795)
Ocean Shipping	**10,663**	9,858	805
	$ 119,170	$ 141,646	$ (22,476)

		2015		2014		Favourable (Unfavourable)
Operating earnings net of income tax						
Domestic Dry-Bulk	**$**	**6,531**	$	16,221	$	(9,690)
Product Tankers						
Operating earnings, net of income tax		**788**		4,916		
Impairment reversal on vessel		**—**		10,302		
		788		15,218		(14,430)
Ocean Shipping		**2,273**		3,321		(1,048)
		9,592		34,760		(25,168)
Not specifically identifiable to segments						
Net gain on translation of foreign-denominated monetary assets and liabilities		**558**		(28)		586
Interest expense, net		**(3,765)**		(2,568)		(1,197)
Interest income		**324**		273		51
Income tax recovery		**2,264**		1,785		479
Net earnings from continuing operations	**$**	**8,973**	$	34,222	$	(25,249)
Basic earnings per common share	**$**	**0.23**	$	0.88	$	(0.65)

The Company is reporting revenues for the 2015 fourth quarter of $119,170 compared to $141,646 for the fourth quarter of 2014 with decreases reported in all three business segments.

The segment earnings after income taxes were $9,592 for the 2015 fourth quarter compared to $34,760 for 2014. 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 $24,458.

All business segments experienced decreased earnings in 2015. The results of the Domestic Dry-Bulk segment decreased due to fewer operating days as a result of softer demand in the iron and steel sector, an increase in depreciation expense and higher maintenance costs. Product Tanker results were lower due to reduced customer demand and higher maintenance costs. Ocean Shipping results were lower due to reduced pool earnings.

The net earnings and basic earnings per share from continuing operations were $8,973 and $0.23, respectively, compared to $34,222 and $0.88, respectively, for the same period last year.

Critical Accounting Estimates

The Company'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 Company's reported financial position or results of operations.

Employee Future Benefits

The Company 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 Company in calculating such amounts. Those assumptions are disclosed in Note 16 to the Company’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 16 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 Company’s reported employee future benefit obligations and future expense.

Property, Plant, and Equipment

The Company reviews the depreciation periods of property, plant and equipment on a regular basis for changes in estimated useful lives. The Company 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 Company’s accounting policy.

Change in Accounting Estimates

Employee Future Benefits

For 2015 the the Company decreased its assumed discount rate for purposes of calculating the net interest cost included in the net benefit cost incurred from 4.7% to 3.9%. The discount rate for valuing the accrued benefit obligations at both December 31, 2015 and 2014 was 3.9%.

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.

Depreciation

The accounting policy for vessels 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 less costs incurred to ready the vessel for occupancy. The remaining useful life and residual value of the vessels are reviewed at least annually and depreciation for remaining future periods is adjusted accordingly.

The review of the remaining useful life of the vessels is based on their age, the expected cost of dry-docking and the daily operating costs. As a result of the review in 2015 two vessels were retired early and the Company has recorded accelerated depreciation totalling $3,300 in the fourth quarter.

New Accounting Standards Not Yet Applied

Joint Arrangements

The amendments to IFRS 11 *Joint Arrangements* (IFRS 11) provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3, *Business Combinations* (IFRS 3). The amendment is effective for annual periods beginning on or after January 1, 2016. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

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 Company'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 Company 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 Company 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 Company's management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), have evaluated the operating effectiveness of the Company'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 Company's internal controls over financial reporting as of December 31, 2015. Based on this assessment, the CEO and CFO have concluded that the Company's internal controls over financial reporting are operating effectively as of December 31, 2015. Management determined that there were no material weaknesses in the Company's internal controls over financial reporting as of December 31, 2015. There have been no changes in the Company's internal controls over financial reporting during the year ended December 31, 2015, 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, 2015, an evaluation of the effectiveness of the design and operation of the Company'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 Company's disclosure controls and procedures are effective as of December 31, 2015, to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

Derivative Financial Instruments

The Company has hedged part of its investments in foreign subsidiaries against its foreign denominated long-term debt. At December 31, 2015, the net investment in U.S. dollar foreign subsidiaries was $81,873 and the amount used as a hedge was $75,000 U.S. dollars.

The Company also utilizes 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 the Canadian flag domestic dry-bulk fleet.

The Company also utilizes foreign exchange forward contracts to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders.

As of December 31, 2015 the Company had a Euro denominated foreign exchange forward contract outstanding with a notional principal and fair value of $7,147 (2014 - nil). The contract matures on December 1, 2017.

Return on Capital Employed (ROCE)

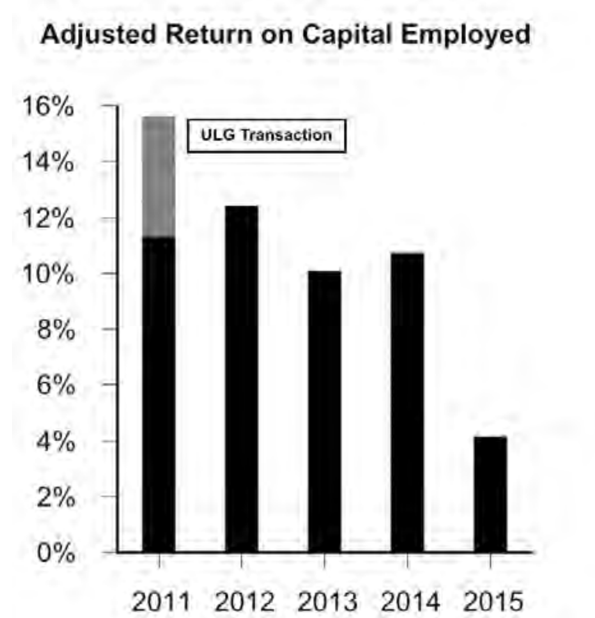
The Company's Board of Directors reviews the ROCE target on an annual basis.

The returns on capital employed over the last five years of the Company ranged from 2.9% to 8.2%.

The Company 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 2015 was 4.1% versus 10.7% for 2014 and it has averaged 9.7% over the five years ended December 31, 2015. The decrease in the AROCE for 2015 was due primarily to a decrease in the after tax operating earnings of the business segments.

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



Contractual Obligations

The table below provides aggregate information about the Company's contractual obligations at December 31, 2015 that affect the Company'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	$ 1,448	$ 68,975	$ —	$ 178,800	$ 249,223
Capital asset commitments	194,951	242,895	—	—	437,846
Dividends payable	527	—	—	—	527
Interest payments on long-term debt	13,583	24,061	18,888	6,697	63,229
Employee future benefit payments	1,150	2,300	1,150	—	4,600
	$ 211,659	$ 338,231	$ 20,038	$ 185,497	$ 755,425

The capital asset commitments relate to the contracts in place for the construction of two new Equinox Class 650' self-unloaders, five Equinox Class 740' self-unloaders, the acquisition of two ocean going panamax size self-unloaders and a 50% interest in a handymax size ocean going self unloader. The two 650' Equinox self-unloaders are expected to be delivered in 2017 and 2018 is targeted for the delivery of the five 740' Equinox self-unloaders.

Risks and Uncertainties

The following section describes both general and specific risks that could affect the Company's financial performance. The risks described below are not the only risks facing the Company. Additional risks and uncertainties that are not currently known or that are currently considered immaterial may also materially and adversely affect the Company'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 Company 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 Company'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 Company believes it offers fair and competitive compensation packages and does not expect service interruptions.

Partnering

The Company operates a portion of its business jointly with third parties. Partnerships are seen by the Company 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 Company 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 Company 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 Company's high performance standards are applied consistently. Agents not performing to the expectations of the Company could have a significant impact on the reputation and financial results of the Company. The Company takes great care in ensuring the performance of parties selected to perform outsourced services on its behalf match its high quality standards. The Company deals with leading international companies for these services.

