ALGOMA CENTRAL CORPORATION ANNUAL INFORMATION FORM

For The Year Ended December 31, 2020

General and Forward Looking Statements

In this Annual Information Form, all dollar amounts quoted are in Canadian dollars and in thousands, except for per share data, unless otherwise noted. This Annual Information Form is presented as at February 25, 2021.

Copies of the Annual Information Form, as well as copies of the Company's 2020 Annual Report and Management Information Circular, may be obtained at www.algonet.com/investor-relations and on SEDAR at www.sedar.com.

This Annual Information Form may include forward-looking statements concerning the future results of the Company. These forward-looking statements are based on current expectations. The Company cautions that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future results could be affected by a number of factors, many of which are beyond the Company's control, including economic circumstances, technological changes, weather conditions and the material risks and uncertainties identified by the Company and discussed in section 4 of this report. For further detail on forward looking statements please refer to the 2020 Management's Discussion & Analysis at www.algonet.com/investor-relations and on SEDAR at www.sedar.com.

1. CORPORATE STRUCTURE

Name, Address and Incorporation of Algoma Central Corporation (“Company”, "Algoma" or "Corporation")

The Company was incorporated in 1899 by Special Act of the Parliament of Canada as Algoma Central Railway Company and was continued under the Canada Business Corporations Act in 1986. The name of the Company was changed to The Algoma Central and Hudson Bay Railway Company in 1901, to Algoma Central Railway in 1965 and to Algoma Central Corporation in 1990.

The Company’s registered head office and executive offices are located at 63 Church Street, St. Catharines, ON, L2R 3C4.

Inter-corporate Relationships

The following are the principal subsidiaries, partnerships and joint ventures of the Company:

	Jurisdiction of incorporation	Percentage of voting securities beneficially owned or over which control or direction is exercised	Percentage of non-voting securities owned
Subsidiaries			
Algoma Central Properties Inc.	Ontario	100%	N/A
Algoma Great Lakes Shipping Inc.	Ontario	100%	N/A
Algoma Shipping Ltd.	Bermuda	100%	N/A
Algoma Tankers Limited	Canada	100%	N/A
Algoma International Shipholdings Ltd.	Bermuda	100%	N/A
Algoma Management Services Ltd.	Bermuda	100%	N/A
Algoma Ship Tech Ltd.	Canada	100%	N/A
Joint Ventures			
Marbulk Canada Inc.	Canada	50%	N/A
NovaAlgoma Cement Carriers Limited (NACC)	Bermuda	50%	N/A
NovaAlgoma Short-Sea Holding Limited (NASC)	Bermuda	50%	N/A
NovaAlgoma Bulk Holdings Ltd. (NABH)	Bermuda	50%	N/A

2. GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Algoma Central Corporation 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-going self-unloading dry-bulk vessels operating in international markets and a 50% interest in several global joint ventures, which include a diversified portfolio of dry-bulk fleets operating internationally.

In addition to its owned vessels, the Company provides operational management for four vessels; one owned by G3 Canada Limited and the other three by NovaAlgoma Cement Carriers ("NACC"), a related party.

The Company's executive offices are located in St. Catharines, Ontario. The Company employs approximately 1,600 people globally and has assets at December 31, 2020 of $1,223,096 and 2020 revenues of $545,660.

The Company reports the results of its operations for six business units or segments. The largest is the Domestic Dry-Bulk segment, which includes the Company's Canadian dry-bulk carriers. This segment serves a wide variety of major industrial sectors, including iron and steel producers, aggregate producers, cement and building material producers, salt producers and agricultural product distributors. Algoma's customer base includes leading organizations in each market sector and service relationships are typically long-term in nature.

The Product Tanker fleet provides safe and reliable transportation of liquid petroleum products throughout the Great Lakes, St. Lawrence Waterway and Atlantic Canada regions. This business unit consists of eight product tankers employed in Canadian flag service. Domestic customers include major oil refiners, leading wholesale distributors and large consumers of petroleum products who demand the highest levels of quality and service.

The Company's international Ocean Self-Unloaders segment consists of two entities. Algoma Shipping Ltd. ("ASL"), a wholly owned subsidiary of the Company, owns eight ocean-going self-unloading vessels. The ASL ocean self-unloaders are part of an 18 vessel fleet that forms the CSL International ("CSLI") Commercial Pool (the "Pool"). Marbulk Canada Inc. ("MCI") is jointly owned by the Company and CSL Group Inc. and owns a self-unloader jointly with Bernhard Schulte Group that operates under a long-term time charter in Europe. MCI also owns an ocean self-unloader that is currently in long-term lay-up.

The Global Short Sea Shipping segment, which consists of the Company's NovaAlgoma joint ventures, focuses on niche markets featuring specialized equipment or services. The NACC fleet comprises pneumatic cement carriers servicing large global cement manufacturers that support infrastructure projects. NASC manages a short sea mini bulker fleet that comprises owned ships, chartered vessels, and vessels under third party management contracts. The NASC fleet supports the agricultural, cement, construction, energy and steel industries worldwide. NABH comprises four deep-sea bulkers operating internationally. All NovaAlgoma entities are accounted for using the equity method.

The Investment Properties segment consists of a shopping centre located in Sault Ste. Marie, Ontario.

The Corporate segment consists of the Company's head office expenditures, third party management services and other administrative functions of the Company.

Three Year History

Following is a description of the significant events that have influenced the general development of the business over the course of the last three years:

2018

On January 24, 2018 the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to proceed with a normal course issuer bid (NCIB). On March 22, 2018 Algoma entered into a automatic share purchase plan with a designated broker to allow for the purchase of its Shares under the NCIB at times when Algoma normally would not be active in the market due to applicable regulatory restrictions or internal trading black-out periods.

In domestic operations, Algoma took delivery of two new Equinox Class vessels in the first quarter, the *Algoma Sault* and the *Algoma Innovator*, both vessels began operations at the start of the 2018 navigation season.

In October, 2018 Algoma announced that it had cancelled its remaining four new build construction contracts with a Croatian shipyard (the "Yard"). The notices were sent after the Yard failed to secure refinancing and the Company had no assurance that they would be able to complete the four vessels. Subsequent to the 2018 year end, Algoma received a full refund of all instalment payments, including interest, in connection with the cancelled shipbuilding contracts.

In November, 2018 Algoma Tankers Limited ("ATL") purchased a 2008-built product tanker which became the seventh tanker within the ATL fleet. The vessel was re-named the *Algonorth* and began operations at the end of the fourth quarter.

In June, 2018 NACC acquired a 25% ownership interest in JT Cement, joining KGJ Cement Holdings AS and Erik Thun AB of Sweden in the cement company, which owns a fleet of eight smaller specialized pneumatic cement carriers. Also in 2018, NACC added six vessels to operations, one of which became the second cement vessel operating in Canada.

In September, 2018 NASC and Peter Döhle Schiffahrts-KG, announced the creation of DNA Shipping, a commercial agreement to pursue consolidation and growth within the multi-purpose project vessel (MPP) and 13,500 to 15,000 mini-grabber dry-bulk markets.

2019

On January 17, 2019 Algoma announced the signing of a definitive agreement to acquire the interest held by Oldendorff Carriers GMBH & Co. ("Oldendorff") in the CSL International Pool ("Pool") including the three vessels owned by Oldendorff operating in the Pool. On June 12, 2019 the deal with Oldendorff was finalized and Algoma's interest in the Pool increased to 40%. The vessels began operations for Algoma in June, increasing the Company's fleet to eight vessels.

On January 18, 2019 the Company announced that it had received a full refund of all instalment payments made in connection with the now-cancelled shipbuilding contracts with Uljanik d.d. and 3Maj Shipyard of Croatia.

On February 7, 2019 Algoma's President and Chief Executive Officer, Ken Soerensen resigned and Gregg A. Ruhl, Algoma's Chief Operating Officer was named President and Chief Executive Officer.

The *Algoma Conveyor*, the third Seawaymax Equinox Class 740' self-unloader, was completed and departed China to Canada in February. The vessel arrived in Canada in early April and after a Canadian crew change and re-flagging the vessel began operations and sailed with her sister ships for the 2019 navigation season.

Also in domestic operations, the Company reached an agreement with 3Maj Brodogradiliste d.d. of Croatia ("3Maj") under which Algoma would acquire a new Equinox Class 650' self-unloading dry-bulk carrier upon completion of the vessel by the yard. Algoma would pay the agreed price of the vessel at delivery, subject to certain penalties for late delivery, including a cancellation right if delivery is delayed beyond an agreed date. The vessel, the second of two such ships that were to be built by 3Maj for the Company, is partially built and moored at the 3Maj shipyard in Rijeka, Croatia.

