ALGOMA CENTRAL CORPORATION
2022 Financial Results

For the Years Ended December 31, 2022 and 2021

Your Marine Carrier of Choice™

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General

This Management's Discussion and Analysis ("MD&A") of the Company should be read in conjunction with its Consolidated Financial Statements for the years ended December 31, 2022, and 2021 and related notes thereto and has been prepared as at February 27, 2023.

This MD&A has been prepared by reference to the disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information on the Company, including its 2022 Annual Information Form, is available on SEDAR's website at *www.sedar.com* or on the Company's website at *www.algonet.com*.

Business Profile

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 global joint ventures that own 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 three by NovaAlgoma Cement Carriers ("NACC"), a related party.

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 18 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.

The Product Tanker fleet provides safe and reliable transportation of liquid petroleum products throughout the Great Lakes, St. Lawrence Seaway and Atlantic Canada regions. This business unit consists of seven double-hull product tankers employed in Canadian flag service and three vessels operating under international flag. Customers include major oil refiners, leading wholesale distributors, and large consumers of petroleum products.

The Company's international Ocean Self-Unloaders segment consists of eight ocean-going self-unloading vessels and a 25% interest in a ninth self-unloader. The eight wholly owned self-unloaders are part of the world's largest pool of ocean-going self-unloaders, which at the end of December 31, 2022 totalled 18 vessels.

The Global Short Sea Shipping segment, which consists of the Company's NovaAlgoma joint ventures, focuses on niche marine transportation markets featuring specialized equipment or services. The cement carrier fleet comprises pneumatic cement carriers servicing large global cement manufacturers that support infrastructure projects. The short sea mini-bulker fleet comprises owned ships, chartered vessels, and vessels operated under third party management contracts. The fleet supports the agricultural, cement, construction, energy and steel industries worldwide. The handy-size fleet is an opportunistic sales and purchase vessel platform.

The Investment Properties segment consisted of a shopping centre located in Sault Ste. Marie, Ontario. The shopping centre was sold on June 30, 2022.

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

Important Information About This MD&A

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

Forward-Looking Statements

Algoma Central Corporation's public communications often include written or oral forward-looking statements. Statements of this type are included in this document and may be included in other filings with Canadian securities regulators or in other communications. All such statements are made pursuant to the safe harbour provisions of any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2023 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price and the results of or outlook for our operations or for the Canadian, U.S. and global economies. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to:

- the impact of climate change on markets served by our customers, including the impact of drought conditions on agricultural outputs and the impact of winter conditions on production and/or sale of certain commodities;
- general economic and market conditions in the countries in which we operate;
- our success in maintaining and securing our information technology systems, including communications and data processing from accidental and malicious threats
- our success in securing contract renewals and maintaining existing freight rates with existing customers;
- our success in securing contracts with new customers at acceptable freight rates;
- evolving regulations focused on carbon emissions and ballast water treatment that could require capital investments and increase costs that may not be recoverable from revenues;
- our ability to attract and retain qualified employees;
- interest rate and currency value fluctuations;

- our ability to execute our strategic plans and to complete and integrate acquisitions;
- critical accounting estimates;
- operational and infrastructure risks, including on-going maintenance and operational reliability of the St. Lawrence Seaway and Welland Canal;
- on-time and on-budget delivery of new ships from shipbuilders;
- general political conditions;
- labour relations with our unionized workforce;
- the possible effects on our business of war or terrorist activities;
- disruptions to public infrastructure, such as transportation, communications, power or water supply, including water levels;
- technological changes;
- significant competition in the shipping industry and from other transportation providers;
- reliance on partnering relationships;
- appropriate maintenance and repair of our existing fleet by third-party contractors;
- health and safety regulations that affect our operations can change and be onerous and the risk of safety incidents can affect results;
- a change in applicable laws and regulations, including environmental regulations, could materially affect our results;
- economic conditions may prevent us from realizing sufficient investment returns to fund our defined benefit plans at the required levels;
- our ability to raise new equity and debt financing, if required;
- general weather conditions or natural disasters;
- the seasonal nature of our business; and,
- risks associated with the lease and ownership of real estate.

This should not be considered a complete list of all risks to which the Company may be subject from time to time. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements.

The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the years ended on the dates presented and our strategic priorities and objectives and may not be appropriate for other purposes.

For more information, please see the discussion of risks in the Company's Annual Information Form for the year ended December 31, 2022, which outlines in detail certain key factors that may affect the Company's future results. The Annual Information Form can be found on the Company's website at www.algonet.com and on SEDAR's website at www.sedar.com.

Ocean Self-Unloaders

Algoma participates in the world's largest pool of ocean-going self-unloaders (the "Pool"). The segment's commercial results reflect a pro-rata share of Pool revenue and voyage costs (in operating expenses) for the Company's eight 100% owned ships. The costs incurred to operate these ships are recorded in operating expenses. Earnings from the partially owned ship operating in this sector are included in the Company's joint venture, Marbulk. Algoma does not incur selling expenses on ocean self-unloader business, but instead pays a commercial fee to the Pool manager, which is reflected as an operating expense.

Global Short Sea Shipping

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 earnings.

Non-GAAP Measures

This MD&A uses several financial measures to assess its performance including earnings before interest, income taxes, depreciation, and amortization (EBITDA), free cash flow, return on equity, and adjusted performance measures. Some of these measures are not calculated in accordance with Generally Accepted Accounting Principles (GAAP), which are based on International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), are not defined by GAAP, and do not have standardized meanings that would ensure consistency and comparability among companies using these measures. From Management's perspective, these non-GAAP measures are useful measures of performance as they provide readers with a better understanding of how Management assesses performance. The non-GAAP measures that are used throughout this report are defined below and can also be referred to in the sections entitled *EBITDA*, *Free Cash Flow*, *Select Financial and Operational Performance* and *Adjusted Performance Measures*.

EBITDA

EBITDA is not intended to represent cash flow from operations, and it should not be considered as an alternative to net earnings, cash flow from operations, or any other measure of performance prescribed by IFRS. Management considers EBITDA to be a meaningful measure to assess its operating performance in addition to other IFRS measures. It is included because Management believes it can be useful in measuring its ability to service debt, fund capital expenditures, expand its business and a metric that it is based on is used by credit providers in the financial covenants of the Company's senior secured long-term debt.

Free Cash Flow

Management believes that free cash flow is a useful measure of liquidity as it demonstrates the Company's ability to generate cash for debt obligations and for discretionary uses such as payments of dividends, investing activities and additions of property, plant, and equipment. The Company defines its free cash flow as cash from operating activities less debt service and capital required for maintenance of existing assets.

Return on Equity

Return on equity is a profitability measure that presents the net earnings as a percent of average shareholders' equity.

Adjusted Performance Measures

Management assesses results on a reported and adjusted basis and considers both as useful measures of performance. Adjusted results remove items of note from reported results and are used to calculate the adjusted measures. Items of note include certain items of significance that arise from time-to-time which Management believes are not reflective of underlying business performance. Management believes that adjusted measures provide the reader with a better understanding of how we assess underlying business performance and facilitate a more informed analysis of trends.

Select Financial and Operational Highlights

Financial Highlights

For the years ended December 31	2022	2021	2020	Favourable/(Unfavourable) 2022 vs 2021	2021 vs 2020
Reported revenue	**$ 677,942**	$ 598,873	$ 545,660	$ 79,069	$ 53,213
Freight revenues(1)	**811,641**	721,467	658,479	90,174	62,988
Operating earnings	**102,297**	93,307	74,086	8,990	19,221
Net earnings	**119,966**	82,170	45,850	37,796	36,320
Basic earnings per share	**3.17**	2.17	1.21	1.00	0.96
Diluted earnings per share	**2.89**	2.01	1.19	0.88	0.82
EBITDA(2)	**204,961**	188,983	174,063	15,978	14,920
Free Cash Flow(3)	**99,192**	134,378	104,496	(35,186)	29,882
Dividends declared per share(4)	**2.03**	0.68	3.15	1.35	(2.47)
Return on Equity (ROE)(5)	**17.6 %**	13.7 %	7.5 %	3.9pp	6.2pp
As at December 31					
Common shares outstanding	**38,001,872**	37,800,943	37,800,943	200,929	—
Total assets	**$ 1,365,697**	$ 1,200,083	$ 1,223,096	$ 165,614	$ (23,013)
Total long-term financial liabilities	**$ 402,354**	$ 391,682	$ 390,633	$ 10,672	$ 1,049

(1) Freight revenues includes our 50% share of freight revenue from the Global Short Sea Shipping segment and excludes revenues from non-marine activities of the Company.

(2) See the section entitled Important Information About This MD&A - EBITDA for an explanation of this non-GAAP measure.

(3) See the section entitled Important Information About This MD&A - Free Cash Flow for an explanation of this non-GAAP measure.

(4) There were special dividends of $1.35 in 2022 and $2.65 in 2020. Not including the special dividends in 2022 and 2020, dividends declared were $0.68 and $0.50, respectively.

(5) Return on equity is a profitability measure that presents the net earnings as a percent of average shareholders' equity.

2022 Highlights

Strong freight rates and steady customer demand was experienced across most commodity groups in 2022. Most notably, customer demand in the Product Tanker segment is returning to pre-pandemic levels following significantly reduced customer demand during 2021. Refinery output remained at nearly full capacity throughout the year and the fleet benefited from cargoes delivered from the Great Lakes St. Lawrence Seaway system to the East Coast of Canada. Stronger base freight rates in the Domestic Dry-Bulk segment offset slightly lower demand across several sectors, including iron and steel, salt and agriculture. In the Ocean self-unloader segment, overall Pool volumes continue to improve after pandemic-related cargo reductions. Although aggregate volumes remain lower than earlier years, tonnage remained steady throughout the year, particularly gypsum and aggregate cargoes, partially offset by lower coal volumes in the segment. The Global Short Sea Shipping segment continued to benefit from strong global markets, including higher than normal freight rates. The increased revenue was mainly driven by improved performance in the cement and handy-size fleets. We also reported higher gains from sales of vessels in the segment compared to 2021. The Global Short Sea Segment is able to take advantage of sales and purchase opportunities not generally available in our other businesses.

Higher fuel prices affected both revenues and operating costs this year and were primarily driven by the increased cost of energy on the world market following the Russian invasion of Ukraine. Rising fuel prices are passed through to customers in the form of fuel recovery revenues, mitigating the impact of this source of cost inflation on our earnings.

Fleet Renewal

Our domestic dry-bulk fleet renewal program continues to move forward with orders placed for two additional Equinox Class new-build vessels, which will bring the total vessels within the Class to 12, including one owned by G3 Canada Limited that operates as part of the Algoma fleet. The *Algoma Bear*, currently under construction in China and the *Algoma Endeavour*, currently under construction in Croatia, are both scheduled to join the fleet in 2024. The vessels' efficiency improvements are evidence of our dedication to continually finding ways to minimize our environmental footprint, maximize operational efficiency, and provide excellent services to meet our customers' needs.

Financial Highlights - 2022 compared to 2021

- Reported revenue increased $79,069 or 13%, to $677,942.
- Operating earnings increased $8,990 or 10% to $102,297 while net earnings increased $37,796 or 46% to $119,966.
- Earnings include a $13,703 gain on the sale of a shopping centre located in Sault Ste. Marie, Ontario, an impairment reversal of $14,759 within the Domestic Dry-Bulk segment, and $7,814 of gains from the sale of ships in the Global Short Sea Shipping segment. .
- Basic earnings per share were $3.17 compared to $2.17 and diluted earnings per share were $2.89 compared to $2.01.
- ROE increased 390 basis points to 17.6%.
- Book value per share as at December 31, 2022 and 2021 was $19.10 and $16.94, an increase of 13%, reflecting earnings for the year and taking the Special Dividend declared in December 2022 into account.

Operational Highlights

The following table lists key measures of the Company's operating performance for the purpose of measuring the efficiency and effectiveness of our operations. The operational highlights below relate only to our Domestic Dry-Bulk, Product Tanker and Ocean Self-Unloader segments.

For the years ended December 31	**2022**	2021	2020
Total cargo carried (metric tonne)(1)	**43,567**	43,721	44,113
Tonne-kilometre travelled(2)	**46,687,814,208**	45,698,887,315	24,298,706,812
Vessel utilization(3)			
Domestic Dry-Bulk	**88 %**	96 %	89 %
Product Tankers	**94 %**	82 %	90 %
Ocean Self-Unloaders	**100 %**	100 %	100 %

(1) Total quantity of cargo in metric tonnes transported during the year.

(2) Total cargo tonne-kilometres travelled in the year. Calculated as cargo quantity multiplied by the distance in kilometres that the cargo quantity was transported. Tonne-kilometre travelled in 2020 does not include the Ocean Self-Unloader segment.

(3) Total number of days that vessels earned revenue expressed as a percentage of the total number of days that vessels operated based on a standard operating season. The standard season for Domestic Dry-Bulk excludes days on which the Welland Canal and St. Lawrence Seaway is closed.

EBITDA

The Company uses EBITDA as a measure of the cash-generating capacity of its businesses. The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure for the years ended December 31, 2022, 2021 and 2020 and presented herein:

				Favourable/(Unfavourable)	
For the years ended December 31	**2022**	2021	2020	2022 vs 2021	2021 vs 2020
Net earnings	**$ 119,966**	$ 82,170	$ 45,850	$ 37,796	$ 36,320
Adjustments to net earnings, excluding joint ventures:					
Depreciation and amortization	**65,429**	67,852	75,154	(2,423)	(7,302)
Impairment reversal	**(14,759)**	—	—	(14,759)	—
Interest expense, net	**18,714**	20,652	19,500	(1,938)	1,152
(Gain) loss on disposal of vessels	**—**	(3,379)	65	3,379	(3,444)
Gain on sale of properties	**(13,913)**	(1,596)	(5,621)	(12,317)	4,025
Foreign currency gain	**(3,892)**	(1,326)	(351)	(2,566)	(975)
Income tax expense	**16,917**	11,812	9,503	5,105	2,309
Joint venture adjustments:					
Interest expense	**3,350**	1,930	3,575	1,420	(1,645)
Foreign exchange loss (gain)	**566**	(165)	(183)	731	18
Depreciation and amortization	**19,994**	15,389	16,844	4,605	(1,455)
Impairment provision	**—**	—	9,746	—	(9,746)
Income tax expense	**1,072**	616	296	456	320
Investment gain on distribution	**(669)**	—	—	(669)	—
Gain on sale of vessels	**(7,814)**	(4,972)	(315)	(2,842)	(4,657)
EBITDA(1)	**$ 204,961**	$ 188,983	$ 174,063	$ 15,978	$ 14,920

(1) Please refer to the section entitled Important Information About This MD&A for an explanation of this non-GAAP measure.

Revenues

For the years ended December 31	2022	2021	2020	Favourable/(Unfavourable) 2022 vs 2021	Favourable/(Unfavourable) 2021 vs 2020
Reported Revenue	**$ 677,942**	$ 598,873	$ 545,660	$ 79,069	$ 53,213
Freight revenues[1]					
Domestic Dry-Bulk	**$ 360,139**	$ 338,661	$ 286,156	$ 21,478	$ 52,505
Product Tankers	**118,686**	94,535	114,273	24,151	(19,738)
Ocean Self-Unloaders	**193,730**	156,294	134,109	37,436	22,185
Global Short Sea Shipping[1]	**139,086**	131,977	123,941	7,109	8,036
Total freight revenues	**$ 811,641**	$ 721,467	$ 658,479	$ 90,174	$ 62,988

(1) Freight revenues include our 50% share of freight revenue from the Global Short Sea Shipping segment. The Investment Properties and Corporate segments do not generate freight revenue.

Stock Market Highlights

Common Shares

The common shares of the Company are listed on The Toronto Stock Exchange under the symbol of ALC. The price ranges and volume of common shares of the Company traded on the TSX on a monthly basis for 2022 were as follows:

Month	High	Low	Number of Trades	Volume Traded (000's)	Value Traded (000's)
January	$18.02	$16.85	679	$ 151	$ 2,614
February	$17.88	$16.75	562	$ 98	$ 1,699
March	$17.76	$16.75	598	$ 109	$ 1,893
April	$17.75	$16.60	1,012	$ 215	$ 3,688
May	$17.49	$16.10	909	$ 168	$ 2,815
June	$17.39	$14.81	678	$ 141	$ 2,287
July	$16.75	$14.85	421	$ 69	$ 1,078
August	$17.49	$15.80	749	$ 329	$ 5,590
September	$16.98	$15.85	675	$ 127	$ 2,084
October	$17.00	$16.01	403	$ 84	$ 1,397
November	$17.35	$16.23	744	$ 154	$ 2,546
December	$18.90	$16.30	1,340	$ 334	$ 5,926

Convertible Debentures

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 the convertible debentures of the Company traded on the TSX on a monthly basis for 2022 were as follows:

Month	High	Low	Number of Trades	Volume Traded (000's)	Value Traded (000's)
January	$112.25	$107.50	56	$ 5	$ 508
February	$111.00	$108.00	25	$ 3	$ 272
March	$110.00	$108.00	50	$ 9	$ 949
April	$109.00	$104.00	101	$ 12	$ 1,320
May	$107.77	$103.00	40	$ 3	$ 354
June	$107.41	$100.05	61	$ 21	$ 2,179
July	$104.72	$101.36	18	$ 4	$ 409
August	$108.77	$103.00	70	$ 51	$ 5,378
September	$105.00	$101.25	34	$ 5	$ 466
October	$107.00	$101.87	48	$ 4	$ 385
November	$105.77	$102.00	162	$ 13	$ 1,333
December	$115.00	$103.02	277	$ 21	$ 2,293

The current conversion price of the convertible debentures has been set at $14.59 effective January 5, 2023.

Adjusted Performance Measures

Management assesses results on a reported and adjusted basis and considers both as useful measures of performance. Adjusted results remove items of note from reported results and are used to calculate the adjusted measures noted below. Items of note include certain items of significance that arise from time to time which Management believes are not reflective of underlying business performance. We believe that adjusted measures provide the reader with a better understanding of how Management assesses underlying business performance and facilitates a more informed analysis of trends. Adjusted net earnings below is net of income tax. These measures do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies.