Service Failure

The Company'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 Company 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 Company 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 Company 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 Company's ability to replace existing assets and expand the business. The Company has remaining commitments with two shipyards of U.S. $254,793 for the construction of seven Equinox Class vessels with delivery dates currently estimated to extend through 2018. These vessels are important to the modernization and service capacity of its fleet and to the business strategy of the Company. The Company 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 Company holds refund guarantees from the shipyard's bankers for instalments made by the Company.

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 has been secured with 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 Company strives to differentiate itself from the competition with superior customer service, having vessels suited to each customer's needs and maintaining a 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 Company 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 Company 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 Company 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 Company 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 Company's future operations and profitability.

The Company'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 Company's highly efficient Equinox Class ships are equipped with exhaust gas scrubbers designed to satisfy the air emission rules. The Company'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 Company.

Monitoring, reporting and verification (MRV) 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 Company'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 Company. The Company 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 Company'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 Company 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 Company 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 Company'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 Company has no control over, could have a significant impact on the future operations and profitability of the domestic dry-bulk vessels and product tankers. At the end of 2015, water levels on the Great Lakes were above the long term average for the second year in a row after a decade of below average water levels. According to the U.S. Army Corp of Engineers, preliminary precipitation estimates for the Great Lakes region was above average in January and, in their latest six month forecast, the prediction is water levels are to track above the long term average similar to those experienced during the same period in 2015.

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

Foreign Exchange

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

The Company has significant commitments due for payment in U.S. dollars and Euros. The Company 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. The risks associated with exposure to the Euro are managed with foreign contracts.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from its customers. The Company 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 Company from realizing sufficient investment returns to fund the defined benefit pension plans at existing levels. Any increase in the regulatory funding requirements for the Company’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 Company 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 Company is a party to judicial, arbitration, or similar proceedings either as claimant or as respondent. Although the Company 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 Company. 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 Company.

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 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 review the financial statements in this report and recommended that they be approved by the Board of Directors.

Ken Bloch Soerensen
President and Chief Executive Officer
February 19, 2016

Peter D. Winkley, CPA, CA
Vice President, Finance and Chief Financial Officer
February 19, 2016

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, 2015 and December 31, 2014 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 then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 judgement, 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, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
February 22, 2016

Consolidated Statements of Earnings
Years ended December 31, 2015 and 2014
(In thousands of dollars, except per share data)

	Notes		2015		2014
Revenue	**26**	**$**	**413,493**	$	473,446
Expenses					
Operations	**26**		**327,222**		357,615
General and administrative			**26,313**		23,831
			353,535		381,446
			59,958		92,000
Depreciation of property, plant, and equipment	**13**		**(44,907)**		(39,255)
Net gain on cancellation of shipbuilding contracts	**7**		**13,567**		—
Impairment (expense) reversal	**13**		**(937)**		6,302
Interest expense	**8**		**(13,280)**		(10,139)
Interest income			**1,270**		320
Net gain on foreign currency translation	**9**		**3,789**		885
			19,460		50,113
Income Tax Expense	**10**		**(4,266)**		(7,351)
Net Earnings of Joint Venture	**6**		**5,875**		6,215
Net Earnings from Continuing Operations		**$**	**21,069**	$	48,977
Net Earnings from Discontinued Operations	**12**		**4,702**		3,788
Net Earnings		**$**	**25,771**	$	52,765
Basic Earnings per Share					
Continuing operations	**19**	**$**	**0.54**	$	1.26
Discontinued operations		**$**	**0.12**	$	0.10
		$	**0.66**	$	1.36
Diluted Earnings per Share					
Continuing operations	**19**	**$**	**0.54**	$	1.21
Discontinued operations		**$**	**0.12**	$	0.10
		$	**0.66**	$	1.31

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Earnings
Years ended December 31, 2015 and 2014
(In thousands of dollars)

	2015	2014
Net Earnings	**$ 25,771**	$ 52,765
Other Comprehensive Earnings		
Items that may be subsequently reclassified to net earnings:		
Unrealized gain on translation of financial statements of foreign operations	**8,079**	10,145
Unrealized gain (loss) on hedging instruments, net of income tax	**300**	(28)
Foreign exchange gains on purchase commitment hedge reserve transferred to:		
Net earnings	**(13,444)**	—
Property, plant, and equipment	**(1,339)**	(819)
Items that will not be subsequently reclassified to net earnings:		
Employee future benefits		
Actuarial gain (loss), net of income tax	**824**	(6,153)
	(5,580)	3,145
Comprehensive Earnings	**$ 20,191**	$ 55,910

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheet
December 31, 2015 and 2014
(In thousands of dollars)

	Notes	December 31 2015	2014
Assets			
Current			
Cash	29	$ 210,562	$ 256,896
Accounts receivable	11	47,744	66,631
Materials and supplies		7,330	9,810
Prepaid expenses		3,493	5,016
Income taxes recoverable		13,461	3,397
Assets of discontinued operations held for sale	12	82,665	—
		365,255	341,750
Employee Future Benefits	16	2,406	1,439
Property, Plant, and Equipment	13	513,140	530,726
Goodwill		7,910	7,910
Other Assets	14	85,699	—
Investment Properties		—	78,493
Investment in Joint Venture	6	14,395	13,737
		$ 988,805	$ 974,055
Liabilities			
Current			
Accounts payable and accrued charges	15	$ 49,594	$ 65,491
Dividends payable		527	1,242
Current portion of long-term debt	17	1,448	—
Liabilities of discontinued operations held for sale	12	10,218	—
		61,787	66,733
Deferred Income Taxes	10	42,602	53,143
Employee Future Benefits	16	23,258	23,325
Long-Term Debt	17	242,548	223,755
		308,408	300,223
Commitments	23	—	—
Shareholders' Equity			
Share Capital	19	8,344	8,319
Contributed Surplus		11,917	11,917
Convertible Debentures	18	4,630	4,632
Accumulated Other Comprehensive Earnings	20	4,685	11,089
Retained Earnings		589,034	571,142
		618,610	607,099
		$ 988,805	$ 974,055

See accompanying notes to the consolidated financial statements.

Approved by the Board

Harold S. Stephen, Director

Duncan N. R. Jackman, Director

Consolidated Statements of Changes in Equity
December 31, 2015 and 2014
(In thousands of dollars)

	Share capital	Contributed Surplus and Convertible debentures	Accumulated Other Comprehensive (Loss) Earnings (Note 20)	Retained Earnings	Total Equity
Balance at December 31, 2013	$ 8,319	$ 16,549	$ 1,791	$ 534,427	$ 561,086
Net earnings	—	—	—	52,765	52,765
Dividends	—	—	—	(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
Net earnings	—	—	—	25,771	25,771
Dividends	—	—	—	(9,917)	(9,917)
Other comprehensive (loss) earnings	—	—	(6,404)	824	(5,580)
Conversion of debentures	25	(2)	—	—	23
Refundable dividend tax on hand	—	—	—	1,214	1,214
Balance at December 31, 2015	$ 8,344	$ 16,547	$ 4,685	$ 589,034	$ 618,610

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows
Years ended December 31, 2015 and 2014
(In thousands of dollars)

	Notes	2015	2014
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net earnings from continuing operations		**$ 21,069**	$ 48,977
Earnings of joint venture	6	**(5,875)**	(6,215)
Dividends received from joint venture		**6,666**	6,381
Items not affecting cash			
Depreciation of property, plant, and equipment	13	**44,907**	39,255
Net gain on foreign currency translation	9	**(3,789)**	(885)
Income tax expense	10	**4,266**	7,351
Interest expense	8	**13,280**	10,139
Gain on cancellation of shipbuilding contracts	7	**(13,567)**	—
Net impairment expense (reversal)	13	**937**	(6,302)
Gain on sale of property, plant, and equipment		**(589)**	(62)
		67,305	98,639
Net change in non-cash operating working capital	21	**9,664**	2,008
Income taxes paid		**(17,743)**	(1,949)
Employee future benefits paid		**(1,475)**	(1,051)
Net cash generated from operating activities		**57,751**	97,647
Investing			
Additions to property, plant, and equipment	26	**(113,300)**	(23,697)
Proceeds on sale of property, plant and equipment		**3,687**	385
Net cash used in investing activities		**(109,613)**	(23,312)
Financing			
Interest paid		**(14,569)**	(14,174)
Proceeds (repayment) of long-term debt		**1,448**	(13,500)
Dividends paid		**(10,895)**	(10,895)
Net cash used in financing activities		**(24,016)**	(38,569)
Net Change in Cash from Continuing Operations		**(75,878)**	35,766
Cash Provided from (used in) Discontinued Operations		**6,970**	(5,247)
Net Change in Cash		**(68,908)**	30,519
Effects of Exchange Rate Changes on Cash Held in Foreign Currencies		**22,574**	10,115
Cash, Beginning of Period		**256,896**	216,262
Cash, End of Period		**$ 210,562**	$ 256,896

See accompanying notes to the consolidated financial statements.