On March 15, 2019 the Company renewed its normal course issuer bid (NCIB). During 2019, the Company purchased and cancelled 597,072 common shares under the terms of an NCIB.

In April, the Company took delivery of the *Algoterra*, a 15,500 DWT 2010-built product tanker. The vessel was the second product tanker purchased by the Company within a six month span. The *Algoterra* departed Amsterdam, Netherlands on the April 1, 2019 and joined the fleet in Canada in mid-April and began trading almost immediately.

2020

On March 17, 2020, the Company announced it had renewed its normal course issuer bid (NCIB). During 2020, the Company purchased and cancelled 23,600 common shares under the terms of an NCIB.

In Domestic operations, the Company took delivery of the *Algoma Intrepid* in October, 2020 from the 3 Maj Shipyard in Croatia. The vessel arrived earlier than expected and began trading on the Great Lakes in November. The vessel is the second Equinox 650’ Class self-unloading dry-bulk carrier and the ninth Equinox Class vessel to join the fleet.

On December 10, 2020 the Company announced it had completed a refinancing of its senior secured credit facilities that were due to mature during 2021. For further details see Financing, below.

On December 14, 2020 the Company announced that the Company’s Board of Directors authorized payment of a Special Dividend to shareholders of $2.65 per common share. The dividend was paid on January 12, 2021 to shareholders of record on December 28, 2020.

Safety and Environmental Matters

The Company’s Environmental and Safety Policies stipulate the principles to which Algoma Central Corporation and its subsidiaries will adhere and the commitment of the Board of Directors and corporate officers to health and safety and environmental protection. The Company’s integrated management system (addressing safety, environment and quality control) underlies the compliance program and provides the framework and procedures to systematically ensure the preservation of the environment and the health and safety of employees and contractors. The Company strives to be a leader in safety and environmental management and is committed to the prevention of human injury and loss of life, the protection of the environment and the protection of property.

The policy of the Company is as follows:

1. To be managed to meet its balanced responsibilities to its shareholders, employees, customers and to society.
2. To strive to be an exemplary employer and corporate citizen in environmental management by carrying out sound operational and management practices to ensure its operations and facilities are in compliance with all applicable legislation providing for the protection of the environment, employees and the public.
3. In the absence of legislation, to minimize the environmental impact on the public, employees, customers and property within the limitations of technology and economic viability.
4. To constantly aspire to a safe, clean healthy workplace within the context of a clean, healthy, sustainable natural environment.
5. To manage renewable and non-renewable resources for the benefit of future generations and to seek methods to improve the wise use of resources through such methods as renewal and recycling.

The Company publishes a Sustainability Report that highlights its sustainability initiatives and achievements. The most recent report was published in 2020 and provides an update on the Company's 2019 sustainability performance, highlighting safety, operations excellence, environment and community. The 2019 Sustainability Report is available for viewing on the Company’s website at https://www.algonet.com/sustainability/

Both the domestic dry-bulk and product tanker fleets participate in the Green Marine program. This initiative’s objective is to improve the marine industry’s environmental performance above and beyond regulatory requirements in a number of areas, including aquatic invasive species, pollutant air emissions (SOx, NOx and PM), greenhouse gases, waste management and underwater noise. The Green Marine program requires participating ship-owners and port authorities to implement specific best practices that will contribute to reducing the environmental impact of their business activities. Each company must self-assess their performance in each category on an annual basis on a scale of one to five, with one representing regulatory compliance and five demonstrating excellence and leadership, and provide these results to Green Marine for communication in a publicly available annual report. Each company must self-assess their performance in each category on an annual basis on a scale of one to five, beginning with regulatory compliance and culminating in excellence and leadership, and provide these results to Green Marine for communication in a publicly available annual report. Participant self-assessment results are verified by an independent party on a bi-annual basis.

As one example of environmental stewardship, the Company’s highly efficient Equinox Class ships are all equipped with certified and operational closed-loop exhaust gas scrubbers designed to meet stringent Emission Control Area Sulphur Oxide (SOx) limits. The scrubbers clean the exhaust gas, reducing the amount of SOx released into the air to a negligible amount of SOx and also reducing the release of particulate matter.

On December 17, 2020, the Company pleaded guilty to a misdemeanour under the Clean Water Act of the United States. The plea was in respect of the negligent discharge of untreated bilge water from the Algoma Strongfield, into the territorial waters of the United States without a permit, on June 6, 2017. The Company has a robust environmental compliance program designed to ensure that its vessels operate in compliance with all applicable environmental and safety regulations, and the company looks forward to strengthening its overall compliance program through the implementation of the Environmental Compliance Plan aboard its Equinox class ships.

In 2018 Algoma entered into an agreement with the Reseau d'Observation de Mammiferes Marins (ROMM) / Marine Mammal Observation Network (MMON) and Green Marine to collect whale observation data to assist researchers in their conservation efforts, in particular related to the endangered North Atlantic right whale and St. Lawrence beluga populations. The Company's crews are supplied with information on how to identify different species and report their location so that this data can be provided to researchers.

3. NARRATIVE DESCRIPTION OF THE BUSINESS

Principal Services

The principal services provided by the Company are as follows:

1. Domestic Dry-Bulk consists of Canadian flagged dry-bulk vessels and ship management services. The dry-bulk vessels operate within the Great Lakes, St. Lawrence Waterway, and Atlantic Canada. The vessels are designed to carry a variety of dry-bulk products including iron ore, grain, coal and coke, salt and aggregates.
2. Product Tankers consist of Canadian flagged vessels which operate within the Great Lakes, St. Lawrence Waterway and Atlantic Canada. Customers include major oil refiners, leading wholesale distributors and large consumers of petroleum products.
3. Ocean Self-Unloaders consists of direct ownership of ocean-going dry-bulk self-unloading vessels and interests in other self-unloaders that trade worldwide.
4. Global Short Sea Shipping consists of three global fleets; a fleet of specialized cement carriers, a fleet of short sea mini bulkers and a fleet of handy-size bulkers.

In addition to these principal businesses, the Company owns a shopping centre located in Sault Ste Marie, Ontario.

Revenues

Revenue by industry segment for the two years ending December 31, 2020 and 2019 were as follows:

	2020	2019
Domestic Dry-Bulk	**$ 286,156**	$ 281,680
Product Tankers	**114,273**	141,912
Ocean Self-Unloaders	**134,109**	131,425
Global Short Sea*	**—**	—
Corporate	**2,939**	3,082
Investment Properties	**8,183**	9,809
	$ 545,660	$ 567,908

*Revenue from the Global Short Sea segment, in which we participate via joint ventures, is not included in the consolidated revenue figure. The Company's 50% share of net earnings, adjusted for amortization arising from vessel purchase price allocation and intangibles, is included in net earnings of joint ventures in our Consolidated Statement of Earnings.

Revenue earned outside of Canada, primarily in the United States, relates to vessel operations and are based on the location at which a shipment is unloaded. For the years ended December 31, 2020 and 2019, sales outside of Canada were $178,369 and $185,610, respectively.

The Company had one customer in 2020 and two customers in 2019 whose revenues exceeded 10% of consolidated revenues. Sales to these customers are as follows:

	2020	2019
Domestic Dry-Bulk	**$ —**	$ 61,085
Product Tankers	**$ 109,102**	$ 136,997

Seasonality

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 on 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.

The seasonality is largely limited to the domestic dry-bulk business. Earnings fluctuations and seasonality of the product tanker and ocean-going fleets are less significant.

Foreign Operations

The Company has interests which carry on most of their operations in foreign jurisdictions. The Company's proportionate share of the property, plant, and equipment in foreign jurisdictions at December 31, 2020 and 2019 was $265,122 and $281,711 respectively.

The Company's share of revenues in foreign jurisdictions for the years ended December 31, 2020 and 2019 were $134,109 and $131,425, respectively.

Locations

- The Domestic Dry-Bulk segment has offices in St. Catharines, Ontario and Winnipeg, Manitoba.
- The Product Tanker segment has an office in St. Catharines, Ontario.
- The Ocean Self-Unloaders segment has an office in Hamilton, Bermuda.
- The Global Short Sea Shipping segment is based in Lugano, Switzerland and has offices in Hamilton, Bermuda, Fort Lauderdale, Florida and St. Catharines, Ontario.
- The Company has corporate and support offices located in St. Catharines, Ontario and Fort Lauderdale, Florida.

