Algoma Central Corporation

Interim Report to Shareholders

For the Three and Nine Months Ended September 30, 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 and nine months ending September 30, 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 November 8, 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 and 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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Revenue	**$ 115,333**	$ 125,077	**$ 252,012**	$ 294,322
Segment operating earnings, net of income tax	**$ 24,270**	$ 15,420	**$ 27,827**	$ 16,589
Continuing operations				
Net earnings	**$ 23,568**	$ 13,493	**$ 27,590**	$ 12,096
Basic earnings per common share	**$ 0.61**	$ 0.35	**$ 0.71**	$ 0.31
Net earnings from discontinued operations	**$ 14,934**	$ 1,350	**$ 17,478**	$ 3,085
Net earnings	**$ 38,502**	$ 14,843	**$ 45,068**	$ 15,181
Basic earnings per common share	**$ 0.99**	$ 0.38	**$ 1.16**	$ 0.39
Common shares outstanding			**38,913,733**	38,913,733

The Company is reporting 2016 third quarter revenues of $115,333 compared to $125,077 for the same period in 2015. The decrease in revenue occurred mainly in the Domestic Dry-Bulk segment and was due to reduced customer demand in major commodities and the impact of lower fuel costs that are passed on directly to customers as part of the freight rate. Revenues in the Product Tanker segment decreased due primarily to reduced customer demand and lower fuel prices. Partially offsetting these decreases was an improvement in the Ocean Shipping segment revenue due to more revenue days resulting from the addition of two vessels to the fleet in early January.

Revenues for the nine months ended September 30, 2016 of $252,012 were $42,310 lower than revenues for the same period in the prior year. Domestic Dry-Bulk revenues decreased by $49,800, Product Tanker revenues experienced a decrease of $15,514 and the Ocean Shipping segment increased $23,004.

Segment operating earnings after income taxes for the 2016 third quarter of $24,270 includes a gain on shipbuilding contracts in the amount of $6,126. Excluding this item from the segment results, the earnings for the third quarter of 2016 would have been $18,144. Although revenues fell $9,744, earnings for the 2016 third quarter of $18,144 were 17% ahead of last year due primarily to cost control. Improvements in earnings were realized in all business segments.

Segment operating earnings after income taxes for both the 2016 and 2015 nine-month periods of $27,827 and $16,589 respectively, include gains on shipbuilding contracts in the amount of $22,322 and $10,067, respectively. Excluding these items from the segment results, the earnings for the nine-months ended 2016 would have been $5,505 which compares to earnings for the 2015 nine-month period of $6,522. Improvements in earnings in the Ocean Shipping and Global Short Sea Shipping segments were more than offset with decreases in the Domestic Dry-Bulk and Product Tanker segments, particularly in the first half of 2016.

Net earnings and basic earnings per share from continuing operations for the 2016 third quarter were $23,568 and $0.61, respectively, compared to $13,493 and $0.35, respectively, for the same period last year. Net earnings and basic earnings per share from continuing operations for the 2016 nine-months were $27,590 and $0.71, respectively, compared to earnings of $12,096 and $0.31 for 2015.

Net earnings from discontinued operations for the 2016 third quarter were $14,934 compared to $1,350 for the same period last year. During the third quarter, the Company completed the sale of four properties resulting in a net gain of $13,070.

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 3	$ 115,333	$ 38,502	$ 0.99
	Quarter 2	$ 96,202	$ 13,261	$ 0.34
	Quarter 1	$ 40,477	$ (6,695)	$ (0.17)
2015	Quarter 4	$ 119,171	$ 10,590	$ 0.27
	Quarter 3	$ 125,077	$ 14,843	$ 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

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	**Three Months Ended September 30**		**Nine Months Ended September 30**	
Financial Review	**2016**	2015	**2016**	2015
Revenue	**$ 81,900**	$ 93,108	**$ 157,671**	$ 207,471
Operating expenses	**(55,347)**	(65,529)	**(139,016)**	(188,229)
General and administrative	**(2,468)**	(1,355)	**(8,008)**	(7,296)
	24,085	26,224	**10,647**	11,946
Depreciation	**(5,673)**	(7,011)	**(16,266)**	(19,629)
Gain on shipbuilding contracts	**7,165**	(197)	**26,387**	13,697
Income taxes	**(6,778)**	(6,788)	**(5,504)**	(1,595)
Net earnings	**$ 18,799**	$ 12,228	**$ 15,264**	$ 4,419
Operating ratio	**77.5%**	79.4%	**103.6%**	103.7%
Additions to property, plant, and equipment	**$ 11,432**	$ 22,719	**$ 76,521**	$ 73,767
			September 30 2016	December 31 2015
Total assets			**$ 442,020**	$ 466,582

Revenue decreased in the 2016 third quarter by $11,208 and for the nine-months ended September 30, 2016 by $49,800 when compared to the previous year's similar periods. The decreases for both periods were due primarily to fewer operating days largely as a result of volume decreases in the salt, iron and steel, agricultural and the construction sectors. Partially offsetting the decreases were favourable variances resulting from fewer weather delays in 2016.

Operating expenses for the 2016 third quarter were lower than the comparable period in 2015 by $10,182 and for the nine-months ended September 30, 2016 the operating expenses were lower by $49,213 in 2016 when compared to 2015. The decreases in expenses for both periods were driven by fewer operating days, lower repair and winter lay-up expenses and continuing efforts by management to reduce costs in light of reduced volumes.

The gains on the shipbuilding contracts for the three months ended September 30, 2016 and 2015 and the nine-months ended September 30, 2016 relate to the favourable resolution of the dispute with Nantong Mingde Heavy Industries Co. Ltd. (the "Shipyard") involving four shipbuilding contracts. The Company entered into contracts with the Shipyard in 2010 to build six Equinox Class bulk freighters to replace ships in the Company's domestic dry-bulk fleet. Only two of these vessels were delivered and the Company cancelled the four remaining contracts as a result of the bankruptcy of the Shipyard in 2015. All monies paid by the Company against these shipbuilding contracts were supported by refund guarantees issued by Chinese state banks. Refunds of all instalments and related interest have now been collected.