The following table provides a reconciliation of net earnings and basic and diluted earnings per share in accordance with GAAP, as reported for the years ended December 31, 2022, 2021 and 2020, to the adjusted non-GAAP performance measures presented herein:

For the years ended December 31		**2022**		2021		2020
Net earnings	**$**	**119,966**	$	82,170	$	45,850
Adjustments:						
Impairment (reversal) provision	**$**	**(10,848)**		—		9,746
Gain on sale of properties		**(10,187)**		—		(4,131)
Adjusted net earnings	**$**	**98,931**	$	82,170	$	51,465
Return on equity		**17.6 %**		13.7 %		7.5 %
Adjusted return on equity(1)		**14.6 %**		13.7 %		8.4 %
Basic earnings per share	**$**	**3.17**	$	2.17	$	1.21
Impact of adjustments per share		**(0.56)**		—		0.15
Adjusted basic earnings per share	**$**	**2.61**	$	2.17	$	1.36
Diluted earnings per share	**$**	**2.89**	$	2.01	$	1.19
Impact of adjustments per share		**(0.49)**		—		0.13
Adjusted diluted earnings per share	**$**	**2.40**	$	2.01	$	1.32

(1) Adjusted return on equity is calculated by dividing adjusted net earnings by unadjusted average shareholders' equity.

- In the fourth quarter of 2020, an apartment building investment property was sold and a gain of $5,621 was recorded.
- In the third quarter of 2020, Marbulk management determined that the carrying value of a vessel that was returned by its charterer earlier in the year should be written down to its scrap value and an impairment provision of $9,746 was recorded, which is reflected in equity earnings from joint ventures.
- In the fourth quarter of 2022, the Company completed a review of the market outlook and it was determined that due to sustained improvement in freight rates, a decline in the shipping capacity on the Great Lakes, and positive market trends, the remaining provision for impairment on the self-unloader fleet should be reversed. An impairment reversal of $14,759 was recorded.

The following table provides a reconciliation of operating earnings in accordance with GAAP, as reported for the years ended December 31, 2022, 2021 and 2020, to the adjusted non-GAAP performance measures presented herein:

For the years ended December 31		**2022**		2021		2020
Revenue	**$**	**677,942**	$	598,873	$	545,660
Operating earnings		**102,297**		93,307		74,086
Adjustments:						
Impairment reversal		**(14,759)**		—		—
Adjusted operating earnings	**$**	**87,538**	$	93,307	$	74,086
Profit margin		**15.09 %**		15.58 %		13.58 %
Impact of adjustments on profit margin		**(2.18)%**		— %		— %
Adjusted profit margin		**12.91 %**		15.58 %		13.58 %

Domestic Dry-Bulk Segment

Financial Performance

For the years ended December 31	2022	2021	2020	Favourable/(Unfavourable) 2022 vs 2021	Favourable/(Unfavourable) 2021 vs 2020
Revenue	**$ 360,139**	$ 338,661	$ 286,156	$ 21,478	$ 52,505
Operating expenses	**(271,233)**	(238,423)	(200,788)	(32,810)	(37,635)
Selling, general and administrative	**(11,919)**	(11,660)	(11,522)	(259)	(138)
Other operating items	**14,395**	3,093	—	11,302	3,093
Depreciation and amortization	**(26,009)**	(26,701)	(27,094)	692	393
Operating earnings	**65,373**	64,970	46,752	403	18,218
Gain on sale of property	**—**	1,596	—	(1,596)	1,596
Income tax expense	**(17,396)**	(17,305)	(12,244)	(91)	(5,061)
Net earnings	**$ 47,977**	$ 49,261	$ 34,508	$ (1,284)	$ 14,753

Operational Performance

For the years ended December 31	2022	2021	2020	Favourable/(Unfavourable) 2022 vs 2021	Favourable/(Unfavourable) 2021 vs 2020
Volumes (thousands of metric tonnes)					
Power Generation	**99**	—	—	99	—
Iron and steel	**7,684**	8,354	7,682	(670)	672
Construction	**3,379**	3,239	3,255	140	(16)
Agriculture	**3,256**	3,425	3,804	(169)	(379)
Salt	**4,970**	5,433	5,285	(463)	148
Total volumes	**19,289**	20,451	20,026	(1,162)	425
Revenue Days	**4,545**	4,856	4,708	(311)	148
Operating Days	**4,786**	5,021	4,879	(235)	142

EBITDA

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the years ended December 31, 2022, 2021 and 2020 and presented herein:

For the years ended December 31	2022	2021	2020	Favourable/(Unfavourable) 2022 vs 2021	Favourable/(Unfavourable) 2021 vs 2020
Net earnings	**$ 47,977**	$ 49,261	$ 34,508	$ (1,284)	$ 14,753
Adjustments to net earnings:					
Depreciation and amortization	**26,009**	26,701	27,094	(692)	(393)
Income tax expense	**17,396**	17,305	12,244	91	5,061
Impairment reversal	**(14,759)**	—	—	(14,759)	—
(Gain) loss on disposal of vessels	**—**	(3,093)	65	3,093	(3,158)
Gain on sale of property	**—**	(1,596)	—	1,596	(1,596)
EBITDA[(1)]	**$ 76,623**	$ 88,578	$ 73,911	$ (11,955)	$ 14,667

(1) Please refer to the section entitled Important Information About This MD&A for an explanation of this non-GAAP measure.

2022 Compared to 2021

The increase in revenue was mainly driven by higher fuel cost recoveries and stronger base freight rates across all sectors. Freight markets and rates were generally robust, which more than offset a 5% decrease in overall volumes and a 6% decline in revenue days.

Lower demand across several sectors, including iron and steel, salt and agriculture, were the main drivers behind the decrease in cargo volume this year, partially offset by higher construction volumes. More than offsetting the lower volumes were higher base freight rates sector-wide. Higher fuel cost recoveries were driven by the increased cost of energy on the world market (particularly marine diesel) following the Russian invasion of Ukraine. We and our customers benefited this year as our environmentally friendly closed loop exhaust gas cleaners enabled us to utilize lower cost heavier fuels for our newer vessels.

With the uncertainty of the grain market and the impact of the 2021 drought in Western Canada, fit-out on three dry-bulk vessels was deferred until we deployed them in the third quarter to meet increased customer demand. Salt volumes during the previous year period were unusually strong as a result of higher mining production from our major customer; volumes in 2022 reflect a more typical season. Iron and steel volumes decreased mainly due to lower export ore demand compared to a surge in 2021 and as a result of lower global seaborne ore pricing in 2022. Partially offsetting the reduction in tonnage was an increase in volumes in the construction sector driven by higher aggregate demand due to a large infrastructure project in Ontario.

Despite a 5% decrease in operating days, operating expenses were higher this year, driven primarily by significantly higher fuel costs and partially due to increased lay-up expenditures and insurance costs. Direct costs were also higher, specifically crew, supply and repair expenses, mainly due to increased wages and travel and rising inflation during the year. The decrease in operating days reflected the reduced customer demand as we operated two fewer vessels for the first half of the year due to the reduced grain volumes and we experienced higher incident costs.

In 2016, an impairment provision was recognized on the self-unloader fleet in the domestic dry-bulk segment due to lower market demand and declining freight rates. During the fourth quarter of 2022, the Company completed a review of the market outlook and determined that due to sustained improvement in freight rates, a decline in the shipping capacity on the Great Lakes, and positive market trends, the remaining provision for impairment on the self-unloader fleet should be reversed. An impairment reversal of $14,759 has been recorded. Excluding the impact of this reversal, operating earnings were $50,614 compared to $64,970 in 2021.

Following a vessel grounding incident in late December 2020, it was determined that the nature and extent of the repairs required to bring the vessel back into service were too great to warrant repairing the vessel. The Company reached a settlement agreement with its insurance company in 2021 and the vessel was sold for recycling. The Company recorded a $3,093 net gain under other operating items for 2021 resulting from the insurance settlement and the disposal of the vessel. The $1,596 gain on sale of property relates to the sale of a building belonging to Algoma Ship Repair.

Outlook

Customer demand appears to be strong in 2023 and we are preparing for the fleet to be fully utilized for the year. We are anticipating higher grain volumes driven by the return of Western Canada grain crop size and export ore volumes are expected to be similar to 2022 levels but with the potential to be slightly higher if demand remains steady.

As our contract terms provide for a rate adjustment to offset the effects of inflation, we expect freight rates to rise in 2023, offsetting at least partially the impact of inflation on operating costs.

Our fleet renewal program continues to make progress. Vessels are currently under construction in China and Croatia and are scheduled to join the Canadian dry-bulk fleet in 2024. These two new vessels are part of an improved Equinox Class design that can carry more cargo without requiring an increase in the vessel's power and fuel consumption.

Product Tankers Segment

Financial Performance

				Favourable/(Unfavourable)	
For the years ended December 31	**2022**	2021	2020	2022 vs 2021	2021 vs 2020
Revenue	**$ 118,686**	$ 94,535	$ 114,273	$ 24,151	$ (19,738)
Operating expenses	**(86,825)**	(63,557)	(73,198)	(23,268)	9,641
Selling, general and administrative	**(4,739)**	(4,178)	(4,951)	(561)	773
Gain on disposal of vessel	**—**	286	—	(286)	286
Depreciation and amortization	**(14,013)**	(13,348)	(14,574)	(665)	1,226
Operating earnings	**13,109**	13,738	21,550	(629)	(7,812)
Income tax expense	**(2,696)**	(3,797)	(5,814)	1,101	2,017
Net earnings	**$ 10,413**	$ 9,941	$ 15,736	$ 472	$ (5,795)

Operational Performance[1]

				Favourable/(Unfavourable)	
For the years ended December 31	**2022**	2021	2020	2022 vs 2021	2021 vs 2020
Volume (thousands of metric tonnes)					—
Petroleum products	**2,399**	1,981	2,235	418	(254)
Total volumes	**2,399**	1,981	2,235	418	(254)
					—
Revenue days (owned fleet)	**2,175**	1,998	2,562	177	(564)
Operating days (owned fleet)	**2,274**	2,087	2,632	187	(545)
Outside charter days	**6**	—	132	6	(132)

(1) The vessel which operated internationally under bareboat charter is excluded from operational performance.

EBITDA

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the years ended December 31, 2022, 2021 and 2020 and presented herein:

For the years ended December 31		2022		2021		2020	Favourable/(Unfavourable) 2022 vs 2021		2021 vs 2020
Net earnings	**$**	**10,413**	$	9,941	$	15,736	$ 472	$	(5,795)
Adjustments to net earnings:									
Depreciation and amortization		**14,013**		13,348		14,574	665		(1,226)
Income tax expense		**2,696**		3,797		5,814	(1,101)		(2,017)
Gain on disposal of vessel		**—**		(286)		—	286		(286)
EBITDA[1]	**$**	**27,122**	$	26,800	$	36,124	$ 322	$	(9,324)

(1) Please refer to the section entitled Important Information About This MD&A for an explanation of this non-GAAP measure.

2022 Compared to 2021

The increase in revenue was mainly attributable to higher fuel cost recoveries and a 9% increase in revenue days. Customer demand and consequently fleet utilization, is returning to pre-pandemic levels after significantly reduced customer demand during 2021. Refinery output remained at nearly full capacity throughout the year and the fleet benefited from cargoes delivered from the Great Lakes St. Lawrence Seaway system to the East Coast of Canada. Additionally, revenue days were slightly impacted during the fourth quarter by increased demand for our vessels that supply terminals in Atlantic Canada. Strong performance of an internationally chartered vessel that was acquired in the third quarter of 2022 also had a positive impact on revenue.

Operating costs were higher this year primarily as a result of high fuel prices and a 9% increase in operating days. Full fleet utilization led to higher direct expenses, specifically crew, supply and repair costs. Crew costs were significantly higher during 2022 driven by the increased vessel days, wage increases, and travel expenses. Supply and repair costs were higher mainly due to the increase in operating days this year and in part due to the rise in inflation. Partially offsetting the increase in costs was lower lay-up expenditures.

During 2022, Algoma and Furetank AB of Sweden established a joint venture to be called FureBear, which entered into an agreement to construct eight dual-fuel product tankers. The tankers will be constructed at China Merchants Jinling Shipyard in Yangzhou, China, with delivery expected between 2023 and 2025.

In July, 2022, the Company acquired the *Birgit Knutsen* as a potential future replacement vessel for its domestic tanker fleet. The vessel operated under a bare boat charter in international markets throughout 2022. In December, 2022, two 2007-built product tankers, the re-named *Algoberta* and *Algotitan*, were acquired. The *Algotitan* began domestic operations in early 2023 while the *Algoberta* began 2023 operating in Northwestern Europe. Subsequent to year end, the *Algoma Hansa* and the *Algonorth* were sold. In the case of the *Algonorth*, the purchaser is a newly formed joint venture in which FureBear holds a two-thirds interest, along with an unrelated party.

During the third quarter of 2021, we sold our small bunkering vessel, the *Algoma Dartmouth*, recording a $286 gain resulting from the sale as an impairment reversal.

Outlook

We expect customer demand in the segment to be steady through 2023, although energy markets remain volatile due to on-going hostilities in Europe. Vessel utilization is expected to be strong; however, we do expect inflation to impact costs more significantly going forward. We currently expect the *Algoberta* to commence domestic operations late in the first quarter when seasonal demand picks up. We also expect to bring a re-named *Birgit Knutsen* into domestic service later in the year, replacing the *Algosea* when it retires.

Ocean Self-Unloaders Segment

Financial Performance

For the years ended December 31		2022		2021		2020	Favourable/(Unfavourable) 2022 vs 2021		2021 vs 2020
Foreign exchange rate average (USD/CAD)		**1.3017**		1.2537		1.3412	0.0480		(0.0875)
Revenue	**$**	**193,730**	$	156,294	$	134,109	$ 37,436	$	22,185
Operating expenses		**(128,044)**		(94,619)		(84,615)	(33,425)		(10,004)
Selling, general and administrative		**(1,394)**		(1,195)		(910)	(199)		(285)
Other operating items		**—**		(5,575)		—	5,575		(5,575)
Depreciation and amortization		**(23,850)**		(25,402)		(29,793)	1,552		4,391
Operating earnings		**40,442**		29,503		18,791	10,939		10,712
Net earnings (loss) from investment in joint venture		**3,783**		(52)		(10,213)	3,835		10,161
Net earnings	**$**	**44,225**	$	29,451	$	8,578	$ 14,774	$	20,873

Operational Performance

For the years ended December 31	2022	2021	2020	Favourable/(Unfavourable) 2022 vs 2021	Favourable/(Unfavourable) 2021 vs 2020
Pool Volumes (thousands of metric tonnes)(1)					
Gypsum	**3,802**	3,619	3,364	183	255
Aggregates	**9,174**	9,007	10,727	167	(1,720)
Coal	**7,739**	7,805	7,230	(66)	575
Other	**1,065**	858	531	207	327
Total volumes	**21,780**	21,289	21,852	491	(563)
					—
Revenue days	**2,806**	2,794	2,618	12	176
Operating days	**2,846**	2,814	2,639	32	175
Off-hire days for dry-docking	**74**	112	297	38	185

(1) Pool volumes exclude volumes carried on vessels that were under time charter arrangements in the year.

EBITDA

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the years ended December 31, 2022, 2021 and 2020 and presented herein:

For the years ended December 31	2022	2021	2020	Favourable/(Unfavourable) 2022 vs 2021	Favourable/(Unfavourable) 2021 vs 2020
Net earnings	**$ 44,225**	$ 29,451	$ 8,578	$ 14,774	$ 20,873
Adjustments to net earnings:					
Depreciation and amortization	**23,850**	25,402	29,793	(1,552)	(4,391)
Joint Venture:					
Depreciation and amortization	**589**	708	1,563	(119)	(855)
Interest expense	**—**	—	138	—	(138)
Income tax expense	**—**	61	208	(61)	(147)
Impairment	**—**	—	9,746	—	(9,746)
Investment gain on distribution	**(669)**	—	—	(669)	—
Foreign exchange loss	**1**	—	68	1	(68)
EBITDA(1)	**$ 67,996**	$ 55,622	$ 50,094	12,374	5,528

(1) Please refer to the section entitled Important Information About This MD&A for an explanation of this non-GAAP measure.

2022 Compared to 2021

Revenue was higher in 2022 driven by significant increases to fuel cost recoveries and a 2% increase in overall volumes. Revenue days were fairly even year-over-year; in 2021, our pro-rata share of the Pool was higher than normal due to unanticipated delivery delays experienced by our Pool partner on replacement vessels.

Overall Pool volumes continue to improve after pandemic-related cargo reductions. Although aggregate volumes remain lower than earlier years, tonnage remained steady throughout the year, particularly gypsum and aggregate cargoes, partially offset by lower coal volumes. Gypsum volumes reflect higher demand across the United States east coast driven by a strong housing market, partially offset by a weaker construction market on the west coast. Aggregate volumes remained stable during the year as infrastructure projects are relatively strong across the US; however, cargoes were impacted by a quarry closure in Mexico. Despite strong demand for coal in 2022, volumes were impacted by port delays that affected the ability for the Pool to move certain cargoes.

Operating expenses were higher during 2022 mainly due to the continued impact of rising fuel costs and a 1% increase in operating days. Lay-up spending also increased as a result of the higher costs of the Honourable Henry Jackman special survey and a higher number of repairs this year compared to the prior year.

Subsequent to year end, the Company and The CSL Group, who together form the CSL International Pool, announced a new-build order with Jiangsu Yangzi-Mitsui Shipbuilding Co., Ltd., to construct four new methanol-ready Kamsarmax-based ocean belt self-unloading vessels with a total purchase price of $173,905. These new ships will replace the Pool's oldest vessels and become the model for its next generation of ocean self-unloaders. Two of the four vessels have been ordered by Algoma with the first delivery scheduled for 2025.

Other items for 2021 reflect a one-time compensation payment of $5,575 related to the retirement of two older vessels by our Pool partner.

Outlook

Demand is expected to remain steady and vessel supply is expected to be tight at the Pool level. Aggregate volumes are expected to continue to be impacted by the closure of a quarry in Mexico; the closure has created some uncertainty in the market and can be expected to impact both volumes and trade routes, if it is not resolved. There is some weakness expected to remain in the US residential market, but overall the construction sector demand remains strong as infrastructure projects are picking up. We are expecting costs to continue to be impacted by inflation and global fuel prices will likely remain higher than normal, impacting both revenues and operating costs. Five vessels in the Algoma fleet will be dry docked over the course of 2023.