Financing

The Company refinanced all of its senior secured debt during 2020. The new credit facilities include $316 million (all amounts in Canadian dollar equivalent) raised in a private placement of senior secured notes payable (the "New Notes"). The New Notes, which have been issued in both US dollar and Canadian dollar tranches, have terms between seven and 15 years and bear interest rates ranging from 3.37% to 4.01% per annum, resulting in an overall effective rate at closing of 3.80%. The New Notes have been issued to a group of Canadian and US insurance companies.

Concurrent with the issuance of the New Notes, the Company entered into a new $171 million revolving bank credit agreement (the "Bank Revolver") with a syndicate of four banks.

Proceeds of the New Notes were used to retire $171 million of existing senior secured notes and $71 million of drawings under the previous revolving bank credit agreement. In addition, the Company incurred approximately $9 million of costs to complete the transaction, including fees, commissions and breakage costs on the existing facilities. The Company retained cash following closing of approximately $65 million for future capital expenditures and general corporate purposes. The bank facility was undrawn at close and at year end.

The new senior debt is secured by mortgages on the majority of the Company's existing wholly owned vessels and supported by guarantees from its main operating subsidiaries. The new agreements include financial covenants that are consistent with those in the cancelled facilities.

Employees and Unions

The normal complement of employees is approximately 1,600, the majority of whom are unionized. The status of the various union agreements are provided below.

Captains and Chief Engineers

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

Navigation and Engineering Officers

Navigation and Engineering Officers consist of eight separate bargaining units, seven of which are represented by the Canadian Merchant Service Guild (CMSG). Two of these agreements expire on July 31, 2021 with negotiations expected to commence in March, 2021, and four other agreements will expire on May 31, 2023. A new bargaining unit, representing officers on the NACC Quebec and NACC Capri, does not yet have a collective bargaining agreement and is presently in negotiations. Lastly, officers on the NACC Argonaut comprise of one bargaining unit represented by the Canadian Marine Mates and Engineers Union (CMMEU), with its collective agreement expiring on June 30, 2023.

Unlicensed Employees

There are five bargaining units for unlicensed shipboard employees. The Seafarers' International Union (SIU) represents four unlicensed employee bargaining units, two of which are in the NACC Canada Fleet. The expiration dates for the SIU agreements are June 30, 2023 and July 31, 2024. Additionally, Unifor Local 4401 represents one unlicensed employee bargaining unit, and their agreement expires on March 31, 2023.

Algoma Ship Repair

The collective agreement between Algoma Ship Repair and its hourly paid workers, who are represented by the United Steelworkers, expires on May 1, 2022.

4. RISKS AND UNCERTAINTIES TO THE COMPANY

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

Global Pandemic

The occurrence of the COVID-19 pandemic in 2020 was disruptive for the shipping industry. In addition to the impact the pandemic had on the general economy and therefore on demand from our customers, travel restrictions and lock-downs enacted to control the spread of the disease had a significant impact on our ability to effect crew exchanges, particularly for our international ships. In addition, general operating costs rose to include the costs of added safety precautions and supplies required to respond to the risks posed by COVID-19. Although marine transportation was deemed an essential service in most countries, the impacts of a continuation of the current pandemic or a different pandemic in the future could include reduced revenues, higher operating costs, limited access to crew, or difficulties in obtaining necessary supplies or parts on a timely basis.

Contractual Nature of the Business

The overwhelming majority of the Company's revenues are a result of long-term contracts with large industrial customers, many of which have been customers for many years. Contracts typically have terms of three to five year and can have terms of ten years or longer in some instances. Such contractual commitments result in the Company dedicating vessel capacity to customers over long periods of time. Failure to renew a significant contract could result in a reduction in revenue and prevent profitable deployment of vessel capacity.

Shipboard Personnel

The long-term challenge of recruiting and retaining skilled crews in the marine industry continues to be an area of focus. The challenge of recruiting new employees into the marine industry, competition for skilled labour from other sectors, competitors, or other entities operating in the marine industry is a growing challenge. The limited number of cadet berths is also a factor that needs to be addressed by the marine industry as a whole. A lack of properly skilled shipboard employees could lead to service delays and interruptions as the ability of the Company to fully utilize its domestic vessels could be affected. The Company continues to work with industry groups, its unions and educators to develop and enhance training programs to ensure an adequate supply of labour is available to meet its future needs.

Unions

The majority of the positions on the Company's domestic vessels are unionized. Failure to enter into new collective agreements with any of the unions representing workers could result in service interruptions. The Company believes it offers fair and competitive compensation packages and negotiates in good faith to avoid service interruptions.

Partnering

The Company operates a portion of its business jointly with third parties. Partnerships are seen by the Company as an effective tool to expand the business on a global basis. The expanded service capacity a partnership can provide includes additional stability and flexibility to its customer base. The success of its partnerships depends on the on-going cooperation and liquidity of its partners. The Company believes it has chosen partners who have similar goals and values and the financial strength to execute the strategies set out by each of the partnerships.

Outsourcing

The Company contracts certain of its information technology and activities to third parties. The selection of the proper service providers is important to ensure the Company's high performance standards are applied consistently. Agents not performing to the expectations of the Company could have a significant impact on the reputation and financial results of the Company. The Company takes great care in ensuring the performance of parties selected to perform outsourced services on its behalf match its high quality standards. The Company deals with leading international companies for these services.

Service Failure

The Company's customers demand a high standard of operations excellence in order to ensure timely and safe delivery of their cargoes. Incomplete or non-performance of services could expose the Company to customer complaints, penalties, litigation or loss of reputation. Failure to manage its fleet maintenance and capital improvements could impact the ability to generate revenue. The Company maintains stringent operational and maintenance plans to ensure assets perform to their maximum capability, and "Operations Excellence" is a high priority for each business unit.

Health and Safety

The Company places significant emphasis on health and safety management and is committed to the prevention of human injury and loss of life. An unsatisfactory safety record could lead to significant fines and penalties and a reduction in customer confidence in the Company's ability to perform the required service. In the case of a significant customer, it could also lead to the termination of the service agreement.

Property, Plant, and Equipment

The failure by a shipyard to complete the construction of a vessel under development would impact on the Company's ability to replace existing assets and expand the business. There is currently one vessel under construction in China. The Company has a knowledgeable supervision team in place at the shipyard to monitor the quality of construction and to assist in moving to a successful completion of the contract.

Capital Expenditures

Capital expenditures and other costs necessary to operate and maintain Algoma's vessels tend to increase with the age of each vessel. Accordingly, it is likely that the operating costs of Algoma's older vessels will increase. In addition, changes in government regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations and customer requirements or competition, may require the Company to make additional expenditures.

In order to satisfy any such requirements, Algoma may be required to incur significant costs for alterations to its fleet or the addition of new equipment. In order to satisfy any such requirement, Algoma may be required to take its vessels out of service for extended periods of time, with corresponding losses of revenues. In the future, market conditions may not justify these expenditures or enable Algoma to operate its older vessels profitably during the remainder of their anticipated economic lives.

Business Acquisitions

Future acquisitions of vessels or businesses by Algoma would subject the Company to additional business, operating and industry risks, the impact of which cannot presently be evaluated and could adversely impact Algoma's capital structure. Algoma intends to pursue acquisition opportunities in an effort to diversify its investments and/or grow its business. While Algoma is not presently committed to any business acquisition, the Company may be actively pursuing one or more potential acquisition opportunities in the future.

Future acquisitions may be of individual or groups of vessels or of businesses operating in the shipping or other industries. Algoma is not limited to any particular marine industry or type of business that it may acquire. Accordingly, there is no current basis for you to evaluate possible merits or risks of the particular business or assets that Algoma may acquire, or of the industry in which any such business may operate. To the extent the Company acquires an operating business, we may be affected by numerous risks inherent in the acquired business's operations.

In addition, the financing of any acquisition completed by Algoma could adversely impact Algoma's capital structure as any such financing could include the issuance of additional equity securities and/or the borrowing of additional funds. The issuance of additional equity securities may significantly reduce the equity interest of existing stockholders and/or adversely affect prevailing market prices for the Company's common stock. Increasing Algoma's indebtedness could increase the risk of a default that would entitle the holder to declare all of such indebtedness due and payable and/or to seize any collateral securing the indebtedness. In addition, default under one debt instrument could in turn permit lenders under other debt instruments to declare borrowings outstanding under those other instruments to be due and payable pursuant to cross default clauses. Accordingly, the financing of future acquisitions could adversely impact our capital structure and your equity interest in Algoma. Except as required by law or the rules of any securities exchange on which our securities might be listed at the time we seek to consummate an acquisition, will not be asked to vote on any proposed acquisition.