As a result of the cancellations, in 2015, the Company recognized a gain of $13,697 resulting from the recognition of a foreign exchange gain, net of the expensing of certain capitalized costs. In 2016, upon collection of the refunds, the Company recognized further foreign exchange gains and related interest income and wrote off capitalized interest on the construction in process.

Depreciation expense for both the 2016 third quarter and for the nine-months ended September 30, 2016 is lower than the comparable 2015 periods due to the end of service lives of certain vessels at the end to fiscal 2015.

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.

Product Tankers	**Three Months Ended September 30**		**Nine Months Ended September 30**	
Financial Review	**2016**	2015	**2016**	2015
Revenue	**$ 18,839**	$ 20,751	**$ 43,395**	$ 58,909
Operating expenses	**(10,101)**	(13,528)	**(28,694)**	(35,797)
General and administrative	**(628)**	(436)	**(2,027)**	(1,525)
	8,110	6,787	**12,674**	21,587
Depreciation	**(2,385)**	(2,489)	**(6,635)**	(7,446)
Income taxes	**(722)**	(417)	**(908)**	(4,351)
Net earnings	**$ 5,003**	$ 3,881	**$ 5,131**	$ 9,790
Operating ratio	**69.6%**	79.3%	**86.1%**	76.0%
Additions to property, plant, and equipment	**$ —**	$ —	**$ 1,799**	$ —
			September 30 2016	December 31 2015
Total assets			**$ 127,804**	$ 135,975

Revenue for the Product Tankers segment for the 2016 third quarter decreased by $1,912 or 9.2% and by $15,514 or 26.3% for the nine-month period in 2016 when compared to the same periods in 2015. The decrease in revenue is a result of reduced customer shipments due primarily to the closure of a refinery on the East Coast and to the temporary transfer of one vessel to international markets to ensure continued utilization of the vessel over the winter operating season.

Operating costs for the third quarter in 2016 were 25.3% lower than the previous year comparable period and for the nine-months ended September 30, 2016 operating expenses were 19.8% lower primarily due to the effect of reduced operating days and lower daily operating costs for a vessel in international operations. The decreases were partially offset with an increase in winter maintenance spending.

Segment operating earnings net of income tax for the Product Tankers segment increased by $1,122 in the 2016 third quarter when compared to the same 2015 quarter and decreased by $4,659 for the nine-months ended September 30, 2016 when compared to 2015.

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

Ocean Dry-Bulk Shipping

Financial Review	Three Months Ended September 30 **2016**	Three Months Ended September 30 2015	Nine Months Ended September 30 **2016**	Nine Months Ended September 30 2015
Revenue	**$ 14,594**	$ 11,218	**$ 50,946**	$ 27,942
Operating expenses	**(9,370)**	(8,564)	**(31,734)**	(18,297)
General and administrative	**(168)**	(243)	**(655)**	(746)
	5,056	2,411	**18,557**	8,899
Depreciation	**(3,060)**	(1,469)	**(9,006)**	(4,002)
Income taxes	**—**	2	**4**	7
Earnings from joint venture	**253**	806	**3,724**	5,253
Net earnings	**$ 2,249**	$ 1,750	**$ 13,279**	$ 10,157
Operating ratio	**86.3%**	91.6%	**81.3%**	82.5%
Additions to property, plant and equipment	**$ 2,807**	$ 20	**$ 124,951**	$ 4,204
Additions to property, plant and equipment by joint venture	**$ —**	$ —	**$ 15,883**	$ —

	September 30 2016	December 31 2015
Total assets	**$ 198,940**	$ 77,154

The Company's share of Pool revenues for the third quarter of 2016 and for the nine-months ended September 30, 2016 increased by $3,376 and by $23,004, respectively, when compared to the same periods in 2015 due primarily to the addition of two vessels to the fleet in early January 2016. Also contributing to the increase for the nine-months ended September 30, 2016 was more revenue days for the *Bahama Spirit,* which was in a regulatory dry-docking for part of the first and second quarters in 2015.

Operating costs increased in the 2016 third quarter by $806 and in the nine-month period ending September 30, 2016 by $13,437 when compared to the previous year's comparable periods. The increases were due to the addition of the new vessels and the increased operating days for the *Bahama Spirit* in 2016.

The increase in depreciation expense was due primarily to the addition of the new vessels.

The decrease in earnings from the ocean dry-bulk joint venture for the three and nine-months ended September 30, 2016 was due primarily to the removal of a vessel from the commercial pool during the year.

Real Estate - Discontinued Operations	**Three Months Ended September 30**		**Nine Months Ended September 30**	
Financial Review	**2016**	2015	**2016**	2015
Revenue	**$ 9,040**	$ 9,151	**$ 25,513**	$ 25,129
Operating expenses	**(5,155)**	(5,195)	**(15,402)**	(14,617)
General and administrative	**(895)**	(599)	**(2,688)**	(1,724)
	2,990	3,357	**7,423**	8,788
Depreciation	**(459)**	(1,537)	**(1,562)**	(4,635)
Gain on sale of properties	**15,721**	—	**15,721**	—
Income taxes	**(3,318)**	(470)	**(4,104)**	(1,068)
Net earnings	**$ 14,934**	$ 1,350	**$ 17,478**	$ 3,085
Average occupancy			**92.0%**	93.2%
Additions to properties	**$ 1,699**	$ 1,172	**$ 3,551**	$ 4,624
			September 30 2016	December 31 2015
Total assets			**$ 67,116**	$ 82,665

Net earnings in the Real Estate segment increased in both the 2016 third quarter and for the nine-months ended September 30, 2016 when compared to the same periods in 2015 due primarily to gains realized on the sale of certain properties and lower depreciation expense in the 2016 periods as a result of the properties being classified as assets held for sale. During the 2016 third quarter, the Company sold four of its real estate properties realizing net proceeds on disposal of $35,977 and gains before income taxes of $15,721.

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).

NACC as of September 30, 2016 consisted of five operating pneumatic cement carriers and four vessels under construction.