Global Short Sea Shipping Segment

Financial Results Overview

For the years ended December 31		2022		2021		2020		Favourable/(Unfavourable) 2022 vs 2021		2021 vs 2020
Foreign exchange rate average (USD/CAD)		**1.3017**		1.2537		1.3268		0.0480		(0.0731)
Revenue	**$**	**278,172**	$	263,953	$	247,881	$	14,219	$	16,072
Operating expenses		**(172,258)**		(195,582)		(197,094)		23,324		1,512
Selling, general and administrative		**(6,569)**		(6,684)		(7,795)		115		1,111
Depreciation and amortization		**(37,593)**		(28,186)		(29,310)		(9,407)		1,124
Operating earnings		**61,752**		33,501		13,682		28,251		19,819
Gain on disposal of vessels		**15,628**		9,944		629		5,684		9,315
Interest expense		**(6,701)**		(3,859)		(6,873)		(2,842)		3,014
Foreign exchange (loss) gain		**(1,130)**		329		502		(1,459)		(173)
Earnings before undernoted		**69,549**		39,915		7,940		29,634		31,975
Income tax expense		**(2,144)**		(1,110)		(176)		(1,034)		(934)
Net earnings of joint ventures		**5,827**		3,810		1,827		2,017		1,983
Net (earnings) loss attributable to non-controlling interest		**(8,591)**		(4,526)		1,677		(4,065)		(6,203)
Net earnings	**$**	**64,641**	$	38,089	$	11,268	$	26,552	$	26,821
Company share of net earnings above	**$**	**32,321**	$	19,045	$	5,634	$	13,276	$	13,411
Amortization of vessel purchase price allocation and intangibles		**(609)**		(588)		(626)		(21)		38
Company share included in net earnings from investments in joint ventures	**$**	**31,712**	$	18,457	$	5,008	$	13,255	$	13,449

EBITDA

The following table provides a reconciliation of net earnings in accordance with GAAP to the non-GAAP EBITDA measure, as reported for the years ended December 31, 2022, 2021 and 2020 and presented herein:

For the years ended December 31		2022		2021		2020		Favourable/(Unfavourable) 2022 vs 2021		2021 vs 2020
Company share of net earnings from investments in joint ventures	**$**	**31,712**	$	18,457	$	5,008	$	13,255	$	13,449
Adjustments to net earnings (company's share):										
Depreciation and amortization		**19,405**		14,681		15,281		4,724		(600)
Interest expense		**3,350**		1,930		3,437		1,420		(1,507)
Income tax expense		**1,072**		555		88		517		467
Foreign currency loss (gain)		**565**		(165)		(251)		730		86
Gain on disposal of vessels		**(7,814)**		(4,972)		(315)		(2,842)		(4,657)
Company share of EBITDA[(1)]	**$**	**48,290**	$	30,486	$	23,248	$	17,804	$	7,238

(1) Please refer to the section entitled Important Information About This MD&A for an explanation of this non-GAAP measure.

2022 Compared to 2021

The Global Short Sea Shipping segment continued to benefit from strong global markets, including higher than normal freight rates. The increased revenue was mainly driven by improved performance in the cement and handy-size fleets, partially offset by lower revenue in the mini-bulker fleet.

Higher revenue in the cement fleet was primarily attributable to the increase in the size of the fleet this year, steady freight rates, and steady domestic and international customer demand. The joint venture added three cement carriers in the second and third quarters and increased its interest in the Northern European joint venture cement fleet from 25% in 2021 to 50% in 2022. Lower revenue in the mini-bulker fleet resulted from a reduction in the fleet size this year, although this was partially offset by strong freight rates. Our handy-size joint venture acquired two vessels early in the second quarter. At the end of 2021, the segment did not own any handy-size vessels, having disposed of all of its previous vessels by that year end.

Operating costs increased mainly as a result of the impact of rising fuel prices and higher costs in the cement and handy-size fleets. The cement fleet experienced higher repair, supply and crew costs as a result of the three additional vessels. Increased costs for the handy-size fleet were driven by the larger fleet size this year. These higher costs were offset by significantly lower operating expenses in the mini-bulker fleet due to the reduced fleet size compared to the previous year.

The segment also benefited from a $7,814 gain of the sale of vessels in 2022. The gain in 2022 relates to the sale of one cement carriers and two mini-bulkers and in 2021 the $4,972 gain on the disposal of vessels relates to the sale of four vessels in the handy-size fleet and two vessels in the mini-bulker fleet.

The increase in depreciation for 2022 was a result of the addition of the three cement and two handy-size vessels.

Outlook

Excluding the impact of changing fuel prices, revenues from cement carriers are expected to be steady in 2023, with fleet utilization at high levels. On the other hand, mini-bulker and handy-size rates have fallen and are expected to be at more traditional levels over the course of the year, although volumes and utilization are not expected to be affected. Rate volatility is likely given the on-going economic and geopolitical situation, so the risk of sustained lower rates remains. Lower rates will likely serve to depress resale values, limiting the upside potential of vessel sales but perhaps leading to opportunities to acquire new tonnage.

Operating costs other than fuel are expected to reflect the impact of higher inflation as increased costs work their way through our supply chain. In light of increased interest rates, the joint ventures have taken action to reduce the amount of variable rate debt outstanding on ship mortgages and this is expected to remain a focus in 2023.

Investment Properties Segment

				Favourable/(Unfavourable)	
For the years ended December 31	**2022**	2021	2020	2022 vs 2021	2021 vs 2020
Revenue	**$ 2,938**	$ 6,560	$ 8,183	$ (3,622)	$ (1,623)
Operating expenses	**(3,009)**	(5,504)	(7,113)	2,495	1,609
Selling, general and administrative	**—**	(1,000)	—	1,000	(1,000)
Depreciation	**—**	(1,078)	(2,684)	1,078	1,606
Operating loss	**(71)**	(1,022)	(1,614)	951	592
Gain on sale of investment property	**13,703**	—	5,621	13,703	(5,621)
Interest income	**495**	—	—	495	—
Income tax (expense) recovery	**(3,274)**	292	(513)	(3,566)	805
Net earnings (loss)	**$ 10,853**	$ (730)	$ 3,494	$ 11,583	$ (4,224)

On June 30, 2022, the Company finalized the sale of a shopping centre located in Sault Ste. Marie, Ontario. Since the Company began to divest its commercial real estate in 2015, 15 properties have been sold in Sault Ste. Marie, Waterloo and St. Catharines Ontario. The shopping centre was the last of the Company's real estate holdings in Sault Ste. Marie.

Corporate Segment

				Favourable/(Unfavourable)	
For the years ended December 31	**2022**	2021	2020	2022 vs 2021	2021 vs 2020
Revenue	**$ 2,449**	$ 2,823	$ 2,939	$ (374)	$ (116)
Operating expenses	**(933)**	(864)	(979)	(69)	115
Selling, general and administrative	**(16,515)**	(14,518)	(12,344)	(1,997)	(2,174)
Depreciation	**(1,557)**	(1,323)	(1,009)	(234)	(314)
Operating loss	**(16,556)**	(13,882)	(11,393)	(2,674)	(2,489)
Gain on sale of property	**210**	—		210	—
Foreign currency gain	**3,892**	1,326	351	2,566	975
Interest expense, net	**(19,209)**	(20,652)	(19,500)	1,443	(1,152)
Income tax recovery	**6,449**	8,998	9,068	(2,549)	(70)
Net loss	**$ (25,214)**	$ (24,210)	$ (21,474)	$ (1,004)	$ (2,736)

The Corporate segment consists of revenue from management services provided to third parties, head office expenditures and other administrative expenses of the Company. Revenues are also generated from rental income provided by third party tenants in the Company's head office building. Operating expenses include the operating costs of that office building.

Consolidated

Interest Expense

For the years ended December 31	2022	2021	2020	Favourable/(Unfavourable) 2022 vs 2021	Favourable/(Unfavourable) 2021 vs 2020
Interest expense on borrowings	**$ 18,127**	$ 18,633	$ 18,088	$ 506	$ 545
Amortization of financing costs	**1,632**	1,612	1,429	(20)	183
Interest on employee future benefits, net	**1,011**	1,444	916	433	528
Interest capitalized on vessels under construction	**(320)**	(956)	(695)	(636)	(261)
	$ 20,450	$ 20,733	$ 19,738	$ 283	$ 995

Foreign Currency Gain

For the years ended December 31	2022	2021	2020	Favourable/(Unfavourable) 2022 vs 2021	Favourable/(Unfavourable) 2021 vs 2020
Gain on foreign denominated cash	**$ 3,892**	$ 943	$ 872	$ 2,949	$ 71
Gain on return of capital from foreign subsidiary	**—**	331	—	(331)	331
Gain on foreign exchange forward contracts	**—**	52	(521)	(52)	573
	$ 3,892	$ 1,326	$ 351	$ 2,566	$ 975

Income Taxes

For the years ended December 31	2022	2021	2020	Favourable/(Unfavourable) 2022 vs 2021	Favourable/(Unfavourable) 2021 vs 2020
Combined federal and provincial statutory income tax rate	**26.5 %**	26.5 %	26.5 %	— %	— %
Net earnings before income tax and net earnings (loss) from investments in joint ventures	**$ 101,388**	$ 75,577	$ 60,558	$ 25,811	$ 15,019
Expected income tax expense	**$ (26,868)**	$ (20,028)	$ (16,048)	$ (6,840)	$ (3,980)
(Increase) decrease in expense resulting from:					0
Foreign tax rates different from Canadian statutory rate	**10,957**	8,182	5,478	2,775	2,704
Effect of items that are non deductible	**(132)**	(9)	557	(123)	(566)
Non-recoverable withholding taxes	**(387)**	(471)	(520)	84	49
Deferred tax items recognized	**(116)**	73	300	(189)	(227)
Adjustments to prior period provision	**(697)**	65	968	(762)	(903)
Utilization of capital loss previously unrecognized	**—**	232	—	(232)	232
Other	**326**	144	(238)	182	382
Actual tax expense	**$ (16,917)**	$ (11,812)	$ (9,503)	$ (5,105)	$ (2,309)
Effective tax rate excluding net earnings (loss) from investments in joint ventures	**16.7 %**	15.6 %	15.7 %	(.1)%	(.1)%

Earnings from the Company's foreign subsidiaries are taxed in jurisdictions which have nil income tax rates. The Canadian statutory rate for the Company for both 2022 and 2021 was 26.5%. Any variation in the effective income tax rate from the statutory income tax rate is due mainly to the lower income tax rates applicable to foreign subsidiaries, the effect of taxable and non-taxable items that may or may not be included in earnings and changes to income tax provisions related to prior periods.

Summary of Quarterly Financial Results

	2022 Quarters				2021 Quarters			
	Fourth	**Third**	**Second**	**First**	Fourth	Third	Second	First
Revenues	**$ 210,049**	**$ 199,327**	**$ 183,463**	**$ 85,103**	$ 178,853	$ 174,734	$ 167,687	$ 77,599
Operating earnings (loss)	**56,064**	**40,763**	**32,081**	**(26,611)**	37,181	44,638	40,881	(29,393)
Net earnings (loss)	**49,959**	**42,533**	**47,045**	**(19,571)**	32,287	39,984	32,315	(22,416)
Basic earnings (loss) per share	**1.32**	**1.13**	**1.24**	**(0.52)**	0.85	1.06	0.85	(0.59)
Diluted earnings (loss) per share	**1.28**	**1.01**	**1.12**	**(0.52)**	0.77	0.96	0.78	(0.59)
Dividends per share	**1.52**	**0.17**	**0.17**	**0.17**	0.17	0.17	0.17	0.17

Revenues generated by the Company during the year are influenced by seasonal weather patterns, general economic conditions, cyclical demand for marine transportation and competition in the transportation sector. Operating expenses reflect the impact of customer demand, fuel prices, and repair and labour costs. Fluctuations in the Canadian dollar relative to the U.S. dollar have also affected the conversion of the Company's U.S. dollar-denominated revenues and expenses and resulted in fluctuations in net earnings in the eight quarters presented above.

Contingencies

For information on contingencies, please refer to Note 31 of the Consolidated Financial Statements for the years ending December 31, 2022 and 2021. There have been no significant changes in the items presented since December 31, 2022.

Capital Resources

The Company has cash on hand of $141,968 at December 31, 2022. Available credit facilities along with projected cash from operations for 2023 are expected to be more than sufficient to meet the Company's planned operating and capital requirements and other contractual obligations for the year.

The Company maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. The Company's bank credit facility (the "Facility") comprises a $75 million Canadian dollar and a $75 million U.S. dollar senior secured revolving bank credit facility provided by a syndicate of four banks and has been extended to October 11, 2027. The Facility bears interest at rates that are based on the Company’s ratio of net senior debt, as defined, to earnings before interest, taxes, depreciation and amortization and ranges from 170 to 325 basis points above bankers’ acceptance, adjusted SOFR or EURIBOR rates. The Company has granted a general security agreement in favour of the senior secured lenders and has granted specific collateral mortgages covering the majority of its wholly owned vessels. The Company’s real estate assets and certain vessels, including ones that are not wholly owned, are not directly encumbered under this Facility.

The Company is subject to certain covenants under the terms of the Bank Facility and the Notes, including ones with respect to maintaining defined financial ratios and other conditions. As at December 31, 2022, the Company was in compliance with all of its covenants.

Transactions with Related Parties

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

There were no transactions with related parties for the year ended December 31, 2022.

Financial Condition, Liquidity and Capital Resources

Cash Flows

				Favourable/(Unfavourable)	
For the years ended December 31	**2022**	2021	2020	2022 vs 2021	2021 vs 2020
Net cash generated from operating activities	**$ 133,130**	$ 162,381	$ 157,061	$ (29,251)	$ 5,320
Net cash used in investing activities	**(65,872)**	(16,225)	(88,060)	(49,647)	71,835
Net cash used in financing activities	**(42,368)**	(141,016)	17,190	98,648	(158,206)
Net change in cash	**24,890**	5,140	86,191	19,750	(81,051)
Effects of exchange rate changes on cash held in foreign currencies	**8,136**	(108)	(1,146)	8,244	1,038
Cash, beginning of year	**108,942**	103,910	18,865	5,032	85,045
Cash, end of year	**$ 141,968**	$ 108,942	$ 103,910	$ 33,026	$ 5,032

Investing Activities

Higher net cash used in investing activities during 2022 relates to the initial payments made in the newly formed FureBear joint venture and the purchase of three product tankers for domestic and international operations. In the second quarter of 2022, the Company sold a shopping centre in the investment properties segment. In 2021, the final delivery payment was made on one vessel and an instalment payment was made on another vessel currently under construction.

Financing Activities

The decrease in net cash used in financing activities during 2022 is reflective of there having been no short-term borrowings requiring repayment this year compared to the prior year period. The substantial net cash used in financing activities in the previous year was a result of the special dividend of $97,679 paid in January 2021.

Free Cash Flow

The following table provides a reconciliation of net cash generated from operating activities in accordance with GAAP to the non-GAAP free cash flow, as reported for the years ended December 31, 2022, 2021 and 2020 and presented herein:

				Favourable/(Unfavourable)	
For the years ended December 31	**2022**	2021	2020	2022 vs 2021	2021 vs 2020
Net cash generated from operating activities	**$ 133,130**	$ 162,381	$ 157,061	$ (29,251)	$ 5,320
Net debt service repayments	**(18,103)**	(18,351)	(30,342)	248	11,991
Capital required for maintenance of existing assets	**(15,835)**	(9,652)	(22,223)	(6,183)	31,875
Free cash flow[(1)]	**$ 99,192**	$ 134,378	$ 104,496	$ (35,186)	$ 29,882

(1) Please refer to the section entitled Important Information About This MD&A - Free Cash Flow for an explanation of this non-GAAP measure.

- During 2022, the Company made significant environmental investments in fleet upgrades such as carbon reducing fuel efficiency technology, ballast water treatment system installations and scrubber upgrades.

Normal Course Issuer Bid

Effective March 21, 2022, the Company renewed its normal course issuer bid (the "2022 NCIB") with the intention to purchase, through the facilities of the TSX, up to 1,890,047 of its Common Shares ("Shares") representing approximately 5% of the 37,800,943 Shares which were issued and outstanding as at the close of business on March 9, 2022 (the "NCIB").

Subject to prescribed exceptions, the Company is allowed to purchase up to 1,517 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 6,070 Shares. Any Shares purchased under the 2021 NCIB are cancelled.Under the current NCIB, 26,525 common shares were purchased for a weighted average purchase price of $16.59 for the year ending December 31, 2022.

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.

Commitments

The table below provides aggregate information about the Company's contractual obligations as at December 31, 2022 that affect the Company's liquidity and capital resource needs.

	2023	2024	2025	2026	2027	2028 and Beyond	Total
Long-term debt including convertible debentures	$ 5,197	$ 78,872	$ —	$ —	$ 27,088	$ 300,009	$ 411,166
Capital asset commitments	53,390	65,476	—	—	—	—	118,866
Capital asset commitments through joint ventures[(1)]	31,972	73,331	75,860	—	—	—	181,163
Interest payments on long-term debt	16,622	14,585	12,421	12,421	12,421	76,563	145,033
Employee future benefit special payments	781	781	781	781	—	—	3,124
Leases	121	125	131	78	—	—	455
	$ 108,083	$ 233,170	$ 89,193	$ 13,280	$ 39,509	$ 376,572	$ 859,807

(1) The joint venture commitments above include the construction of eight product tankers. The joint venture has in place a financing arrangement with a Swedish shipping bank, under which and subject to certain conditions, the joint venture will be able to access funding for up to 70% of the outstanding commitments upon delivery of the vessels.

Critical Accounting Estimates

The Company's significant accounting policies are described in Note 3 to the Consolidated Financial Statements. Some of these accounting policies require management to make estimates and assumptions about matters that are uncertain at the time the estimates and assumptions are made. Management believes that the estimates are reasonable; however, different estimates could potentially have a material impact on the Company's reported financial position or results of operations.

Employee Future Benefits

The Company provides pensions and post-employment benefits including health care, dental care and life insurance to certain employees. The determination of the obligations and expense for the employee future benefits is dependent on the selection of certain assumptions used by the Company in calculating such amounts. Those assumptions are disclosed in Note 24 to the Company's Consolidated Financial Statements, the most significant of which are the discount rate, the rate of increase in compensation, expected rates of return on plan assets, the rate of increase in the cost of health care and the estimated average remaining service lives of employees, some of which are defined by regulation. The assumptions are reviewed annually and the impact of any changes in the assumptions is reflected in actuarial gains or losses as disclosed in Note 24 to the Consolidated Financial Statements. The significant accounting assumptions adopted are internally consistent and reflect the long-term nature of employee future benefits. Significant changes in assumptions could materially affect the Company's reported employee future benefit obligations and future expense.

For 2022, the Company's assumed rate of compensation increases for purposes of calculating the current service cost that is included in the net benefit cost incurred remained at 2.5%.

Property, Plant, Equipment and Impairment

For information on property, plant and equipment please refer to Note 17 of the Consolidated Financial Statements for the years ending December 31, 2022 and 2021. The Company reviews the depreciation periods of property, plant, and equipment on a regular basis for changes in estimated useful lives. The Company also reviews for impairment indicators on a quarterly basis, and at a minimum on an annual basis, whether there are any signs of impairment or a reversal of a previously recognized impairment in accordance with the Company's accounting policy.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

In accordance with the requirements of National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2022. Under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, Management has concluded that the Company's disclosure controls and procedures were effective as of December 31, 2022.

Internal Controls over Financial Reporting

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

Management has used the criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's internal controls over financial reporting. Based on this assessment, Management has concluded that the Company's internal controls over financial reporting are operating effectively as of December 31, 2022.