Competitive Markets

Marine transportation is competitive in both domestic and international markets. Marine transportation is subject to competition from other forms of transportation such as road and rail freight. Competition may decrease the profitability associated with any particular contract, increase the cost of certain inputs and may increase the cost of acquisitions. The Company strives to differentiate itself from the competition with superior customer service, having vessels suited to each customer's needs and maintaining a compliant, safe, efficient and reliable fleet.

Changes in general economic conditions or conditions specific to a particular customer may affect the demand for vessel capacity. The Company believes that due to the long-term nature of its service contracts, vessel configurations and geographic diversity it is well positioned in the market place and is able to withstand fluctuations in market conditions. The geographic and operational diversity of the Company will help to mitigate negative economic impact to the sectors in which it operates.

Environmental

As a marine shipping company, Algoma's business is impacted by and has an impact on the environment in a number of ways, many of which pose risks for the company. In this section, we discuss the material risks that could impact the Company's operating performance or cash flows in future periods.

Sulphur Oxide Emissions

The global shipping industry is subject to a number of regulations established by the International Maritime Organization ("IMO") that govern various aspects of the operations of such companies. Among these are regulations commonly known as IMO 2020, which limit the amount of sulphur oxides ("SOx") that can be emitted by vessels. These chemicals are a result of burning fuel oils that contain sulphur compounds and upon entering the atmosphere, SOx emissions are persistent and contribute to effects such as smog and acid rain.

IMO 2020, which was adopted by the IMO in 2008 and officially came into force January 1, 2020, sets a global limit of 0.5 percent for SOx emissions. Certain jurisdictions that have declared emission control areas ("ECA"), including Canada and the United States, have furthered reduced limits for SOx emissions to 0.1 percent. Generally speaking, ECA limits have been transitioning to or at lower limits for several years.

Sulphur oxides can be reduced by taking one of two approaches: control of the sulphur content of the fuel source; or, cleanse the resulting exhaust gas stream, which is commonly called scrubbing. Each of these methods exposes the industry and the companies that adopt them to certain risks.
Exhaust gas scrubbers consist of equipment mounted in the exhaust stack of a vessel that uses an alkaline solution vaporized in the exhaust gas stream to remove sulphur from the stream. The resulting precipitated liquid is removed from the exhaust column and filtered to remove the sulphur that has bonded with the alkaline material.

Scrubbers are one of two basic designs: open loop or closed loop. A third option, called a hybrid system is a combination of open and closed loop systems. In a closed loop system, such as those installed on Algoma's Equinox Class veesels, the sulphur-bearing effluent that is removed is stored on board the vessel and removed at a suitable recycling or waste disposal facility at ports where these facilities exist. In an open loop system, the waste liquid is diluted with sea water and released into the water. Many jurisdictions prohibit or severely limit the use of open loop scrubbers as a result.

To achieve compliance with IMO 2020 this way a vessel must incur a capital expense to install the scrubbing equipment and operators of closed loop systems will incur on-going costs for the consumables to operate the systems (including the additional fuel costs to produce the power to run the systems) and the waste disposal costs for effluent. Although open loop systems have much lower operating costs, owners using such systems face risks associated with being unable to enter certain ports or transit certain national waterways with such systems in operation. Operators relying on either system face risks of equipment failure and it is currently unclear how regulatory authorities will address instances of equipment failure.

The advantage of installing scrubbers lies in the ability for the operator to burn traditional marine fuels for their main engines and generators. These so-called bunker fuels consist of both heavy and intermediate fuel oils, all of which have a sulphur content well in excess of IMO 2020 limits. The alternative to installing scrubbers is to convert to the use of low sulphur fuels to limit the sulphur content at source. These fuels include marine diesel as well as the more recently developed low sulphur blends of intermediate fuels. While using such fuels enables operators to avoid the capital cost of installing scrubbers, the cost of diesel and the new blended fuels has traditionally been higher than heavy fuel oils and this gap is expected to continue and may, in fact, increase.

With IMO 2020 entering into force in 2020 all vessels operated by Algoma that did not have an exhaust scrubber converted to marine diesel or, in the case of ocean ships, a combination of low-sulphur fuels and diesel.

The regulatory framework concerning scrubbers is currently under review by the IMO and is likely to evolve. In particular, effluent quality from scrubbers is under study and there is a possibility of additional restrictions or even prohibitions on discharge in future. There is a risk also that the new regulations being developed under the US Vessel Incidental Discharge Act (VIDA) could result in the requirement to store all effluent on board and dispose of it ashore. In addition, the effectiveness of exhaust gas scrubbers with respect to removal of other contaminants (particulate matter and black carbon) that may be the subject of future regulation is not yet confirmed; however, should additional air emissions limits be adopted, existing scrubbers would possibly be grandfathered. Equipment reliability represents an additional risk, due in part to new technology, delays in availability of replacement parts and lack of trained technicians to respond, and could lead to potential issues after 2021 (non-compliance, need for fuel switching, possible commercial delays) related to scrubber malfunctions or breakdowns.

Ballast Water

Under the International Ballast Water Management Convention (the "Convention") the majority of areas in which our vessels operate are subject to rules governing the release of ballast water in an effort to control the spread of non-native and potentially invasive aquatic organisms . While such controls were historically addressed by flushing ballast tanks mid-ocean, recent rule changes require the installation of ballast water treatment systems ("BWTS") on all vessels with installation dates based on the dry-docking schedule for the vessels, generally no later than 2024. All of Algoma's international vessels either have installed BWTS are scheduled for systems to be installed at their next docking.

Ballast water rules governing domestic vessels operating on the Great Lakes have been developed by both the Canadian and US governments, although the impact on the fleets is different. Generally speaking, Canadian vessels will be required to install BWTS, while the US domestic lakes fleet will not. Draft Canadian ballast water regulations issued in 2019 are expected to be finalized in 2021 and will require the Canadian domestic fleet to begin installing systems on vessels. Algoma is developing plans to address the new Canadian rules and a newly proposed rule in the US, while monitoring any changes that may arise as these rules are finalized in 2021. While the Company plans to comply with the new rules by installing so-called "type approved" systems, there are concerns that these systems will not achieve the desired effect due to the different operating parameters of the lakes business (generally faster and more frequent ballasting and de-ballasting) and the differences between salt water, for which most of the systems were designed, and fresh water. While failure to comply with regulations could result in fines and suspension of operating licenses, installation of approved equipment that is subsequently determined to fail to meet the targets for elimination of organisms could also result in the incurrence of further costs in the future.

Installation of BWTS will require capital investment in future years. As there is no mechanism to recover the cost of compliance with ballast water regulations from customers under our standard contract terms, the amount we can recover for these costs (including expected fuel costs to generate the power to run the systems) or to generate a return on the investment cannot currently be determined.

Greenhouse Gases

The marine industry will be impacted by the global efforts to reduce green house gas emissions ("GHGs") and is pursuing a number of initiatives in this regard. GHG goals for the overall global marine industry have been set, with the first being a 40% reduction in global emissions (on an intensity, or work conducted basis) by 2030. Regulations are in place that cover as-yet unbuilt vessels requiring the utilization of newer, more efficient designs. Global efficiency standards for currently operating ships are in development and are expected to be in place by 2023. These regulations limiting the amount of GHGs emitted by transportation companies could impact engine design, vessel speeds (the so-called 'slow steaming': vessels operate less efficiently at higher speeds and most engines have an operating zone in which they are most efficient), or other as yet unidentified parameters.

In the interim, various jurisdictions have enacted measures intended to either reduce carbon emissions or to put a price on emissions. Canada has enacted a carbon tax that is in place in provinces that do not have their own emission control regime, including Ontario. The federal tax does not currently apply to the marine industry. It is possible that carbon taxes or other measures could be applied in the future and that any measures enacted will impact the operating costs of the business and may not be recoverable through increased revenues.

Water levels

Water levels on the Great Lakes and related waterways are expected to be impacted by climate change. Water levels have fluctuated from record low levels to record high levels during the past decade and similar fluctuations are likely to occur in the future.

The majority of the Company's business is not significantly impacted by fluctuations in general lake water levels because maximum vessel drafts are limited by the Welland Canal and St. Lawrence Seaway locks. A portion of Algoma's business requires travel through rivers or into smaller ports where low water levels could serve to reduce the total amount of cargo carried on board, thereby reducing the the profitability of an affected voyage. In some situations, sufficiently high water levels can result in "air draft" restrictions under bridges and other fixed obstacles. In some cases larger cargo loads can be carried to militate against this risk, provided the resulting deeper draft can be accommodated on the balance of the voyage.