The results of the Global Short Sea Shipping segment for the three and nine-months ended September 30, 2016 were as follows:

	Three Months Ended September 30	Nine Months Ended September 30
Financial Review	**2016**	**2016**
Revenue	**$ 2,487**	**$ 6,040**
Operating expenses	**(1,057)**	**(2,125)**
General and administrative	**(104)**	**(197)**
	1,326	**3,718**
Depreciation	**(481)**	**(1,212)**
Interest	**(154)**	**(423)**
Foreign exchange gain	**43**	**43**
Net earnings	**$ 734**	**$ 2,126**
Operating ratio	**66.0%**	**58.5%**
Additions to property, plant and equipment	**$ 10,286**	**$ 27,087**

	September 30 2016
Total assets	**$ 51,289**

Consolidated	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2016	2015	**2016**	2015
Revenue	**$ 115,333**	$ 125,077	**$ 252,012**	$ 294,322
Operating expenses	**(74,818)**	(87,621)	**(199,444)**	(242,323)
General and administrative	**(6,686)**	(5,353)	**(21,538)**	(20,065)
	33,829	32,103	**31,030**	31,934
Depreciation	**(11,118)**	(10,969)	**(31,907)**	(31,077)
Net gain on shipbuilding contracts	**7,165**	(197)	**26,387**	13,697
Interest expense	**(2,127)**	(4,289)	**(8,086)**	(9,515)
Interest income	**(52)**	202	**869**	946
Net gain on foreign currency translation	**1,081**	1,192	**3,524**	3,231
Income tax expense	**(6,197)**	(5,355)	**(77)**	(2,373)
Earnings of joint ventures	**987**	806	**5,850**	5,253
Net earnings from continuing operations	**$ 23,568**	$ 13,493	**$ 27,590**	$ 12,096

General and Administrative Expenses

General and administrative expenses for the 2016 third quarter and nine-months were higher than the corresponding 2015 periods due largely to reductions in the value of certain incentive compensation accruals recorded in the 2015 third quarter. A portion of general and administrative costs that excludes all costs associated with the Corporate office is allocated to the continuously operating business units discussed above.

Interest Expense

Interest expense decreased in the 2016 third quarter and for the nine-months ended September 30, 2016 when compared to the same periods in 2015. The decrease was due largely to an increase in interest capitalized in 2016 on vessels under construction.

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:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Earnings from continuing operations	**$ 28,778**	$ 18,042	**$ 21,817**	$ 9,216
Expected income tax expense	**$ 7,626**	$ 4,781	**$ 5,782**	$ 2,442
Increase (decrease) resulting from:				
Foreign tax rates different from statutory rate	**(381)**	(795)	**(2,465)**	(946)
Effect of items that are not taxable	**(1,346)**	546	**(3,413)**	237
Adjustments of prior year's taxes on filing	**84**	673	**84**	673
Other	**214**	150	**89**	(33)
	$ 6,197	$ 5,355	**$ 77**	$ 2,373

Comprehensive Earnings

The comprehensive earnings for the three-months ended September 30, 2016 were $41,977 compared to earnings of $23,088 for the comparable 2015 period, and for the nine-months ended September 30, 2016 the comprehensive earnings were $16,217 compared to earnings of $21,617 for 2015.

The increase in the comprehensive earnings for the three-month period ending September 30, 2016 when compared to the prior year similar period is due primarily to an increase in net earnings of $23,659 less a decrease of $9,936 in the unrealized gain on the translation of financial statements of foreign operations.

The decrease for the nine-months ended September 30, 2016 of $5,400 was due to largely to the unrealized gain on the translation of financial statements of foreign operations. In 2016, the Company recognized a loss of $18,931 versus a gain of $21,444 in 2015. The change was due to the strengthening of the Canadian dollar in the first nine months of 2016 when compared to the U.S. dollar weakening in 2015 over the same period. An increase in net earnings partially offset the decrease in the foreign exchange gain.
Also included in the comprehensive earnings for the nine-months ended September 30, 2016 are employee future benefits net actuarial losses after income tax of $6,993 compared to losses of $1,252 for the previous year. The loss in 2016 was due primarily to a decrease in the discount rate used to value the post employment obligations that was partially offset by positive investment returns on assets held by the retirement plans. The 2015 loss was due to negative 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 September 30, 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

Cash Generated From (Used In)	Nine Months Ended September 30 **2016**	2015	Favourable (Unfavourable)
Net earnings from continuing operations	**$ 27,590**	$ 12,096	$ 15,494
Operating activities	**$ 45,160**	$ 14,432	$ 30,728
Investing activities	**$ (175,584)**	$ (70,182)	$ 105,402
Financing activities	**$ 1,643**	$ (19,208)	$ 20,851

Operating Activities

The net cash generated from operating activities in 2016 increased by $30,728 when compared to the same period in 2015. The increase in the use of cash resulted from a favourable change in cash provided from working capital and less net cash required for corporate income tax instalments as a result of refunds received in 2016.

Investing Activities

Net cash used in investing activities of $175,584 is net of the refunds received on the shipbuilding contracts of $89,460. Total spending of $265,447 in 2016 was primarily for the purchase of two ocean self-unloading bulkers, the *Algoma Vision and Algoma Value*, an investment to acquire a 50% interest in the ocean self-unloading bulker, the *Algoma Venture*, instalments on new Equinox Class self unloaders, investments in the cement carrier joint venture and costs related to capitalized dry-docking costs on certain vessels.

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

Financing Activities

Included in the net cash generated from financing activities in 2016 is 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 $0.21 per common share in both the nine months ended September 30, 2016 and 2015.

Capital Resources

Management expects that cash and cash equivalents on hand at September 30, 2016 of $115,634, existing credit facilities and projected cash from operations for the remainder of 2016 will be more than sufficient to meet the Company's planned operating and capital requirements and other contractual obligations for the balance of 2016.

The Company maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. At September 30, 2016, the Company had $48,849 Canadian dollar and $100,000 U.S. dollar 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 September 30, 2016, the Company was in compliance with all of its covenants.

In July 2016, the Company renewed and amended its Bank Facility that came due on July 19, 2016. The new Facility is for a four-year term and comprises a $50 million Canadian dollar and a $100 million U.S. dollar senior secured revolving bank credit facility provided by a syndicate of seven banks. 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 150 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 the new agreements.

Contingencies

For information on contingencies, please refer to Note 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 and nine-months ended September 30, 2016 and 2015.

