

President's Message



This is my first letter to you as President and Chief Executive Officer and although I was appointed just a few weeks ago, the change is, in many ways, an evolution of my role since joining Algoma in 2015. During the past three years, management of the Company has been working to implement a strategic plan that is focused on:

1. Remaining the pre-eminent provider of marine transportation services on the Great Lakes by completing our domestic dry-bulk fleet renewal, while focusing on improving operational performance and increasing profitability;
2. Developing and implementing a growth plan for our domestic tankers;
3. Increasing our interest in the ocean self-unloader pool; and,
4. Leveraging our existing strengths to grow a position in global short sea shipping.

I want to first thank Ken Bloch Soerensen for his vision and for inspiring the Company's growth from its roots as a Great Lakes focused shipping company to becoming a leading player in the short sea shipping industry worldwide. We have strengthened existing partnerships and entered new ones, and the opportunities before us are exciting.

This success has not been without challenges, particularly in completing our new Equinox Class ships. Although we now have eight Equinox Class vessels in our fleet, it has taken us four extra years to reach this level. The opportunity cost of this delay has been substantial and disappointing; however, we are not disappointed with the productivity and performance of these new ships and see strong and sustainable financial contribution from these ships for many years to come. Regarding the next phase of our new build fleet renewal program, we now have a path forward and will be announcing key decisions in the coming months.

We took steps in 2018 to grow our tanker fleet with the addition of the Algonorth to the fleet in December. In March, 2019, we added another new tanker, the Algoterra, and now operate seven full sized product tankers and a smaller bunkering ship. Combined, these two tankers increase our total deadweight capacity in this segment by over 40%, which makes us a leading provider of Canadian flag marine transportation to the petroleum industry on the Great Lakes, the St. Lawrence, and eastern Canadian coastal waters.

By this summer, our presence in the ocean self-unloader market will have increased from the three vessels we owned in 2015 to eight vessels and our share of the pool will be a bit over 40%. The ocean pool operates specialized vessels in markets around the Americas and we believe the prospects for this business are bright. We are also looking at opportunities to deploy self-unloaders in world markets outside of those serviced by the Pool.

Finally, we launched our first joint venture in the cement niche of the global short sea market in early 2016, expanding into the broader mini-bulker market in 2017. Today, our NovaAlgoma joint venture controls 16 cement vessels and 20 mini-bulkers, has an ownership interest in seven additional cement ships and provides commercial management for other mini-bulker owners. From a standing start three years ago, we have become one of the leading players in these markets with ships trading in the Far East, Middle East, Australia, Europe and North, South and Central America. The name Algoma has gained global recognition.

Fiscal 2018

Reported revenues for 2018 topped \$500 million for the first time since 2011 and are up 23% compared to 2015.

These revenues generated net earnings of \$51 million, which includes a gain of \$10 million resulting from the cancellation of the Croatian shipbuilding contracts. Cancelling these contracts resulted in a significant cash inflow subsequent to the year-end, as refunds of the instalment payments made to date and related interest were remitted by the guaranteeing banks. Our interactions with the shipyard banks and the Croatian government have been handled professionally and expeditiously by all involved.

Despite the delays and uncertainty caused by our shipyard issues, our domestic and ocean operations delivered results for which all Algoma employees can take credit. Operationally, we retired and recycled seven vessels domestically and added five self-unloaders, a cement vessel, and a tanker to the fleet. All told, this represents a turnover of 25% of our domestic fleet in a single year. All of this was accomplished with minimal impact on the customer service we have built our reputation on.

Globally, our short sea joint ventures performed well, although not up to our expectations, generating earnings for 2018 of \$9 million. We are still a start-up in this market and we are confident returns from our joint ventures will continue to grow in future years.

I am looking forward to 2019. Algoma has an experienced and energetic management team, talented and well trained employees, quality vessels, a strong balance sheet and a vision for the future. As we say around here, #excitingtimesatalgoma.

A handwritten signature in black ink that reads "Gregg A. Ruhl". The signature is written in a cursive, flowing style.

Gregg A. Ruhl

President and Chief Executive Officer

Financial Highlights

For the year

	2018	2017
Revenue	\$508,201	\$452,947
Net earnings from continuing operations	50,943	34,972
Net earnings from discontinued operations	-	23,828
Basic earnings per common share, continuing operations	1.32	0.90
EBITDA (Note 1)	128,748	107,882
Cash flow generated from operating activities	80,110	59,669
Capital Expenditures	68,097	164,685
Dividends paid per common share	0.39	0.32
Return on equity (Note 2)	7.5%	9.0%

Note 1 - EBITDA refers to earnings before interest, taxes, depreciation, and amortization including EBITDA of discontinued operations and the Company's share of the EBITDA of equity interests in joint arrangements. Refer to the highlights section of the 2018 MD&A.