During 2020, the combination of a more progressive water flow management plan and an overall drier season, resulted in less of a high water impact in Lake Ontario in comparison to 2019. The milder winter of 2019-2020 and the later opening of the Seaway further allowed the movement of increased water level flows through the system at the Moses Saunders Dam. During the 2020 navigation season, water level outflows remained high but still permitted safe navigation with the addition of control measures and the improved modeling and prediction for vessels of currents at critical areas in Lake Ontario. Despite these improvements, continued political pressure on decision makers could result in on-going restrictions to vessel operations.

Severe Weather

Maritime storms are a risk inherent in marine transportation and have been the cause of many significant vessel incidents and loss of life throughout history. Climate change is expected to result in increasingly volatile weather conditions. Severe storms pose a risk of vessel damage, loss of cargo, and in extreme situations, injuries and fatalities, all of which have the potential to impose significant financial costs on the business. Even in the absence of weather events directly impacting our businesses, insurance claims related to weather events outside of our business and industry are expected to affect the cost of insurance in the broader insurance markets, thereby increasing our operating costs.

Modern weather forecasting technologies combined with advanced communication systems that enable vessels to be in constant communication with shoreside support assist in mitigating the risks posed by severe weather. With adequate forewarning, ships are able to divert their voyage or seek shelter and avoid the worst of most storms. Taking such actions will usually affect the profitability of a given voyage even if the direct cost of encountering a storm can be avoided; however, such voyage-by-voyage costs are not generally material overall.

Vessel Recycling

Algoma has typically operated its dry-bulk vessels domestically for 40 or more years, its international dry-bulk vessel for 30 years, and its tankers for 25 years. After a vessel has reached the end of its economic life, the Company usually sells its vessels to qualified ship recyclers who will demolish the vessel and sell the materials recovered into the recycled materials markets. Algoma takes steps to ensure the service providers selected for this purpose operate in a responsible manner in respect of compliance with environmental regulations as well as labour practices and other applicable regulations. Recent vessel sales have been to recyclers in Canada and in Turkey.

Regulatory

A change in governmental policy could impact the ability to transport certain cargoes or increase the cost of doing so. A policy change could threaten the Company's competitive position and its capacity to offer efficient programs or services. Often, several different jurisdictions are able to exercise authority over marine transportation and vessel operations. For example, within the Great Lakes – St. Lawrence Waterway there are eight U.S. state governments and two Canadian provincial governments plus both federal governments. The Company expects sufficient warning of a policy change, providing it time to adjust and minimize the impact on the organization. Any such regulatory change would have a similar impact on the Company's waterborne competitors.

The Company has employees participating in a number of industry associations that advise and provide feedback on potential regulatory change and to ensure we maintain current knowledge of the regulatory environment.

Climate Change

The Company's domestic dry-bulk vessels and product tankers operate primarily in the Great Lakes and the St. Lawrence River. Winter conditions during the December to March period and rising or changing water levels in ports in which the vessels load and unload have the effect of increasing or reducing operating days and cargo sizes, respectively, and this could affect the profitability of these vessels. Harsh winter conditions may also result in more severe ice coverage on the Great Lakes and the St. Lawrence Waterway, resulting in operating delays and delays in the opening of the canals in the system and the movement of cargo.

Drops or significant increases in water levels on the Great Lakes - St. Lawrence Waterway, which the Company has no control over, could have a significant impact on the future operations and profitability of the domestic dry-bulk vessels and product tankers. In 2019, all five Great Lakes were well above their long term water level averages. Water levels in the lower Great Lakes were closer to normal levels in 2020; however, water levels on the upper Great Lakes remain above average.

The geographic diversity of the Company helps to mitigate the potential impact that could result from adverse effects due to lowering water levels and, in addition, a significant number of the domestic dry-bulk and product tanker customer contracts have freight rate adjustment clauses that provide partial financial protection for the impact of changing water levels.

The expectation is that climate change could result in more extreme weather events in the futures, which could include increased frequency and severity of gales and storms with longer duration and stronger wind forces. An overall trend towards less ice on the Great Lakes could result in the opportunity of a longer shipping season but with the propensity of more/greater storms, greater overall evaporation due to more open water and increase snowfall. Climate change theory and experience states that there could be more extremes in both temperature and rainfall. High water and low water levels both can negatively effect operations. Further concerns would be older marine infrastructure's ability to withstand more extreme weather.

Catastrophic Loss

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

Nature of the Shipping Industry

The cyclical nature of the Great Lakes dry-bulk shipping industry may lead to decreases in shipping rates, which may reduce Algoma's revenue and earnings. The shipping business, including the dry-bulk market, has been cyclical in varying degrees, experiencing fluctuations in charter rates, profitability and volumes shipped. Algoma anticipates that the future demand for the Company's vessels and freight revenues will be dependent upon continued demand for commodities, economic growth in the United States and Canada, seasonal and regional changes in demand, and changes to the capacity of the Great Lakes fleet which cannot be predicted. Adverse economic, political, social or other developments could decrease demand and growth in the shipping industry and thereby reduce revenue and earnings.

Fluctuations, and the demand for vessels, in general, have been influenced by, among other factors:

- global and regional economic conditions;
- developments in international and Great Lakes trade;
- changes in seaborne and other transportation patterns, such as port congestion and canal closures;
- weather, water levels and crop yields;
- political developments; and
- embargoes and strikes.

Seaway

A significant portion of the Company's domestic business is dependent on the operations of the canal system on the Great Lakes and St. Lawrence River. These canals provide the only method a moving a vessel between Lake Superior and Lake Huron, Lake Erie and Lake Ontario, and past Cornwall and Montreal in the St. Lawrence River. In addition to potential variations in the length of the operating season caused by climate, a physical disruption to a lock in any part of the canal system would have significant impact on the ability of the Industry to service certain trades. The locks undergo annual maintenance during the winter season and in 2018 a major project to improve the locks between Lake Superior and Lake Huron was announced by the US government. Other than being a major stakeholder in the system, Company has no ability to influence the maintenance plans or improvement projects related to the locks or canals.

Fees and Tolls

Certain critical aspects of the Great Lakes St. Lawrence water transportation system are managed by government and quasi-government agencies. These agencies typically charge fees or tolls for use of the system or for access to services that are required in order to use the system. Some of these agencies face the same shortage of qualified staff that is faced by the Company and in response, these entities have begun to compete more aggressively for staff. This is creating cost increases for companies in the industry both to retain qualified staff and in the form of high fees passed through by the agencies. The Company has attempts to mitigate the impact of these fees by hiring qualified staff; however, this may have the effect of increasing the Company's costs. The ability of the Company to recovery these cost increases from customers is uncertain.

Costs of Incidents

Operating vessels that can weigh tens of thousands of tonnes when fully loaded and which carry materials that may be harmful to the environment is inherently risky. The potential costs that could be incurred by the Company because of these risks include damages caused to property owned by others, the cost of environmental contamination including fines and clean up costs, costs associated with damage to our own assets, and the impact of injuries sustained by our employees or by others. The Company has in place a system designed to guide its employees in the management of all of these risks and is focused on a process of learning and continuous improvement after any incident. The Company also carries insurance designed to provide financial mitigation of costs incurred as the result of an incident; however, there is no guarantee that the insurance coverage will be sufficient to provide full reimbursement of all costs, nor is there any assurance that such insurance will continue to be available in the future at a reasonable cost.

Vessel Inspection

A failure to pass inspection by classification societies and regulators could result in one or more vessels being unemployable unless and until they pass inspection, resulting in a loss of revenues from such vessel for that period and a corresponding decrease in earnings, which may be material.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry, as well as being subject to inspection by shipping regulatory bodies such as Transport Canada. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the United Nations Safety of Life at Sea Convention.

A vessel must undergo Annual Surveys, Intermediate Surveys, and Special Surveys by its classification society, as well as periodic inspections by shipping regulators. As regards classification surveys, in lieu of a Special Survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. The Company's vessels are on Special Survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be dry-docked every five years for inspection of the underwater parts of such vessel.

Due to the age of several of the vessels, the repairs and remediation required in connection with such classification society surveys and other inspections may be extensive and require significant expenditures. Additionally, until such time as certain repairs and remediation required in connection with such surveys and inspections are completed (or if any vessel fails such a survey or inspection), the vessel may be unable to trade between ports and, therefore, would be unemployable. Any such loss of the use of a vessel could have an adverse impact on Algoma's revenues, results of operations and liquidity, and any such impact may be material.