Contractual Obligations

The table below provides aggregate information about the Company's contractual obligations at September 30, 2016 that affect the Company's liquidity and capital resource needs.

	Within one year	2-3 years	4-5 years	Total
Long-term debt including equity component	$ —	$ 68,975	$ 173,380	$ 242,355
Capital asset commitments	110,521	152,440	—	262,961
Joint venture capital commitments	9,760	—	—	9,760
Dividends payable	724	—	—	724
Other long-term liabilities	759	1,516	689	2,964
Interest payments on long-term debt	13,306	20,403	17,188	50,897
Employee future benefit payments	150	300	187	637
	$ 135,220	$ 243,634	$ 191,444	$ 570,298

The capital asset commitments relate to contracts in place for the construction of two new Equinox Class 650' self-unloaders and five Equinox Class 740' self-unloaders. The Company expects to take delivery of two to three vessels in 2017 with the remaining ships to follow in 2018.

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 standard in the financial statements for the annual period beginning January 1, 2016. The new standard did not have a material impact on the financial statements.

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, 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 new pronouncements on its consolidated financial statements.

Algoma Central Corporation
Notice to Reader

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 and nine months ended September 30, 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 Earnings
For the Three and Nine Months ended September 30, 2016 and 2015
(In thousands of dollars, except per share data)

	Notes	Three Months Ended September 30 2016	Three Months Ended September 30 2015	Nine Months Ended September 30 2016	Nine Months Ended September 30 2015
Revenue	**21**	**$ 115,333**	$ 125,077	**$ 252,012**	$ 294,322
Expenses					
Operations	**21**	**74,818**	87,621	**199,444**	242,323
General and administrative		**6,686**	5,353	**21,538**	20,065
		81,504	92,974	**220,982**	262,388
		33,829	32,103	**31,030**	31,934
Depreciation of property, plant, and equipment	**12**	**(11,118)**	(10,969)	**(31,907)**	(31,077)
Net gain (loss) on shipbuilding contracts	**7**	**7,165**	(197)	**26,387**	13,697
Interest expense	**8**	**(2,127)**	(4,289)	**(8,086)**	(9,515)
Interest income		**(52)**	202	**869**	946
Net gain on foreign currency translation	**9**	**1,081**	1,192	**3,524**	3,231
		28,778	18,042	**21,817**	9,216
Income Tax (Expense)	**10**	**(6,197)**	(5,355)	**(77)**	(2,373)
Net Earnings of Joint Ventures	**6**	**987**	806	**5,850**	5,253
Net Earnings from Continuing Operations		**23,568**	13,493	**27,590**	12,096
Net Earnings from Discontinued Operations	**11**	**14,934**	1,350	**17,478**	3,085
Net Earnings		**$ 38,502**	$ 14,843	**$ 45,068**	$ 15,181
Basic Earnings per Share					
Continuing operations	**17**	**$ 0.61**	$ 0.35	**$ 0.71**	$ 0.31
Discontinued operations	**17**	**$ 0.38**	$ 0.03	**$ 0.45**	$ 0.08
		$ 0.99	$ 0.38	**$ 1.16**	$ 0.39
Diluted Earnings per Share					
Continuing operations	**17**	**$ 0.57**	$ 0.34	**$ 0.71**	$ 0.31
Discontinued operations	**17**	**$ 0.34**	$ 0.03	**$ 0.40**	$ 0.07
		$ 0.91	$ 0.37	**$ 1.11**	$ 0.38

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Earnings
For the Three and Nine Months ended September 30, 2016 and 2015
(In thousands of dollars)

		Three Months Ended September 30		Nine Months Ended September 30	
	Notes	**2016**	2015	**2016**	2015
Net Earnings		**$ 38,502**	$ 14,843	**$ 45,068**	$ 15,181
Other Comprehensive Earnings (Loss)					
Items that may be subsequently reclassified to net earnings:					
Unrealized gain (loss) on translation of financial statements of foreign operations	**18**	**2,030**	11,966	**(18,931)**	21,444
Unrealized gain (loss) on hedging instruments, net of income tax	**18**	**1,849**	(435)	**(68)**	166
Foreign exchange gain on purchase commitment hedge reserve transferred to net earnings		**—**	—	**—**	(13,444)
Deferred foreign exchange gain transferred to property, plant and equipment		**(1,331)**	(478)	**(2,859)**	(478)
Items that will not be subsequently reclassified to net earnings:					
Employee future benefits, actuarial gain (loss), net of income tax		**927**	(2,808)	**(6,993)**	(1,252)
		3,475	8,245	**(28,851)**	6,436
Comprehensive Earnings		**$ 41,977**	$ 23,088	**$ 16,217**	$ 21,617

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheet
September 30, 2016 and December 31, 2015
(In thousands of dollars)

	Notes	September 2016	December 31 2015
Assets			
Current			
Cash		$ 115,634	$ 210,562
Accounts receivable		51,127	47,744
Materials and supplies		8,385	7,330
Prepaid expenses		5,276	3,493
Income taxes recoverable		1,689	13,461
Assets of discontinued operations held for sale	11	67,116	82,665
		249,227	365,255
Employee Future Benefits		—	2,406
Property, Plant, and Equipment	12	669,057	513,140
Goodwill and Intangible Asset	13	11,029	7,910
Other Assets	14	—	85,699
Investment in Joint Ventures	6	75,179	14,395
		$ 1,004,492	$ 988,805
Liabilities			
Current			
Accounts payable and accrued charges		$ 51,785	$ 49,594
Dividends payable		724	527
Current portion of long-term debt	16	—	1,448
Derivative liabilities		1,150	—
Liabilities of discontinued operations held for sale	11	16,201	10,218
		69,860	61,787
Other Long-Term Liabilities	15	8,032	—
Deferred Income Taxes		31,087	42,602
Employee Future Benefits		31,067	23,258
Long-Term Debt	16	237,790	242,548
		307,976	308,408
Commitments	19	—	—
Shareholders' Equity			
Share Capital	17	8,344	8,344
Contributed Surplus		11,917	11,917
Convertible Debentures		4,630	4,630
Accumulated Other Comprehensive (Loss) Earnings	18	(17,173)	4,685
Retained Earnings		618,938	589,034
		626,656	618,610
		$ 1,004,492	$ 988,805