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

Operational Highlights

For the year

Domestic Dry-Bulk	2018	2017
Tonnage	21,509,515	21,944,519
Revenue days	5,329	5,542
Vessels in fleet (at year end)	20	21

Product Tankers	2018	2017
Revenue days	2,019	1,966
Outside charter days	683	457
Vessels in fleet (at year end)	7	6

Ocean Self-Unloaders	2018	2017
Revenue days	1,631	1,430
Vessels in fleet (at year end)	7	6

Who We Are

Algoma owns and operates the largest fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway, including self-unloading dry-bulk carriers, gearless dry-bulk carriers and product tankers. Algoma also owns ocean self-unloading dry-bulk vessels operating in international markets and a 50% interest in NovaAlgoma, which owns and operates a diversified portfolio of dry-bulk fleets serving customers internationally.



Domestic Dry-Bulk

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Company's domestic dry-bulk fleet and the technical and commercial management of vessels owned by others. The vessels carry cargoes of raw materials such as iron ore, grain, salt and aggregates and operate throughout the Great Lakes - St. Lawrence Waterway. Eight new vessels have been added to the Company's fleet as part of its Equinox Class fleet renewal program.



Product Tankers

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



Ocean Self-Unloaders

The Ocean Self-Unloaders segment includes ownership of five ocean-going self-unloading vessels, a 50% interest in a sixth self-unloader and a 25% interest in a specialized ocean vessel. These vessels are engaged in the carriage of dry-bulk commodities in worldwide trades.



Global Short Sea Shipping

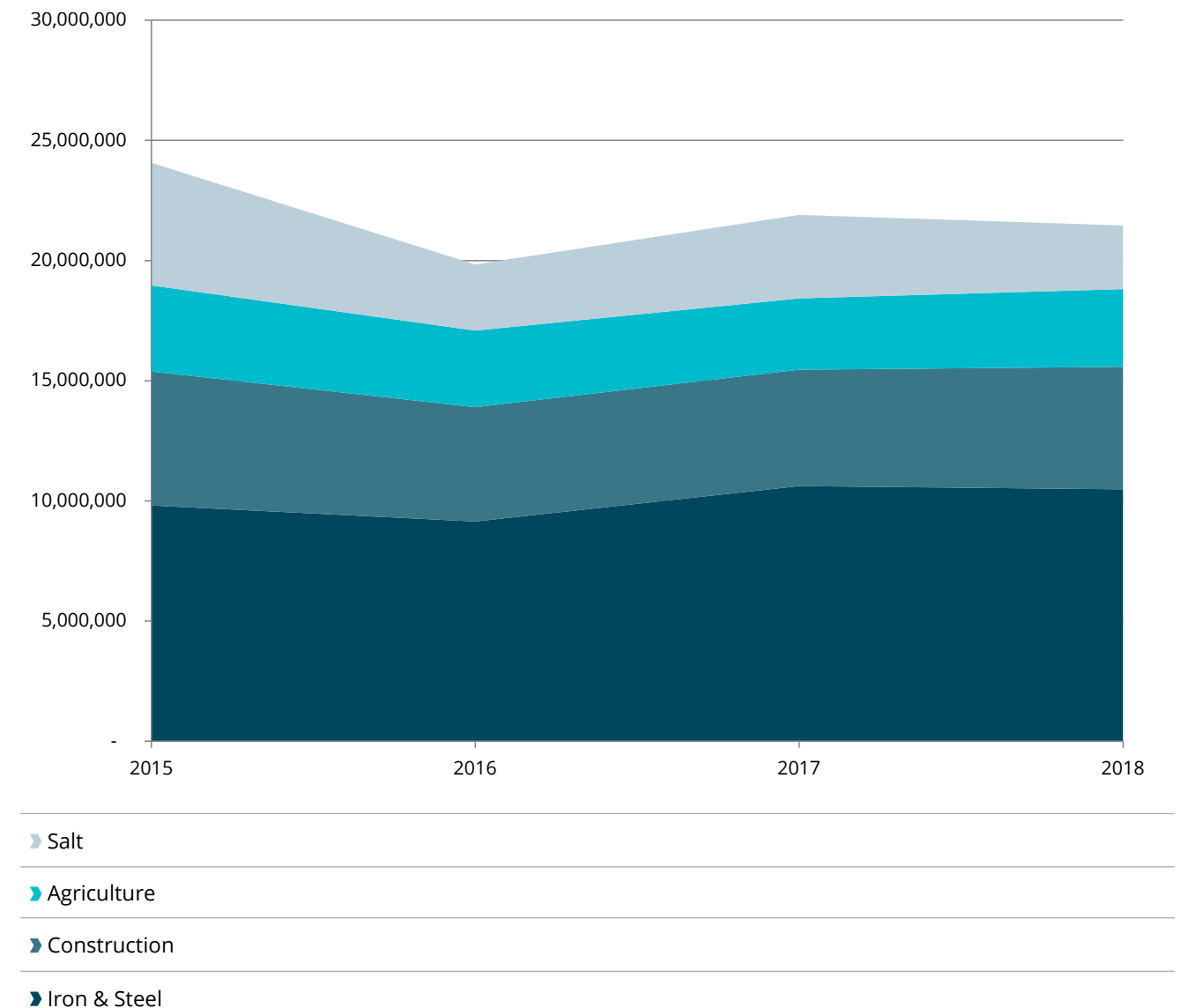
The Global Short Sea Shipping segment focuses on niche markets featuring specialized equipment or services. The NACC fleet comprises a large fleet of specialized pneumatic cement carriers that service large global manufacturers that support infrastructure projects. NASC manages a short sea mini-bulker fleet that comprises owned ships, chartered vessels and vessels under commercial management contracts. The NASC fleet supports the agricultural, cement, construction, energy and steel industries worldwide.