Changes in Internal Controls over Financial Reporting

During the year ended December 31, 2022, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Derivative Financial Instruments

The Company's exposure to foreign currency fluctuations is related to its unhedged cash balances and unhedged net investment in foreign subsidiaries. The Company has hedged part of its investment in the subsidiaries and joint ventures against its foreign denominated long-term debt. At December 31, 2022 and 2021, the net investment in U.S. dollar foreign subsidiaries and joint ventures was $353,355 and $328,345 U.S. dollars, respectively. The amount used as a hedge at December 31, 2022 and 2021 was $147,000 U.S. dollars.

The Company has significant commitments due for payment in U.S. dollars. For payments due in U.S. dollars, the Company mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt. The Company also utilizes foreign exchange forward contracts as a hedge on purchase commitments to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join our Canadian flag domestic dry-bulk fleet.

At December 31, 2022 the Company had U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $39,420 (2021 - $39,420) and fair value gain of $4,970 (2021 - $1,984).

Risks and Uncertainties

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

Availability of Qualified 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.

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 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.

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.

Environmental Matters

Environmental protection continues to be a dominant topic on the world legislative agenda and is a primary focus of the Company throughout its operations. Environmental issues such as aquatic invasive species, pollutant air emissions (SOx and NOx), greenhouse gases (GHGs) and marine protected areas continue to be scrutinized and regulated worldwide. A change in environmental legislation could have a significant impact on the Company's future operations and profitability; in particular, the imposition of a carbon tax or other pricing mechanism for carbon emissions. Reduction of GHGs by the global marine industry is the most prominent topic on the marine industry's environmental agenda.

The Company's fleets monitors fuel sulphur levels in accordance with Emission Control Area (ECA) requirements and remains in compliance with all requirements. Domestically, the Company's highly efficient Equinox Class ships are equipped with closed-loop exhaust gas scrubbers designed to meet the stringent ECA SOx limits. Vessels equipped with scrubbers are able to meet emission standards while burning higher sulphur fuels. The availability of these fuels may be impacted by future demand for this fuel or environmental regulations. The Company's other vessels, including its ocean-going vessels, use lower sulphur fuels to satisfy air emission rules, such as the global fuel sulphur cap that came into effect in 2020. In the future, the cost and availability of low sulphur fuels may present a risk. In addition there is no certainty the full cost of such fuels or cost related to converting to such fuels can be recovered from all customers, particularly in international markets.

Canada is a signatory to the IMO Ballast Water Convention. In 2021 the Canadian government brought in new ballast water regulations to implement the international ballast water discharge standard for Canadian waters. These requirements, already in place in the United States (with the exception of lakes vessels), will require installation of ballast water treatment systems on the Company's vessels during future dry dockings generally no later than September 2024, except for older vessels that operate exclusively in the Great Lakes, which are not required to comply until 2030. Installation of treatment systems on the Company's vessels will have an impact on operating costs.

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:

- the impact of climate change on markets served by our customers, including the impact of drought conditions on agricultural outputs and the impact of winter conditions on production and/or sale of certain commodities;
- general economic and market conditions in the countries in which we operate;
- our success in securing contract renewals and maintaining existing freight rates with existing customers;
- our success in securing contracts with new customers at acceptable freight rates;
- 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.

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 changing water levels in ports in which the vessels load and unload have the effect of increasing or reducing operating days and cargo sizes, and this could affect the profitability of these vessels. Lower water levels can impact cargo sizes by reducing available draft while high water levels can limit access in certain waterways by restricting clearance above a ship.

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 attempted 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 recover these cost increases from customers is uncertain.

Costs of Incidents

Operating vessels that 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.

Foreign Exchange

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

Credit Risk

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

Regulations

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.

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. The Company's defined benefit plan has been closed since 2010.

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.

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.

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. Water levels tend to go through cycles that have included both unusual highs and unusual lows in the past decade. This volatility will continue and may increase with climate change.

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 future, 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 increased 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.

Labour Update

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 seven separate bargaining units, all of which are represented by the Canadian Merchant Service Guild (CMSG). A new agreement for the NACC fleet was negotiated in 2020 and 2021, and expires on April 30, 2025. Likewise, two new Tanker agreements were negotiated in 2021, with both expiring on July 31, 2028. The next contracts due for negotiation are the four agreements in the Domestic Dry-Bulk fleet, all of which expire in 2023. Negotiations are expected to commence in March 2023.

Unlicensed Employees

There are four bargaining units for unlicensed shipboard employees, which is down from six year-over-year. The Seafarers' International Union (SIU) represents three unlicensed employee bargaining units. The next unlicensed contracts due for negotiation are the Unifor and SIU DDB agreements, both of which expire in 2023. A new agreement was reached for NACC unlicensed employees in 2022, which achieved the Company's goal to consolidate three bargaining units into one. The next unlicensed contracts due for negotiation are the Unifor and SIU Domestic Dry-Bulk agreements, both of which expire in 2023. Negotiations for the SIU agreement are scheduled to begin in March 2023, whereas the Company has proposed starting negotiations with Unifor in June 2023.

Responsibility for Financial Statements

The Consolidated Financial Statements of Algoma Central Corporation and its subsidiaries, and all information in this annual report, are the responsibility of management and have been approved by the Board of Directors.

The financial statements were prepared by management in accordance with International Financial Reporting Standards and necessarily include some amounts that are based on estimates and judgements. Information used elsewhere in this annual report is consistent with that in the financial statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss and that financial statements principally through its Audit Committee, which consists solely of outside directors. The Audit Committee meets periodically with management and the auditors to review results of audit examinations and financial reporting matters. The independent auditors appointed by the shareholders have full access to the Audit Committee, with and without management present.

The Audit Committee reviewed the financial statements in this report and recommended that they be approved by the Board of Directors.

Gregg A. Ruhl
President and Chief Executive Officer
February 27, 2023

Peter D. Winkley, CPA, CA
Executive Vice-President and Chief Financial Officer
February 27, 2023

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Independent Auditor's Report

To the Shareholders of
Algoma Central Corporation

Opinion

We have audited the consolidated financial statements of Algoma Central Corporation (the "Company"), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of earnings, comprehensive earnings, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill – Domestic Dry-Bulk operating segment - Refer to Notes 3 and 18 to the Financial Statements

Key audit matter description

The Company's annual evaluation of goodwill for impairment involves the comparison of the estimated fair value of the Domestic Dry-Bulk operating segment to its carrying value. The Company used the discounted cash flow model to estimate fair value, which requires management to make significant estimates and assumptions related to the discount rate and forecasts of future freight rates, volumes, and costs. The estimates and assumptions are highly sensitive to changes in customer demand and changes in the assumptions could have a significant impact on the fair value estimates, the amount of any goodwill impairment charge, or both. The estimated fair value of the Domestic Dry-Bulk operating segment exceeded its carrying value as of the measurement date and, therefore, no impairment was recognized.

While there are several inputs and assumptions that are required to estimate fair value of the Domestic Dry-Bulk operating segment, the inputs and assumptions with the highest degree of subjectivity and impact on fair value are related to forecasts of future freight rates, and selection of the discount rate. Auditing these estimates and assumptions required a high degree of auditor attention and an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future freight rates, and the selection of the discount rate for the Domestic Dry-Bulk operating segment included the following audit procedures, among others:

- Evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of management's forecasts of future freight rates by comparing the forecasts to (1) historical freight rates, (2) internal communications amongst management and to the Board of Directors, (3) forecasted information included in Company press releases, and (4) forecasted information included in analyst and industry reports of the Company and companies in its peer group.
- Considered the impact of changes in environmental regulations on management's forecasts.
- With the assistance of fair value specialists, evaluated the discount rate by:
  - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculations.
  - Developing a range of independent discount rates and comparing the discount rate selected by management.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Steven Lawrenson.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 27, 2023

Consolidated Statement of Earnings

For the years ended December 31 (in thousands of dollars, except per share data)	Notes	2022	2021
Revenue	7	$ 677,942	$ 598,873
Operating expenses		(490,044)	(402,967)
Selling, general and administrative expenses		(34,567)	(32,551)
Other operating items	8	14,395	(2,196)
Depreciation and amortization		(65,429)	(67,852)
Operating earnings		102,297	93,307
Interest expense	10	(20,450)	(20,733)
Interest income		1,736	81
Gain on sale of properties	17	13,913	1,596
Foreign currency gain	12	3,892	1,326
		101,388	75,577
Income tax expense	13	(16,917)	(11,812)
Net earnings from investments in joint ventures	9	35,495	18,405
Net earnings		$ 119,966	$ 82,170
Basic earnings per share	26	$ 3.17	$ 2.17
Diluted earnings per share	26	$ 2.89	$ 2.01

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Earnings

For the years ended December 31 (in thousands of dollars)	Notes	2022	2021
Net earnings		$ 119,966	$ 82,170
Other comprehensive earnings			
Items that may be subsequently reclassified to net earnings:			
Unrealized gain (loss) on translation of financial statements of foreign operations		28,869	(1,916)
Unrealized (loss) gain on hedging instruments, net of income tax		(5,655)	2,190
Foreign exchange gain on purchase commitment hedge reserve, net of income tax, transferred to:			
Property, plant, and equipment		—	1,194
Items that will not be subsequently reclassified to net earnings:			
Employee future benefits actuarial gain, net of income tax	24	13,423	20,686
		36,637	22,154
Comprehensive earnings		$ 156,603	$ 104,324

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheet

As at December 31 (in thousands of dollars)	Notes	2022	2021
Assets			
Current			
Cash		**$ 141,968**	$ 108,942
Accounts receivable	15	**67,618**	56,560
Income taxes recoverable		**1,459**	4,052
Other current assets	16	**39,285**	21,020
		250,330	190,574
Property, plant, and equipment	17	**850,538**	818,922
Investments in joint ventures	9	**208,992**	155,140
Goodwill	18	**7,910**	7,910
Employee future benefits	24	**18,219**	4,618
Non-current asset held for sale	17	**1,858**	14,167
Mortgage receivable	19	**18,000**	—
Other assets	20	**9,850**	8,752
		$ 1,365,697	$ 1,200,083
Liabilities			
Current			
Accounts payable and accrued charges	21	**$ 86,208**	$ 79,167
Current portion of long-term debt	25	**5,197**	150
Income taxes payable		**5,953**	794
Other current liabilities	22	**53,470**	4,400
		150,828	84,511
Long-term debt	25	**397,157**	391,532
Employee future benefits	24	**18,774**	23,882
Deferred income taxes	13	**70,781**	57,728
Other long-term liabilities	23	**2,133**	2,147
		639,673	559,800
Commitments	30		
Shareholders' Equity			
Share capital	26	**11,732**	8,110
Contributed surplus		**582**	985
Convertible debentures		**2,270**	2,309
Accumulated other comprehensive loss	27	**(8,105)**	(31,319)
Retained earnings		**719,545**	660,198
		726,024	640,283
		$ 1,365,697	$ 1,200,083

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

(in thousands of dollars)	Share Capital	Contributed Surplus and Convertible Debentures	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	(Note 26)		(Note 27)		
Balance at January 1, 2021	$ 8,110	$ 3,337	$ (32,787)	$ 581,956	$ 560,616
Net earnings	—	—	—	82,170	82,170
Dividends	—	—	—	(24,614)	(24,614)
Repurchase and cancellation of common shares	—	(38)	—	—	(38)
Share-based compensation	—	(5)	—	—	(5)
Other comprehensive earnings	—	—	1,468	20,686	22,154
Balance at December 31, 2021	$ 8,110	$ 3,294	$ (31,319)	$ 660,198	$ 640,283
Balance at January 1, 2022	$ 8,110	$ 3,294	$ (31,319)	$ 660,198	$ 640,283
Net earnings	—	—	—	119,966	119,966
Dividends	—	—	—	(74,042)	(74,042)
Repurchase and cancellation of common shares	(6)	(440)	—	—	(446)
Debenture conversions	3,628	(38)	—	—	3,590
Share-based compensation	—	36	—	—	36
Other comprehensive earnings	—	—	23,214	13,423	36,637
Balance at December 31, 2022	**$ 11,732**	**$ 2,852**	**$ (8,105)**	**$ 719,545**	**$ 726,024**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended December 31 (in thousands of dollars)	Notes	2022	2021
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net earnings		**$ 119,966**	$ 82,170
Net earnings from investments in joint ventures	9	**(35,495)**	(18,405)
Items not affecting cash			
Depreciation and amortization		**65,429**	67,852
Gain on disposal of assets		**(13,913)**	(1,897)
Net gain from insurance settlement	11	**—**	(2,793)
Impairment reversal	17	**(14,759)**	(286)
Other non-cash items	28	**33,453**	33,506
Net change in non-cash working capital	28	**(17,959)**	12,710
Income taxes paid, net		**(459)**	(6,401)
Employee future benefits paid		**(3,133)**	(4,075)
Net cash generated from operating activities		**133,130**	162,381
Investing			
Additions to property, plant, and equipment	28	**(69,054)**	(31,882)
Distributions received from joint ventures	9	**17,045**	16,279
Investment in joint ventures	9	**(23,585)**	(7,773)
Additions to vessels under construction		**(1,821)**	(8,927)
Insurance proceeds on vessel disposal	11	**—**	7,548
Net proceeds on sale of assets	17	**11,543**	8,530
Net cash used in investing activities		**(65,872)**	(16,225)
Financing			
Interest paid		**(17,953)**	(18,208)
Interest received		**1,241**	81
Proceeds of long-term debt		**—**	58,500
Repayment of long-term debt		**(150)**	(58,643)
Repurchase of shares for cancellation	26	**(441)**	(2)
Dividends paid		**(25,065)**	(122,744)
Net cash used in financing activities		**(42,368)**	(141,016)
Net change in cash		**24,890**	5,140
Effects of exchange rate changes on cash held in foreign currencies		**8,136**	(108)
Cash, beginning of year		**108,942**	103,910
Cash, end of year		**$ 141,968**	$ 108,942

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Organization and Description of Business

Algoma Central Corporation (the "Company") is incorporated in Canada and listed on the Toronto Stock Exchange. The address of the Company's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The consolidated financial statements of the Company for the years ended December 31, 2022 and 2021 comprise the Company, its subsidiaries and the Company's interests in associated and jointly controlled entities.

The principal subsidiaries are Algoma Shipping Ltd. and Algoma Tankers Limited. The principal jointly controlled entities are NovaAlgoma Cement Carriers Limited (50%), NovaAlgoma Short-Sea Holdings Ltd. (50%) and NovaAlgoma Bulk Holdings Ltd. (50%). In addition, Algoma Shipping Ltd. is a member of an international pool arrangement (the "Pool"), under which revenues and related voyage expenses are distributed to each Pool member based on an agreed formula reflecting the earnings capacity of the vessels each Pool member has placed in the Pool.

Algoma Central Corporation owns and operates the largest fleet of dry and liquid bulk carriers operating on the Great Lakes – St. Lawrence Waterway. The Company's Canadian flag fleet consists of self-unloading dry-bulk carriers, gearless dry-bulk carriers and product tankers.

The Domestic Dry-Bulk marine transportation segment includes ownership and management of the operational and commercial activities of the Company's 18 vessel fleet. The dry-bulk vessels carry cargoes of raw materials such as iron ore, grain, salt and aggregates and operate throughout the Great Lakes – St. Lawrence Waterway, from the Gulf of St. Lawrence through all five Great Lakes. This segment also includes the operational management of vessels owned by other ship owners.

The Product Tankers marine transportation segment includes ownership and management of the operational and commercial activities of seven Canadian flag tanker vessels operating on the Great Lakes, the St. Lawrence Seaway and the east coast of North America, and three tanker vessels under international flag. The Product Tankers segment also includes the Company's 50% interests in FureBear AB, an international venture currently constructing tanker vessels for European operations.

The Ocean Self-Unloaders marine transportation segment includes ownership of eight ocean-going self-unloading vessels and a 25% interest in a ninth self-unloader. The eight wholly owned ocean vessels are engaged in the carriage of dry-bulk commodities in the Pool.

The Global Short Sea Shipping segment includes the Company's 50% interests in NovaAlgoma Cement Carriers Limited, NovaAlgoma Short-Sea Holdings Ltd. and NovaAlgoma Bulk Holdings Ltd.

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

2. Statement of Compliance

The Company has prepared the Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies have been applied consistently within the Consolidated Financial Statements.

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

The Consolidated Financial Statements were approved by the Board of Directors and authorized for issue on February 24, 2023.

3. Significant Accounting Policies

The Consolidated Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets acquired.

The following are the principal accounting policies of the Company:

Basis of Consolidation

The Consolidated Financial Statements include the financial position, financial performance and cash flows of the Company, its subsidiaries, its interest in joint ventures and its share of assets, liabilities, revenues and expenses related to its interest in a joint operation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

Intercompany balances, transactions, income and expenses, profits and losses, including gains and losses relating to subsidiaries and joint operation have been eliminated on consolidation.

Interests in Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control.

The Company has assessed its interests in joint arrangements in order to classify them as either joint operations or joint ventures. The Company considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances when making the assessment. The Company has an interest in a joint operation through its participation in an ocean-going self-unloader pool, which is accounted for by consolidating the Company's share of the assets, liabilities, revenues and expenses of the joint operation. The Company also has interests in joint arrangements which were determined to be joint ventures. It accounts for these joint venture interests using the equity method.

Materials, Fuel and Supplies

Materials, fuel and supplies consist primarily of fuel on board vessels and other consumables which are recorded at the lower of cost and net realizable value, with cost being determined on a weighted average basis.

Property, Plant, and Equipment

Vessels

Vessels include dry-bulk carriers and product tankers. Vessels are measured at cost less accumulated depreciation and accumulated impairments, if any. Cost includes expenditures that are directly attributable to the acquisition up to the time the asset is ready for use and includes installation costs, mobilization costs to the operating location, and borrowing costs on qualifying assets. All major components of the vessels, except for the dry-docking costs (see below), are depreciated on a straight-line basis to the estimated residual value over the useful lives of the vessel, which the Company initially estimates to be 25 to 30 years.

Depreciation is based on cost less residual value. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per tonne less costs incurred to ready the vessel for disposal. The remaining useful life and residual value of the vessels are reviewed at least annually and depreciation for remaining future periods is adjusted accordingly.

Dry-docking

From time to time, vessels are required to be dry-docked for inspection and re-certification, at which time replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are afloat, are performed. These dry-docking costs are capitalized and depreciated on a straight-line basis over the estimated period until the next dry-docking, which may vary from two and a half to six years. The residual value of such components is estimated at nil. The useful lives of the dry-docking costs are reviewed at least annually based on market conditions, regulatory requirements and the Company's business plans.

A portion of the cost of acquiring a vessel is allocated to the components expected to be replaced or refurbished at the next dry-docking. For new vessels, the initial dry-docking asset is estimated based on the expected costs related to the first dry-docking. The estimate is based on experience and history for similar vessels.

