Algoma Central Corporation
Interim Report to Shareholders
For the Three Months Ended March 31, 2016

Short Sea Shipping is OUR BUSINESS

ALGOMA CENTRAL CORPORATION

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General

Algoma Central Corporation (“Algoma” or the “Company”) operates through four segments, Domestic Dry-Bulk, Product Tankers, Ocean Shipping and Global Short Sea Shipping.

This Management’s Discussion and Analysis (“MD&A”) of the Company should be read in conjunction with its interim condensed consolidated financial statements for the three months ending March 31, 2016 and 2015 and related notes thereto and the consolidated financial statements for the years ending December 31, 2015 and 2014 and has been prepared as of May 10, 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.

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.

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

	2016	2015
Revenues	**$ 40,477**	$ 43,909
Segment operating loss, net of income tax	**$ (8,512)**	$ (21,784)
Net loss from continuing operations	**$ (7,959)**	$ (23,776)
Basic and diluted loss per common share	**$ (0.20)**	$ (0.61)
Net loss from continuing operations excluding gain on shipbuilding contracts	**$ (24,155)**	$ (23,776)
Basic and diluted loss per common share excluding gain on shipbuilding contracts	**$ (0.62)**	$ (0.61)
Common shares outstanding	**38,912,733**	38,912,110

The Company is reporting 2016 first quarter revenues of $40,477 compared to $43,909 for the same period in 2015. The Domestic Dry-Bulk segment saw a decline in revenue due primarily to lower volumes in the salt sector as a result of a milder 2015-2016 winter. The Product Tanker segment revenue decreased due primarily to diminished volumes on the East Coast . Partially offsetting these decreases was an improvement in the Ocean Shipping segment revenue in the 2016 first quarter compared to 2015 due primarily to more revenue days resulting from the addition of two vessels to the fleet in early January and the impact of a 2015 regulatory dry-docking on one of its vessels.

The segment operating loss after income taxes in 2016 includes a gain on shipbuilding contracts in the amount of $16,196. Excluding this item from the segment results, the loss for the first quarter of 2016 would have been $24,708 which compares to a loss for the 2015 first quarter of $21,784.

Net loss and basic loss per share from continuing operations for the 2016 first quarter were $7,959 and $0.20, respectively, compared to $23,776 and $0.61, respectively, for the same period last year.

Summary of Quarterly Results

The results for the last eight quarters are as follows:

Year	Quarter	Revenue	Net earnings (loss)	Basic earnings (loss) per share
2016	Quarter 1	$ 40,477	$ (6,695)	$ (0.17)
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

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 Results

Domestic Dry-Bulk

Financial Review		**2016**		2015		Favourable (Unfavourable)
Revenue	**$**	**11,659**	$	18,923	$	(7,264)
Operating expenses		**(39,186)**		(42,413)		3,227
General and administrative		**(2,793)**		(3,131)		338
		(30,320)		(26,621)		(3,699)
Depreciation		**(4,975)**		(5,826)		851
Gain on shipbuilding contracts		**19,222**		—		19,222
Income taxes		**4,554**		8,355		(3,801)
Net loss	**$**	**(11,519)**	$	(24,092)	$	12,573
Operating ratio		**360.1%**		240.7%		
Additions to property, plant and equipment	**$**	**25,416**	$	12,116		

		March 31 2016		December 31 2015
Total assets	**$**	**406,351**	$	466,582

Revenue decreased for the 2016 first quarter by $7,264 or 38.4% due primarily to fewer operating days largely as a result of volume decreases in the salt sector resulting from a milder 2015-2016 winter.

Operating expenses for 2016 first quarter were lower than the comparable period in 2015 by $3,227 or 7.6% driven by the decrease in operating days and lower winter lay-up expenses. These decreases were partially offset by higher spending on crew costs for severance related to vessel retirements.

The gain on the shipbuilding contracts of $19,222 in 2016 resulted from the favourable ruling received by the Company from the London UK Arbitration Tribunal hearing the contract disputes involving three shipbuilding contracts. As a result of the favourable ruling , the Company recognized a net gain consisting of a foreign exchange gain on the deposits made with the Shipyard and net accrued interest.

Depreciation expense for 2016 first quarter is lower than 2015 due to the end of service lives of certain vessels.

The segment loss of $11,519 for the first quarter of 2016 was $12,573 less than the previous years quarter reported loss of $24,092 as a result of the items noted above, in particular, the after-tax gain on the contract cancellation of $16,196.

Additions to property plant, and equipment in both years include payments related to the Equinox Class vessels and capitalized dry-dockings costs on certain other vessels. The decrease in total assets relates primarily to the collection of a portion of the outstanding Shipyard refund guarantees.

Product Tankers

Financial Review	**2016**	2015	Favourable (Unfavourable)
Revenue	**$ 8,515**	$ 18,645	$ (10,130)
Operating expenses	**(7,599)**	(10,752)	3,153
General and administrative	**(694)**	(557)	(137)
	222	7,336	(7,114)
Depreciation	**(1,866)**	(2,589)	723
Income taxes	**136**	(1,028)	1,164
Net (loss) earnings	**$ (1,508)**	$ 3,719	$ (5,227)
Operating ratio	**97.4%**	60.7%	
Additions to property, plant and equipment	**$ 1,626**	$ —	

	March 31 2016	December 31 2015
Total assets	**$ 131,114**	$ 135,975

Revenue for the Product Tankers segment for the 2016 first quarter decreased by $10,130 or 54.3% when compared to the same quarter in 2015. Revenues were lower as a result of reduced customer shipments due primarily to the closure of a refinery on the East Coast and the temporary transfer of one vessel to international marketsto ensure continued utilization of the vessel over the winter operating season.