Performance Indicators

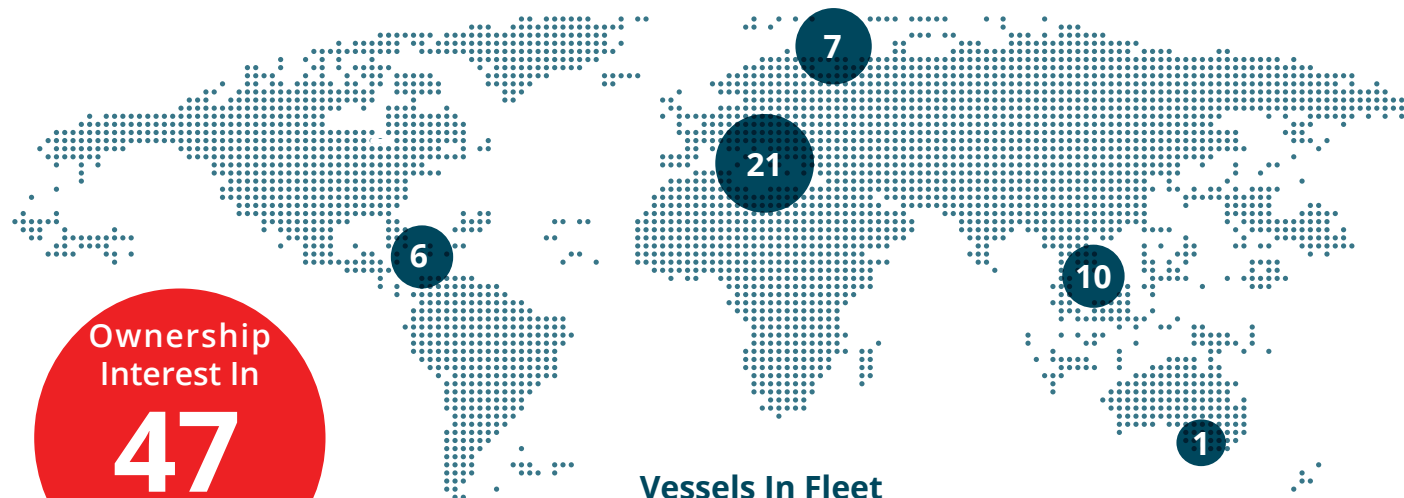
2018 PERFORMANCE INDICATORS	RESULTS		
		2018	2017
OPERATIONS is measured by vessel availability - the amount of time that a vessel is made available for commercial use.	DDB	95.9%	98.0%
	Tankers	98.4%	89.5%
	Oceans	98.2%	99.6%
COMMERCIAL success is measured by the percentage of a standard available year a vessel is in use for customers. A standard Domestic Dry-Bulk year is 280 days, while for Product Tankers and Ocean Self-Unloaders it is 365 days.	DDB	104.8%	98.7%
	Tankers	99.8%	95.6%
	Oceans	98.2%	99.6%
FINANCIAL performance is measured by return on equity, which is net income divided by the average of shareholders' equity at the beginning and end of the year.	Return on Equity	7.5%	9.0%
SHAREHOLDERS we measure how well we have performed for shareholders by comparing the total shareholder returns of Algoma shares to that of the TSX composite index. The TSX returns includes dividends plus share price appreciation.	Algoma (ALC)	-16.1%	28.8%
	TSX Composite	-8.9%	9.1%