At subsequent dry-dockings, the costs comprise the actual costs incurred. Dry-docking costs may include the labour cost to effect replacements and repairs, the cost of parts and materials used, cost of travel, lodging and supervision of the Company's personnel, and the cost of third party personnel to oversee a dry-docking, netted with any revenue which may be earned during the dry-docking period.

Impairment of Long-Lived Assets

At the end of each reporting period, the Company reviews its long-lived assets to determine whether there is any indication that those assets have suffered impairment.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable value of an individual asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings.

Where an impairment loss subsequently reverses in whole or in part, the carrying value of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, not to exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in net earnings.

Goodwill

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the business combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying value, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit to nil and then to the other assets of the unit on a pro-rata basis based on the carrying value of each asset in the unit. Any impairment loss for goodwill is recognized directly in earnings in the Consolidated Statement of Earnings. An impairment loss recognized for goodwill cannot be reversed in subsequent periods.

Intangible Assets

Intangible assets are recorded at cost. Intangible assets with finite lives are amortized on a straight line basis over their estimated useful lives.

Operating Segments

The Company's operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The President and Chief Executive Officer has authority for resource allocation and assessment of the Company's performance and is therefore the chief operating decision-maker.

Revenue Recognition

The Company earns revenues from marine operations through contracts of affreightment, time charters, and pool revenue. In a contract of affreightment, the Company provides cargo transportation services for a base freight rate and variable consideration on a voyage basis. Time charter contracts give a customer access to a vessel during the contract term to ship their own cargoes in exchange for a fixed daily hire fee, with adjustments. Pool revenue is earned through the Company's participation in the ocean self-unloader pooling arrangement. Revenues from marine operations are recognized pro-rata over the term of a voyage and are measured at the fair value of consideration received or receivable. Other revenues from marine operations include vessel management fees, which are based on either a fixed monthly charge or a percentage of revenues and are accrued on a monthly basis.

Revenue is only recognized when the amount and stage of completion can be measured reliably, it is probable that economic benefits will flow to the Company, and the costs incurred and costs to complete the transaction can be measured reliably.

Revenues from real estate rental operations with contractual rent increases are recognized on a straight-line basis over the terms of the respective leases.

Contract modifications

The Company's contracts are amended occasionally for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue in one of the following ways:

a. prospectively as an additional separate contract;
b. prospectively as a termination of the existing contract and creation of a new contract;
c. as part of the original contract using a cumulative catch up; or
d. as a combination of b) and c).

For contracts for which the Company has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognized over time, the modification will always be treated under either a) or b). Option d) may arise when a contract has a partial termination and a modification of the remaining performance obligations.

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end, as management needs to determine if a modification has been approved, and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognized may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management uses its judgement to estimate the change to the total transaction price. Importantly, any variable consideration is only recognized to the extent that it is highly probably that no revenue reversal will occur.

Principal versus agent

The Company has arrangements with some of its customers whereby it is required to determine if it acts as a principal or an agent as more than one party is involved in providing the services to the customer. The Company acts as a principal if it controls a promised service before transferring that good or service to the customer. The Company is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the Company has in establishing the price for the specified good or service, whether the Company has inventory risk and whether the Company is primarily responsible for fulfilling the promise to deliver the service.

This assessment of control requires judgement; in particular in relation to certain service contracts. The Company may be assessed to be agent or principal dependent upon the facts and circumstances of the arrangement and the nature of the services being delivered.

Where the Company is acting as a principal, revenue is recorded on a gross basis. Where the Company is acting as an agent, revenue is recorded at a net amount reflecting the margin earned. The difference between these amounts is typically the fuel and voyage costs incurred to fulfill the contract obligation.

Initial recognition of contract fulfilment assets

Contract fulfilment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If those other standards preclude capitalization of a particular cost, then an asset is not recognized under IFRS 15.

If other standards are not applicable to contract fulfilment costs, the Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of these criteria requires the application of judgement, in particular, when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

Under certain circumstance, the Company may incur costs to deliver its voyage or charter service in a more efficient way. The most common type of such cost is vessel modification for specific needs in contracts with customers.

Foreign Currency

The individual financial statements of each group entity are maintained in the currency of the primary economic environment in which the entity operates (its functional currency). For purposes of the Consolidated Financial Statements, the results and financial position of each group entity are expressed in Canadian dollars, which is the functional currency of the Company and the presentation currency for the Consolidated Financial Statements.

Transactions in currencies other than the Canadian dollar are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Exchange differences on monetary items are recognized in earnings or other comprehensive earnings in the period in which they arise.

The assets and liabilities of the Company's foreign operations, whose functional currency is not the Canadian dollar, are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Earnings and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive earnings and accumulated in equity.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction, or production of assets that take a substantial period of time to prepare for their intended use are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in earnings in the period in which they are incurred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying value is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee Future Benefits

The Company maintains funded and unfunded pension plans, which include defined benefit and defined contribution provisions, and other, unfunded post-employment benefit plans including retirement obligations, life insurance and health care.

The asset or liability recognized in the balance sheets is the present value of the obligation of the plans at the balance sheet date less the fair value of plan assets, if any. The liability includes the present value of the obligations as determined by discounting the estimated future required payments using interest rates of high-quality long-term corporate bonds. All actuarial gains and losses that arise in calculating the present value of the obligations and the fair value of plan assets are recognized immediately in the Consolidated Statement of Comprehensive Earnings.

The cost of defined benefit and defined contribution pensions and other post-retirement benefits that relate to employees' current service is charged to earnings. The cost for the defined benefit plans is computed on an actuarial basis using the projected unit credit method prorated on services and management's best estimate of salary escalation, retirement ages of employees and expected future health care costs.

Net interest consists of the interest cost on the defined benefit obligation and the expected return on defined benefit plan assets, if any. Net interest is determined by applying the discount rate to the net benefit obligation or asset. The net interest income/expense is included in interest expense in the Consolidated Statement of Earnings.

Actuarial gains and losses arising from the employee future benefit plans are recognized immediately in other comprehensive earnings. Past service costs are recognized in earnings at the earlier of when a plan amendment or curtailment occurs or when the Company recognizes the related restructuring costs.

The Company's portion of the cost of defined contribution pensions is expensed as earned by employees.

Asset Ceiling under IAS 19 as Clarified by IFRIC 14

The Company has adopted Ruling 14 of the International Financial Reporting Interpretations ("IFRIC 14") which clarifies how the asset ceiling defined under IAS 19 should be applied, particularly how it interacts with minimum funding rules. Under the revised IAS19, any variation in the asset ceiling will be recognized in other comprehensive income (as opposed to profit and loss). The impact of the asset limit on the funded plans has been applied based on management's interpretation of IAS19, as clarified by IFRIC 14. This interpretation is summarized as follows:

- The asset limit is not applicable for the unfunded plans;
- Each of the funded plans has been considered separately in determining the asset limit;
- For each of the registered plans, the Company assumed that it does not have an unconditional right to a refund of surplus;
- The Company may take defined benefit funding contribution holidays based on past practice, plan rules and legislative restrictions;
- The minimum funding requirement has been determined based on the funding requirements of the most recently filed actuarial valuation report prepared for funding purposes. Such minimum funding requirements may reflect the potential to use letter of credit funding of solvency deficiencies.

It has been assumed that no economic benefit is available from a reduction in future contributions if the plan is underfunded on either a going concern basis or solvency basis and is not in a position to take a contribution holiday at the measurement date.

Share-based Compensation

The Company grants share options to certain employees as compensation for services provided. The Company uses a Black-Scholes valuation option pricing model to estimate fair value for all share option compensation awards. The cost of the share options is based on the fair value estimated at the grant date and is recognized as compensation expense and contributed surplus over the service period required for employees to become fully entitled to the awards. This period is generally equal to the vesting period in addition to a period prior to the grant date. For the Company's share options, this period is generally equal to five years. When options are exercised, the amount initially recognized in the contributed surplus balance is reduced, with a corresponding increase in common shares.

The Company has various other share-based compensation plans where certain employees are awarded share units equivalent to the Company's common shares as compensation for services provided. The obligation related to share units is included in other liabilities. Compensation expense is recognized based on the fair value of the share units at the grant date, adjusted for changes in fair value between the grant date and the vesting date, over the service period required for employees to become fully entitled to the awards. For the Company's share units, this vesting period is generally equal to three years.

Income Taxes

Income tax expense represents the sum of the current and deferred tax.

Current tax

Current tax is based on taxable earnings for the period at the applicable income tax rate for the associated jurisdiction. Taxable earnings may differ from earnings as reported in the Consolidated Statement of Earnings because of items of income and expenses that are taxable or deductible in other years and items that will never be taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying values of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

Convertible Debentures

The convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. The conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company's financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

The Company is required to classify all financial assets as either fair value through profit or loss, fair value through other comprehensive income, or amortized cost based on the Company's business model and the nature of the associated cash flows. Financial liabilities are required to be classified as either fair value through profit or loss or amortized cost using the effective interest method.

The Company takes its own credit risk into account and that of the relevant counterparties when determining the fair value of financial assets and financial liabilities, including derivative instruments.

Financial assets

All financial assets, excluding derivative assets, are measured at amortized cost, less any impairment. Derivative assets are measured at fair value through profit and loss.

Financial liabilities

All financial liabilities, excluding derivative liabilities, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Derivative liabilities are measured at fair value through profit and loss.

Impairment of financial assets

Financial assets, other than those recorded at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, because of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Transaction costs

Transaction costs related to financial assets and liabilities measured at fair value through profit and loss are recorded directly to net earnings and are included in financial expense. Transaction costs related to held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are amortized over the expected life of the instrument using the effective interest method.

Derivative Financial Instruments

The Company may enter into a variety of derivative financial instruments to manage its exposure to changing fuel prices, interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured and adjusted to their fair value at the end of each reporting period. The resulting gain or loss is recognized in net earnings immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in net earnings depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contracts, the terms of the embedded derivative are the same as those of a free standing derivative, and the combined instrument or contract is not measured at fair value, with changes in fair value recognized in net earnings.

Hedges

The Company has elected to apply IAS 39 hedge accounting to its net investment in foreign subsidiaries with foreign denominated debt and its purchase commitments for shipbuilding contracts with foreign denominated cash and forward currency contracts.

At inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objective and its strategy for undertaking various hedge transactions. Furthermore, at inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting the changes in cash flows of the hedged item attributable to the hedged risk.

The hedge gains or losses are recognized in other comprehensive earnings to the extent the hedging relationship is effective. The hedging gain or loss relating to the ineffective portion is recognized immediately in net earnings.

Comprehensive Earnings

Other comprehensive earnings includes unrealized gains and losses on foreign currency translation of the net investment in foreign operations having a functional currency other than Canadian dollars, changes in the fair market value of derivative instruments designated as cash flow hedges net of amounts transferred out of comprehensive earnings, unrealized gains and losses on the foreign currency hedges, and the actuarial gains or losses on employee benefit plans. The components of comprehensive earnings or loss are disclosed in the Consolidated Statement of Comprehensive Earnings.
The net investment hedge reserve represents the cumulative exchange differences on translation of long-term debt held in foreign currency. The Company has elected to hedge a portion of its net investment in foreign subsidiaries with its foreign-denominated debt. Exchange differences accumulated will be reclassified to earnings in the event of a disposal of a foreign operation.

The purchase commitment hedge reserve represents the changes in the fair market value of derivative instruments, net of amounts transferred out of comprehensive earnings, which the Company has elected to designate as a hedge of future U.S. dollar commitments for the Equinox Class vessels. Exchange differences accumulated in the purchase commitment reserve are reclassified to property, plant, and equipment when the payments to the shipyard are made or to earnings when a hedge is deemed to be ineffective.

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

Accumulated other comprehensive earnings or loss is included in the equity section of the Consolidated Balance Sheet.

Earnings Per Share

Basic earnings per share are calculated using the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by adjusting the consolidated earnings or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

Related Party Transactions

The Company's related parties include any person or entity having control, joint control, or significant influence over the entity as well as any entities over which the Company has control, joint control, or significant influence. Transactions with related parties are valued on an arm's length basis.

Leases

The Company leases property in the form of offices, equipment, and warehouses. Rental contracts are typically for fixed periods from five years, but may have extension options. Where the Company is reasonably certain to extend the option, it is included in the term of the lease. Lease are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

The Company may from time to time enter into short term leases of vessels which are limited to a maximum of twelve months. Payments associated with short term leases are recognized on a straight-line basis as an expense in the Consolidated Statement of Earnings.

Leases are recognized on the Consolidated Balance Sheet as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to earnings over the lease period, producing a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Lease liabilities include the net present value of fixed payments and any variable payments which are based on an index, discounted using the Company’s incremental borrowing rate. Right-of-use assets are measured at the amount of the initial lease liability and adjusted for prepaid lease payments, initial direct costs and restoration costs, if applicable.

Some property leases contain variable payment terms for common area maintenance which is recorded directly as incurred to the Consolidated Statement of Earnings.

Government Grants and Assistance

Amounts received from the government as grants or assistance are recognized at their fair value where there is reasonable assurance the amount will be received and the Company will comply with all attached conditions. Grants and assistance related to expenses are recognized in earnings and are recorded against the costs to which they relate. They are deferred and recognized over the period when the associated expenses are incurred. Grants related to property, plant, and equipment are deducted from the carrying amount of the asset additions on the Consolidated Balance Sheet and are recognized over the life of the asset as a reduced depreciation expense in the Consolidated Statement of Earnings.

4. Use of Critical Accounting Estimates and Judgements

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and earnings. Actual results will differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical accounting estimates and judgements are those that have a significant risk of causing material adjustment. Management believes that the following are the significant accounting estimates and judgements used in the preparation of the Consolidated Financial Statements.

Recoverability of Assets and Useful Lives

The Company evaluates the carrying values of the long-lived assets which include property, plant, and equipment (made up primarily of vessels), investment in joint ventures, and goodwill to determine if events have occurred that would require a modification of their carrying values. The valuation of long-lived assets is reviewed quarterly based on events and changes in circumstances that could indicate that the carrying value of the assets might not be recovered. In assessing the recoverability of the long-lived assets, the Company reviews certain indicators of potential impairment such as reported sale and purchase prices, market demand, and general market conditions. Goodwill is tested for impairment annually.

Judgement is used in grouping assets as cash-generating units (CGUs) for the purposes of testing for impairment. The Company has determined that the appropriate levels for CGU groupings for assessing impairment are as follows:

1. At the self-unloader and gearless bulker fleet levels for the domestic dry-bulk segment.
2. At the fleet level for the product tanker segment.
3. At the fleet level for the ocean shipping segment.
4. Each individual investment in joint ventures.
5. The group of corporate assets supporting overhead activities.

Goodwill is tested for impairment at the lowest level within the entity at which the goodwill is monitored, being the operating segment level.

The review for potential impairment indicators and projection of future undiscounted and discounted cash flows related to the property, plant, and equipment is complex and requires the Company to make various estimates including future freight rates, volumes, costs and discount rates. The carrying values of the Company’s property, plant, and equipment may not represent their fair market value at any point in time as market prices of second-hand vessels to a certain degree tend to fluctuate with changes in charter rates and the cost of new vessels; however, if the estimated future cash flow or related assumptions about the future experience change, an impairment of property, plant, and equipment may be indicated.

Market valuations from leading independent and internationally recognized shipbrokers could be part of the review for potential impairment indicators. If an indication of impairment is identified, the need for recognizing an impairment loss is assessed by comparing the carrying value of the long-lived asset to the higher of the fair value less costs of disposal and the value-in-use.

Judgement is required to determine the useful lives and residual values of long-lived assets. Depreciation on long-lived assets is based on cost less estimated residual value. Residual value for vessels is estimated as the lightweight tonnage of each vessel multiplied by the scrap value per tonne less any costs expected to be incurred to prepare the vessel for scrapping. The useful lives and residual value of the vessels are reviewed at least each financial year end.

Provisions

The Company recognizes provisions when it has a present obligation, legal or constructive. The amount recognized is the Company's best estimate of the consideration required to settle the obligation at the end of a reporting period taking into account the risks and uncertainty related to the obligation.

Fair Value of Purchase Price Allocation

Business acquisitions are recognized initially at cost, which includes purchase price and other costs directly attributable to the purchase and allocated based on fair value which involves estimation. Joint ventures are accounted for using the equity method which reflects the Company's share of the increase or decrease of the post-acquisition earnings and other movements in the joint venture's equity.

Taxation

Income taxes are accrued by applying the annual effective income tax rates for each taxing jurisdiction to the pre-tax earnings in those jurisdictions. Estimates of income taxes include evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire.

The Company is subject to taxation in several jurisdictions. Significant judgement is required in determining the total provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company may maintain provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. The provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at each balance sheet date. Where the final tax outcome of these matters differs from the amount provided, it will be recorded in the period in which that final determination arises.

Employee Future Benefits

Management considers a number of factors in developing the pension and non-pension assumptions, including regulatory requirements, an evaluation of relevant discount rates, expected long-term returns on plan assets, plan asset allocations, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, and input from actuaries and other consultants.

Costs of the program are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits.

5. Adoption of New and Amended Accounting Pronouncements

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received from selling items produced while preparing the asset for its intended use will be recognized as revenue and the related cost of sales in the Consolidated Statements of Comprehensive Earnings.

The amendments apply for annual periods beginning on or after January 1, 2022. Effective January 1, 2022, the Company adopted these requirements. The application of this amendment did not have an impact on the Company's Consolidated Financial Statements.

6. Accounting Pronouncements Issued But Not Yet Effective

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective and no material impact is expected on the Company's Consolidated Financial Statements.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued Definition of Accounting Estimates, which made amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment replaced the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Accounting estimates are developed if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendment clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the current period's Consolidated Statements of Comprehensive Earnings, or the Consolidated Statements of Comprehensive Earnings of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments apply for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The application of this amendment is not expected to have a material impact on the Company's Consolidated Financial Statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In October 2022, the IASB finalised issuance of Classification of Liabilities as Current or Non-Current, which made amendments to IAS 1 Presentation of Financial Statements. The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. Classification is unaffected by the expectations that the Corporation will exercise its right to defer settlement of a liability. Lastly, the amendment clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its Consolidated Financial Statements.