Operating costs for the first quarter in 2016 were $3,153 or 26.0% lower due primarily to the effect of reduced operating days less an increase in winter maintenance spending.

Segment operating earnings net of income tax for the Product Tankers segment decreased from $3,719 in the 2015 first quarter to a loss of $1,508 in 2016.

Additions to property, plant and equipment consisted of capitalized dry-docking costs.

Ocean Dry-Bulk Shipping

Financial Review		**2016**		2015		Favourable (Unfavourable)
Revenue	**$**	**20,303**	$	6,341	$	13,962
Operating expenses		**(11,923)**		(5,181)		(6,742)
General and administrative		**(227)**		(266)		39
		8,153		894		7,259
Depreciation		**(2,876)**		(1,156)		(1,720)
Income taxes		**2**		—		2
Earnings from joint venture		**1,989**		1,482		507
Net earnings	**$**	**7,268**	$	1,220	$	6,048
Operating ratio		**59.8%**		85.7%		
Additions to property, plant and equipment	**$**	**119,861**	$	3,833		

		March 31 2016		December 31 2015
Total assets	**$**	**200,004**	$	77,154

The Company’s share of Pool revenues for the first quarter of 2016 increased by $13,962 when compared to the same period in 2015 due primarily to the addition of two vessels to the fleet in early January 2016. Also contributing to the increase was more revenue from the *Bahama Spirit* which was in a regulatory dry-docking in the 2015 first quarter.

Operating costs in the 2016 first quarter increased by $6,742 when compared to the previous years comparable period. The increase was due to the addition of the new vessels and the increased operating days for the *Bahama Spirit* in 2016.

Depreciation expense was up by $1,720 in 2016 compared to 2015 due primarily to the addition of the new vessels.

The earnings from the joint venture vessels increased in 2016 when compared to 2015 due largely to a foreign exchange gain partially offset by a reduced income tax recovery on foreign exchange transactions.

Real Estate - Discontinued Operations

Financial Review	**2016**	2015	Favourable (Unfavourable)
Revenue	**$ 8,165**	$ 8,118	$ 47
Operating expenses	**(5,100)**	(5,033)	(67)
General and administrative	**(832)**	(554)	(278)
	2,233	2,531	(298)
Depreciation	**(660)**	(1,479)	819
Income taxes	**(309)**	(268)	(41)
Net earnings	**$ 1,264**	$ 784	$ 480
Average occupancy	**91.7%**	92.4%	
Additions to properties	**$ 794**	$ 1,334	

	March 31 2016	December 31 2015
Total assets	**$ 86,259**	$ 82,665

Revenues and operating expenses in the Real Estate segment remained approximately the same in the 2016 first quarter when compared to the similar period in 2015.

Depreciation expense was lower in 2016 as a result of the properties being classified as assets held for sale.

Global Short Sea Shipping

On January 15, 2016, the Company entered into a new business venture 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, which was named NovaAlgoma Cement Carriers (NACC).

Under the terms of the transaction, the Company acquired a 50% interest in an existing fleet owned by Nova, comprising these pneumatic cement carriers now in operation and two additional vessels under construction.

The investment in the cement carrier business was completed for a total consideration of U.S. $22,914 , of which U.S. $16,664 was paid on closing and U.S. $6,250 represents the Company's share of future instalments on the two vessels under construction. Under the terms of the agreement, the Company also issued guarantees of ship mortgages totalling U.S. $7,125.

Financial Review		**2016**
Revenue	**$**	**1,258**
Operating expenses		**(271)**
General and administrative		**(84)**
		903
Depreciation		**(297)**
Interest		**(116)**
Income taxes		**—**
Net earnings	**$**	**490**
Operating ratio		**28.2%**
Additions to property, plant and equipment	$	—

		March 31 2016
Total assets	**$**	**22,225**

Consolidated

		2016		2015		Favourable (Unfavourable)
Revenue	**$**	**40,477**	$	43,909	$	(3,432)
Operating expenses		**(58,708)**		(58,346)		(362)
General and administrative		**(8,126)**		(7,863)		(263)
		(26,357)		(22,300)		(4,057)
Depreciation		**(9,717)**		(9,571)		(146)
Net gain on shipbuilding contracts		**19,222**		—		19,222
Interest expense		**(2,936)**		(2,629)		(307)
Interest income		**487**		434		53
Net gain on foreign currency translation		**(25)**		332		(357)
Income tax expense		**8,888**		8,476		412
Earnings of joint venture		**2,479**		1,482		997
Net loss from continuing operations	**$**	**(7,959)**	$	(23,776)	$	15,817

General and Administrative Expenses

General and administrative expenses in 2016 were approximately the same in 2016 when compared to the same periods in 2015. A portion of general and administrative costs that excludes all costs associated with the Corporate office, are allocated to the business units discussed above.

Net Gain on Shipbuilding Contracts

As previously described in this report, as a result of the favourable ruling from the arbitrator on the cancellation of the Nantong Mingde shipbuilding contracts, the Company recognized a gain before income taxes of $19,222. The net gain consisted of a foreign exchange gain on the translation of the U.S. dollar receivable, interest accrued on the deposits less interest capitalized that was written off. Collection of the receivable including accrued interest occurred on March 16,2016.