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Algoma Central Corporation (the “Company”) is incorporated in Canada and is listed on the Toronto Stock Exchange. The address of the Company's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The consolidated financial statements of the Company for the years ended December 31, 2015 and 2014 comprise the Company, its subsidiaries and the Company'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 jointly controlled entity is Marbulk Canada Inc. (50%)("Marbulk"). 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, 2015, Algoma Shipping Ltd.’s proportionate share of the Pool was 10% (2014 - 10%). The Company holds indirectly a further 3% in the Pool through Marbulk.

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 Company's Canadian flag fleet consists of eighteen self-unloading dry-bulk carriers, six gearless dry-bulk carriers and seven product tankers. The Company also has seven construction contracts for Equinox Class vessels for domestic dry-bulk service.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Company's 24 – 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 four 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.

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 two self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide trades.

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

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

2. STATEMENT OF COMPLIANCE

The Company 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 and all amounts are reported in thousands of Canadian dollars except for share data unless otherwise noted.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on February 19, 2016.

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 Company:

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company 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.

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

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 Company has assessed its interests in joint arrangements in order to classify them as either joint operations or joint ventures. When making the assessment, the Company 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 Company has concluded that its interests in the joint arrangements are joint ventures and has accounted for these using the equity method.

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 Company initially estimates to be 25 to 30 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 less costs incurred to ready the vessel for disposal. 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 Company'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 labour cost to effect replacements and repairs, the cost of parts and materials used, cost of travel, lodging and supervision of the Company's personnel, and the cost of 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.

Impairment of Long-Lived Assets

At the end of each reporting period, the Company 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 Company 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 Company'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 Company’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 Company’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.

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 Company, and the costs incurred and costs to complete the transaction can be measured reliably.

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 Company 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 Company's foreign operations whose functional currency is not the Canadian dollar, 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 Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 Company 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 Consolidated Statements 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 defined benefit obligation and the expected return on defined benefit 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 Company recognizes the related restructuring costs.

The Company'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 and deferred 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 Company'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 income. 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 Company 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 Company becomes a party to the contractual provisions of the instrument.

The Company’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 Company’s designation of such instruments.

The Company 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 Company 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 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 Company, including its interests in joint arrangements, may enter into a variety of derivative financial instruments to manage its exposure to changing fuel prices, 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 into 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 Company has elected to apply hedge accounting to its net investment in foreign subsidiaries with foreign denominated debt and its purchase commitments for shipbuilding contracts with foreign denominated cash.

At inception of the hedge relationship, the Company 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 Company documents whether the hedging instrument is highly effective in offsetting the changes in cash flows of the hedged item attributable to the hedged risk.

The hedge 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.

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 net of amounts transferred out of comprehensive earnings, 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 JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, 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 Company evaluates the carrying values of the long-lived assets which include property, plant, and equipment (made up primarily of vessels), goodwill, and real estate 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 Company 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 recognized shipbrokers 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 Company to make various estimates including future freight rates, earnings from the vessels, and discount rates. The carrying values of the Company'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 less any costs expected to be required to prepare the vessel for scrapping. The useful lives and residual value of the vessels are reviewed at least each financial year-end.

Provisions

The Company recognizes provisions when it has a present obligation, legal, or constructive. The amount recognized is the Company'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 Company's ability to utilize the underlying future tax deductions against future taxable income before they expire.

The Company is subject to taxation in several jurisdictions. Significant judgement 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 Company 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 Company 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, analysis 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.

5. NEW ACCOUNTING STANDARDS NOT YET APPLIED

Joint Arrangements

The amendments to IFRS 11 *Joint Arrangements* (IFRS 11) provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3, *Business Combinations* (IFRS 3). The amendment is effective for annual periods beginning on or after January 1, 2016. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

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 Company'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, 2018. 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 Company 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 Company is currently evaluating the impact of these three new standards.

6. INTERESTS IN JOINT VENTURE

The Company has a 50% interest in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement. The Company also has a 50% interest in Seventy-Five Corporate Park Drive Ltd. which owns an office building and as of December 31, 2015 has been reclassified as an asset held for sale. The comparative periods have been restated in the period in accordance with IFRS 5.

The revenues, expenses and net earnings of Marbulk Canada Inc. for the twelve months ended December 31, 2015 and 2014 are as follows:

	2015	2014
Revenue	**$ 34,622**	$ 40,138
Operating expenses	**(19,282)**	(25,901)
Gain on sale of vessels	**482**	693
General and administrative	**(640)**	(546)
Depreciation	**(3,482)**	(2,780)
Earnings before income taxes	**11,700**	11,604
Income tax recovery	**50**	826
Net earnings	**$ 11,750**	$ 12,430
Company share of net earnings	**$ 5,875**	$ 6,215

The assets and liabilities of the jointly controlled operations at December 31, 2015 and 2014 are as follows:

	December 31	
	2015	2014
Cash	**$ 7,958**	$ 4,390
Other current assets	**2,498**	3,592
Income taxes recoverable	**52**	—
Property, plant and equipment	**20,998**	21,924
Investment property	**—**	3,166
Deferred tax asset	**138**	—
Accounts payable and accrued charges	**(2,337)**	(2,624)
Income taxes payable	**(517)**	(194)
Deferred income taxes	**—**	(4,458)
Net assets of jointly controlled operations	**$ 28,790**	$ 25,796

The Company's net investment at December 31, 2015 and 2014 are as follows:

	December 31	
	2015	2014
Seventy-Five Corporate Park Drive Ltd.	**$ —**	$ 1,862
Marbulk Canada Inc.	**14,395**	11,875
	$ 14,395	$ 13,737

Cash flow information of Marbulk Canada Inc. for the twelve months ended December 31, 2015 and 2014 is as follows:

	2015	2014
Net earnings	**$ 11,750**	$ 12,432
Net cash generated from (used in) operating activities	**2,563**	(4,962)
Net cash generated from sale of vessels	**2,260**	3,355
Distributions to owners	**(13,332)**	(12,762)
Increase (decrease) in cash	**3,241**	(1,937)
Impact of foreign exchange on opening cash	**763**	452
Cash, beginning of year	**3,954**	5,439
Cash, end of year	**$ 7,958**	$ 3,954
Company share of cash, end of year	**$ 3,979**	$ 1,977

7. GAIN ON CANCELLATION OF SHIPBUILDING CONTRACTS

The Company entered into contracts in 2010 and 2011 to construct a total of six Equinox Class dry-bulk vessels.

The Company took delivery of two gearless dry-bulk ships, the *Algoma Equinox* in 2013 and the *Algoma Harvester* in 2014. The remaining four ships, all self-unloaders, were expected to be delivered in 2015 and 2016. Although progress on this construction project had been slower than anticipated, the Company still intended to take delivery of the vessels, provided the Shipyard, Nantong Mingde Heavy Industry Co., Ltd., met its contractual obligations.