7. Revenue

Disaggregated revenue by segment is as follows:

For the years ended December 31 (in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
2022						
Contract of Affreightment	$ 345,169	$ 485	$ —	$ —	$ —	$ 345,654
Time Charter	13,972	118,201	—	—	—	132,173
Pool Revenue Share	—	—	193,730	—	—	193,730
Other	998	—	—	2,938	2,449	6,385
	$ 360,139	**$ 118,686**	**$ 193,730**	**$ 2,938**	**$ 2,449**	**$ 677,942**
2021						
Contract of Affreightment	$ 324,245	$ —	$ —	$ —	$ —	$ 324,245
Time Charter	13,426	94,469	—	—	—	107,895
Pool Revenue Share	—	—	156,294	—	—	156,294
Other	990	66	—	6,560	2,823	10,439
	$ 338,661	$ 94,535	$ 156,294	$ 6,560	$ 2,823	$ 598,873

The Company's unbilled revenue, included in accounts receivable, and deferred revenue, included in accounts payable and accrued charges, are as follows:

As at December 31 (in thousands of dollars)	**2022**	**2021**
Unbilled revenue	**$ 14,661**	$ 14,799
Deferred revenue	**1,660**	1,122

8. Other Operating Items

The components of other operating items are as follows:

For the years ended December 31 (in thousands of dollars)	**2022**	**2021**
Expiry of vessel build option	**$ (364)**	$ —
Impairment reversal (Note 17)	**14,759**	—
Net gain from insurance settlement (Note 11)	**—**	2,793
Gain on sale of vessel	**—**	586
Pool compensation payment	**—**	(5,575)
	$ 14,395	$ (2,196)

9. Joint Ventures

The Company has interests in global joint ventures which own diversified portfolios of fleets operating internationally. Details of the holdings are presented below.

For the years ended December 31		2022	2021
Name of Joint Venture	Principal Activity	Ownership Interest	
Marbulk Canada Inc. ("Marbulk")	50% interest in a specialized self-unloader	**50 %**	50 %
NovaAlgoma Cement Carriers Limited ("NACC")	Owns and operates pneumatic cement carriers to support infrastructure projects worldwide	**50 %**	50 %
NovaAlgoma Short-Sea Holdings Ltd. ("NASC")	Owns and manages a fleet of short sea mini-bulkers operating in global markets	**50 %**	50 %
NovaAlgoma Bulk Holdings Ltd. ("NABH")	Participates in the trade of purchasing and selling handy-size vessels	**50 %**	50 %
FureBear AB ("FureBear")	Currently constructing eight product tankers for Northern Europe trade	**50 %**	— %

In the tables below, FureBear results are presented in "Product Tankers", Marbulk results are presented in "Ocean Self-Unloaders" and all NovaAlgoma joint ventures are presented in "Global Short Sea Shipping". There has been no operating activity for FureBear during 2022.

Operating results of the Company's joint ventures are as follows:

For the years ended December 31 (in thousands of dollars)	2022		2021	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 8,441**	**$ 278,172**	$ 6,802	$ 263,953
Operating expenses	**(5,808)**	**(172,258)**	(4,721)	(195,582)
General and administrative	**(513)**	**(6,569)**	(647)	(6,684)
Depreciation and amortization	**(1,177)**	**(37,593)**	(1,415)	(28,186)
Operating earnings	**943**	**61,752**	19	33,501
Impairment reversal	**5,286**	**—**	—	—
Interest expense	**—**	**(6,701)**	—	(3,859)
Foreign exchange (loss) gain	**(2)**	**(1,130)**	—	329
Gain on sale of vessels	**—**	**15,628**	—	9,944
Earnings before undernoted	**6,227**	**69,549**	19	39,915
Net earnings of joint ventures	**—**	**5,827**	—	3,810
Net earnings attributable to non-controlling interest	**—**	**(8,591)**	—	(4,526)
Income tax expense	**—**	**(2,144)**	(122)	(1,110)
Net earnings (loss)	**$ 6,227**	**$ 64,641**	$ (103)	$ 38,089
Company share of net earnings (loss)	**$ 3,114**	**$ 32,321**	$ (52)	$ 19,045
Investment gain on distribution	**669**	**—**	—	—
Amortization of vessel purchase price allocation and intangibles	**—**	**(609)**	—	(588)
Company share included in net earnings (loss) of joint ventures	**$ 3,783**	**$ 31,712**	$ (52)	$ 18,457

The Company's total share of net earnings from the investments in joint ventures by reportable operating segment are as follows:

For the years ended December 31 (in thousands of dollars)	2022	2021
Ocean Self-Unloaders	**$ 3,783**	$ (52)
Global Short Sea Shipping	**31,712**	18,457
	$ 35,495	$ 18,405

The assets and liabilities of the joint ventures by segment are as follows:

As at December 31 (in thousands of dollars)	2022			2021		
	Product Tankers	**Ocean Self-Unloaders**	**Global Short Sea Shipping**	Product Tankers	Ocean Self-Unloaders	Global Short Sea Shipping
Cash	**$ 3**	**$ 2,664**	**$ 22,037**	$ —	$ 3,712	$ 28,117
Other current assets	**—**	**974**	**46,950**	—	532	57,455
Income taxes recoverable	**—**	**51**	**368**	—	48	223
Property, plant, and equipment	**—**	**2,072**	**420,449**	—	3,644	318,779
Investment in joint ventures	**—**	**—**	**53,374**	—	—	44,027
Other assets	**36,985**	**—**	**15,884**	—	—	14,627
Current liabilities	**(780)**	**(149)**	**(54,459)**	—	(642)	(54,176)
Current portion of long-term debt	**—**	**—**	**(35,945)**	—	—	(21,450)
Long-term debt	**—**	**—**	**(90,359)**	—	—	(80,601)
Other long-term liabilities	**—**	**—**	**(6,574)**	—	—	(13,330)
Non-controlling interest	**—**	**—**	**(8,866)**	—	—	(3,646)
Net assets of jointly controlled operations	**$ 36,208**	**$ 5,612**	**$ 362,859**	$ —	$ 7,294	$ 290,025
Company share of net assets	**$ 18,104**	**$ 2,806**	**$ 181,430**	$ —	$ 3,647	$ 145,013
Goodwill and other purchase price adjustments	**—**	**—**	**6,652**	—	—	6,480
Company share of joint venture	**$ 18,104**	**$ 2,806**	**$ 188,082**	$ —	$ 3,647	$ 151,493

The Company's net investments in the jointly controlled operations by segment are as follows:

As at December 31 (in thousands of dollars)	2022	2021
Product Tankers	**$ 18,104**	$ —
Ocean Self-Unloaders	**2,806**	3,647
Global Short Sea Shipping	**188,082**	151,493
	$ 208,992	$ 155,140

The Company has related party relationships with its joint ventures with respect to administrative management services, technical management services, and vessel operations. The Company also guarantees certain loans of the joint ventures. Amounts relating to transactions with joint ventures are as follows:

For the years ended December 31 (in thousands of dollars)	2022	2021
Revenue	**$ 1,252**	$ 1,686

As at December 31 (in thousands of dollars)	2022	2021
Accounts receivable	**$ 4,546**	$ 10,882
Accounts payable	**—**	6,656
Loans guaranteed by the Company	**11,301**	20,303

The Company's cash flows from (to) joint ventures by segment are as follows:

For the years ended December 31 (in thousand of dollars)	2022		2021	
	Distributions received	**Investment in joint ventures**	Distributions received	Investment in joint ventures
Product Tankers	**$ —**	**$ (17,398)**	$ —	$ —
Ocean Self-Unloaders	**4,908**	**—**	939	—
Global Short Sea Shipping	**12,137**	**(6,187)**	15,340	$ (7,773)
	$ 17,045	**$ (23,585)**	$ 16,279	$ (7,773)

10. Interest Expense

The components of interest expense are as follows:

For the years ended December 31 (in thousands of dollars)		**2022**		2021
Interest expense on borrowings	**$**	**18,127**	$	18,633
Amortization of financing costs		**1,632**		1,612
Interest on employee future benefits, net		**1,011**		1,444
Interest capitalized on vessels under construction		**(320)**		(956)
	$	**20,450**	$	20,733

11. Net Gain from Insurance Settlement

In late December 2020, one of the gearless bulkers from the Dry-Bulk fleet had a grounding incident. The Company assessed the nature and extent of the repairs required to bring the vessel back into service and, in the second quarter of 2021, it was determined that the vessel would not return to fleet service and it was disposed.

The components of the net gain from insurance settlement are as follows:

For the years ended December 31 (in thousands of dollars)		**2022**		2021
Net proceeds from insurance settlement	**$**	**—**	$	7,548
Reversal of accrued insurance absorption		**—**		1,109
Impairment loss (Note 17)		**—**		(5,864)
Net gain from insurance settlement	**$**	**—**	$	2,793

12. Foreign Currency Gain

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

For the years ended December 31 (in thousands of dollars)		**2022**		2021
Gain on foreign denominated cash and debt	**$**	**3,892**	$	943
Gain on return of capital from foreign subsidiary		**—**		331
Gain on foreign exchange forward contracts		**—**		52
	$	**3,892**	$	1,326

13. Income Taxes

The components of the income tax expense are as follows:

For the years ended December 31 (in thousands of dollars)		**2022**		2021
Current tax expense	**$**	**8,962**	$	5,464
Deferred tax expense		**7,955**		6,348
	$	**16,917**	$	11,812

A reconciliation comparing income taxes calculated at the Canadian statutory rate to the amount provided in the Consolidated Financial Statements is as follows:

For the years ended December 31 (in thousands of dollars)	**2022**	2021
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%
Net earnings before income tax and net earnings from investments in joint ventures	**$ 101,388**	$ 75,577
Expected income tax expense	**$ (26,868)**	$ (20,028)
(Increase) decrease in expense resulting from:		
Foreign tax rates different from Canadian statutory rate	**10,957**	8,182
Effect of items that are non-deductible	**(132)**	(9)
Non-recoverable withholding taxes	**(387)**	(471)
Deferred tax items recognized	**(116)**	73
Adjustments to prior period provision	**(697)**	65
Utilization of capital loss previously unrecognized	**—**	232
Other	**326**	144
Actual tax expense	**$ (16,917)**	$ (11,812)
Effective tax rate excluding net earnings from investments in joint ventures	**16.7 %**	15.6 %

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

For the years ended December 31 (in thousands of dollars)	**2022**	2021
Unrealized (losses) gains on hedging instruments	**$ (503)**	$ 373
Actuarial gains on employee future benefits	**4,840**	7,458
	$ 4,337	$ 7,831

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

Liabilities (assets) as at December 31, 2022 (in thousands of dollars)	Opening balance	Reclassification & Opening Adjustment	Recognized in equity	Recognized in earnings	Recognized in other comprehensive earnings	Closing balance
Property, plant, and equipment	$ 68,809	$ 1,064	$ —	$ 7,385	$ —	$ 77,258
Assets held for sale	1,458	(1,064)	—	(1,458)	—	(1,064)
Employee future benefits	(5,105)	—	—	121	4,840	(144)
Foreign exchange differences	430	—	—	(53)	(503)	(126)
Losses for tax purposes	(9,399)	—	—	(772)	—	(10,171)
Convertible debentures	361	—	—	(138)	—	223
Tax allowances, provisions and other	1,174	756	5	2,870	—	4,805
	$ 57,728	**$ 756**	**$ 5**	**$ 7,955**	**$ 4,337**	**$ 70,781**

Liabilities (assets) as at December 31, 2021 (in thousands of dollars)	Opening balance	Reclassification	Recognized in equity	Recognized in earnings	Recognized in other comprehensive earnings	Closing balance
Property, plant, and equipment	$ 63,866	$ (1,403)	$ —	$ 6,346	$ —	$ 68,809
Assets held for sale	—	1,403	—	55	—	1,458
Employee future benefits	(12,631)	—	—	68	7,458	(5,105)
Foreign exchange differences	(189)	—	—	246	373	430
Losses for tax purposes	(9,228)	—	—	(171)	—	(9,399)
Convertible debentures	491	—	—	(130)	—	361
Tax allowances, provisions and other	1,204	—	36	(66)	—	1,174
	$ 43,513	**$ —**	$ 36	$ 6,348	$ 7,831	$ 57,728

14. Leases

The Company reports its right-of-use assets and lease liabilities as part of other assets and liabilities on the Consolidated Balance Sheet. The table below shows the continuity of the right-of-use assets and lease liabilities:

	Right-of-use assets		Lease liabilities	
As at December 31 (in thousands of dollars)	**2022**	2021	**2022**	2021
Opening balance	**$ 640**	$ 511	**$ 535**	$ 522
Additions	**—**	545	**—**	537
Depreciation	**(164)**	(163)	**—**	—
Interest accretion	**—**	—	**13**	24
Payments	**—**	—	**(151)**	(277)
Remeasurement adjustment	**6**	(220)	**6**	(220)
Derecognition of terminated lease	**—**	(39)	**—**	(59)
Effect of foreign currency exchange differences	**24**	6	**29**	8
Closing balance	**$ 506**	$ 640	**$ 432**	$ 535

Depreciation expense for the right-of-use assets is recognized within depreciation and amortization expenses while interest expense for the lease liabilities is recognized within interest expense in the Consolidated Statement of Earnings.

Shown below is a table detailing the components of all cash payments relating to leases:

For the years ended December 31 (in thousands of dollars)	**2022**	2021
Payments - short term leases	**$ 485**	$ 1
Other cash payments	**151**	277
Non-lease components	**114**	102
Total cash payments	**$ 750**	$ 380

Shown below is a maturity analysis of the lease liabilities:

As at December 31 (in thousands of dollars)	**2022**	2021
Within 1 year	**$ 111**	$ 132
Between 1 and 5 years	**321**	403
Total lease liabilities	**$ 432**	$ 535

15. Accounts Receivable

The components of accounts receivable are as follows:

As at December 31 (in thousands of dollars)	**2022**	2021
Due from customers	**$ 46,718**	$ 36,411
Unbilled revenue (Note 7)	**14,661**	14,799
Government related	**3,538**	2,504
Other	**2,701**	2,846
	$ 67,618	$ 56,560

16. Other Current Assets

The components of other current assets are as follows:

As at December 31 (in thousands of dollars)	**2022**	2021
Materials, fuel and supplies	**$ 19,126**	$ 12,455
Prepaid expenses	**15,189**	8,319
Derivative assets	**4,970**	246
	$ 39,285	$ 21,020

17. Property, Plant, and Equipment

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

Cost (in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
Balance at January 1, 2021	$ 649,802	$ 242,940	$ 379,751	$ 53,717	$ 20,606	$ 1,346,816
Additions	25,525	1,849	3,926	446	1,346	33,092
Transfer between segments	—	—	—	256	(256)	—
Transfer from progress payments for shipbuilding contracts	25,261	—	—	—	—	25,261
Disposals	(30,341)	(10,689)	—	(18)	—	(41,048)
Transferred to held for sale	—	—	—	(54,054)	—	(54,054)
Fully depreciated assets no longer in use	(1,540)	(565)	(786)	(354)	—	(3,245)
Effect of foreign currency exchange differences and other adjustments	—	—	(1,615)	7	—	(1,608)
Balance at December 31, 2021	$ 668,707	$ 233,535	$ 381,276	$ —	$ 21,696	$ 1,305,214
Additions	5,376	56,568	5,397	839	903	69,083
Transfer between segments	(257)	—	—	—	257	—
Disposals	—	—	—	—	(24)	(24)
Transferred to held for sale	—	(31,526)	—	(839)	—	(32,365)
Fully depreciated assets no longer in use	(1,817)	(4,132)	(1,039)	—	(1,790)	(8,778)
Effect of foreign currency exchange differences	—	—	26,567	—	—	26,567
Balance at December 31, 2022	**$ 672,009**	**$ 254,445**	**$ 412,201**	**$ —**	**$ 21,042**	**$ 1,359,697**

Accumulated depreciation (n thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
Balance at January 1, 2021	$ 189,291	$ 135,074	$ 114,629	$ 39,164	$ 12,670	$ 490,828
Depreciation expense	26,683	13,348	25,408	1,078	1,178	67,695
Disposals	(27,666)	(6,794)	—	(1)	—	(34,461)
Transferred to held for sale	—	—	—	(39,887)	—	(39,887)
Fully depreciated assets no longer in use	(1,540)	(565)	(786)	(354)	—	(3,245)
Impairment provision (reversal)	5,864	(286)	—	—	—	5,578
Effect of foreign currency exchange differences and other adjustments	—	—	(216)	—	—	(216)
Balance at December 31, 2021	$ 192,632	$ 140,777	$ 139,035	$ —	$ 13,848	$ 486,292
Depreciation expense	25,989	14,013	23,855	—	1,408	65,265
Transfer between segments	(257)	—	—	—	257	—
Transferred to held for sale	—	(29,668)	—	—	—	(29,668)
Fully depreciated assets no longer in use	(1,817)	(4,132)	(1,039)	—	(1,790)	(8,778)
Impairment reversal	(14,759)	—	—	—	—	(14,759)
Effect of foreign currency exchange differences	—	—	10,807	—	—	10,807
Balance at December 31, 2022	**$ 201,788**	**$ 120,990**	**$ 172,658**	**$ —**	**$ 13,723**	**$ 509,159**

Net Book Value (in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
December 31, 2022						
Cost	$ 672,009	$ 254,445	$ 412,201	$ —	$ 21,042	$ 1,359,697
Accumulated depreciation	201,788	120,990	172,658	—	13,723	509,159
	$ 470,221	**$ 133,455**	**$ 239,543**	**$ —**	**$ 7,319**	**$ 850,538**
December 31, 2021						
Cost	$ 668,707	$ 233,535	$ 381,276	$ —	$ 21,696	$ 1,305,214
Accumulated depreciation	192,632	140,777	139,035	—	13,848	486,292
	$ 476,075	$ 92,758	$ 242,241	$ —	$ 7,848	$ 818,922

Net book value at December 31, 2022 includes capitalized dry-docking costs of $47,921 (2021 - $46,073) and related accumulated depreciation of $32,210 (2021 - $26,599).

In accordance with our policies, the Company reviewed the residual values of the Ocean fleet and determined an adjustment was required. As a result of the adjustment, the residual values of the fleet have increased, resulting in a decrease in the depreciation expense over the remaining life of the respective vessels.

On June 30, 2022, the Company finalized the sale of a shopping centre located in Sault Ste. Marie, Ontario for proceeds of $30,000, with a realized gain on sale of $13,703. At December 31, 2021, the carrying value of this asset was reclassified to non-current asset held for sale on the Consolidated Balance Sheet.

In December 2022, the Company entered into an agreement with a third party to sell one of the Company's product tankers that was nearing the end of its useful life. The sale was subject to certain conditions that were satisfied and the sale completed in January 2023. The carrying value of the vessel was reclassified to non-current asset held for sale. Subsequent to year end, the Company entered into an agreement to sell a second product tanker. The sale was completed in February 2023.

Subsequent to the year end, the Company entered into ship building contracts for two new ocean self-unloading vessels with a total purchase price of $173,905. The first delivery is scheduled in 2025.