Interest Expense

Interest expense increased in the 2016 first quarter by $307 when compared to the same period in 2015. Decreases in the amortization of financing fees and net interest related to employee future benefits were partially offset with lower interest capitalized on shipbuilding projects.

Income Taxes

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

		2016		2015
Combined federal and provincial statutory income tax rate		**26.5%**		26.5%
Loss from continuing operations	**$**	**(19,326)**	$	(33,734)
Expected income tax recovery	**$**	**5,121**	$	8,940
Increase (decrease) resulting from:				
Foreign exchange gain that is not taxable		**2,067**		—
Foreign tax rates different from statutory rate		**1,497**		(105)
Other		**203**		(359)
	$	**8,888**	$	8,476

Comprehensive Loss

The comprehensive loss for the three months ended March 31, 2016 was $29,470 compared to $11,583 for the comparable 2015 period.

The increase in the loss was due primarily to the unrealized loss on the translation of financial statements of foreign operations of $18,625 in 2016 versus a gain of $12,814 in 2015. The loss in 2016 was due to the strengthening of the Canadian dollar in the 2016 first quarter when compared to the U.S. dollar versus a weakening in 2015.

Also included in the Comprehensive Loss for the three months ended March 31, 2016 and 2015 are employee future benefit net actuarial losses after income tax of $5,695 and $2,126 respectively. The loss in 2016 was due to a decrease in the discount rate used to value the post employment obligations and negative investment returns on assets held by the retirement plans. The 2015 loss was due to a decrease in the discount rate partially offset by investment returns.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

The Company has established and maintained disclosure controls and procedures designed to provide reasonable assurance that: (a) material information required to be disclosed by us is accumulated and communicated to management to allow timely decisions regarding required disclosure; and (b) information required to be disclosed by us is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

Internal Controls over Financial Reporting

The Company's management is responsible for designing, establishing and maintaining an adequate system of internal controls over financial reporting. The internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS. Because of inherent limitations, internal controls over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Changes in Internal Controls over Financial Reporting

Under the supervision and with the participation of the Company's management, including the President and Chief Financial Officer, the Company has evaluated changes in internal controls over financial reporting that occurred during the quarter ended March 31, 2016 and found no change that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows		**2016**		2015		Favourable (Unfavourable)
Net loss from continuing operations	**$**	**(7,959)**	$	(23,776)	$	15,817
Net cash generated from (used in) operating activities	**$**	**2,475**	$	(13,775)	$	16,250
Net cash used in investing activities	**$**	**129,848**	$	5,443	$	(124,405)
Net cash generated from (used in) financing activities	**$**	**72,788**	$	(9,415)	$	82,203

Net Cash Generated from (Used in) Operating Activities

The net cash generated from operating activities in the 2016 first quarter improved by $15,817 when compared to same period in 2015. The improvement resulted from a favourable change in cash provided from working capital and less cash required for corporate income tax instalments.

Net Cash Used in Investing Activities

Net cash used in investing activities of $129,848 for the three months ended March 31, 2016 was primarily for the purchase of two ocean self-unloading bulker, the *Algoma Vision and Algoma Value*, instalments on three new 740’ self unloaders and costs related to capitalized dry-dockings costs on certain vessels.

Net cash used in investing activities for the three months ended March 31, 2015 include payments related to the Equinox Class vessels, life extensions and capitalized dry-dockings costs on certain other vessels.

Net Cash Generated From (Used in) Financing Activities

Included in the net cash generated from financing activities for the three months ended March 31, 2016 are short term borrowings to assist in the financing of new vessels along with interest received from the Shipyard on the settlement of certain shipbuilding contracts. Included in both periods are 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 the three months ended March 31 2016 and 2015.

Capital Resources
Management expects that cash and cash equivalents on hand at March 31, 2016 of $150,452, existing credit facilities and projected cash from operations for the remainder of 2016 will be more than sufficient to meet the Corporation's planned operating and capital requirements and other contractual obligations for the balance of 2016.

The Corporation maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. At March 31 2016, the Corporation had $84,316 undrawn and available under existing credit facilities.

The Company is subject to certain covenants including ones with respect to maintaining defined financial ratios and other conditions under the terms of the Bank Facility and the Notes.

As at March 31, 2016, as a result of short-term utilization of the Company's revolving bank credit facility, the Company was in technical breach of a financial covenant pertaining to the maximum allowable Senior Debt to EBITDA Ratio contained in its senior secured debt agreements. The short-term advance was repaid on April 28th and after giving effect to this repayment, the Company is no longer in breach of its covenant. Lenders under the Company's revolving bank facility and senior secured notes have waived the covenant violation with effect from March 31, 2016.

Under IFRS, the existence of the breach requires that the senior secured debt be classified as a current liability on the Interim Condensed Consolidated Balance Sheet as at March 31, 2016. As a result of the subsequent waiver of the breach, as at the reporting date, the senior secured debt is not payable prior to its scheduled repayment dates.

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, 2015.

Transactions with Related Parties

There were no transactions with related parties for the three months ended March 31, 2016 and 2015.

Contractual Obligations

The table below provides aggregate information about the Company's contractual obligations at March 31, 2016 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	$ 306,486	$ —	$ —	$ —	$ 306,486
Capital asset commitments	76,458	242,032	—	—	318,490
Dividends payable	593	—	—	—	593
Interest payments on long-term debt	13,256	22,373	18,235	3,535	57,399
Employee future benefit payments	1,150	2,300	861	—	4,311
	$ 397,943	$ 266,705	$ 19,096	$ 3,535	$ 687,279

The long-term debt including the equity component has been shown as due within one year as a result of a default on a certain financial covenant. As of the date of issue of this MD&A, the default was remedied and the long-term debt is no longer due within one year.