On December 26, 2014, the Shipyard entered a court ordered bankruptcy restructuring process. This process was initiated by Sainty Marine Co. Ltd., which is both the largest creditor of the Shipyard and also the seller of record under certain of the ship building contracts held by the Company. All monies paid by the Company against these shipbuilding contracts are supported by refund guarantees issued by Chinese state banks.

During the second quarter of 2015, after consultation with counsel and meeting with the restructuring administrator of the Shipyard, Management concluded it is unlikely the restructuring process was going to succeed and therefore advised the Shipyard it no longer intended to take delivery of the four vessels. On July 31, 2015, the Tongzhou Court overseeing the bankruptcy, ordered a termination of the reorganization proceedings and a compulsory wind-up of the Shipyard.

The Company issued formal cancellation notices on the four contracts and deposits made to the Shipyard totalling U.S. $65,760 have been re-classified from property, plant, and equipment to other assets (see Note 14).

The Company has recognized a net gain for the year ended December 31, 2015 of $9,972 (2014 - nil) consisting of the following items:

		2015
Write-off of capitalized costs relating to ship construction	$	**(4,406)**
Gain on currency on conversion of amounts designated as a purchase commitment hedge of future construction payments		**18,300**
Ongoing costs related to the cancellation		**(327)**
Net gain on cancellation of shipbuilding contracts		**13,567**
Income tax expense		**(3,595)**
	$	**9,972**

8. INTEREST EXPENSE

The components of interest expense are as follows:

		2015		2014
Interest expense on borrowings	**$**	**14,960**	$	14,174
Amortization of financing costs		**1,049**		1,862
Interest on employee future benefits, net		**951**		608
Interest capitalized on vessels under construction		**(3,680)**		(6,505)
	$	**13,280**	$	10,139

The interest capitalized on vessels under construction relates to interest incurred on payments made to various shipyards for the construction of Equinox vessels. The capitalization of interest related to payments made to the Nantong Mingde Shipyard ceased in the 2015 second quarter with the cancellation of the shipbuilding contracts (Note 7).

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

9. NET GAIN ON FOREIGN CURRENCY TRANSLATION

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

		2015		2014
Gain on return of capital from foreign subsidiary	**$**	**1,575**	$	590
Gain on market-to-market for derivatives that are not eligible for hedge accounting		**—**		340
Total gain on U.S. cash		**20,623**		9,643
Portion of the gain on U.S. cash recorded in gain on cancellation of shipbuilding contracts		**(8,689)**		—
Portion of the gain on U.S. cash recorded in Other Comprehensive Earnings		**(9,720)**		(9,603)
Other		**—**		(85)
	$	**3,789**	$	885

The Company designates 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. In June, 2015, the cash hedge against the U.S. dollar purchase commitments with the Nantong Mingde Shipyard. became ineffective as a result of the cancellation of the shipbuilding contracts (see Note 7). Gains and losses on the translation of the U.S. dollar cash from the date on which the respective hedges were designated to the date on which the hedge ceased to be so designated, were initially recorded in other comprehensive earnings.

As of July 1, 2015, the Company re-designated its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments for two new Equinox Class 650' self unloaders with a Croatian shipyard. Gains and losses on the translation of the U.S. dollar cash from the date on which these respective hedges were designated to the end of the financial reporting period are being recorded in other comprehensive earnings.

See Note 25 for the Company's hedge accounting policies relating to foreign currency translation gains and losses on long-term debt and U.S. cash.

10. INCOME TAXES

The components of the income tax expense are as follows:

		2015		2014
Current tax expense	**$**	**6,576**	$	14,008
Deferred tax expense		**(2,310)**		(6,657)
	$	**4,266**	$	7,351

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

		2015		2014
Combined federal and provincial statutory income tax rate		**26.5%**		26.5%
Earnings from continuing operations	**$**	**19,460**	$	50,113
Expected income tax expense	**$**	**5,157**	$	13,280
Increase (decrease) resulting from:				
Effect of items that are not deductible (taxable)		**28**		(661)
Foreign tax rates different from statutory rate		**(1,624)**		(5,492)
Adjustment of prior years taxes on filing		**637**		357
Other		**68**		(133)
	$	**4,266**	$	7,351

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

		2015		2014
Unrealized gains on hedging instruments	**$**	**2,193**	$	999
Actuarial gains (losses) on employee future benefits		**298**		(2,219)
	$	**2,491**	$	(1,220)

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

December 31, 2015	Opening balance	Recognized in earnings	Recognized in other comprehensive earnings	Closing balance
Deferred tax liabilities (assets)				
Partnership profits	$ 11,464	$ (5,095)	$ —	$ 6,369
Property, plant and equipment	43,997	(153)	—	43,844
Employee future benefits	(5,555)	(50)	298	(5,307)
Foreign exchange differences	(2,324)	(1,555)	(383)	(4,262)
Losses for tax purposes	(4,849)	2,397	—	(2,452)
Convertible debentures	913	(258)	—	655
Tax allowances, provisions and other	3,225	530	—	3,755
	$ 46,871	$ (4,184)	$ (85)	$ 42,602

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
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	4,147	(102)	(820)	3,225
	55,661	(5,751)	(3,039)	46,871
Investment properties	3,874	2,398	—	6,272
	$ 59,535	$ (3,353)	$ (3,039)	$ 53,143

11. ACCOUNTS RECEIVABLE

	December 31	
	2015	2014
Due from customers	**$ 39,700**	$ 54,067
Accrued revenue on voyages in process	**2,406**	5,970
Government related	**1,823**	2,771
Other	**3,815**	3,823
	$ 47,744	$ 66,631

12. ASSETS OF DISCONTINUED OPERATIONS HELD FOR SALE

In November 2015, the Company announced its decision to sell its investment properties comprising commercial, retail and other buildings. Investment properties held for sale are classified as assets held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Assets of discontinued operations held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Assets of discontinued operations held for sale are classified as held for sale when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The results of discontinued operations, net of tax, are presented separately from the results of continuing operations in the consolidated statements of earnings. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the consolidated statements of cash flows. All comparative periods are restated in the period that a component is classified as a discontinued operation.

The decision to sell the investment properties is a result of a review of the strategic objectives of the Company and a decision to focus the Company's capital on domestic and international shipping opportunities. Marketing of the properties has begun and it is expected the properties will be sold within twelve months. The fair value of the properties based on a third party appraisal is $165,400.

The operating results from the discontinued operation for the twelve months ended December 31, 2015 and 2014 are as follows:

	2015	2014
Revenue	**$ 33,709**	$ 31,749
Operating expenses	**(19,533)**	(18,931)
General and administrative	**(2,212)**	(2,170)
Depreciation	**(5,544)**	(5,441)
Earnings before income taxes	**6,420**	5,207
Income taxes	**1,718**	1,419
Net earnings	**$ 4,702**	$ 3,788

The assets and liabilities of the discontinued operation at December 31, 2015 are as follows. The assets and liabilities of the discontinued operation at December 31, 2014 have not been restated and have been reported as investment properties.