Maritime Laws and Acts

Algoma is subject to the Coasting Trade Act (Canada) that restricts domestic maritime transportation to vessels operating under the flag of Canada.

Aging Vessels

We may be unable to maintain or replace our vessels as they age. The domestic dry-bulk vessels that will begin the 2021 navigation season have an average age of approximately 20 years. The expense of maintaining, repairing and upgrading vessels typically increases with age, and after a period of time the cost necessary to satisfy required marine certification standards may not be economically justifiable. There can be no assurance that Algoma will be able to maintain its fleet by extending the economic life of existing vessels, or that our financial resources will be sufficient to enable us to make expenditures necessary for these purposes. In addition, the supply of replacement vessels is very limited and the costs associated with acquiring a newly constructed vessel are high. In the event that the Company were to lose the use of any of its vessels, our financial performance would be adversely affected.

Insurance Coverage

Algoma maintains insurance on its fleet for risks commonly insured against and by vessels owners and operators, including hull and machinery insurance, war risks insurance and protection and indemnity insurance (which includes environmental damage and pollution insurance). Algoma does not, however, insure the loss of a vessel's income when it is being repaired due to an insured hull and machinery claim due to the cost of this claim of insurance. We can give no assurance that the Company will be adequately insured against all risks or that its insurers will pay a particular claim. Even if its insurance coverage is adequate to cover its losses, Algoma may not be able to obtain a replacement vessel on a timely basis in the event of a loss.

Furthermore, in the future, Algoma may not be able to obtain adequate insurance coverage at reasonable rates for the Company's fleet. Algoma may also be subject to calls, or premiums, in amounts based not only on its own claims record but also the claims record of all other members of the protection and indemnity associations through which Algoma may receive indemnity insurance coverage. Algoma's insurance policies will also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase its costs.

Certain of the insurance carried by the Company is provided by global insurance associations that operate as mutual insurance companies ("Mutuals"). Under the terms of mutual insurance contracts, the Company could be liable for supplementary calls or premium increases in the future if the claims experienced by the Mutuals exceeded what was expected when initial annual premiums were set. Such supplementary calls, though rare, can be material if they were to occur.

Marine Disaster

The operation of marine vessels entails the possibility of marine disasters and similar events that may cause a loss of revenue from affected vessels and may lead to loss of business.

The operation of vessels entails certain inherent risks that may adversely affect Algoma's business and reputation, including:

- damage or destruction of a vessel due to marine disaster such as a collision;
- the loss of a vessel due to piracy and terrorism;
- cargo and property losses or damage as a result of the foregoing or less drastic causes such as human error, mechanical failure, low water levels and bad weather;
- environmental accidents as a result of the foregoing; and
- business interruptions and delivery delays caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions.

Any of these circumstances or events could substantially increase costs, as for example, the costs of replacing a vessel or cleaning up a spill, or lower its revenues by taking vessels out of operation permanently or for extended periods of time. The involvement of the Company's vessels in a disaster or delays in delivery or damages or loss of cargo may harm its reputation as a safe and reliable vessel operator and cause it to lose business.
If vessels suffer damage, they may need to be repaired at the Company's cost at a dry-docking facility. The costs of dry-dock repairs are unpredictable and can be substantial. The Company may have to pay repair costs that insurance does not cover. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, could decrease its revenues and earnings substantially, particularly if a number of vessels are damaged or repaired at the same time.

Cash Flow

Maritime claimants could arrest Algoma's vessels, which could interrupt its cash flow. Crew members, suppliers of goods and services to a vessel, shippers of cargo, and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages against such vessel. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of the Company's vessels could interrupt its cash flow and require it to pay large sums to have the arrest lifted.

Credit Facilities

Algoma's credit facilities impose operating and financial restrictions that may limit its ability to:
- incur additional indebtedness;
- make investments;
- engage in mergers or acquisitions;
- pay dividends; and,
- sell any of the Company's vessels or any other assets outside the ordinary course of business

Foreign Exchange

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

From time to time, the Company has significant commitments due for payment in U.S. dollars. The Company mitigates the risk associated with the U.S. dollar payments principally through utilizing U.S. cash as a hedge on purchase commitments required under ship building contracts with foreign shipbuilders and foreign exchange forward contracts.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from its customers. The Company believes that the credit risk for accounts receivable is limited due to the tight credit terms given to customers, minimal bad debts experience and a customer base that consists of relatively few large industrial concerns in diverse industries.

Employee Future Benefits

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

Judicial and other proceedings

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

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The table below provides summarized consolidated financial data for the last three years:

For the year		**2020**		2019		2018
Revenue	**$**	**545,660**	$	567,908	$	508,201
Net (loss) earnings from joint ventures	**$**	**(5,205)**	$	(9,523)	$	8,523
Net earnings	**$**	**45,850**	$	24,159	$	50,943
Additions to property, plant, and equipment	**$**	**75,195**	$	209,146	$	68,097
Basic earnings per share	**$**	**1.21**	$	0.63	$	1.32
Diluted earnings per share	**$**	**1.19**	$	0.63	$	1.29
At December 31						
Total assets	**$**	**1,223,096**	$	1,147,377	$	1,111,893
Shareholders' equity	**$**	**560,616**	$	660,421	$	702,555
Long-term debt (including current)	**$**	**390,633**	$	334,853	$	258,588
Equity per common share	**$**	**14.83**	$	17.46	$	18.29
Common shares outstanding		**37,800,943**		37,824,543		38,421,615

The financial information is prepared in accordance with International Financial Reporting Standards. There are no significant factors affecting the comparability of financial data between 2019 and 2020.

Further discussion of the operating results for fiscal 2020 can be found in the Management's Discussion and Analysis for the year ended December 31, 2020 available at www.algonet.com/investor-relations.

Dividends

The declaration of future dividends is subject to the discretion of the Board of Directors after consideration of earnings available for dividends, financial requirements and other conditions prevailing from time to time. The Company's debt agreements contain formulas that would serve to limit the amount of regular dividends that can be paid in certain circumstances. None of these circumstances exists at the present time.

The Company's Board of Directors on January 14, 2021 authorized payment of a quarterly dividend to shareholders of $0.17 per common share. The dividend is to be paid on March 1, 2021 to shareholders of record on February 15, 2021.

Declared Date	Record Date	Payment Date	Dividend Per Share	Dividend Status
January 14, 2021	February 15, 2021	March 1, 2021	$0.1700	Eligible
December 14, 2020	December 28, 2020	January 12, 2021	$2.6500	Eligible
November 3, 2020	November 17, 2020	December 1, 2020	$0.1300	Eligible
August 5, 2020	August 18, 2020	September 1, 2020	$0.1300	Eligible
May 6, 2020	May 18, 2020	June 1, 2020	$0.1200	Eligible
January 16, 2020	February 17, 2020	March 2, 2020	$0.1200	Eligible
November 5, 2019	November 18, 2019	December 2, 2019	$0.1100	Eligible
August 7, 2019	August 20, 2019	September 3, 2019	$0.1000	Eligible
May 3, 2019	May 17, 2019	June 3, 2019	$0.7500	Eligible
May 3, 2019	May 17, 2019	June 3, 2019	$0.1000	Eligible
January 17, 2019	February 15, 2019	March 1, 2019	$0.0027	Ineligible
January 17, 2019	February 15, 2019	March 1, 2019	$0.0973	Eligible
November 12, 2018	November 19, 2018	December 3, 2018	$0.0082	Ineligible
November 12, 2018	November 19, 2018	December 3, 2018	$0.0918	Eligible
August 9, 2018	August 21, 2018	September 4, 2018	$0.1000	Eligible
May 4, 2018	May 18, 2018	June 1, 2018	$0.1000	Eligible
February 2, 2018	February 15, 2018	March 1, 2018	$0.0292	Ineligible

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's 2020 Management's Discussion and Analysis is available at www.algonet.com/investor-relations and www.sedar.com.

7. MARKET FOR SECURITIES

The common shares of the Company are listed on The Toronto Stock Exchange under the symbol of ALC. The subordinated convertible debentures of the Company are listed on the Toronto Stock Exchange under the symbol of ALC.DB.A.

The price ranges and volume of common shares of the Company traded on the TSX on a monthly basis for 2020 were as follows:

Month	High	Low	Volume Traded (000's)
January	$13.10	$12.44	292
February	$13.26	$12.12	118
March	$12.31	$7.01	316
April	$10.34	$8.60	165
May	$9.82	$8.58	102
June	$11.00	$9.24	147
July	$11.06	$9.95	60
August	$10.74	$9.82	137
September	$10.32	$9.80	76
October	$10.80	$9.85	243
November	$12.91	$10.51	143
December	$16.17	$12.43	385

8. DEBT REFINANCING

On December 10, 2020 the Company completed a refinancing of its senior secured notes and bank facility, which were due to mature in 2021. Proceeds from the new issue were used to repay the maturing notes and revolving bank facility. The new revolving bank credit agreement matures on December 10, 2023 and no amounts were withdrawn as at December 31, 2020.