The capital asset commitments relate to the contracts in place for the construction of two new Equinox Class 650’ self-unloaders and five Equinox Class 740’ self-unloaders. 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.

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

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.

Not Yet Applied

Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be required to be adopted effective for annual periods beginning on or after January 1, 2019.

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.

Notice to Reader

Interim Condensed Consolidated Financial Statements For the Three Months Ended March 31, 2016 and 2015

Notice of disclosure of non-auditor review of interim condensed consolidated financial statements pursuant to National Instrument 51-02, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying interim condensed consolidated financial statements of Algoma Central Corporation for the three months ended March 31, 2016 and 2015 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statements of Comprehensive Loss
For the Three Months ended March 31, 2016 and 2015
(In thousands of dollars)

	Notes	2016	2015
Revenue	19	$ 40,477	$ 43,909
Expenses			
Operations	19	58,708	58,346
General and administrative		8,126	7,863
		66,834	66,209
		(26,357)	(22,300)
Depreciation of property, plant, and equipment	12	(9,717)	(9,571)
Net gain on shipbuilding contracts	7	19,222	—
Interest expense	8	(2,936)	(2,629)
Interest income		487	434
Net (loss) gain on foreign currency translation	9	(25)	332
		(19,326)	(33,734)
Income Tax Recovery	10	8,888	8,476
Net Earnings of Joint Ventures	6	2,479	1,482
Net Loss from Continuing Operations		$ (7,959)	$ (23,776)
Net Earnings from Discontinued Operations	11	1,264	784
Net Loss		$ (6,695)	$ (22,992)
Basic and Diluted Loss per Share			
Continuing operations	15	$ (0.20)	$ (0.61)
Discontinued operations		$ 0.03	$ 0.02
		$ (0.17)	$ (0.59)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Loss
For the Three Months ended March 31, 2016 and 2015
(In thousands of dollars)

	Notes	2016	2015
Net Loss		**$ (6,695)**	$ (22,992)
Other Comprehensive Loss			
Items that may be subsequently reclassified to net earnings:			
Unrealized (loss) gain on translation of financial statements of foreign operations	**16**	**(19,674)**	12,814
Unrealized gain on hedging instruments, net of income tax	**16**	**2,594**	721
Items that will not be subsequently reclassified to net earnings:			
Employee future benefits, actuarial loss, net of income tax		**(5,695)**	(2,126)
		(22,775)	11,409
Comprehensive Loss		**$ (29,470)**	$ (11,583)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Loss
For the Three Months ended March 31, 2016 and 2015
(In thousands of dollars)

	Notes	March 31 2016	December 31 2015
Assets			
Current			
Cash		$ 150,452	$ 210,562
Accounts receivable		18,258	47,744
Materials and supplies		8,280	7,330
Prepaid expenses		6,432	3,493
Income taxes recoverable		21,044	13,461
Assets of discontinued operations held for sale	11	86,259	82,665
		290,725	365,255
Employee Future Benefits		192	2,406
Property, Plant, and Equipment	12	636,656	513,140
Goodwill		7,910	7,910
Other Assets	13	31,232	85,699
Investment in Joint Ventures	6	50,925	14,395
		$ 1,017,640	$ 988,805
Liabilities			
Current			
Accounts payable and accrued charges		$ 42,676	$ 49,594
Dividends payable		593	527
Current portion of long-term debt	14	301,957	1,448
Derivative liabilities		5,297	—
Liabilities of discontinued operations held for sale	11	12,196	10,218
		362,719	61,787
Deferred Income Taxes		39,816	42,602
Employee Future Benefits		28,813	23,258
Long-Term Debt	14	—	242,548
		68,629	308,408
Commitments	17	—	—
Shareholders' Equity			
Share Capital	15	8,344	8,344
Contributed Surplus		11,917	11,917
Convertible Debentures		4,630	4,630
Accumulated Other Comprehensive (Loss) Earnings	16	(12,395)	4,685
Retained Earnings		573,796	589,034
		586,292	618,610
		$ 1,017,640	$ 988,805

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity

For the Three Months Ended March 31, 2016 and 2015
(In thousands of dollars)

	Share capital	Contributed Surplus and Convertible debentures	Accumulated Other Comprehensive Earnings (Loss) (Note 16)	Retained Earnings	Total Equity
Balance at December 31, 2014	$ 8,319	$ 16,549	$ 11,089	$ 571,142	$ 607,099
Net loss	—	—	—	(22,992)	(22,992)
Dividends	—	—	—	(2,722)	(2,722)
Other comprehensive earnings (loss)	—	—	13,535	(2,126)	11,409
Conversion of debentures			—	—	—
Refundable dividend tax on hand	—	—	—	659	659
Balance at March 31, 2015	$ 8,319	$ 16,549	$ 24,624	$ 543,961	$ 593,453
Balance at December 31, 2015	$ 8,344	$ 16,547	$ 4,685	$ 589,034	$ 618,610
Net loss	—	—	—	(6,695)	(6,695)
Dividends	—	—	—	(2,724)	(2,724)
Other comprehensive loss	—	—	(17,080)	(5,695)	(22,775)
Refundable dividend tax on hand	—	—	—	(124)	(124)
Balance at March 31, 2016	$ 8,344	$ 16,547	$ (12,395)	$ 573,796	$ 586,292

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Loss
For the Three Months ended March 31, 2016 and 2015
(In thousands of dollars)