	December 31 2015
Accounts receivable	**$ 1,730**
Materials and supplies	**26**
Prepaid expenses	**157**
Land and buildings	**80,752**
Total assets	**$ 82,665**
Accounts payable and accrued charges	**3,867**
Deferred income taxes	**6,351**
Total liabilities	**$ 10,218**

The cash flows from the discontinued operation for the twelve months ended December 31, 2015 and 2014 are as follows:

	2015	2014
Net cash generated from operating activities	**$ 12,814**	$ 7,293
Net cash used in investing activities	**(5,844)**	(12,540)
Cash provided from (used in) discontinued operation	**$ 6,970**	$ (5,247)

13. 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, 2014	$ 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 at December 31, 2014	$ 754,609	$ 235,127	$ 88,228	$ 1,077,964
Additions	111,194	459	4,204	115,857
Disposals	(8,060)	(11,122)	—	(19,182)
Cancellation of shipbuilding contracts (Note 7)	(90,105)	—	—	(90,105)
Fully depreciated assets no longer in use	(6,156)	(961)	(2,180)	(9,297)
Impairment on parts and spares	(7,016)	—	—	(7,016)
Effect of foreign currency exchange differences	(5,349)	(1,442)	16,504	9,713
Balance December 31, 2015	$ 749,117	$ 222,061	$ 106,756	$ 1,077,934

Accumulated depreciation	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at January 1, 2014	$ 383,459	$ 98,262	$ 29,513	$ 511,234
Depreciation expense	25,066	9,484	4,705	39,255
Disposals	(2,651)	(409)	—	(3,060)
Impairment reversal	—	(10,302)	—	(10,302)
Impairment on parts and spares	4,000	—	—	4,000
Effect of foreign currency exchange differences	1,801	922	3,388	6,111
Balance at December 31, 2014	$ 411,675	$ 97,957	$ 37,606	$ 547,238
Depreciation expense	29,240	10,161	5,506	44,907
Disposals	(5,815)	(10,377)	—	(16,192)
Fully depreciated asses no longer in use	(6,156)	(871)	(2,180)	(9,207)
Impairment on parts and spares	(6,079)	—	—	(6,079)
Effect of foreign currency exchange differences	(2,294)	(680)	7,101	4,127
Balance December 31, 2015	$ 420,571	$ 96,190	$ 48,033	$ 564,794

Net Book Value	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
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
December 31, 2015				
Cost	$ 749,117	$ 222,061	$ 106,756	$ 1,077,934
Accumulated depreciation	420,571	96,190	48,033	564,794
	$ 328,546	$ 125,871	$ 58,723	$ 513,140

Net book value at December 31, 2015 includes capitalized dry-docking costs of $35,249 (2014 – $30,643) and accumulated depreciation of $19,228 (2014 – $20,690).

Depreciable assets at December 31, 2015 includes progress payments on seven Equinox Class vessels totalling $58,566 (2014 - nil). Depreciable assets at December 31, 2014 include progress payments on four Nantong Mingde Shipyard vessels totalling $89,132 (Note 14). Depreciation on the seven Equinox Class vessels under construction is expected to commence at various dates throughout 2017 and 2018. The Company capitalized $725 of interest in 2015 (2014 - nil) related to these vessels. The interest rate used for the capitalization of interest is based on the Company's effective rate on long-term debt of 6.34% in 2015 (2014 – 6.34%).

Impairment losses and reversals

For the year ended December 31, 2015 an impairment loss of $937 was recognized and for the year ended December 31, 2014 a net impairment reversal of $6,302 was recognized. The impairment losses and reversals consisted of the following.

Impairment losses of $937 and $4,000 in 2015 and 2014, respectively, were recognized on certain major vessel parts and spares that the Company deemed to be surplus. The Company has determined that they are impaired as use of these vessel components on the Company's vessels is not economically feasible and no resale market exists. 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 U.S. $13,500 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 it 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.

14. OTHER ASSETS

Other assets consist of the following:

		December 31 2015
Capitalized construction payments made to Nantong Mingde Shipyard	$	67,369
Interest related to construction payments		18,330
	$	85,699

The Company has a claim against Nantong Mingde Heavy Industries Co., Ltd. for the return of U.S. $65,760 of instalment payments on cancelled construction contracts. Under IFRS, at year-end these claims did not meet the standard for recognition as a financial instrument as a result of the ongoing arbitration, and consequently, the asset is carried at its historic book value as set out above. As at the balance sheet date, the estimated recoverable amount of these claims, which includes the amount of the deposits plus accrued interest and translated to its Canadian dollar equivalent value is $115,220. These instalments and the associated accrued interest are supported by guarantees issued by Chinese state banks.

15. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	December 31			
		2015		2014
Due to suppliers and accrued charges	$	43,271	$	59,040
Accrued interest on long-term debt		5,356		4,963
Commodity taxes payable		502		1,488
Other		465		—
	$	49,594	$	65,491

16. EMPLOYEE FUTURE BENEFITS

Plan Descriptions

The Company 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 Company.

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 Company also provides other unfunded post-retirement benefits including life insurance and health care to certain employees.

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

The Company 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, 2015 and January 1, 2014. The next required valuation for the defined benefit plans will be as of January 1, 2016 and January 1, 2017.

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

	Pension Plans		Other Benefit Plans	
	2015	2014	**2015**	2014
Discount rate used for estimating accrued benefit obligation	**3.9%**	3.9%	**3.9%**	3.9%
Discount rate used for estimating net interest cost included in net benefit cost incurred	**3.9%**	4.7%	**3.9%**	4.7%
Rate of compensation increases	**3.5%**	3.5%	**3.5%**	3.5%
Mortality assumption	CPM 2014 Private Table with 2D Projection	CPM 2014 Private Table with 2D Projection	CPM 2014 Private Table with 2D Projection	CPM 2014 Private Table with 2D Projection

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.

The Company's growth rate of health care costs was estimated at 6.0% (2014 – 6.5%), 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 2015:

	Increase	Decrease
Service and interest cost	$ 121	$ (92)
Accrued benefit obligation	$ 1,138	$ (1,111)

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

	2015	2014
Opening balance	**$ (17,450)**	$ (11,297)
Gains (losses) recognized during year, net of income tax	**824**	(6,153)
	$ (16,626)	$ (17,450)

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

	2015	2014
Return on plan assets	**$ 19**	$ 4,028
Actuarial gains arising from changes in mortality assumptions	**423**	1,558
Actuarial gains (losses) gains arising from changes in financial assumptions	**787**	(14,979)
Actuarial (losses) gains arising from experience adjustments	**(107)**	188
Adjustment for restrictions on the defined benefit asset	**—**	833
	1,122	(8,372)
Income tax expense (recovery)	**298**	(2,219)
	$ 824	$ (6,153)

Information, in aggregate, regarding the Company's benefit plans for the years 2015 and 2014 is presented below:

December 31, 2015	Pension Plans	Other Benefit Plans	Total
Present value of benefit obligation	$ 158,562	$ 10,618	$ 169,180
Fair value of plan assets	148,328	—	148,328
Net liability	$ 10,234	$ 10,618	$ 20,852

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

The presentation on the consolidated financial statements of the net liability is as follows:

	December 31	
	2015	2014
Employee future benefit liabilities	**$ 23,258**	$ 23,325
Employee future benefit assets	**2,406**	1,439
Net liability	**$ 20,852**	$ 21,886

The movements in the present value of the fair value of the plan assets and defined benefit obligations is as follows:

2015

Employee Future Benefit Assets	Pension Plans	Other Benefit Plans	Total
Fair value, beginning of year	$ 146,572	$ —	$ 146,572
Expected return on plan assets	5,642	—	5,642
Return on plan assets in excess of expected return	19	—	19
Benefits paid	(8,534)	(620)	(9,154)
Employer contributions to plans	3,738	542	4,280
Employee contributions to plans	891	—	891
Other	—	78	78
Fair value, end of year	$ 148,328	$ —	$ 148,328

Employee Future Benefit Obligations			
Obligations, beginning of year	$ 157,504	$ 10,954	$ 168,458
Employer current service cost	3,186	196	3,382
Employee current service cost	799	—	799
Interest cost	5,944	401	6,345
Benefits paid	(8,535)	(621)	(9,156)
Actuarial losses	(367)	(80)	(447)
Other	—	(201)	(201)
Obligations, end of year	$ 158,531	$ 10,649	$ 169,180

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	754	—	754
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	$ 157,504	$ 10,954	$ 168,458

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

	December 31	
	2015	2014
The Employee Pension Plan of Algoma Central Corporation	**$ 1,610**	$ 160
The Union Employee Pension Plan of Algoma Ship Repair	**796**	1,279
	$ 2,406	$ 1,439

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

	December 31	
	2015	2014
Supplementary Employee Retirement Plan	**$ 12,498**	$ 12,422
Other benefit plans	**10,760**	10,903
	$ 23,258	$ 23,325

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

2015	Pension Plans	Other Benefit Plans	Total
Current service cost	$ 3,186	$ 196	$ 3,382
Interest cost on plan obligations	5,944	401	6,345
Expected return on plan assets	(5,642)	—	(5,642)
Net benefit expense	$ 3,488	$ 597	$ 4,085

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

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

	2015	2014
Short term notes	**$ 11,226**	$ 7,741
Canadian Government bonds	**33,045**	30,265
Canadian corporate bonds	**2,569**	2,838
Canadian equities	**39,785**	42,791
Foreign equities	**63,920**	65,315
Annuities	**5,875**	6,492
	156,420	155,442
Contributions receivable	**—**	(245)
Amount related to defined contribution plans	**(8,092)**	(8,625)
	$ 148,328	$ 146,572

Plan assets do not include any securities of the Company.