Principal payments required to service the debt are as follows:

As at December 31		2020		2019
Falling due within one year	**$**	**143**	$	80,076
Falling due between one and two years		**150**		172,553
Falling due between two and three years		**5,197**		150
Falling due between three and four years		**80,646**		5,196
Falling due in four years or later		**315,160**		80,184
	$	**401,296**	$	338,159

More information regarding the debt refinancing of the Company please see the consolidated financial statements in the 2020 Annual Report, available online at www.algonet.com/investor-relations or on SEDAR at www.sedar.com.

9. CAPITAL STRUCTURE

Authorized share capital consists of an unlimited number of common and preferred shares with no par value. In 2020 the Company renewed its normal course issuer bid with the intention to purchase common shares for cancellation.

Common Shares

A holder of common shares is entitled to one vote per share at meetings of shareholders, to receive dividends, if any, as and when declared by the board, and to receive pro rata the remaining property and assets of Algoma Central Corporation upon its dissolution or winding-up, subject to the rights of shares having priority over the common shares. The Company had 37,800,943 common shares outstanding as at December 31, 2020.

Preferred Shares

At December 31, 2020 and 2019 there were no preferred shares issued and outstanding.

Normal Course Issuer Bid

On March 19, 2020, the Company renewed its normal course issuer bid with the intention to purchase, through the facilities of the TSX, up to 1,890,457 of its Common Shares ("Shares") representing approximately 5% of the 37,809,143 Shares which were issued and outstanding as at the close of business on March 4, 2020 (the “NCIB”).

Subject to prescribed exceptions, the Company is allowed to purchase up to 1,726 Common Shares on the TSX during any trading day, representing approximately 25% of the average daily trading volume of the shares on the TSX for the previous six calendar months, being 6,906 Shares. Any Shares purchased under the NCIB will be cancelled. The Company purchased 1,200 shares under the 2020 NCIB and 22,400 shares under an expired bid in the first quarter in 2020.

In conjunction with the renewal of the NCIB, Algoma entered into a new automatic share purchase plan (the “ASPP”) with a designated broker to allow for the purchase of its Shares under the NCIB at times when Algoma normally would not be active in the market due to applicable regulatory restrictions or internal trading black-out periods.

Before the commencement of any particular internal trading black-out period, Algoma may, but is not required to, instruct its designated broker to make purchases of Shares under the NCIB during the ensuing black-out period in accordance with the terms of the ASPP. Such purchases will be determined by the broker in its sole discretion based on parameters established by Algoma prior to commencement of the applicable black-out period in accordance with the terms of the ASPP and applicable TSX rules. Outside of these black-out periods, Shares will continue to be purchasable by Algoma at its discretion under its NCIB.

The ASPP will commence on the Company’s behalf during any quarterly blackout period of the Company and will terminate on the earliest of the date on which: (a) the maximum annual purchase limit under the NCIB has been reached; (b) Algoma terminates the ASPP in accordance with its terms; or (c) the NCIB expires. The ASPP constitutes an “automatic securities purchase plan” under applicable Canadian securities laws.

The Company intends to renew its normal course issuer bid upon receipt of the required approvals from regulatory authorities.

Convertible Debentures

In June 2017, the Company issued $82,500 of convertible unsecured subordinated debentures (the “2017 Debentures”). Each 2017 Debenture may be converted into Shares of the Company at the option of the holder at any time prior to maturity at a price equal to $21.15 per Share. On redemption at the maturity date, the Company may repay the indebtedness represented by the 2017 Debentures by paying an amount equal to the aggregate principal amount of the outstanding debentures. The Company has the option to repay the principal amount with Shares. The proceeds of the 2017 Debenture issue, net of related costs, were $78,383.

The 2017 Debentures are compound financial instruments and as such have been recorded as a liability and as equity. The liability component was valued first and the difference between the proceeds of the 2017 Debenture and the fair value of the liability was assigned to the equity component. The carrying value of the equity component before income tax and financing costs is $3,370. The carrying value of $2,309, which is net of financing costs and income tax, has been recorded as a separate component in shareholders' equity.

The present value of the liability at inception, net of expenses, of $75,181 was calculated using a discount rate of 6.0% which approximated the interest rate that would have been applicable to non-convertible debt of the Company at the time the debentures were issued. The liability component will be accreted to the face value of the debentures over the term of the debentures with a resulting charge to interest expense.

Under the terms of the 2017 Debenture, the conversion price will be adjusted to the extent that quarterly dividends paid to holders of common shares exceed 10¢ per share on a cumulative basis. As a result of the special dividends paid by the Company in 2019 and 2021, and the fact that the quarterly dividend now exceeds 10¢ per share, the conversion price for the 2017 Debentures has been set at $16.32 effective December 28, 2020.

For more information regarding the capital structure of the Company please see the consolidated financial statements in the 2020 Annual Report, available online at www.algonet.com/investor-relations or on SEDAR at www.sedar.com.

Special Dividend

The Company's Board of Directors authorized payment of a Special Dividend to shareholders of $2.65 per common share. The dividend was payable on January 12, 2021 to shareholders of record on December 28, 2020.

10. DIRECTORS AND OFFICERS

The following are the names and municipalities of residence of the directors and officers of the Company, their positions and principal occupations within the past five years and the period during which each director has served as director of the Company. The bylaws of the Company provide that all of the directors hold office until the next annual meeting of shareholders or until their respective successor is elected.

Directors

Richard B. Carty, Toronto, Ontario
During the last five years, Mr. Carty has been Vice-President, General Counsel and Corporate Secretary, E-L Financial Corporation Limited, an investment and insurance holding company. He has served as a director of the Company since 2010.

Paul R. Gurtler, Hamilton, Bermuda
During the last five years, Mr. Gurtler has been Managing Director of Interlink Maritime Corporation, an international dry-bulk shipping company. He has served as a director of the Company since 2017.

E. M. Blake Hutcheson, Toronto, Ontario
During the last five years, Mr. Hutcheson has been President and Chief Pension Officer, OMERS, a public sector pension fund, Chair of Oxford Properties Group Inc. and President and Chief Executive Officer of Oxford Properties Group Inc. both of which are owned by OMERS. He has served as a director of the Company since 2003.

Duncan N. R. Jackman, Toronto, Ontario
During the last five years, Mr. Jackman has been Chairman, President and Chief Executive Officer, E-L Financial Corporation Limited, an investment and insurance holding company. He has served as a director of the Company since 1997.

Mark McQueen, Toronto, Ontario
During the last five years, Mr. McQueen has been President and Executive Managing Director, Innovation Banking at CIBC, a Canadian chartered bank and President and Chief Executive Officer of Wellington Financial LLP. which was purchased by CIBC in 2018. He has served as a director of the Company since 2015.

Clive P. Rowe, New York, New York
During the last five years, Mr. Rowe has been a partner in the firm Oskie Capital, which is a private equity investment firm. He has served as a director of the Company since 1999.

Harold S. Stephen, Mississauga, Ontario
During the last five years, Mr. Stephen has been the Chair and Chief Executive Officer of Stephen Capital Inc. a financial advisory firm and Chairman and Chief Executive Officer, Stonecrest Capital Inc. He has served as a director of the Company since 2002.

Eric Stevenson, Toronto, Ontario
During the last five years, Mr. Stevenson has been a Director of Perseverance Marine Holdings, an international shipping investment firm, and a principal of Alliance Maritime Ship Management. He has served as a director of the Company since 2013.

Shareholdings of Directors and Officers

The directors and senior officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over 76,658 or 0.2% of the common shares of the Company.

Officers

Duncan N. R. Jackman, Toronto, Ontario
Chairman

Jeffrey M. DeRosario, Fonthill, Ontario
Vice-President, Marketing
During the last five years Mr. DeRosario has been Vice-President, Marketing, Assistant Vice-President, Marketing, and Assistant Vice-President and Director - Sales at Algoma Central Corporation.

Gregg Ruhl, Amherst, New York
President and Chief Executive Officer
During the last five years, Mr. Ruhl has been President and Chief Executive Officer, Chief Operating Officer, Senior Vice- President, Engineering at Algoma Central Corporation and Managing Director for Canadian National Railway Company.