	Notes	2016	2015
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net loss from continuing operations		**$ (7,959)**	$ (23,776)
Earnings of joint ventures	**6**	**(2,479)**	(1,482)
Items not affecting cash			
Depreciation of property, plant, and equipment	**12**	**9,717**	9,571
Income tax recovery	**10**	**(8,888)**	(8,476)
Interest expense	**8**	**2,936**	2,629
Net gain on shipbuilding contracts	**7**	**(19,222)**	—
Other		**1,104**	(997)
		(24,791)	(22,531)
Net change in non-cash operating working capital		**29,740**	16,747
Income taxes paid		**(1,349)**	(7,199)
Employee future benefits paid		**(1,125)**	(792)
Net cash generated from (used in) operating activities		**2,475**	(13,775)
Investing			
Additions to property, plant, and equipment	**19**	**(146,335)**	(7,875)
Investment in joint ventures		**(39,829)**	—
Proceeds from shipbuilding contracts	**7**	**56,216**	—
Proceeds on sale of property, plant and equipment		**—**	2,432
Net cash used in investing activities		**(129,948)**	(5,443)
Financing			
Interest paid		**(7,233)**	(6,693)
Interest received		**13,877**	—
Proceeds of long-term debt		**70,305**	—
Repayments on long-term debt		**(1,439)**	—
Dividends paid		**(2,722)**	(2,722)
Net cash generated from (used in) financing activities		**72,788**	(9,415)
Net Change in Cash from Continuing Operations		**(54,685)**	(28,633)
Cash Provided from Discontinued Operations	**11**	**770**	1,377
Net Change in Cash		**(53,915)**	(27,256)
Effects of Exchange Rate Changes on Cash Held in Foreign Currencies		**(6,195)**	11,784
Cash, Beginning of Period		**210,562**	257,114
Cash, End of Period		**$ 150,452**	$ 241,642

See accompanying notes to the interim condensed 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 interim condensed consolidated financial statements of the Company for the three month periods ended March 31, 2016 and 2015 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 International Shipholdings Ltd., Algoma Tankers Limited and Algoma Central Properties Inc.. The principal jointly controlled entities are Marbulk Canada Inc. (50%)("Marbulk"), and NovaAlgoma Cement Carriers (50%)("NACC"). 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.

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 fifteen 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 21 – 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 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 Global Short Sea Shipping segment includes a 50% interest through a joint venture in a fleet of six cement carriers. The cement carrier vessels will support infrastructure projects worldwide.

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 financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Company's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2015 and 2014. The financial statements should be read in conjunction with the Company's Consolidated Financial Statements for the years ended December 31, 2015 and 2014.

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 May 10, 2016.

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

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.

The Company has applied this new standards in the financial statements for the annual period beginning January 1, 2016. The new standards did not have a material impact on the financial statements.

4. NEW ACCOUNTING STANDARDS NOT YET APPLIED

Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Adoption of the new standard will be required effective for annual periods beginning on or after January 1, 2019.

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.

5. BUSINESS ACQUISITION

On January 15, 2016, the Company entered into a new business venture 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 was named NovaAlgoma Cement Carriers (NACC).

Under the terms of the transaction, the Company acquired a 50% interest in an existing fleet owned by Nova, comprising these pneumatic cement carriers now in operation and two additional vessels under construction.

The investment in the cement carrier business was completed for a total consideration of U.S. $22,914, of which U.S. $16,664 was paid on closing. Upon delivery of the two ships currently under construction, the Company will invest a further U.S. $6,250 to fund the acquisition by NACC of these vessels. Under the terms of the agreement, the Company also issued guarantees of ship mortgages totalling U.S. $7,125.

(In thousands of dollars, except per share data)

The preliminary allocation of the total cash consideration of $24,211 (U.S. $16,664) for accounting purposes is as follows:

Cash	$	1,083
Other current assets		157
Property, plant, and equipment		34,867
Accounts payable and accrued charges		(1,158)
Long term debt		(13,683)
Total identifiable assets		21,266
Goodwill		2,945
Total cash consideration paid to vendor	$	24,211

6. INTERESTS IN JOINT VENTURES

The Company has 50% interests in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement, and in NovaAlgoma Cement Carriers, which owns and operates pneumatic cement carriers to support infrastructure projects world-wide. 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 to discontinued operations in accordance with IFRS 5.

The revenues, expenses and net earnings of Marbulk Canada Inc. for the three months ended March 31, 2016 and 2015 are as follows:

	2016	2015
Revenue	**$ 5,715**	$ 8,726
Expenses	**(4,013)**	(6,586)
Foreign exchange gain	**2,098**	—
Earnings before income taxes	**3,800**	2,140
Income tax recovery	**177**	824
Net earnings	**$ 3,977**	$ 2,964
Company share of net earnings	**$ 1,989**	$ 1,482

(In thousands of dollars, except per share data)

The assets and liabilities of Marbulk Canada Inc. at March 31, 2016 and December 31, 2015 are as follows:

	March 31 2016	December 31 2015
Cash	**$ 8,754**	$ 7,958
Other current assets	**4,738**	2,550
Property, plant and equipment	**47,416**	20,998
Deferred taxes	**(423)**	138
Other current liabiilities	**(3,085)**	(2,854)
Net assets of jointly controlled operation	**$ 57,400**	$ 28,790
Company share of net assets	**$ 28,700**	$ 14,395

The revenues, expenses and net earnings of NovaAlgoma Cement Carriers for the three months ended March 31, 2016 are as follows:

	2016
Revenue	**$ 2,516**
Expenses	**(1,536)**
Net earnings	**$ 980**
Company share of net earnings	**$ 490**

The assets and liabilities of NovaAlgoma Cement Carriers at March 31, 2016 are as follows:

	March 31 2016
Cash and cash equivalents	**$ 2,923**
Other current assets	**472**
Property, plant and equipment	**61,794**
Accounts payable and accrued charges	**(2,082)**
Long term debt	**(23,922)**
Net assets of jointly controlled operation	**$ 39,185**
Company share of net assets	**$ 19,593**
Goodwill	**2,632**
Company share of joint venture	**$ 22,225**

(In thousands of dollars, except per share data)

The Company's total share of net earnings of the jointly controlled operations is as follows:

		2016		2015
Marbulk Canada Inc.	**$**	**1,989**	$	1,482
NovaAlgoma Cement Carriers Limited		**490**		—
	$	**2,479**	$	1,482

The Company's net investment in the jointly controlled operations at March 31, 2016 and December 31, 2015 is as follows:

		March 31 2016		December 31 2015
Marbulk Canada Inc.	**$**	**28,700**	$	14,395
NovaAlgoma Cement Carriers		**22,225**		—
	$	**50,925**	$	14,395

7. GAIN ON SHIPBUILDING CONTRACTS

In February 2016, the London UK Arbitration Tribunal hearing the contract disputes involving four shipbuilding contracts found in favour of the Company on three of the contracts. As a result, the estimated recoverable amount for the three contracts was re-classified from a non-financial asset to a financial asset. In March 2016, the refund guarantees were collected which resulted in the recognition of a gain for the three months ended March 31, 2016 of $16,196 (2015 - nil) consisting of the following items:

		2016
Foreign exchange gain	**$**	**15,602**
Interest income on instalments		**13,877**
Capitalized interest written-off		**(10,257)**
		19,222
Income tax expense		**(3,026)**
	$	**16,196**

(In thousands of dollars, except per share data)

8. INTEREST EXPENSE

The components of interest expense are as follows:

	2016	2015
Interest expense on borrowings	**$ 3,726**	$ 3,648
Amortization of financing costs	**548**	226
Interest on employee future benefits, net	**(106)**	206
Interest capitalized on vessels under construction	**(1,232)**	(1,451)
	$ 2,936	$ 2,629

The interest capitalized on vessels under construction relates to interest incurred on payments made to various shipyards for the construction of Equinox Class vessels.

9. NET (LOSS) GAIN ON FOREIGN CURRENCY TRANSLATION

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

	2016	2015
Gain on U.S. loan	**$ 5,370**	$ —
Loss on construction payments receivable	**(3,879)**	—
Loss on loan to joint venture	**(1,049)**	—
(Loss) gain on U.S. transactions	**(467)**	255
Other	**—**	77
	$ (25)	$ 332

(In thousands of dollars, except per share data)

10. INCOME TAXES

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

	2016	2015
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%
Loss from continuing operations	**$ (19,326)**	$ (33,734)
Expected income tax recovery	**$ 5,121**	$ 8,940
Increase (decrease) resulting from:		
Foreign exchange gain that is not taxable	**2,067**	—
Foreign tax rates different from statutory rate	**1,497**	(105)
Other	**203**	(359)
	$ 8,888	$ 8,476

11. ASSETS OF DISCONTINUED OPERATIONS HELD FOR SALE

The operating results from the discontinued operation for the three months ended March 31, 2016 and 2015 are as follows:

	2016	2015
Revenue	**$ 8,165**	$ 8,118
Operating expenses	**(5,100)**	(5,033)
General and administrative	**(832)**	(554)
Depreciation	**(660)**	(1,479)
Earnings before income taxes	**1,573**	1,052
Income taxes	**309**	268
Net earnings	**$ 1,264**	$ 784

(In thousands of dollars, except per share data)

The assets and liabilities of the discontinued operation at March 31, 2016 and December 31, 2015 are as follows:

	March 31 2016	December 31 2015
Accounts receivable	**$ 3,835**	$ 1,730
Materials and supplies	**20**	26
Prepaid expenses	**1,553**	157
Land and buildings	**80,851**	80,752
Total assets	**$ 86,259**	$ 82,665
Accounts payable and accrued charges	**5,590**	3,867
Deferred income taxes	**6,606**	6,351
Total liabilities	**$ 12,196**	$ 10,218

The cash flows from the discontinued operation for the three months ended March 31, 2016 and 2015 are as follows:

	2016	2015
Net cash generated from operating activities	**$ 1,564**	$ 2,719
Net cash used in investing activities	**(794)**	(1,342)
Cash provided from discontinued operation	**$ 770**	$ 1,377

12. PROPERTY, PLANT, AND EQUIPMENT

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

Cost	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at December 31, 2015	$ 749,117	$ 222,061	$ 106,756	$ 1,077,934
Additions	25,416	1,626	119,861	146,903
Fully depreciated assets no longer in use	—	(2,643)	—	(2,643)
Effect of foreign currency exchange differences	27	547	(15,155)	(14,581)
Balance March 31, 2016	$ 774,560	$ 221,591	$ 211,462	$ 1,207,613

(In thousands of dollars, except per share data)

Accumulated depreciation	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Balance at December 31, 2015	$ 420,571	$ 96,190	$ 48,033	$ 564,794
Depreciation expense	6,661	2,266	2,876	11,803
Fully depreciated assets no longer in use	—	(2,643)	—	(2,643)
Effect of foreign currency exchange differences	(39)	36	(2,994)	(2,997)
Balance March 31, 2016	$ 427,193	$ 95,849	$ 47,915	$ 570,957