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2016 and 2015
(In thousands of dollars)

	Share capital	Contributed Surplus and Convertible debentures	Accumulated Other Comprehensive Earnings (Loss) (Note 18)	Retained Earnings	Total Equity
Balance at December 31, 2014	$ 8,319	$ 16,549	$ 11,089	$ 571,142	$ 607,099
Net earnings	—	—	—	15,181	15,181
Dividends	—	—	—	(8,171)	(8,171)
Other comprehensive earnings (loss)	—	—	7,688	(1,252)	6,436
Conversion of debentures	25	(2)	—	—	23
Refundable dividend tax on hand	—	—	—	1,174	1,174
Balance at September 30, 2015	$ 8,344	$ 16,547	$ 18,777	$ 578,074	$ 621,742
Balance at December 31, 2015	$ 8,344	$ 16,547	$ 4,685	$ 589,034	$ 618,610
Net earnings	—	—	—	45,068	45,068
Dividends	—	—	—	(8,171)	(8,171)
Other comprehensive loss	—	—	(21,858)	(6,993)	(28,851)
Balance at September 30, 2016	$ 8,344	$ 16,547	$ (17,173)	$ 618,938	$ 626,656

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows
For the Nine Months ended September 30, 2016 and 2015
(In thousands of dollars)

	Notes	2016	2015
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net earnings from continuing operations		**$ 27,590**	$ 12,096
Earnings of joint ventures	**6**	**(5,850)**	(5,253)
Dividends from joint ventures		**6,515**	6,666
Items not affecting cash			
Depreciation of property, plant, and equipment	**12**	**31,907**	31,077
Income tax expense	**10**	**77**	2,373
Interest expense	**8**	**8,086**	9,515
Net gain on foreign currency translation	**9**	**(3,524)**	(3,231)
Net gain on shipbuilding contracts	**7**	**(26,387)**	(13,697)
Other		**2,339**	(589)
		40,753	38,957
Net change in non-cash operating working capital		**7,037**	(4,756)
Income taxes paid		**(1,194)**	(16,602)
Employee future benefits paid		**(1,436)**	(3,167)
Net cash generated from operating activities		**45,160**	14,432
Investing			
Additions to property, plant, and equipment	**21**	**(198,544)**	(73,869)
Investment in joint ventures		**(66,903)**	—
Proceeds from shipbuilding contracts	**7**	**89,460**	—
Proceeds on sale of property, plant, and equipment		**403**	3,687
Net cash used in investing activities		**(175,584)**	(70,182)
Financing			
Interest paid		**(14,708)**	(13,839)
Interest received		**22,626**	—
Proceeds of long-term debt		**70,304**	2,802
Repayments on long-term debt		**(68,408)**	—
Dividends paid		**(8,171)**	(8,171)
Net cash generated from (used in) financing activities		**1,643**	(19,208)
Net Change in Cash from Continuing Operations		**(128,781)**	(74,958)
Cash Provided from Discontinued Operations	**11**	**39,353**	4,080
Net Change in Cash		**(89,428)**	(70,878)
Effects of Exchange Rate Changes on Cash Held in Foreign Currencies		**(5,500)**	18,426
Cash, Beginning of Period		**210,562**	257,114
Cash, End of Period		**$ 115,634**	$ 204,662

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 and nine month periods ended September 30, 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 thirteen self-unloading dry-bulk carriers, six gearless dry-bulk carriers and six 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 19–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 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 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 two 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 five cement carriers operating globally in regional markets. The joint venture also has construction contracts for four additional cement carriers. The cement carrier vessels 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 which is currently held for sale.

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 November 8, 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 standard in the financial statements for the annual period beginning January 1, 2016. The new standard did not have a material impact on the financial statements.

4. NEW ACCOUNTING STANDARDS NOT YET APPLIED

Leases

In January 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.

(In thousands of dollars, except per share data)

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 owns 50% of the cement carrier business, which is 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 three pneumatic cement carriers in operation and two additional vessels under construction, one of which has since been delivered.

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, plus U.S. $6,250 to be paid upon delivery of the fourth and fifth ship. Subsequent to the initial acquisition, the Company invested a further U.S. $20,598 in connection with the acquisition and construction of four additional ships.

Under the terms of the agreement, the Company also issued guarantees of ship mortgages totalling U.S. $9,568.

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

(In thousands of dollars, except per share data)

6. INTERESTS IN JOINT VENTURES

The Company has a 50% interest in Marbulk Canada Inc., which owns and operates ocean-going vessels and participates in an international commercial arrangement, and a 50% interest 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 figures for this investment 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 and nine months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Revenue	**$ 5,398**	$ 6,476	**$ 20,772**	$ 28,544
Operating expenses	**(3,854)**	(5,641)	**(15,638)**	(18,616)
Interest expense	**(356)**	—	**(1,056)**	—
(Loss) gain on withdrawal of vessel from Pool	**(1,124)**	—	**2,958**	—
Net (loss) gain on sale of vessels	**(22)**	(20)	**(2,646)**	482
Foreign exchange gain	**248**	—	**2,476**	—
Earnings before income taxes	**290**	815	**6,866**	10,410
Income tax recovery	**216**	796	**582**	96
Net earnings	**$ 506**	$ 1,611	**$ 7,448**	$ 10,506
Company share of net earnings	**$ 253**	$ 806	**$ 3,724**	$ 5,253

(In thousands of dollars, except per share data)

The assets and liabilities of Marbulk Canada Inc. at September 30, 2016 and December 31, 2015 are as follows:

	September 30 2016	December 31 2015
Cash	**$ 7,040**	$ 7,958
Other current assets	**4,252**	2,550
Property, plant and equipment	**38,060**	20,998
Other current liabilities	**(1,104)**	(2,854)
Deferred taxes	**—**	138
Net assets of jointly controlled operation	**$ 48,248**	$ 28,790
Company share of net assets	**$ 24,124**	$ 14,395

The revenues, expenses and net earnings of NovaAlgoma Cement Carriers for the three and nine months ended September 30 2016 are as follows:

	Three Months Ended	**Nine Months Ended**
	September 30, 2016	
Revenue	**$ 4,975**	$ 12,081
Expenses	**(3,507)**	(7,829)
Net earnings	**$ 1,468**	$ 4,252
Company share of net earnings	**$ 734**	$ 2,126

(In thousands of dollars, except per share data)

The assets and liabilities of NovaAlgoma Cement Carriers at September 30, 2016 are as follows:

		September 30 2016
Cash	$	10,937
Other current assets		8,850
Property, plant, and equipment		119,045
Accounts payable and accrued charges		(10,304)
Long-term debt		(31,737)
Net assets of jointly controlled operation	$	96,791
Company share of net assets	$	48,396
Goodwill		2,659
Company share of joint venture	$	51,055

The Company has outstanding commitments of U.S. $9,760 due within one year relating to the acquisition and construction of future vessels.