Joshua Juel, Lewiston, New York
Assistant Vice-President, Marine Ops & Fleet Personnel
During the last five years Mr. Juel has been Assistant Vice-President, Marine Operations & Fleet Personnel at Algoma Central Corporation and Manager at Canadian National Railways.

Peter D. Winkley, Mississauga, Ontario
Chief Financial Officer
During the last five years, Mr. Winkley has been Chief Financial Officer and Vice- President, Finance and Chief Financial Officer of Algoma Central Corporation.

Christopher A. L. Lazarz, Niagara Falls, Ontario
Vice-President, Corporate Finance
During the last five years Mr. Lazarz has been Vice-President, Corporate Finance and Director, Corporate Finance at Algoma Central Corporation and Controller at Algoma Central Properties.

J. Wesley Newton, St. Catharines, Ontario
Senior Vice-President - Corporate Development and General Counsel
During the last five years, Mr. Newton has been Senior Vice-President - Corporate Development and General Counsel and Legal Counsel and Secretary at Algoma Central Corporation.

Darren Pearson, St. Catharines, Ontario
Assistant Vice-President, Operations
During the last five years Mr. Pearson been Assistant Vice-President, Operations, Director, Operations, Director, Vessel Traffic & Customer Service and Acting Director, Vessel Traffic & Customer Service at Algoma Central Corporation.

Brad Tiffin, Ridgeway, Ontario
Senior Vice-President, Operations and Technical
During the last five years Mr. Tiffin has been Senior Vice-President, Operations and Technical, Vice-President of Operations, Director of Operations at Algoma Central Corporation and Vice-President, Operations at Northern Transportation.

Cathy Smith, Niagara-on-the-Lake, Ontario
Assistant Vice-President, Human Resources
During the last five years Mrs. Smith has been Assistant Vice-President, Human Resources and Director, Human Resources at Algoma Central Corporation.

Mario Battista, Fonthill, Ontario
Vice-President, Finance and Process Innovation
During the last five years, Mr. Battista has been Vice-President, Finance and Process Innovation and Director of Business Information Systems at Algoma Central Corporation.

Steve Wright, Vineland, Ontario
Vice-President, Engineering
During the last five years Mr. Wright has been Vice-President, Engineering and Director - Technical (Projects) at Algoma Central Corporation.

Charlie Bungard, Niagara-on-the-Lake, Ontario
Assistant Vice-President, Technical Operations
During the last five years Mr. Bungard has been Assistant Vice-President, Technical Operations, Director, Tankers & Cement, Director, Engineering and Manager, Operations at Algoma Central Corporation.

Committees of the Board of Directors

Executive Committee

The members of the Executive Committee are Duncan N. R. Jackman and Clive P. Rowe.

Audit Committee

The Company is required to have an Audit Committee of the Board of Directors. The members of the Audit Committee are Harold S. Stephen (Chair), Richard B, Carty, E.M. Blake Hutcheson and Mark McQueen. Please refer to section 14 of this Annual Information Form for additional information on the Audit Committee.

Corporate Governance Committee

The members of the Corporate Governance Committee are Richard B. Carty (Chair), Clive P. Rowe, Duncan N. R. Jackman, Harold S. Stephen and Eric Stevenson.

Environmental Health and Safety Committee

The members of the Environmental Health and Safety Committee are Eric Stevenson (Chair), Richard B. Carty, Paul R. Gurtler and E. M. Blake Hutcheson.

Investment Committee

The members of the Investment Committee are Duncan N.R. Jackman, Eric Stevenson, Clive P. Rowe and Paul R. Gurtler.

Capital Committee

The members of the Capital Committee are Clive P. Rowe (Chair), Harold S. Stephen, and Mark McQueen .

11. LEGAL PROCEEDINGS

There are no legal proceedings involving a material amount outstanding against the Company. For information on contingencies, please refer to Note 26 of the consolidated financial statements.

12. TRANSFER AGENT AND REGISTRAR

AST Trust Company (Canada) ("AST") is the registrar and transfer agent for the common shares of the Company. AST keeps the Register of Holders and the Register of Transfers for the common shares at its principal stock transfer office in the City of Toronto.

13. INTERESTS OF EXPERTS

Deloitte LLP is the auditor of the Company and is independent within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

14. AUDIT COMMITTEE

Mandate of the Audit Committee

The purpose of the Audit Committee is to augment and improve financial disclosure by the Company and to monitor compliance by the Company with all applicable legal requirements in this connection.

In fulfilling this role, the Committee reviews quarterly and annual financial statements prior to Board approval. As part of this process, the Committee reviews all financial statements to satisfy itself with the fairness and consistency of the accounting practices used in creating the statements, ensures that the Company's financial statements comply with International Financial Reporting Standards and presents the approved financial statements to the Board for final approval. The Committee is also required to review all news releases containing financial information prior to their release.

The Committee also has responsibility for ensuring the integrity of the external audit process. The Committee is mandated to act as an independent liaison between external auditors and the Company. Additionally, the Committee is to ensure that its auditors are independent and ultimately accountable to the Committee and the Board as representatives of the shareholders. Similarly, the Committee is expected to monitor external audits to ensure sufficient managerial independence and reporting.

The Committee is also responsible for administering the policy regarding employee complaints on accounting and auditing matters. This process allows for confidential employee submissions concerning any accounting or auditing matters.

Composition of the Audit Committee

The Audit Committee is to be composed of independent directors. The Chair of this Committee must have significant accounting or related financial experience and should not hold more than 20% of the Company's issued and outstanding shares.

Each member of the Audit Committee is financially literate and independent. According to Multilateral Instrument 52-110 – Audit Committees ("MI 52-110"), an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. According to MI 52-110, a member of an audit committee is independent if the member has no direct or indirect material relationship with the Company.

Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is described below:

Audit Committee Member	Education and Experience
Harold S. Stephen - Chairman	Mr. Stephen is a Chartered Professional Accountant, a former Licensed Trustee in Bankruptcy, and a former partner in the accounting firm of Ernst and Young. He has over 35 years experience advising companies in financing and capital restructuring in court supervised and informal reorganization proceedings.

E. M. Blake Hutcheson	Mr. Hutcheson has over 30 years of experience in the real estate services, investment and finance business. He is currently President of OMERS and CEO effective June 1st, 2020. Prior to that, he was President and Chief Pension Officer of OMERS and Chief Executive Officer for Oxford Properties Group Inc., a real estate investment and development company with over 2,200 employees and $50 billion in assets under management. In these roles, he has dealt with multiple complex accounting issues, several years of audits, statement preparations and has a strong working knowledge of financial reporting, tax, internal controls and accounting practices.
Richard B. Carty	Mr. Carty has a Bachelor of Commerce (Honours) Degree from Queen's University, a Bachelor of Law Degree from the University of Victoria and an MBA from Imperial College (London, U.K.). Mr. Carty has many years of experience working with audit committees and exposure to financial and accounting issues of reporting issuers, a life insurance company and a mutual fund corporation.
Mark McQueen	Mr. McQueen has worked in the financial services industry since 1993. Mr. McQueen is currently President and Executive Managing Director, Innovation Banking at CIBC. Prior to that he led Wellington Financial LP's growth from its inception as a $7 million fund in 2000 to its current $600 million investment program.

Pre-Approval Policies and Procedures

The Audit Committee has a process for approval of all audit and non-audit services to be provided by its current external auditor.

The process for the audit services requires that an annual client services plan be provided to and pre-approved by the Audit Committee prior to the commencement of services by the auditor.

All requests for non-audit services must be submitted in writing and must provide adequate details as to the particular services to be provided by the external auditor. The Audit Committee must be informed about each non-audit service provided and may not delegate its approval authority to management. Services may be approved by the Chairman of the Audit Committee for non-audit services up to $25 and the Chairman of the Audit Committee advises the Audit Committee of any such pre-approved services at its next meeting.

External Auditor Service Fees

The aggregate fees for services provided by the external auditor in each of the last two years are as follows:

	2020	2019
Audit	$ 1,541,793	$1,452,600
Audit related fees	$ 31,000	$59,956
Other	$ 138,747	$80,938

15. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Management Information Circular for its most recent Annual Meeting of Shareholders which involved the election of directors. Additional financial information is provided in the Company's comparative financial statements for its most recently completed financial year.

Requests for additional information should be directed to:

Chief Financial Officer, Algoma Central Corporation
63 Church Street, Suite 600
St. Catharines, Ontario, L2R 3C4

E-mail: Investorrelations@algonet.com

Additional information relating to the Company is available at www.algonet.com and with SEDAR at www.sedar.com.

2020

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