Net Book Value	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
March 31, 2016				
Cost	$ 774,560	$ 221,591	$ 211,462	$ 1,207,613
Accumulated depreciation	427,193	95,849	47,915	570,957
	$ 347,367	$ 125,742	$ 163,547	$ 636,656

13. OTHER ASSETS

Other assets consist of the following:

	March 31 2016	December 31 2015
Capitalized construction payments made to Nantong Mingde Shipyard	**$ 24,345**	$ 67,369
Interest related to construction payments	**6,887**	18,330
	$ 31,232	$ 85,699

The Company has a claim against Nantong Mingde Heavy Industries Co., Ltd. for the return of U.S. $22,605 at March 31, 2016 and U.S. $65,760 at December 31, 2015 of instalment payments on cancelled construction contracts.

In February, 2016 the London UK Arbitration Tribunal hearing the contract disputes involving four shipbuilding contracts found in favour of the Company for three of the contracts. The instalment payments were refunded in March 2016. The resolution of the remaining contract is being pursued and the instalments and the associated accrued interest are supported by guarantees issued by Chinese state banks.

Under IFRS, 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 March 31, 2016 and December 31, 2015, 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 $37,223 and $115,220, respectively.

(In thousands of dollars, except per share data)

14. LONG-TERM DEBT

		March 31 2016		December 31 2015
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.00%	**$**	**66,758**	$	66,506
Senior Secured Notes (Notes), due July 19, 2021 U.S. $75,000, interest fixed at 5.11%		**97,403**		103,800
Canadian $75,000, due July 19, 2021, interest fixed at 5.52%		**75,000**		75,000
LIBOR, U.S. $50,000, due April 8, 2016, interest at 2.19%		**65,109**		—
Revolving loan, due July 19, 2016 , U.S. $1,040, interest at U.S. base rate in Canada of 4.00% plus 0.75%		**—**		1,448
		304,270		246,754
Less unamortized financing expenses		**2,313**		2,758
		301,957		243,996
Classified as current		**(301,957)**		(1,448)
Long-term debt	**$**	**—**	$	242,548

The Company is subject to certain covenants including ones with respect to maintaining defined financial ratios and other conditions under the terms of the Bank Facility and the Notes.

As at March 31, 2016, as a result of short-term utilization of the Company's revolving bank credit facility, the Company was in technical breach of a financial covenant pertaining to the maximum allowable Senior Debt to EBITDA Ratio contained in its senior secured debt agreements. The short-term advance was repaid on April 28th and after giving effect to this repayment, the Company is no longer in breach of its covenant. Lenders under the Company's revolving bank facility and senior secured notes have waived the covenant violation with effect from March 31, 2016.

Under IFRS, the existence of the breach requires that the senior secured debt be classified as a current liability on the Interim Condensed Consolidated Balance Sheet as at March 31, 2016. As a result of the subsequent waiver of the breach, as at the reporting date, the senior secured debt is not payable prior to its scheduled repayment dates.

At December 31, 2015 the Company was in compliance with all of the covenants.

15. SHARE CAPITAL

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 common shares outstanding as at March 31, 2016 and December 31, 2015, respectively.

At March 31, 2016 and December 31, 2015 there were no preferred shares issued and outstanding.

(In thousands of dollars, except per share data)

The Company's Board of Directors on May 10, 2016 authorized payment of a quarterly dividend to shareholders of $0.07 per common share. The dividend is payable on June 1, 2016 to shareholders of record on May 18, 2016.

The basic and diluted net earnings are computed as follows:

		2016	2015
Net loss from continuing operations for basic earnings per share	**$**	**(7,959)** $	(23,776)
Interest expense on debentures, net of tax		**1,078**	1,078
Net loss from continuing operations for diluted earnings per share	**$**	**(6,881)** $	(22,698)
Basic weighted average common shares		**38,913,733**	38,912,110
Shares due to dilutive effect of debentures		**4,478,896**	4,480,519
Diluted weighted average common shares		**43,392,629**	43,392,629
Basic and diluted loss per common share from continuing operations	**$**	**(0.20)** $	(0.61)

The impact of the convertible debentures is anti-dilutive as at March 31, 2016 and 2015.

16. ACCUMULATED OTHER COMPREHENSIVE (LOSS) EARNINGS

	Hedges				
	Cash flow	Net investment	Purchase commitment	Foreign exchange translation	Total
Balance at December 31, 2015	$ —	$ (22,409)	$ 7,145	$ 19,949	$ 4,685
(Loss) gain	(4,128)	6,398	106	(19,674)	(17,298)
Income tax recovery (expense)	1,094	(848)	(28)	—	218
Net (loss) gain	(3,034)	5,550	78	(19,674)	(17,080)
Balance at March 31, 2016	**$ (3,034)**	**$ (16,859)**	**$ 7,223**	**$ 275**	**$ (12,395)**

The cash flow hedge represents the effective gains or losses on changes in the fair value of forward contracts.

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 a portion of 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.

(In thousands of dollars, except per share data)

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.

17. COMMITMENTS

The table below reflects the commitments the Company has at March 31, 2016.