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

	Three Months Ended September 30				Nine Months Ended September 30			
		2016		2015		2016		2015
Marbulk Canada Inc.	$	253	$	806	$	3,724	$	5,253
NovaAlgoma Cement Carriers		734		—		2,126		—
	$	987	$	806	$	5,850	$	5,253

The Company's net investment in the jointly controlled operations at September 30, 2016 and December 31, 2015 are as follows:

		September 30 2016		December 31 2015
Marbulk Canada Inc.	$	24,124	$	14,395
NovaAlgoma Cement Carriers		51,055		—
	$	75,179	$	14,395

7. GAIN ON SHIPBUILDING CONTRACTS

During the third quarter, the Company resolved the dispute involving a fourth and final shipbuilding contract with Nantong Mingde Heavy Industries Co. Ltd. (the "Shipyard") and all construction instalments have been refunded with interest. Net gains have been recorded for the three and nine months ended September 30, 2016 and 2015 consisting of the following components:

(In thousands of dollars, except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2016
Foreign exchange gain	**$ 6,490**	$ —	**$ 22,092**	$ —
Interest income on instalments	**8,749**	—	**22,626**	—
Gain on conversion of amounts designated as a purchase commitment hedge of future construction payments	**—**	—	**—**	18,300
Capitalized interest written-off	**(8,074)**	—	**(18,331)**	(4,406)
Ongoing costs related to the cancellation	**—**	(197)	**—**	(197)
Gain (loss) before income taxes	**7,165**	(197)	**26,387**	13,697
Income tax (expense) recovery	**(1,039)**	52	**(4,065)**	(3,630)
	$ 6,126	$ (145)	**$ 22,322**	$ 10,067

8. INTEREST EXPENSE

The components of interest expense are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Interest expense on borrowings	**$ 3,850**	$ 3,810	**$ 11,798**	$ 11,122
Amortization of financing costs	**107**	269	**876**	721
Interest on employee future benefits, net	**235**	210	**300**	627
Interest capitalized on vessels under construction	**(2,065)**	—	**(4,888)**	(2,955)
	$ 2,127	$ 4,289	**$ 8,086**	$ 9,515

(In thousands of dollars, except per share data)

9. NET GAIN ON FOREIGN CURRENCY TRANSLATION

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
(Loss) gain on U.S. loan	**$ (15)**	$ —	**$ 7,753**	$ —
Realized gain on return of capital from joint venture	**1,831**	—	**1,831**	1,575
Gain (loss) on construction payments receivable	**6**	—	**(3,870)**	—
Gain (loss) on loan to joint venture	**42**	—	**(1,091)**	—
(Loss) gain on U.S. dollar denominated transactions	**(783)**	1,192	**(1,099)**	1,656
	$ 1,081	$ 1,192	**$ 3,524**	$ 3,231

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:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Earnings from continuing operations	**$ 28,778**	$ 18,042	**$ 21,817**	$ 9,216
Expected income tax expense	**$ 7,626**	$ 4,781	**$ 5,782**	$ 2,442
Increase (decrease) resulting from:				
Effect of items that are not taxable	**(1,346)**	546	**(3,413)**	237
Foreign tax rates different from statutory rate	**(381)**	(795)	**(2,465)**	(946)
Adjustments of prior years taxes on filing	**84**	673	**84**	673
Other	**214**	150	**89**	(33)
	$ 6,197	$ 5,355	**$ 77**	$ 2,373

(In thousands of dollars, except per share data)

11. DISCONTINUED OPERATIONS

The operating results from the discontinued operation for the three and nine months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Revenue	**$ 9,040**	$ 9,151	**$ 25,513**	$ 25,129
Operating expenses	**(5,155)**	(5,195)	**(15,402)**	(14,617)
General and administrative	**(895)**	(599)	**(2,688)**	(1,724)
Depreciation	**(459)**	(1,537)	**(1,562)**	(4,635)
Earnings before gain on sale of properties and income tax expense	**2,531**	1,820	**5,861**	4,153
Gain on sale of properties	**15,721**	—	**15,721**	—
Income tax expense	**(3,318)**	(470)	**(4,104)**	(1,068)
Net earnings	**$ 14,934**	$ 1,350	**$ 17,478**	$ 3,085

During the 2016 third quarter, the Company sold four of its real estate properties. The net proceeds on disposal were $35,977 and the gain before income taxes was $15,721.

The assets and liabilities of the discontinued operation at September 30, 2016 and December 31, 2015 are as follows:

	September 30 2016	December 31 2015
Accounts receivable	**$ 3,356**	$ 1,730
Materials and supplies	**45**	26
Prepaid expenses	**1,511**	157
Land and buildings	**62,204**	80,752
Total assets	**$ 67,116**	$ 82,665
Accounts payable and accrued charges	**10,391**	3,867
Deferred income taxes	**5,810**	6,351
Total liabilities	**$ 16,201**	$ 10,218

Subsequent to the nine months ended September 30, 2016, the Company completed the sale of another real estate property on October 12, 2016. The net proceeds on disposal were $13,665 and the estimated gain before income taxes was $7,107.