Impairment reversal

In 2016, an impairment provision was recognized on the self-unloader fleet in the domestic dry-bulk segment due to low market demand and declining freight rates. During the fourth quarter of 2022, the Company completed a review of the market outlook and it was determined that due to sustained improvement in freight rates, a decline in the shipping capacity on the Great Lakes, and positive market trends, the remaining provision for impairment on the self-unloader fleet should be reversed.

In making this assessment, the carrying value of the self-unloader cash-generating unit was compared to the recoverable amount of the assets. The recoverable amount was based on a value-in-use model using discounted cash flow projections to determine the internal rate of return. The Company's hurdle rate of 8.01% was derived from the weighted average cost of capital, adjusted for taxes and specific risks.

18. Goodwill

As part of a business acquisition in 2011, the Company recognized goodwill of $7,910 within the Domestic Dry-Bulk segment on the allocation of the purchase price, determined as the excess over the fair values of the net tangible and identifiable intangible assets acquired.

Goodwill is tested annually for impairment using the value-in-use model at the operating segment level. The operating segment level is the lowest level within the entity at which the goodwill is monitored.

An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount. The recoverable amount of the group of CGUs to which the goodwill has been allocated exceeds its carrying amount, inclusive of goodwill, and accordingly no impairment loss has been recognised as at December 31, 2022 or 2021. No impairment losses have been recorded against the value of goodwill since its acquisition.

19. Mortgage Receivable

On June 30, 2022, the Company finalized the sale of a shopping centre located in Sault Ste. Marie, Ontario. Proceeds of the sale included a vendor take-back ("VTB") mortgage of $18,000, secured against the shopping centre. The VTB mortgage bears interest at 5.5% for a 24 month term and is fully open for repayment of any part of the principal outstanding at any time. The first payment of interest is due on June 30, 2023 and interest-only payments are due monthly thereafter.

20. Other Assets

Other assets consist of the following:

As at December 31 (in thousands of dollars)	2022	2021
Vessels under construction	**$ 8,839**	$ 6,365
Derivative assets	**—**	1,738
Right-of-use assets (Note 14)	**506**	640
Other	**505**	9
	$ 9,850	$ 8,752

The Company capitalized $320 (2021 - $956) of interest costs related to vessels under construction. The interest rate used for the capitalization of interest is based on the Company's effective rate on long-term debt of 4.64% (2021 - 4.64%).

21. Accounts Payable and Accrued Charges

The components of accounts payable and accrued charges are as follows:

As at December 31 (in thousands of dollars)	2022	2021
Due to suppliers and accrued charges	**$ 83,494**	$ 77,224
Deferred revenue (Note 7)	**1,660**	1,122
Commodity taxes payable	**1,054**	821
	$ 86,208	$ 79,167

In 2022, the Company included in accrued charges a provision of $4,331 for environmental taxes resulting from federal environmental regulations. The Company is uncertain as to the timing of these outflows due to expected updates with the legislation. As tax increases are recoverable through customer contracts, a receivable in the amount of $3,334 has also been recorded as unbilled revenue. No similar provision or recovery was booked in 2021.

22. Other Current Liabilities

The components of other current liabilities are as follows:

As at December 31 (in thousands of dollars)	2022	2021
Accrued interest on long-term debt	**$ 777**	$ 664
Dividends payable (Note 26)	**52,582**	3,604
Lease obligations (Note 14)	**111**	132
	$ 53,470	$ 4,400

23. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

As at December 31 (in thousands of dollars)	2022	2021
Deferred compensation	**$ 1,812**	$ 1,744
Lease obligations (Note 14)	**321**	403
	$ 2,133	$ 2,147

24. Employee Future Benefits

Plan Descriptions

The Company maintains two funded and one unfunded pension plans, which together cover all of its non-union employees and certain unionized employees. All three plans contain both a defined benefit and a defined contribution provision. The majority of shipboard employees belong to pension plans not maintained by the Company, but to which the Company contributes under the terms of its collective agreements covering the affected employees.

The defined benefit plans provide retirement income based on length of service and final average earnings or an amount per month for each year of credited service. The Company also provides other unfunded post-retirement benefits including life insurance and health care to certain employees.

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

The Company measures its accrued benefit obligations and the fair value of the plan assets for accounting purposes at December 31 of each year.

The most recent actuarial valuations of the obligations for the defined benefit plans for funding purposes were as of January 1, 2022 for the Employee Pension Plan of Algoma Central Corporation and January 1, 2020 for the The Union Employee Pension Plan for Algoma Ship Repair. The Union Employee Pension Plan is in the process of being wound up with an effective date of August 31, 2022. The next required valuation for the Employee Pension Plan of Algoma Central Corporation will be as of January 1, 2023.

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

	2022	2021
Discount rate used for estimating accrued benefit obligation	**5.3%**	3.0%
Discount rate used for estimating net interest cost included in net benefit cost incurred	**3.0%**	2.5%
Rate of compensation increases	**2.5%**	2.5%
Mortality assumption	**CPM 2014 Private, Scale CPM-B**	CPM 2014 Private, Scale CPM-B

Defined benefit obligations have been determined in accordance with IAS19 standards, including the determination of discount rates. The discount rate assumption is selected with reference to market interest rates on high-quality corporate debt instruments with cash flows that match the timing and amount of expected benefit payments.

The Company's growth rate of health care costs was estimated at 4.8% (2021 – 4.9%), with the rate trending to 4.0% per annum to 2040. Increasing or decreasing the assumed health care rate cost trend rates by one percentage point would change the accrued benefit obligation by $436 and ($567) respectively.

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

For the years ended December 31 (in thousands of dollars)	**2022**	2021
Opening balance	**$ (15,857)**	$ (36,543)
Gains recognized during year, net of income tax	**13,423**	20,686
	$ (2,434)	$ (15,857)

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

For the years ended December 31 (in thousands of dollars)	**2022**	2021
(Loss) return on plan assets	**$ (19,687)**	$ 16,457
Actuarial losses arising from changes in demographic assumptions	**—**	(258)
Actuarial gains arising from changes in financial assumptions	**39,332**	12,189
Actuarial (losses) gains arising from experience adjustments	**(945)**	51
Actuarial gains arising from administration expenses	**27**	14
Adjustments for restrictions on the defined benefit asset	**(464)**	(309)
	18,263	28,144
Income tax expense	**(4,840)**	(7,458)
	$ 13,423	$ 20,686

Information, in aggregate, regarding the effect of the asset ceiling for the Company's benefit plans for the years 2022 and 2021 is presented below.

As at December 31, 2022 (in thousands of dollars)	Pension Plans	Other Benefit Plans	Total
Effect of asset ceiling at beginning of year	$ 309	$ —	$ 309
Interest on the effect of the asset ceiling	33	—	33
Other changes in effect of asset ceiling	464	—	464
Effect of asset ceiling at end of year	**$ 806**	**$ —**	**$ 806**

As at December 31, 2021 (in thousands of dollars)	Pension Plans	Other Benefit Plans	Total
Effect of asset ceiling at beginning of year	$ —	$ —	$ —
Other changes in effect of asset ceiling	309	—	309
Effect of asset ceiling at end of year	$ 309	$ —	$ 309

Information, in aggregate, regarding the Company's reconciliation of the net liability arising from employee future benefits for the years 2022 and 2021 is presented below.

As at December 31, 2022 (in thousands of dollars)	Pension Plans	Other Benefit Plans	Total
Present value of benefit obligation	$ 131,384	$ 8,810	$ 140,194
Effect of asset ceiling	806	—	806
Less: fair value of plan assets	(140,445)	—	(140,445)
	$ (8,255)	**$ 8,810**	**$ 555**

As at December 31, 2021 (in thousands of dollars)	Pension Plans	Other Benefit Plans	Total
Present value of benefit obligation	$ 170,492	$ 11,508	$ 182,000
Effect of asset ceiling	309	—	309
Less: fair value of plan assets	(163,045)	—	(163,045)
	$ 7,756	$ 11,508	$ 19,264

The presentation on the Consolidated Financial Statements of the net liability is as follows:

As at December 31 (in thousands of dollars)	**2022**	2021
Employee future benefit liabilities	**$ 18,774**	$ 23,882
Employee future benefit assets	**(18,219)**	(4,618)
	$ 555	$ 19,264

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

As at December 31, 2022 (in thousands of dollars)	Pension Plans	Other Benefit Plans	Total
Employee Future Benefit Assets			
Fair value, beginning of year	$ 163,045	$ —	$ 163,045
Expected return on plan assets	4,836	—	4,836
Loss on plan assets in below expected return	(19,687)	—	(19,687)
Benefits paid	(10,325)	(693)	(11,018)
Administrative expenses	(423)	—	(423)
Employer contributions to plans	2,649	521	3,170
Employee contributions to plans	351	—	351
Retiree contributions to plans	—	172	172
Other	(1)	—	(1)
Fair value, end of year	**$ 140,445**	**$ —**	**$ 140,445**
Employee Future Benefit Obligations			
Obligations, beginning of year	$ 170,492	$ 11,508	$ 182,000
Employer current service cost	1,584	131	1,715
Employee current service cost	351	—	351
Interest cost	5,027	337	5,364
Benefits paid	(10,325)	(693)	(11,018)
Retiree contributions	—	172	172
Actuarial gains	(35,744)	(2,644)	(38,388)
Other	(1)	(1)	(2)
Obligations, end of year	**$ 131,384**	**$ 8,810**	**$ 140,194**

As at December 31, 2021 (in thousands of dollars)	Pension Plans	Other Benefit Plans	Total
Employee Future Benefit Assets			
Fair value, beginning of year	$ 148,793	$ —	$ 148,793
Expected return on plan assets	3,647	—	3,647
Return on plan assets in excess of expected return	16,457	—	16,457
Benefits paid	(9,641)	(679)	(10,320)
Administrative expenses	(285)	—	(285)
Employer contributions to plans	3,661	506	4,167
Employee contributions to plans	413	—	413
Retiree contributions to plans	—	173	173
Fair value, end of year	$ 163,045	$ —	$ 163,045
Employee Future Benefit Obligations			
Obligations, beginning of year	$ 183,068	$ 13,390	$ 196,458
Employer current service cost	2,297	169	2,466
Employee current service cost	413	—	413
Interest cost	4,463	328	4,791
Benefits paid	(9,641)	(679)	(10,320)
Actuarial losses	(10,109)	(1,873)	(11,982)
Retiree contributions	—	173	173
Other	1	—	1
Obligations, end of year	$ 170,492	$ 11,508	$ 182,000

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

As at December 31 (in thousands of dollars)		2022		2021
The Employee Pension Plan of Algoma Central Corporation	**$**	**18,219**	$	4,442
The Union Employee Pension Plan of Algoma Ship Repair		**—**		176
	$	**18,219**	$	4,618

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

As at December 31 (in thousands of dollars)		2022		2021
Supplementary Employee Retirement Plan	**$**	**9,964**	$	12,374
Other benefit plans		**8,810**		11,508
	$	**18,774**	$	23,882

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

For the year ended December 31, 2022 (in thousands of dollars)		Pension Plans		Other Benefit Plans		Total
Current service cost	$	1,584	$	131	$	1,715
Interest cost on plan obligations		5,027		337		5,364
Interest on effect of asset ceiling		33		—		33
Expected return on plan assets		(4,836)		—		(4,836)
Administrative expenses		450		—		450
	$	**2,258**	**$**	**468**	**$**	**2,726**

For the year ended December 31, 2021 (in thousands of dollars)		Pension Plans		Other Benefit Plans		Total
Current service cost	$	2,297	$	169	$	2,466
Interest cost on plan obligations		4,463		328		4,791
Expected return on plan assets		(3,647)		—		(3,647)
Administrative expenses		300		—		300
	$	3,413	$	497	$	3,910

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

As at December 31 (in thousands of dollars)		2022		2021
Short term notes	**$**	**2,326**	$	1,821
Canadian Government bonds		**25,179**		28,498
Canadian corporate bonds		**9,069**		10,264
Canadian equities		**35,204**		48,228
Foreign equities		**68,708**		81,494
Annuities		**9,561**		3,272
		150,047		173,577
Amount related to defined contribution plans		**(9,602)**		(10,532)
	$	**140,445**	$	163,045

Plan assets do not include any common shares of the Company.

The expected rate of return on assets is equal to the discount rate used for estimating the accrued benefit obligation at the prior year end, which is required under IAS 19.

The actual gross return on invested plan assets for 2022 was -9.0% or -$15,017 (2021 - 14.5% or $21,984).

The Company expects to make contributions of $1,698 (2021 - $2,738) to the funded defined benefit pension plans during the next fiscal year.

The expense recognized in the Consolidated Statement of Earnings for defined contribution plans is $2,107 (2021 - $1,980).

Sensitivity analysis

Significant actuarial assumptions used in the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below is determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by $12,414 (increase by $15,174).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $1,223 (decrease by $890).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $3,161 (decrease by $2,934).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the Consolidated Balance Sheet.

The average duration of the benefit obligation at December 31, 2022 is 9.2 years (2021 - 11.0 years). This number can be analysed as follows:

- active members: 13.3 years (2021 - 15.6 years);
- deferred members: 11.8 years (2021 - 14.5 years); and
- retired members: 7.9 years (2021 - 9.1 years).

25. Long-Term Debt

As at December 31 (in thousands of dollars)		**2022**		2021
Convertible unsecured subordinated debentures, due June 30, 2024, interest at 5.25%	**$**	**78,068**	$	81,137
Senior Secured Notes				
U.S. $20,000, interest at 3.37%, due December 10, 2027		**27,088**		25,356
U.S. $42,000, interest at 3.60%, due December 10, 2030		**56,885**		53,248
U.S. $35,000, interest at 3.70%, due December 10, 2032		**47,404**		44,373
U.S. $50,000, interest at 3.80%, due December 10, 2035		**67,720**		63,390
Canadian $128,000, interest at 4.01%, due December 10, 2035		**128,000**		128,000
Mortgage payable, due March 8, 2023, interest at 4.73%		**5,197**		5,347
		410,362		400,851
Less: unamortized financing expenses		**8,008**		9,169
		402,354		391,682
Less: current portion of long-term debt		**5,197**		150
	$	**397,157**	$	391,532

The Company also holds a bank credit facility (the "Facility") which comprises a $75 million Canadian dollar and a $75 million U.S. dollar senior secured revolving bank credit maturing October 11, 2027. The Facility bears interest at rates that are based on the Company's ratio of net senior debt, as defined, to earnings before interest, taxes, depreciation and amortization and ranges from 170 to 325 basis points above bankers' acceptance, adjusted SOFR or EURIBOR rates. The Company has granted a general security agreement in favour of the senior secured lenders and has granted specific collateral mortgages covering the majority of its wholly owned vessels. As of December 31, 2022 and 2021, no amounts were withdrawn from the bank facility.

The Company is subject to certain covenants, including ones with respect to maintaining defined financial ratios and other conditions under the terms of the Facility and the senior secured notes. As at December 31, 2022 and December 31, 2021 the Company was in compliance with all of its covenants.

The unamortized financing expenses relate to costs incurred to establish the Facility and to issue the debentures and senior notes   They are amortized over the remaining terms on a proportionally straight line basis.

Principal payments required to service the debt are as follows:

As at December 31 (in thousands of dollars)		**2022**		2021
Falling due within one year	**$**	**5,197**	$	150
Falling due between one and two years		**78,068**		5,197
Falling due between two and three years		**—**		81,137
Falling due between three and four years		**—**		—
Falling due between four and five years		**27,088**		—
Falling due in five years or later		**300,009**		314,367
	$	**410,362**	$	400,851

26. Share Capital

Share capital

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

The Company had 38,001,872 and 37,800,943 common shares outstanding and no preferred shares issued or outstanding as at December 31, 2022 and December 31, 2021 respectively.

The Company's Board of Directors authorized payment of a quarterly dividend to shareholders of $0.18 per common share. The dividend will be paid on March 1, 2023 to shareholders of record on February 15, 2023.

In addition to the quarterly dividend, the Board of Directors authorized payment of a special dividend of $1.35 per common share. The special dividend is payable on January 18, 2023 to shareholders of record on January 4, 2023.

The basic and diluted net earnings per share are computed as follows:

For the years ended December 31 (in thousands of dollars)		**2022**		2021
Net earnings	**$**	**119,966**	$	82,170
Interest expense on debentures, net of tax		**3,991**		3,927
Net earnings for diluted earnings per share	**$**	**123,957**	$	86,097
Basic weighted average common shares		**37,818,215**		37,800,943
Shares due to dilutive effect of debentures		**5,124,715**		5,074,101
Diluted weighted average common shares		**42,942,930**		42,875,044
Basic earnings per common share	**$**	**3.17**	$	2.17
Diluted earnings per common share	**$**	**2.89**	$	2.01

Convertible Debentures

The 2022 dividends of $0.17 cents per common share per quarter reached a cumulative excess with the June 1, 2022 payment. This triggered an adjustment to the conversion price reducing it from $16.11 to $15.95 per share. The quantity of issuable shares increased from 5,108,359 to 5,172,208.

During the year $3,628 (2020 - nil) of debentures were converted to common shares decreasing the quantity of issuable shares from 5,172,208 to 4,944,953.

Payment of the special dividend of $1.35 per common share on January 18, 2023 will result in a further adjustment to the conversion price of the unsecured debentures from $15.95 to $14.59 per share. The lower conversion price will result in an increase in the quantity of issuable shares under conversion from 4,944,953 to 5,405,894.

Normal Course Issuer Bid

On March 17, 2022, the Company renewed its normal course issuer bid ("NCIB") to purchase up to 1,890,047 of its common shares, representing approximately 5% of the common shares issued and outstanding as of the close of business on March 9, 2022.

Under the NCIB, the Company may purchase up to 1,517 common shares per day, representing 25% of the average daily trading volume for the previous six months. The Company may buy back common shares anytime during the twelve-month period beginning on March 21, 2022 and ending on March 20, 2023. The stated capital of the common shares of $0.31 per share equals the approximate paid-up capital amount of the common shares for purposes of the Income Tax Act. Purchases result in reductions to share capital and contributed surplus for the balance of the purchase prices and expenses. Both items are identified separately on the Consolidated Statement of Changes in Equity.

Under the current NCIB, 26,525 common shares were purchased for a weighted average purchase price of $16.59 for the year ending December 31, 2022.

The Company did not purchase any shares under the previous NCIB, which began on March 19, 2021 and concluded on March 18, 2022.