Construction of seven Equinox Class vessels	$	**318,490**
Employee future benefit payments		**4,311**
	$	**322,801**

Annual expected payments are as follows:

Due in 2016	$	**76,458**
Due in 2017		**143,469**
Due in 2018		**101,726**
Due in 2019		**1,148**
	$	**322,801**

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

(In thousands of dollars, except per share data)

	March 31 2016	December 31 2015
Financial assets carrying and fair value		
Cash	**$ 150,452**	$ 210,562
Accounts receivable	**$ 18,258**	$ 47,744
Financial liabilities carrying and fair value		
Accounts payable and accrued charges	**$ 42,676**	$ 49,594
Derivative liabilities	**$ 5,297**	$ —
Carrying value of debt	**$ 301,957**	$ 246,754
Fair value of debt	**$ 319,208**	$ 263,464

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.

Liquidity risk

The contractual maturities of non-derivative financial liabilities at March 31, 2016 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and and accrued charges	$ 42,676	$ —	$ —	$ —	$ 42,676
Dividends payable	593	—	—	—	593
Debt including equity portion	306,486	—	—	—	306,486
Interest payments	13,256	22,373	18,235	3,535	57,399
Total	$ 363,011	$ 22,373	$ 18,235	$ 3,535	$ 407,154

The long-term debt including the equity component has been shown as due within one year as a result of a default on a certain financial covenant (Note 14). As of the date of issue , the default was remedied and the long-term debt is no longer due within one year.

Foreign currency exchange risk

At March 31, 2016 and December 31, 2015, approximately 27% and 31%, respectively of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $92,193 and $86,268, respectively.

The Company has significant commitments due for payment in U.S. dollars and Euros. 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.

(In thousands of dollars, except per share data)

As of March 31, 2016 the Company had Euro denominated foreign exchange forward contracts outstanding with a notional principal of $152,841and fair value of $4,128 (December 31, 2015 - $7,147). The contract maturities are as follows: 2017 - $49,917, 2018 - $102,924.

19. SEGMENT DISCLOSURES

The Company operates through four segments; Domestic Dry-Bulk, Product Tankers, Ocean Shipping and Global Short Sea Shipping. The segment operating results include fully consolidated subsidiaries and interests in jointly controlled entities. Segment disclosures are based on how the Chief Executive Officer views operating results and decisions about resources to be allocated to operating segments.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Company's 21 – 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 four ocean-going self-unloading vessels and a 50% interest through a joint venture in an ocean-going fleet of three self-unloaders. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide ocean trades.

The Global Short Sea Shipping segment is a 50% joint venture in a cement carrier fleet supporting infrastructure projects world-wide.

The following presents the Company's results from continuing operations by reportable segment for the three months ended March 31, 2016:

Revenues	**2016**	2015
Domestic Dry-Bulk	**$ 11,659**	$ 18,923
Product Tankers	**8,515**	18,645
Ocean Shipping	**20,303**	6,341
	$ 40,477	$ 43,909

(In thousands of dollars, except per share data)

Net Loss from Continuing Operations	**2016**	2015
Operating (loss) earnings net of income tax		
Domestic Dry-Bulk	**$ (27,715)**	$ (24,092)
Gain on shipbuilding contracts	**16,196**	—
	(11,519)	(24,092)
Product Tankers	**(1,508)**	3,719
Ocean Shipping	**7,268**	1,220
Global Short Sea Shipping	**490**	—
Corporate	**(3,243)**	(2,631)
	(8,512)	(21,784)
Not specifically identifiable to segments		
Net (loss) gain on foreign currency translation	**(25)**	332
Interest expense	**(2,936)**	(2,629)
Interest income	**487**	434
Income tax recovery	**3,027**	(129)
	$ (7,959)	$ (23,776)

Operating Expenses	**2016**	2015
Domestic Dry-Bulk	**$ 39,186**	$ 42,413
Product Tankers	**7,599**	10,752
Ocean Shipping	**11,923**	5,181
	$ 58,708	$ 58,346

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of dollars, except per share data)

Assets	**March 31 2016**	December 31 2015
Domestic Dry-Bulk	**$ 406,351**	$ 466,582
Product Tankers	**131,114**	135,975
Ocean Shipping	**200,004**	77,154
Global Short Sea Shipping	**22,225**	—
Assets of discontinued operations held for sale	**86,259**	82,665
Total assets allocated to segments	**845,953**	762,376
Not specifically identifiable to segments	**171,687**	226,429
	$ 1,017,640	$ 988,805

Additions to Property, Plant, and Equipment	**2016**	2015
Domestic Dry-Bulk	**$ 25,416**	$ 12,116
Product Tankers	**1,626**	—
Ocean Shipping	**119,861**	3,833
Total per property, plant, and equipment note (Note 12)	**146,903**	15,949
Capitalized interest	**(1,232)**	(1,451)
Amounts included in working capital	**664**	(6,623)
Total per cash flow statement	**$ 146,335**	$ 7,875

Depreciation of Property, Plant, and Equipment	**2016**	2015
Domestic Dry-Bulk	**$ 4,975**	$ 5,826
Product Tankers	**1,866**	2,589
Ocean Shipping	**2,876**	1,156
	$ 9,717	$ 9,571

Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of dollars, except per share data)

Liabilities	March 31 2016	December 31 2015
Domestic Dry-Bulk	**$ 34,252**	$ 39,799
Product Tankers	**3,324**	7,312
Ocean Shipping	**5,806**	2,483
Liabilities of discontinued operations held for sale	**12,196**	10,218
Total liabilities allocated to segments	**55,578**	59,812
Not specifically identifiable to segments		
Current liabilities	**5,185**	1,975
Other	**370,585**	308,408
Total Liabilities	**$ 431,348**	$ 370,195

2016

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