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 2015 was 4.7% or $6,809 (2014 - 8.0% or $11,095).

The Company expects to make contributions of $2,951 (2014 - $4,141) 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 $1,649 (2014 - $1,261).

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 $18,546 (increase by $22,775).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $2,219 (decrease by $2,174).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $3,652 (decrease by $3,724).

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, 2015 is 11.2 years (2014: 11.8 years). This number can be analysed as follows:

- active members: 14.5 years (2014: 15.7 years);
- deferred members: 15.6 years (2014: 17.0 years); and
- retired members: 8.4 years (2014: 8.6 years).

17. LONG-TERM DEBT

	December 31	
	2015	2014
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.00%	**$ 66,506**	$ 65,554
Senior Secured Notes (Notes), due July 19, 2021 U.S. $75,000, interest fixed at 5.11%	**103,800**	87,008
Canadian $75,000, interest fixed at 5.52%	**75,000**	75,000
	245,306	227,562
Less unamortized financing expenses	**2,758**	3,807
	242,548	223,755
Current portion: Revolving loan, due July 19, 2016 , U.S. $1,040, interest at U.S. base rate in Canada of 4.00% plus 0.75%	**1,448**	—
	$ 243,996	$ 223,755

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

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

The Company 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, 2015 and 2014 the Company 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	
	2015	2014
Falling due within one year	**$ 1,448**	$ —
Falling due between one and two years	**—**	—
Falling due between two and three years	**66,506**	—
Falling due between three and four years	**—**	65,554
Falling due after five years	**178,800**	162,008
	$ 246,754	$ 227,562

18. CONVERTIBLE DEBENTURES

Each debenture can be converted into common shares of the Company 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 Company 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 Company has the option to repay the principal amount with common shares.

The debentures are redeemable by the Company after March 31, 2014. From March 31, 2014 to March 30, 2016, the Company may redeem the Debentures with notice, in whole or in part, for principal plus accrued interest, provided the Common Shares of the Company 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 Company 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 liability 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 $4,630 (2014 - $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 Company 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.

19. SHARE CAPITAL

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

The Company has 38,913,733 and 38,912,110 common shares outstanding as at December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014 there were no preferred shares issued and outstanding.

The Company's Board of Directors on February 1, 2016 authorized payment of a quarterly dividend to shareholders of $0.07 per common share. The dividend is payable on March 1, 2016 to shareholders of record on February 16, 2016.

The basic and diluted net earnings are computed as follows:

	2015	2014
Net earnings from continuing operations for basic earnings per share	**$ 21,069**	$ 48,977
Interest expense on debentures, net of tax	**4,139**	4,038
Net earnings from continuing operations for diluted earnings per share	**$ 25,208**	$ 53,015
Basic weighted average common shares	**38,912,995**	38,912,110
Shares due to dilutive effect of debentures	**4,478,896**	4,480,519
Diluted weighted average common shares	**43,391,891**	43,392,629
Basic earnings per common share from continuing operations	**$ 0.54**	$ 1.26
Diluted net earnings per common share from continuing operations	**$ 0.54**	$ 1.21

The impact of the convertible debentures is anti-dilutive as at December 31, 2015 and 2014.

20. ACCUMULATED OTHER COMPREHENSIVE EARNINGS

	Hedges				
	Cash flow	Net investment	Purchase commitment (Note 23)	Foreign exchange translation	Total
Balance at 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 at December 31, 2014	$ —	$ (7,840)	$ 7,059	$ 11,870	$ 11,089
(Loss) gain	—	(16,793)	18,417	8,079	9,703
Reclassified to earnings	—		(18,300)		(18,300)
Income tax recovery (expense)	—	2,224	(31)	—	2,193
Net (loss) gain	—	(14,569)	86	8,079	(6,404)
Balance at December 31, 2015	$ —	$ (22,409)	$ 7,145	$ 19,949	$ 4,685

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

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

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

21. SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

The change in non-cash operating working capital for the twelve months ended December 31, 2015 and 2014 is as follows:

	2015	2014
Accounts receivable	$ 16,566	$ (3,792)
Materials and supplies	2,450	629
Prepaid expenses	1,524	(1,483)
Accounts payable and accrued charges	(10,876)	6,654
	$ 9,664	$ 2,008

22. CAPITAL DISCLOSURE

The Company'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 Company will target to maintain a long-term debt to equity ratio of no greater than one-to-one. The Company 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 Company's Board of Directors reviews the ROCE target on an annual basis and it reviews the level of dividends to be paid to the Company'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 Company ranged from 2.9% to 8.2%.

The Company 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 Company 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 $10,000 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 2015 was 4.2% versus 10.7% for 2014 and has averaged 9.7% over the five years ended December 31, 2015.

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

The long-term debt to shareholders' equity ratio at December 31, 2015 and 2014 is as follows:

	December 31	
	2015	2014
Total long-term debt	**$ 246,754**	$ 227,562
Shareholders' equity	**$ 618,610**	$ 607,099
Debt to shareholders' equity ratio	**0.40 to 1**	0.37 to 1

23. COMMITMENTS

The table below reflects the commitments the Company has at December 31, 2015.

Construction of seven Equinox Class vessels	**$ 318,490**
Purchase of ocean-going self-unloaders	**119,356**
Employee future benefit payments	**4,600**
	$ 442,446

Annual expected payments are as follows:

Due in 2016	**$ 196,101**
Due in 2017	**143,469**
Due in 2018	**101,726**
Due in 2019	**1,150**
	$ 442,446

24. CONTINGENCIES

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

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

The Company's financial instruments that are included in the consolidated balance sheets comprise cash, accounts receivable, 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).

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	
	2015	2014
Financial assets carrying and fair value		
Cash	**$ 210,562**	$ 256,896
Accounts receivable	**$ 47,744**	$ 66,631
Financial liabilities carrying and fair value		
Accounts payable and accrued charges	**$ 49,594**	$ 65,491
Carrying value of long-term debt	**$ 246,754**	$ 227,562
Fair value of long-term debt	**$ 263,464**	$ 247,106

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 Company 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 Company 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 Company'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 Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Company 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 Company 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 Company 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 Company believes that the credit risk for accounts receivable is limited since the majority of accounts receivable at December 31, 2015 and 2014 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, 2015 and December 31, 2014 was not significant. The percentage of accounts receivable greater than 60 days past due was 5.7% and 2.7%, for December 31, 2015 and 2014, respectively.

Liquidity risk

The cash on hand, expected cash from operations and existing credit facilities are expected to be sufficient to allow the Company to meet its planned operating and capital requirements and other contractual obligations.

The Company 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, 2015 was $150,000 in a revolving facility. At December 31, 2015, the Company had $147,975 available in the existing credit facility.