(In thousands of dollars, except per share data)

The cash flows from the discontinued operation for the nine months ended September 30, 2016 and 2015 are as follows:

	Nine Months Ended September 30	
	2016	2015
Net cash generated from operating activities	**$ 6,841**	$ 8,810
Net cash used in investing activities	**(3,465)**	(4,730)
Net cash from sale of properties	**35,977**	—
Cash provided from discontinued operation	**$ 39,353**	$ 4,080

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	76,521	1,799	124,951	203,271
Disposals	(79,837)	(4,918)	—	(84,755)
Fully depreciated assets no longer in use	(1,745)	(2,643)	—	(4,388)
Effect of foreign currency exchange differences	169	547	(14,972)	(14,256)
Balance September 30, 2016	$ 744,225	$ 216,846	$ 216,735	$ 1,177,806

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	16,266	6,635	9,006	31,907
Disposals	(79,337)	(4,918)	—	(84,255)
Fully depreciated assets no longer in use	(1,745)	(2,643)	—	(4,388)
Write-down of assets prior to sale	1,600	—	—	1,600
Effect of foreign currency exchange differences	941	587	(2,437)	(909)
Balance September 30, 2016	$ 358,296	$ 95,851	$ 54,602	$ 508,749

(In thousands of dollars, except per share data)

Net Book Value	Domestic Dry-Bulk	Product Tankers	Ocean Shipping	Total
Cost	$ 744,225	$ 216,846	$ 216,735	$ 1,177,806
Accumulated depreciation	358,296	95,851	54,602	508,749
Balance September 30, 2016	$ 385,929	$ 120,995	$ 162,133	$ 669,057

13. GOODWILL AND INTANGIBLE ASSET

Goodwill and intangible asset consists of the following:

	Goodwill	**Intangible Asset**	**Total**
Balance, December 31, 2015	$ 7,910	$ —	$ 7,910
Additions	—	3,599	3,599
Amortization	—	(555)	(555)
Effect of foreign currency exchange differences	—	75	75
Balance, September 30, 2016	**$ 7,910**	**$ 3,119**	**$ 11,029**

The Company has vessels that participate in a self-unloader ocean-going Pool with unrelated parties. In April, 2016, other Pool members withdrew certain vessels due to market overcapacity. These vessel owners were compensated for their loss of future earnings resulting from the withdrawal of the vessels. The Company's interest in the Pool increased as a result and its value, which initially was equal to the Company's share of the compensation payable to the other owners, has been recorded as an intangible asset and is being amortized over four years.

14. OTHER ASSETS

Other assets consist of the following:

	September 30 2016	December 31 2015
Capitalized construction payments made to Nantong Mingde Shipyard	**$ —**	$ 67,369
Interest related to construction payments	**—**	18,330
	$ —	$ 85,699

The Company had claims against Nantong Mingde Heavy Industries Co., Ltd. (the "Shipyard") for the return of U.S. $65,760 at December 31, 2015 of instalment payments on cancelled construction contracts.

In 2016 the London UK Arbitration Tribunal hearing the contract disputes involving four shipbuilding contracts found in favour of the Company. During the first nine months of 2016, the Company was refunded the instalments with interest.

(In thousands of dollars, except per share data)

15. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

		September 30 2016
Derivative liabilities	$	5,066
Compensation payable to Pool members		2,966
	$	8,032

A portion of the compensation paid to other Pool members for the retirement of two vessels is payable in annual instalments in future years and has been recorded as an Other Long-Term Liability. The Company's share of the liability related to this compensation as of September 30, 2016 is payable in three equal annual instalments commencing April 1, 2017.

16. LONG-TERM DEBT

		September 30 2016		December 31 2015
Convertible unsecured subordinated debentures, due March 31, 2018, interest at 6.00%	$	67,285	$	66,506
Senior Secured Notes ("Notes"), due July 19, 2021				
U.S. $75,000, interest fixed at 5.11%		98,380		103,800
Canadian $75,000, interest fixed at 5.52%		75,000		75,000
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
		240,665		246,754
Less unamortized financing expenses		2,875		2,758
		237,790		243,996
Classified as current		—		(1,448)
Long-term debt	$	237,790	$	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. At September 30, 2016 and December 31, 2015 the Company was in compliance with all of the covenants.

17. SHARE CAPITAL

Share capital

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

(In thousands of dollars, except per share data)

The Company has 38,913,733 common shares outstanding as at September 30, 2016 and December 31, 2015, respectively.

At September 30, 2016 and December 31, 2015 there were no preferred shares issued and outstanding.

The Company's Board of Directors on November 8, 2016 authorized payment of a quarterly dividend to shareholders of $0.07 per common share. The dividend is payable on December 1, 2016 to shareholders of record on November 17, 2016.

The basic and diluted net earnings are computed as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Net earnings from continuing operations for basic earnings per share	**$ 23,568**	$ 13,493	**$ 27,590**	$ 12,096
Interest expense on debentures, net of tax	**1,079**	1,079	**3,234**	3,234
Net earnings from continuing operations for diluted earnings per share	**$ 24,647**	$ 14,572	**$ 30,824**	$ 15,330
Basic weighted average common shares	**38,913,733**	38,913,733	**38,913,733**	38,912,831
Shares due to dilutive effect of debentures	**4,478,896**	4,478,896	**4,478,896**	4,479,798
Diluted weighted average common shares	**43,392,629**	43,392,629	**43,392,629**	43,392,629
Basic earnings per common share from continuing operations	**$ 0.61**	$ 0.35	**$ 0.71**	$ 0.31
Diluted earnings per common share from continuing operations	**$ 0.57**	$ 0.34	**$ 0.71**	$ 0.31

18. 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	(6,098)	5,423	(1,425)	(18,932)	(21,032)
Reclassified to property, plant, and equipment	—	—	(2,859)	—	(2,859)
Income tax recovery (expense)	1,616	(718)	1,135	—	2,033
Net (loss) gain	(4,482)	4,705	(3,149)	(18,932)	(21,858)
Balance at September 30, 2016	**$ (4,482)**	**$ (17,704)**	**$ 3,996**	**$ 1,017**	**$ (17,173)**

(In thousands of dollars, except per share data)

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

The net investment hedge 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 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 cash flow and purchase commitment reserves 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.

19. COMMITMENTS

The table below reflects the commitments the Company has at September 30, 2016.