Domestic Dry-Bulk Volumes (metric tonnes)



Global Market

The Global Short Sea Shipping segment comprises three joint ventures and a combined vessel platform with our partner Nova Marine Holding SA of Lugano, Switzerland. This joint venture has grown rapidly since it began in early 2016 and has enabled us to increase our presence internationally.



Ownership Interest In
47
Vessels

Vessels In Fleet

- ▶ 23 Pneumatic Cement Carriers
- ▶ 20 Mini-Bulkers
- ▶ 4 Handy-Size Mini-Bulkers

Main Commodities

- ▶ Agriculture
- ▶ Iron & Steel
- ▶ Construction
- ▶ Coal
- ▶ Cement

11,000,000

Approximately 11 million tonnes of cargo transported annually with a total fleet capacity of approximately 564,000

Global Fleet

NACC NovaAlgoma Cement Carriers

The NACC fleet, comprises a large fleet of pneumatic cement carriers that utilize a compressor and pump system to load and unload cement powder via a large diameter hose. This operation is very clean, with essentially no discharge to the atmosphere. Cement shipping is a regionalized market with generally smaller vessels servicing large global manufacturers that support infrastructure projects. Two of our pneumatic cement carriers operate on the Great Lakes - St. Lawrence Waterway.

NASC NovaAlgoma Short Sea Carriers

The NASC fleet comprises owned ships, chartered vessels, and vessels under commercial management contracts. The size and configuration of short sea mini-bulkers allow cargo to be moved efficiently between coastal and inland ports as well as higher value product on transoceanic voyages. These mini-bulkers have capacities of up to 15,000 dwt. The fleet supports the agricultural, cement, construction, energy and steel industries world-wide. NASC currently has 6 vessels under construction.

NABH NovaAlgoma Bulk Holdings

The NABH fleet comprises five deep sea bulkers operating internationally and chartered to our partners Nova Marine Carriers SA.

www.novaalgoma.com

DNA Shipping

In September, 2018 NASC and Peter Döhle Schifffahrts KG (PDS) created DNA Shipping, a commercial venture to pursue consolidation and growth within the multi-purpose project vessel (MPP) and 13,500 to 15,000 mini-grabber dry-bulk markets. The pool of vessels includes 26 vessels, 13 MPP vessels and 13 mini-bulkers. NASC has 12 vessels in the pool. The MPP vessels are managed by PDS and the bulkers are managed by NASC.

JT Cement

In June, 2018, NACC acquired a 25% interest in JT Cement, joining KGJ cement Holdings AS and Erik Thun AB in the ownership of a fleet of seven smaller (8,000 dwt) specialized cement carriers, with an eighth vessel being constructed in the Netherlands. The new vessel is expected to be delivered in June, 2019, making it the third vessel in the fleet with a LNG fueled propulsion system. This fleet, which is managed by KGJ Cement, operates primarily in Northern Europe.

Our Strategic Path

Our vision is to become a global leader in the transportation of bulk commodities.
Our goal is to increase net earnings by four times from 2015 to 2025.



STRATEGIC FOCUS

Domestic Dry-Bulk fleet renewal.



Growth plan for domestic tankers.



Increase interest in ocean self-unloaders.



Leverage strategy to grow globally.

2015

- › Signed 7 Equinox contracts.
- › Operated a domestic product tanker in North Atlantic.
- › Launched real estate divestiture.

2016

- › Collected proceeds from Nantong Mingde bankruptcy.
- › Formed NACC with 3 operating vessels.
- › Acquired 2.5 vessels in Ocean Self-Unloader segment.
- › Sold 5 real estate properties.
- › Acquired Algoma Strongfield.
- › Extended contract with Imperial Oil Limited.