Substantially, all of the Company’s wholly owned marine assets were pledged as collateral for the line of credit. The carrying value as of December 31, 2015 of the assets pledged was approximately $512,000. The Company’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, 2015 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 49,594	$ —	$ —	$ —	$ 49,594
Dividends payable	527	—	—	—	527
Long-term debt including equity portion	1,448	68,975	—	178,800	249,223
Interest payments	13,583	24,061	18,888	6,697	63,229
Total	$ 65,152	$ 93,036	$ 18,888	$ 185,497	$ 362,573

Market risk

(a) Fuel prices

The Company 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 Company is exposed to interest rate risk because the Company 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, 2015 and 2014, the Company did not have any significant cash flow exposure to interest rate movements for its outstanding debt, since most off its borrowings have interest rates that have been fixed (Note 17).

(c) Interest rate sensitivity analysis

At December 31, 2015 and 2014 respectively, all of the Company borrowings have interest rates that are fixed, therefore there is minimal exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period.

(d) Foreign currency exchange risk

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

At December 31, 2015 and 2014, approximately 31% and 28%, respectively of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $86,268 and $113,185 at December 31, 2015 and 2014, respectively.

The Company's exposure to foreign currency fluctuations is related to its unhedged cash balances and unhedged net investment in foreign subsidiaries. The Company has hedged part of its investment in the subsidiaries against its foreign denominated long-term debt. At December 31, 2015 and 2014, the net investment in U.S. dollar foreign subsidiaries was U.S. $81,873 and U.S. $124,473, respectively. The amount used as a hedge at December 31, 2015 and 2014 was U.S. $75,000.

The Company has significant commitments due for payment in U.S. dollars. The Company 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 Company mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt.

As of December 31, 2015 the Company had a Euro denominated foreign exchange forward contract outstanding with a notional principal and fair value of $7,147 (2014 - nil). The contract matures on December 1, 2017.

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

Based on the Company'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 $1,021.

Based on the balances at December 31, 2015 and 2014:

- A ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase other comprehensive earnings by $8,629 and $13,161, respectively.

- A ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase total assets by $22,239 and $23,480, 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.

26. SEGMENT DISCLOSURES

The Company operates through three segments; Domestic Dry-Bulk, Product Tankers, and Ocean Shipping.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Company's 24 – 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.

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 two self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide ocean trades.

The following presents the Company's results from continuing operations by reportable segment.

Revenues	**2015**	2014
Domestic Dry-Bulk	**$ 299,553**	$ 337,244
Product Tankers	**75,335**	95,152
Ocean Shipping	**38,605**	41,050
	$ 413,493	$ 473,446

Net Earnings from Continuing Operations	**2015**		2014	
Operating earnings net of income tax				
Domestic Dry-Bulk	**$ (3,480)**		$ 19,112	
Impairment on parts and spares	**(689)**		(2,940)	
Gain on cancellation of shipbuilding contracts	**9,972**	**5,803**	—	16,172
Product Tankers	**10,185**		14,154	
Impairment reversal on vessel	**—**	**10,185**	10,302	24,456
Ocean Shipping		**10,806**		13,648
		26,794		54,276
Not specifically identifiable to segments				
Net gain on foreign currency translation		**3,789**		885
Interest expense		**(13,280)**		(10,139)
Interest income		**1,270**		320
Income tax recovery		**2,496**		3,635
		$ 21,069		$ 48,977

Operating Expenses	**2015**	2014
Domestic Dry-Bulk	**$ 256,020**	$ 268,950
Product Tankers	**46,519**	62,896
Ocean Shipping	**24,683**	25,769
	$ 327,222	$ 357,615

	December 31	
Assets	**2015**	2014
Domestic Dry-Bulk	**$ 466,582**	$ 410,856
Product Tankers	**135,975**	151,596
Ocean Shipping	**77,154**	65,446
Assets of discontinued operations held for sale (2014- Assets of Real Estate segment)	**82,665**	84,429
Total assets allocated to segments	**762,376**	712,327
Not specifically identifiable to segments	**226,429**	261,728
	$ 988,805	$ 974,055

Additions to Property, Plant, and Equipment	**2015**	2014
Domestic Dry-Bulk	**$ 111,194**	$ 24,750
Product Tankers	**459**	582
Ocean Shipping	**4,204**	—
Total per property, plant, and equipment note (Note 13)	**115,857**	25,332
Capitalized interest	**(3,680)**	(6,505)
Amounts included in working capital	**1,123**	4,870
Total per cash flow statement	**$ 113,300**	$ 23,697

Depreciation of Property, Plant, and Equipment	**2015**	2014
Domestic Dry-Bulk	**$ 29,240**	$ 25,067
Product Tankers	**10,161**	9,484
Ocean Shipping	**5,506**	4,704
	$ 44,907	$ 39,255

	December 31	
Liabilities	**2015**	2014
Domestic Dry-Bulk	**$ 39,799**	$ 51,721
Product Tankers	**7,312**	7,312
Ocean Shipping	**2,483**	2,484
Liabilities of discontinued operations held for sale (2014- Liabilities of Real Estate segment)	**10,218**	3,974
Total liabilities allocated to segments	**59,812**	65,491
Not specifically identifiable to segments		
Current liabilities	**1,975**	1,242
Other	**308,408**	300,223
	$ 370,195	$ 366,956

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

The Company's proportionate share of the property, plant, and equipment and revenues from foreign operations at December 31, 2015 and 2014 is as follows:

	December 31	
	2015	2014
Property, plant, and equipment	**$ 58,723**	$ 50,622
Revenues	**$ 38,605**	$ 41,050

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, 2015 and 2014, sales outside of Canada were $129,424 and $131,641, respectively.

The Company had three customers in 2015 and two in 2014 whose revenues exceeded 10% of consolidated revenues. Sales by segment for these customers are as follows:

	2015	2014
Domestic Dry-Bulk	**$ 143,604**	$ 123,141
Product Tankers	**$ 66,962**	$ 85,780

27. COMPENSATION OF KEY MANAGEMENT

The remuneration of directors and other key members of management for the years ending December 31, 2015 and 2014 are as follows:

	2015	2014
Short-term compensation and benefits	**$ 3,486**	$ 3,787
Post-employment benefits	**195**	207
	$ 3,681	$ 3,994

28. RELATED PARTIES

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

There were no transactions with related parties in 2015 and 2014.

29. SUBSEQUENT EVENTS

The following events occurred after the year ended December 31, 2015:

Acquisition of Ocean Going Self-unloaders

The Company announced on November 10, 2015 that its wholly owned subsidiary, Algoma Shipping Ltd., had reached an agreement to purchase two ocean going panama size self-unloaders, the *M.V. Balchen* (renamed the *Algoma Vision*) and the *M.V. Baldock* (renamed the *Algoma Value*).

Marbulk Canada Inc., the Company's 50% owned joint venture, also reached an agreement to acquire the handymax size self-unloader *M.V. Balder* (renamed the *M.V. Venture*).

The acquisition of the three vessels closed in January 2016 for a total consideration of U.S.$96,100. As at December 31, 2015 a deposit held in escrow of U.S. $9,610 had been made towards the total consideration.

Investment in Cement Carriers Business

The Company announced on January 15, 2016 that it had entered into a business venture agreement with Nova Ship Invest SGPS and Nova Marine Holdings SA ("Nova") of Lugano, Switzerland to create a specialized global fleet of pneumatic cement carriers to support infrastructure projects world-wide. The Company, through a foreign subsidiary, will own 50% of the cement carrier business, which is to be named NovaAlgoma Cement Carriers.

Under the terms of the agreement, the Company will acquire a 50% interest in an existing fleet owned by Nova, comprising three pneumatic cement carriers now in operation and two additional vessels under construction. The five vessels are and will be deployed in various regional markets in Asia and Europe.

The investment in the cement carriers business closed in January 2016 for a total consideration of U.S. $22,914. Under the terms of the agreement, the Company also issued guarantees of ship mortgages totalling U.S. $6,525.