Construction of seven Equinox Class vessels	**$ 262,961**
Employee future benefit payments	**637**
	$ 263,598

Annual expected payments are as follows:

Due in 2016	**$ 8,747**
Due in 2017	**150,290**
Due in 2018	**81,125**
Due in 2019	**23,186**
Due in 2020	**250**
	$ 263,598

(In thousands of dollars, except per share data)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

	September 30 2016	December 31 2015
Financial assets carrying and fair value		
Cash	**$ 115,634**	$ 210,562
Accounts receivable	**$ 51,127**	$ 47,744
Financial liabilities carrying and fair value		
Accounts payable and accrued charges	**$ 51,785**	$ 49,594
Derivative liabilities	**$ 1,150**	$ —
Other long term liabilities	**$ 8,032**	$ —
Carrying value of debt	**$ 240,665**	$ 246,754
Fair value of debt	**$ 256,349**	$ 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 September 30, 2016 are as follows:

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and accrued charges	$ 51,785	$ —	$ —	$ —	$ 51,785
Dividends payable	724	—	—	—	724
Other long-term liabilities	759	1,516	689	—	2,964
Debt including equity portion	—	68,975	173,380	—	242,355
Interest payments	13,306	20,403	17,188	—	50,897
Total	$ 66,574	$ 90,894	$ 191,257	$ —	$ 348,725

Foreign currency exchange risk

At September 30, 2016 and December 31, 2015, approximately 17% and 31%, respectively of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $22,328 and $86,268, respectively.

The Company has significant commitments due for payment in U.S. dollars and Euros. The Company utilizes 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 September 30, 2016 the Company had Euro denominated foreign exchange forward contracts outstanding with a notional principal of €97,170 and a fair value of $6,604, and U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $104,782 and fair value of $(195). The contract maturities are as follows: 2016-U.S.-$7,634, 2017-€32,389, U.S.-$81,468, 2018-€64,781, U.S.-$15,680.

21. 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 how decisions are made 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 19–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 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 six 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 two 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 and is accounted for using the equity method (see Note 6).

The following presents the Company's results from continuing operations by reportable segment for the three and nine months ended September 30, 2016:

	Three Months Ended September 30		Nine Months Ended September 30	
Revenues	**2016**	2015	**2016**	2015
Domestic Dry-Bulk	**$ 81,900**	$ 93,108	**$ 157,671**	$ 207,471
Product Tankers	**18,839**	20,751	**43,395**	58,909
Ocean Shipping	**14,594**	11,218	**50,946**	27,942
	$ 115,333	$ 125,077	**$ 252,012**	$ 294,322

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

Net Earnings from Continuing Operations	Three Months Ended September 30 2016	2015	Nine Months Ended September 30 2016	2015
Operating earnings net of income tax				
Domestic Dry-Bulk	**$ 12,673**	$ 12,373	**$ (7,058)**	$ (5,648)
Gain (loss) on shipbuilding contracts	**6,126**	(145)	**22,322**	10,067
	18,799	12,228	**15,264**	4,419
Product Tankers	**5,003**	3,881	**5,131**	9,790
Ocean Shipping	**2,249**	1,750	**13,279**	10,096
Global Short Sea Shipping	**734**	—	**2,126**	—
Corporate Office	**(2,515)**	(2,439)	**(7,973)**	(7,716)
	24,270	15,420	**27,827**	16,589
Not specifically identifiable to segments				
Net gain on foreign currency translation	**1,081**	1,192	**3,524**	3,231
Interest expense	**(2,127)**	(4,289)	**(8,086)**	(9,515)
Interest income	**(52)**	202	**869**	946
Income tax recovery (expense)	**396**	968	**3,456**	845
	$ 23,568	$ 13,493	**$ 27,590**	$ 12,096

Operating Expenses	Three Months Ended September 30 2016	2015	Nine Months Ended September 30 2016	2015
Domestic Dry-Bulk	**$ 55,347**	$ 65,529	**$ 139,016**	$ 188,229
Product Tankers	**10,101**	13,528	**28,694**	35,797
Ocean Shipping	**9,370**	8,564	**31,734**	18,297
	$ 74,818	$ 87,621	**$ 199,444**	$ 242,323

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

Assets	**September 30 2016**	December 31 2015
Domestic Dry-Bulk	**$ 442,020**	$ 466,582
Product Tankers	**127,804**	135,975
Ocean Shipping	**198,940**	77,154
Global Short Sea Shipping	**51,289**	—
Assets of discontinued operations held for sale	**67,116**	82,665
Total assets allocated to segments	**887,169**	762,376
Not specifically identifiable to segments	**117,323**	226,429
	$ 1,004,492	$ 988,805

Additions to Property, Plant, and Equipment	**Three Months Ended September 30 2016**	Three Months Ended September 30 2015	**Nine Months Ended September 30 2016**	Nine Months Ended September 30 2015
Domestic Dry-Bulk	**$ 11,432**	$ 22,719	**$ 76,521**	$ 73,767
Product Tankers	**—**	—	**1,799**	—
Ocean Shipping	**2,807**	20	**124,951**	4,204
Total property, plant, and equipment (Note 12)	**$ 14,239**	$ 22,739	**$ 203,271**	$ 77,971
Total property, plant, and equipment			**$ 203,271**	$ 77,971
Capitalized interest			**(4,888)**	(2,955)
Amounts included in working capital			**161**	(1,147)
Total per cash flow statement			**$ 198,544**	$ 73,869

Depreciation of Property, Plant, and Equipment	**Three Months Ended September 30 2016**	Three Months Ended September 30 2015	**Nine Months Ended September 30 2016**	Nine Months Ended September 30 2015
Domestic Dry-Bulk	**$ 5,673**	$ 7,011	**$ 16,266**	$ 19,629
Product Tankers	**2,385**	2,489	**6,635**	7,446
Ocean Shipping	**3,060**	1,469	**9,006**	4,002
	$ 11,118	$ 10,969	**$ 31,907**	$ 31,077

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

Liabilities	September 30 2016	December 31 2015
Domestic Dry-Bulk	**$ 39,675**	$ 39,799
Product Tankers	**22,219**	7,312
Ocean Shipping	**10,152**	2,483
Liabilities of discontinued operations held for sale	**16,201**	10,218
Total liabilities allocated to segments	**88,247**	59,812
Not specifically identifiable to segments		
Current liabilities	**1,756**	1,975
Other	**287,833**	308,408
Total Liabilities	**$ 377,836**	$ 370,195

Notes

2016

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