2017

- › Acquired Algoma Conveyor.
- › Took delivery of the Algoma Niagara and the Algoma Innovator.
- › Grew NACC fleet to 9 vessels.
- › Formed NASC.
- › Algoma Integrity joined ocean self-unloader pool.
- › Added 2 second-hand dry-bulk vessels to the Domestic Dry-Bulk fleet.
- › Sold 7 real estate properties.

DELIVERING OUR STRATEGY

STRATEGY-OUR FOCUS FOR 2019

2018

Q1

- The Algoma Sault and Algoma Innovator arrived in Canada.
- Contract renewals and new contracts covering approximately 35% of annual domestic dry-bulk volumes.

Q2

- Four new Domestic Dry-Bulk vessels entered into operations.
- Three vessels added to bring NACC fleet to 16 vessels.
- Acquired a 25% interest in JT Cement.
- Established Florida office to support the Ocean Self-Unloader and Global Short Sea segments.

Q3

- NACC Argonaut began operations in Canada.
- DNA Shipping established with 26 vessels.
- NABH established with 4 vessels.

Q4

- Cancellation of four Croatian shipbuilding contracts and collected 42% of funds. Subsequent to the 2018 fourth quarter the remaining refunds were collected.
- All Domestic Dry-Bulk collective agreements were ratified until 2023.
- Acquired the product tanker Algonorth.
- Reached agreement to acquire 3 ocean self-unloaders, increasing our stake in the Pool to 40%.



- ▶ Increase vessel availability - improve performance to maintain customer service levels.
- ▶ Acquire and integrate new product tankers.
- ▶ Develop talented pool of Canadian Seafarers.
- ▶ Acquire and integrate 3 ocean self-unloaders.
- ▶ Improve return on Global Short Sea Shipping.
- ▶ Improve Return on Equity.
- ▶ Prepare for IMO 2020 in ocean fleets.

The past three years have been a period of rapid international growth and a time of transition in our domestic markets. Our focus for 2019 is to drive improved profitability from each business unit and target capital deployment to key strategic initiatives.



Reaching our long-term goal of 10% ROE remains a management priority.



Community Matters

Being a socially responsible Company is part of our vision. It is important for Algoma to give back to the communities where our employees live and work and we encourage our employees to do the same. We support our employees' contributions by matching their donations to United Way. The Company match is designed to support communities in which we live and operate.

Algoma also supports institutions that provide training to our future seafarers. We provide key funding to the Algoma Marine Emergency Duties Centre and we have scholarships in place at all five marine schools in Canada:

- Georgian College
- British Columbia Institute of Technology (BCIT)
- Nova Scotia Community College (NSCC)
- Marine Institute (MI)
- Institut Maritime du Quebec (IMQ)

› In 2018 \$82,140 was donated to United Way. This was made up of our generous employee donations, days of caring and the Company match.

› Algoma's annual Rotary Golf Tournament raised \$48,000 in 2018 bringing the total donation to \$855,000 since the tournament began in 1999, all of which has supported worthy causes in the Niagara Region.

› Algoma's annual Alzheimer's vessel campaign raised just over \$14,000 in 2018.

› Algoma sponsors Port Colborne's Canal Days - a four-day celebration of the history and heritage of the Welland Canal.



In 2018, the Algoma Community Involvement Committee ("ACIC") was formed. This dedicated committee was formed to encourage and support employee engagement, organize events and to be the connection between the Company's shoreside and shipboard employees. As a result of the success of the Committee's efforts the United Way has awarded the ACIC with the 2018 United Way Committee of the Year Award!

“ Algoma has a long history of supporting the United Way. We are grateful to receive so much support from the employees and the corporation over the years; from leadership of past community campaigns, to the United Way logos on your ships and such wonderful employee engagement. United Way can attribute much of its fundraising successes over the years to our partnership. Thank you for your loyal partnership! ”

- Frances Hallworth, Executive Director United Way Niagara



“ Algoma Central Corporation has partnered with Georgian College to provide its employees with an opportunity to strengthen their skills and deepen their knowledge through the pursuit of the Marine Engineering Management Graduate Certificate. Since the program's inception in 2016, six employees have pursued this wonderful opportunity to further their professional development. I'm delighted that through this innovative partnership, we can guide and support Algoma employees to become marine industry future leaders.”

- MaryLynn West-Moynes, President & CEO, Georgian College