Nantong Mingde Shipyard Arbitration Award

On February 16, 2016, the London Arbitration Panel hearing the Nantong Mingde Shipyard matter issued an award decision on three of four outstanding actions. The Arbitration Panel found in favour of the Company and ordered that the Company be refunded instalments totalling U.S. $43,155 plus accrued interest. The Company has begun collection proceedings against the Nantong Mingde Shipyard and the Refund Guarantee Banks.

Five- Year Summary (In thousands of dollars except per share data)

	2015	2014	2013	2012	2011
Revenue					
Domestic Dry-Bulk	$299,553	$ 337,244	$ 323,023	$ 375,554	$ 389,172
Product Tankers	75,335	95,152	100,635	87,164	88,436
Ocean Shipping	38,605	41,050	39,513	35,966	40,967
	$413,493	$ 473,446	$ 463,171	$ 498,684	$ 518,575
Net earnings	$ 25,771	$ 52,765	$ 41,923	$ 42,156	$ 68,844
Segment earnings net of incomes taxes	$ 26,794	$ 54,276	$ 43,640	$ 56,693	$ 70,245
Depreciation	$ 44,907	$ 39,255	$ 39,967	$ 38,476	$ 39,059
General and administrative expenses	$ 26,313	$ 23,831	$ 22,719	$ 25,801	$ 25,438
Cash flow	$ 57,751	$ 97,647	$ 101,307	$ 92,187	$ 88,820
Dividends paid	$ 10,895	$ 10,895	$ 10,895	$ 8,438	$ 6,823
Capital additions					
Domestic Dry-Bulk	$111,194	$ 24,750	$ 41,266	$ 83,999	$ 31,129
Product Tankers	459	582	3,707	704	3
Ocean Shipping	4,204	—	—	3,645	1,585
	$115,857	$ 25,332	$ 44,973	$ 88,348	$ 32,717
Net property, plant and equipment					
Domestic Dry-Bulk	$328,546	$ 342,934	$ 344,283	$ 325,393	$ 288,949
Product Tankers	125,871	137,170	133,895	138,783	147,420
Ocean Shipping	58,723	50,622	51,556	55,789	57,440
	$513,140	$ 530,726	$ 529,734	$ 519,965	$ 493,809
EBITDA					
Domestic Dry-Bulk	$ 24,506	$ 51,071	$ 46,575	$ 70,430	$ 75,166
Product Tankers	24,754	28,651	28,853	23,013	28,674
Ocean Shipping	18,288	19,470	21,908	21,034	22,838
Real Estate	12,814	7,293	7,341	8,436	9,439
	$ 80,362	$ 99,192	$ 97,336	$ 114,477	$ 126,678
Total assets	$988,805	$ 974,055	$ 856,159	$ 802,009	$ 799,454
Long-term debt including current	$245,306	$ 227,562	$ 232,922	$ 225,726	$ 231,982
Shareholders equity	$618,610	$ 607,099	$ 561,086	$ 498,454	$ 468,720
LTD as a percent of shareholders equity	39.9 %	37.5%	41.5%	45.3%	49.5%
Return on capital employed (Note 2)	2.5 %	6.3%	6.1%	8.2%	8.2%
Adjusted return on capital employed (Note 3)	4.1 %	10.7%	10.1%	12.4%	11.3%
Return on equity (Note 4)	4.2 %	9%	7.9%	8.7%	15.7%
Total shareholder return (Note 5)	(6.1)%	0.5%	19.6%	41%	11%

FIVE-YEAR SUMMARY (In thousands of dollars except per share data)

	2015	2014	2013	2012	2011
Common Share Statistics (Note 6)					
Shares outstanding	$ 38,913	$ 38,912	$ 38,912	$ 38,912	$ 38,912
Basic earnings per share	$ 0.66	$ 1.36	$ 1.08	$ 1.08	$ 1.77
Diluted earnings per share	$ 0.66	$ 1.31	$ 1.06	$ 1.06	$ 1.68
Cash flow per share	$ 1.48	$ 2.51	$ 2.60	$ 2.37	$ 2.28
Quoted market value					
High	$ 17.60	$ 17.43	$ 17.18	$ 16.00	$ 10.40
Low	$ 13.27	$ 14.65	$ 13.33	$ 9.90	$ 8.25
Dividends paid per share	$ 0.28	$ 0.28	$ 0.28	$ 0.22	$ 0.18
Shareholders equity per share	$ 15.90	$ 15.60	$ 14.42	$ 12.81	$ 12.05

Note 1 - 2011 and 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 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 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 average shareholders' equity.

Note 5 - Total shareholder return is defined as the increase or decrease in the year in the common share price plus dividends paid expressed as a percent 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 (1) (2) (3)
Toronto, Ontario,
Vice President, General Counsel
and Corporate Secretary
E-L Financial Corporation Limited

E. M. Blake Hutcheson (1) (3)
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

Mark McQueen (1)
Toronto, Ontario,
President and Chief Executive Officer
Wellington Financial LLP

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
Perseverance Marine

(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

Ken Bloch Soerensen
President and Chief Executive Officer

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

Gregg Ruhl
Senior Vice President, Engineering

Wayne A. Smith
Senior Vice President, Commercial

Dennis McPhee
Vice President, Sales and Vessel Traffic

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

Karen A. Watt
Vice President, Human Resources

J. Wesley Newton, LLB
Secretary

Shareholders' Meeting

The Annual Meeting of Shareholders will be held at 11:30 a.m., on Tuesday, May 10, 2016 at the FirstOntario Performing Arts Centre, 250 St. Paul St., St. Catharines, ON.

Contact Information

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(978) 232-4800

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

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

Cargo capacity in tonnes

Domestic Dry-Bulk Self-unloaders	Class	Maximum	Seaway Draft
Captain Henry Jackman	GL	30,924	27,260
John B. Aird	GL	31,352	27,755
Peter R. Cresswell (Note 1)	GL	31,081	27,279
Radcliffe R. Latimer	GL / ES	37,257	26,870
Algoma Mariner	GL / ES	33,334	26,870
Algolake	GL	27,185	28,042
Algomarine (Note 1)	GL	24,133	24,942
Algorail	GL	30,770	21,060
Algosoo (Note 1)	GL	27,382	27,993
Algosteel (Note 2)	GL	24,194	24,942
Algoway	GL	32,771	21,418
Algowood	GL	34,398	27,715
Algoma Enterprise	GL	30,811	27,997
Algoma Integrity	UO	33,047	—
Algoma Navigator (Note 1)	GL	34,403	26,283
Algoma Olympic	GL	32,145	27,913
Algoma Transport	GL	33,203	26,815
John D. Leitch	GL	34,675	28,803

Domestic Dry-Bulk - Bulk Carriers	Class	Maximum	Seaway Draft
Algoma Equinox	GL	38,450	29,650
Algoma Harvester	GL	38,450	29,650
Tim S. Dool	GL	31,553	28,116
Algoma Spirit	UO	37,792	25,140
Algoma Discovery	UO	37,911	25,140
Algoma Guardian	GL	37,911	25,140
G3 Marquis (Note 3)	GL	38,450	29,650

Product Tankers	Class	Maximum	Winter
Algosar (Note 1)	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 Hansa	UO	16,775	16,267

Note 1 - Vessels demised at the completion of their 2016 winter season work.
Note 2 - In cold lay-up as a spare vessel.
Note 3 - Vessel is owned by G3 Canada Limited (formerly CWB) and managed by the Company.

Ocean Shipping	Class	Maximum
Bahama Spirit	UO	43,789
Honourable Henry Jackman	UO	75,597
Algoma Vision	UO	71,348
Algoma Value	UO	75,569
Eastern Power	UO	67,833
Weser Stahl	UO	46,657
Venture	UO	48,184

Notes

2015

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