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

27. Accumulated Other Comprehensive Loss

(in thousands of dollars)	Hedges: Net investment	Hedges: Purchase Commitment	Foreign exchange translation	Total
Balance at January 1, 2021	$ (19,447)	$ (978)	$ (12,362)	$ (32,787)
Gain (loss)	794	1,769	(1,916)	647
Reclassified to property, plant, and equipment	—	1,194	—	1,194
Income tax expense	(110)	(263)	—	(373)
Net gain (loss)	684	2,700	(1,916)	1,468
Balance at December 31, 2021	$ (18,763)	$ 1,722	$ (14,278)	$ (31,319)
(Loss) gain	(12,730)	6,572	28,869	22,711
Income tax recovery	240	263	—	503
Net (loss) gain	(12,490)	6,835	28,869	23,214
Balance at December 31, 2022	**$ (31,253)**	**$ 8,557**	**$ 14,591**	**$ (8,105)**

28. Supplementary Disclosure of Cash Flow Information

The other items not affecting cash are as follows:

For the years ended December 31 (in thousands of dollars)	2022	2021
Interest expense	**$ 20,450**	$ 20,733
Interest income	**(1,736)**	(81)
Income tax expense (Note 13)	**16,917**	11,812
Foreign currency gains (Note 12)	**(3,892)**	(1,326)
Other	**1,714**	2,368
	$ 33,453	$ 33,506

The change in non-cash operating working capital is as follows:

For the years ended December 31 (in thousands of dollars)	2022	2021
Accounts receivable	**$ (12,003)**	$ 7,680
Materials, fuel and supplies	**(6,054)**	(3,540)
Prepaid expenses	**(6,508)**	(2,395)
Accounts payable and accrued charges	**6,754**	11,237
Other working capital	**(148)**	(272)
	$ (17,959)	$ 12,710

Additions to property, plant and equipment are as follows:

For the years ended December 31 (in thousands of dollars)	2022	2021
Additions to property, plant, and equipment (Note 17)	**$ 69,083**	$ 33,092
Amounts included in working capital	**(29)**	352
Capitalized interest	**—**	(524)
Other non-cash adjustments	**—**	(1,038)
	$ 69,054	$ 31,882

29. Capital Disclosure

The Company’s objectives for managing capital are as follows:

- Provide sustained growth of shareholder value by earning long-term returns on equity of 9.5%.
- Maintain a strong capital base to gain investor, creditor and market confidence and to sustain future growth. In this regard, the Company will target to maintain a long-term debt to equity ratio of no greater than one-to-one. The Company views a one-to-one ratio as a maximum due to the capital intensive nature of the business.
- Pay regular quarterly dividends to shareholders.

The Company’s Board of Directors reviews the ROE target on an annual basis and it reviews the level of dividends to be paid to the Company’s shareholders on a quarterly basis.

Included in ROE are net earnings and average shareholders' equity. The returns on equity over the last five years of the Company ranged from 3.5% to 17.6%.

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

The long-term debt to shareholders’ equity ratio is as follows:

As at December 31 (in thousands of dollars)		**2022**		2021
Total long-term debt	**$**	**410,362**	$	400,851
Shareholders' equity	**$**	**726,024**	$	640,283
Debt to shareholders' equity ratio		**0.57 to 1**		0.63 to 1

30. Commitments

The table below reflects the commitments of the Company at December 31, 2022. Annual expected payments are detailed in Note 32.

(in thousands of dollars)		
Construction of two domestic dry-bulk self-unloaders	$	118,866
Construction of a bulk carrier through a joint venture interest		1,628
Construction of eight product tankers through a joint venture interest		179,535
Employee future benefit payments		3,124
Leases		455
	$	**303,608**

31. Contingencies

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

32. Financial Instruments and Risk Management

The Company’s financial instruments included in the Consolidated Balance Sheet comprise cash, accounts receivable, accounts payable and accrued charges, derivative assets, mortgage receivable, dividends payable and long-term debt.

Financial instruments that are measured at fair value are classified into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 and that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

There were no transfers in to or out of Level 1, 2 or 3 during the periods.

Fair Value

The Company's financial instruments, excluding derivative assets, are carried at amortized cost which, due to their short-term nature, approximates fair value. Derivative assets are remeasured for fair value at the end of each reporting period. The carrying values of the Company’s financial liabilities approximate their fair values with the exception of long-term debt. The fair value hierarchy for the Company’s financial liability not measured at fair value is as follows:

As at December 31 (in thousands of dollars)		**2022**		2021
Long-term debt				
Carrying value	**$**	**410,362**	$	400,851
Fair value, classified as Level 2	**$**	**366,722**	$	409,094

The difference in the fair value of long-term debt compared to the carrying value is due to the difference in the rates on the debt compared to current market rates for similar instruments with similar terms. The fair value of the convertible debentures included in long-term debt is based on market rates.

Financial risk management objectives

The Company monitors and manages the financial risks relating to the operations by analysing exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.
The Company may take steps to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is approved by the Company's Board of Directors, which provides guidance on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Company may also utilize foreign exchange forward contracts and hedges related to purchase commitments to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join the Canadian flag domestic dry-bulk fleet.

Hedging relationships are documented and designated at inception and their continuing effectiveness is assessed at least quarterly.

Risk Management and Financial Instruments

The Company is exposed to various risks arising from financial instruments. The following analysis provides a measurement of those risks.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from customers. The maximum exposure to credit risk is represented by the carrying value of the financial assets on the Consolidated Balance Sheet.

The Company believes that the credit risk for accounts receivable is limited since the majority of accounts receivable at December 31, 2022 and 2021 have been outstanding for 60 days or less and the Company's customer base is diversified across industries. Most customers are well-established in their fields and have ties to multinational operations.

A provision for bad debts is established when it is determined the amount to be collected is lower than the carrying value. The allowance for doubtful accounts at December 31, 2022 and December 31, 2021 was not significant. The percentage of accounts receivable greater than 60 days past due was 2.5% and 20%, for December 31, 2022 and 2021, respectively.

Liquidity Risk

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

The Company maintains credit facilities, which are reviewed regularly to ensure it has sufficient capital available to meet current and anticipated needs. The total authorized credit facility at December 31, 2022 and 2021 was Canadian $75,000 and USD $75,000 in a revolving facility. At December 31, 2022 and 2021, the Company had not withdrawn any amounts from the credit facilities.

Substantially all of the Company's wholly owned marine assets were pledged as collateral for the senior secured credit facilities. The carrying value as of December 31, 2022 of the assets pledged was approximately $740,486 (2021 - $764,287). The Company's real estate assets and vessels that are not wholly owned are not directly encumbered under these agreements.

The contractual maturities of non-derivative financial liabilities are as follows:

(in thousands of dollars)	2023	2024	2025	2026	2027	2028 and Beyond	Total
Long-term debt including convertible debentures	$ 5,197	$ 78,872	$ —	$ —	$ 27,088	$ 300,009	$ 411,166
Capital asset commitments	53,390	65,476	—	—	—	—	118,866
Capital asset commitments through joint ventures	31,972	73,331	75,860	—	—	—	181,163
Interest payments on long-term debt	16,622	14,585	12,421	12,421	12,421	76,563	145,033
Employee future benefit special payments	781	781	781	781	—	—	3,124
Leases	121	125	131	78	—	—	455
	$ 108,083	$ 233,170	$ 89,193	$ 13,280	$ 39,509	$ 376,572	$ 859,807

Market risk

(a) Fuel prices

The Company has provisions in the vast majority of its contracts with customers that provide adjustment mechanisms for changes in fuel prices. Accordingly, there is not a significant exposure to the volatility of fuel prices.

(b) Interest rate risk

The Company is exposed to interest rate risk because the Company can borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. At December 31, 2022 and 2021, the Company did not have any significant cash flow exposure to interest rate movements for its outstanding debt, since the majority of its borrowings have interest rates that have been fixed (Note 25).

(c) Interest rate sensitivity analysis

At December 31, 2022 and 2021 respectively, the majority of the Company borrowings have interest rates that are fixed, therefore there is minimal exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period.

(d) Foreign currency exchange risk

The Company operates internationally and is exposed to risk from changes in foreign currency rates. The foreign currency exchange risk to the Company results primarily from changes in exchange rates between the functional currencies of the Company and its subsidiaries and joint ventures, the Canadian dollar and the U.S. dollar.

At December 31, 2022 and December 31, 2021, approximately 39% and 42% respectively of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $32,456 and $71,935 at December 31, 2022 and December 31, 2021, respectively. The Company also held Euro cash of €23,500 (2021 - nil) as a hedge for a vessel construction contract payment due in 2024.

The Company's exposure to foreign currency fluctuations is related to its unhedged cash balances and unhedged net investment in foreign subsidiaries. The Company has hedged part of its investment in the subsidiaries and joint ventures against its foreign-denominated long-term debt. At December 31, 2022 and 2021, the net investment in U.S. dollar foreign subsidiaries and joint ventures was $353,355 and $328,345 U.S. dollars, respectively. The amount used as a hedge at both December 31, 2022 and 2021 was $147,000 U.S. dollars.

The Company has significant commitments due for payment in U.S. dollars. For payments due in U.S. dollars, the Company mitigates the risk principally through U.S. dollar cash inflows and foreign-denominated debt. The Company also utilizes foreign exchange forward contracts as a hedge on purchase commitments to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders for vessels that will join our Canadian flag domestic dry-bulk fleet.

At December 31, 2022 the Company had U.S. dollar-denominated foreign exchange forward contracts outstanding with a notional principal of $39,420 (2021 - $39,420) and fair value gain of $4,970 (2021 - $1,984).

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

Based on the Company's estimates, a ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase net earnings in the current year by $5,803.

Based on the balances at December 31, 2022 and 2021:

- A ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase other comprehensive earnings by $35,336 and $32,835, respectively.
- A ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase total assets by $38,680 and $40,120, respectively.
- A ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase total liabilities by $15,852 and $16,070, respectively.

For a ten-cent strengthening in the Canadian dollar relative to the U.S. dollar, there would be an equal but opposite impact to the amounts stated above.

33. Segment Disclosures

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

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

For the year ended December 31, 2022 (in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Revenue	$ 360,139	$ 118,686	$ 193,730	$ 2,938	$ 2,449	$ —	$ 677,942
Operating expenses	(271,233)	(86,825)	(128,044)	(3,009)	(933)	—	(490,044)
Selling, general and administrative	(11,919)	(4,739)	(1,394)	—	(16,515)	—	(34,567)
Other operating items	14,395	—	—	—	—	—	14,395
Depreciation and amortization	(26,009)	(14,013)	(23,850)	—	(1,557)	—	(65,429)
Operating earnings (loss)	65,373	13,109	40,442	(71)	(16,556)	—	102,297
Interest, net	—	—	—	495	(19,209)	—	(18,714)
Gain on sale of properties	—	—	—	13,703	210	—	13,913
Foreign currency gain	—	—	—	—	3,892	—	3,892
	65,373	13,109	40,442	14,127	(31,663)	—	101,388
Income tax (expense) recovery	(17,396)	(2,696)	—	(3,274)	6,449	—	(16,917)
Net earnings from investments in joint ventures	—	—	3,783	—	—	31,712	35,495
Net earnings (loss)	**$ 47,977**	**$ 10,413**	**$ 44,225**	**$ 10,853**	**$ (25,214)**	**$ 31,712**	**$ 119,966**

For the year ended December 31, 2021 (in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Revenue	$ 338,661	$ 94,535	$ 156,294	$ 6,560	$ 2,823	$ —	$ 598,873
Operating expenses	(238,423)	(63,557)	(94,619)	(5,504)	(864)	—	(402,967)
Selling, general and administrative	(11,660)	(4,178)	(1,195)	(1,000)	(14,518)	—	(32,551)
Other operating items	3,093	286	(5,575)	—	—	—	(2,196)
Depreciation and amortization	(26,701)	(13,348)	(25,402)	(1,078)	(1,323)	—	(67,852)
Operating earnings (loss)	64,970	13,738	29,503	(1,022)	(13,882)	—	93,307
Interest, net	—	—	—	—	(20,652)	—	(20,652)
Gain on sale of property	1,596	—	—	—	—	—	1,596
Foreign currency gain	—	—	—	—	1,326	—	1,326
	66,566	13,738	29,503	(1,022)	(33,208)	—	75,577
Income tax (expense) recovery	(17,305)	(3,797)	—	292	8,998	—	(11,812)
Net earnings (loss) from investments in joint ventures	—	—	(52)	—	—	18,457	18,405
Net earnings (loss)	$ 49,261	$ 9,941	$ 29,451	$ (730)	$ (24,210)	$ 18,457	$ 82,170

As at December 31, 2022 (in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Assets							
Current assets	$ 53,718	$ 11,304	$ 62,488	$ 1,538	$ 121,282	$ —	$ 250,330
Property, plant, and equipment	470,221	133,455	239,543	—	7,319	—	850,538
Investments in joint ventures	—	18,104	2,806	—	—	188,082	208,992
Goodwill	7,910	—	—	—	—	—	7,910
Non-current asset held for sale	—	1,858	—	—	—	—	1,858
Mortgage receivable	—	—	—	18,000	—	—	18,000
Other assets	8,571	—	336	495	18,667	—	28,069
	$ 540,420	**$ 164,721**	**$ 305,173**	**$ 20,033**	**$ 147,268**	**$ 188,082**	**$ 1,365,697**
Liabilities							
Current liabilities	$ 48,057	$ 14,842	$ 14,733	$ 1,393	$ 66,606	$ —	$ 145,631
Current portion of long-term debt	—	—	—	—	5,197	—	5,197
Long-term liabilities	1,608	13,151	—	—	76,929	—	91,688
Long-term debt	—	—	—	—	397,157	—	397,157
	49,665	27,993	14,733	1,393	545,889	—	639,673
Shareholders' Equity	490,755	136,728	290,440	18,640	(398,621)	188,082	726,024
	$ 540,420	**$ 164,721**	**$ 305,173**	**$ 20,033**	**$ 147,268**	**$ 188,082**	**$ 1,365,697**

As at December 31, 2021 (in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
Assets							
Current assets	$ 41,136	$ 3,523	$ 28,317	$ 5,801	$ 111,797	$ —	$ 190,574
Property, plant, and equipment	476,075	92,758	242,241	—	7,848	—	818,922
Investments in joint ventures	—	—	3,647	—	—	151,493	155,140
Goodwill	7,910	—	—	—	—	—	7,910
Non-current asset held for sale	—	—	—	14,167	—	—	14,167
Other assets	6,612	—	9	—	6,749	—	13,370
	$ 531,733	$ 96,281	$ 274,214	$ 19,968	$ 126,394	$ 151,493	$ 1,200,083
Liabilities							
Current liabilities	$ 44,312	$ 9,543	$ 9,828	$ 1,784	$ 18,894	$ —	$ 84,361
Current portion of long-term debt	—	—	—	—	150	—	150
Long-term liabilities	1,586	14,065	—	417	67,689	—	83,757
Long-term debt	—	—	—	—	391,532	—	391,532
	45,898	23,608	9,828	2,201	478,265	—	559,800
Shareholders' Equity	485,835	72,673	264,386	17,767	(351,871)	151,493	640,283
	$ 531,733	$ 96,281	$ 274,214	$ 19,968	$ 126,394	$ 151,493	$ 1,200,083

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

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

As at December 31 (in thousands of dollars)	**2022**	2021
Property, plant, and equipment	**$ 239,543**	$ 242,241
Revenues	**$ 193,730**	$ 156,294

Revenue earned outside of Canada, primarily in the United States, relates to vessel operations and is based on the location at which a shipment is unloaded. For the years ended December 31, 2022 and 2021, sales outside of Canada were $151,286 and $161,451, respectively.

The Company had one customer in 2022 and one in 2021 whose revenue exceeded 10% of consolidated revenue. Sales by segment for this customer are as follows:

For the years ended December 31 (in thousands of dollars)	**2022**	2021
Product Tankers	**$ 115,756**	$ 93,341

34. Compensation of Key Management

The remuneration of directors and other key members of management is as follows:

For the years ended December 31 (in thousands of dollars)		2022		2021
Short-term compensation and benefits	$	**8,060**	$	6,930
Share-based compensation		**1,587**		2,132
Post-employment benefits		**305**		282
	$	**9,952**	$	9,344

35. Share-Based Compensation

The Company maintains a stock option program for certain key employees. Options on common shares are periodically granted to eligible employees under the plan having a term of five years and cliff vest on the third anniversary of the grant date. These options provide holders with the right to purchase common shares of the Company at a fixed price equal to the closing market price of the shares on the day prior to the date the options were issued. Under this plan, 1,900,094 common shares have been reserved for future issuance. The outstanding options expire on various dates to February 25, 2027. The following table summarizes the Company's stock option activity and related information.

Stock Option Activity (amounts not stated in thousands)	Number of shares		Weighted average exercise price
Number outstanding, at January 1, 2021	343,542	$	13.13
Granted	112,668		14.69
Exercised	(100,000)		(12.74)
Exercise price adjustment	—		(1.77)
Number outstanding, at December 31, 2021	356,210	$	12.03
Granted	146,250		16.94
Exercised	(130,000)		(13.15)
Number outstanding, at December 31, 2022	**372,460**	**$**	**14.91**

The Company's Board of Directors authorized the payment of a special dividend in the amount of $2.65 per common share, which was paid on January 12, 2021. The payment of the special dividend triggered an adjustment of $1.77 to the weighted average exercise price of the stock options.

The following table summarizes information relating to stock options outstanding as at December 31, 2022.

	Options outstanding	
Exercise price per share (amounts not stated in thousands)	Number of shares	Remaining contractual life (years)
$10.75	113,542	2.16
$14.69	112,668	3.16
$16.94	146,250	4.15
	372,460	

For the year ended December 31, 2022, the Company recognized compensation expense for stock option awards of $214 (2021 - $164). For the year ended December 31, 2022, 146,250 (2021 - 112,668) options were granted by the Company at a weighted average fair value of $2.59 per option (2021 - $1.77).

The following table summarizes the assumptions used for estimating the fair value of options issued in the years ended December 31.

(amounts not stated in thousands)	2022	2021
Risk-free interest rate	**1.73%**	0.88%
Expected option life	**5 years**	5 years
Expected volatility*	**25.75%**	24.86%
Expected dividend yield	**3.92%**	4.63%

*Expected volatility is calculated based on the average daily volatility measured over a historical period corresponding to the expected option life.

Other share-based compensation plans

The Company has other share unit plans which are awarded to certain employees. Under these plans, participants are awarded share units equivalent to the Company's common shares, which vest over three years. During the vesting period, dividend equivalents accrue to the participants in the form of additional share units. At the maturity date, the participant receives cash representing the value of the share units. The number of share units outstanding under these plans as at December 31, 2022 was 304,958 (2021 – 264,342).

Compensation expense for these plans is recorded in the Consolidated Statement of Earnings and is recognized based on the fair value of the share units at the grant date, adjusted for changes in fair value between the grant date and the vesting date, over the service period required for employees to become fully entitled to the awards. For the year ended December 31, 2022, the Company recognized compensation expense for these plans of $1,227 (2021 – $942). The carrying amount of the liability relating to these plans, based on the closing share price and the elapsed service period from the grant date, was $3,738 at December 31, 2022 (2021 – $3,315), and is reported in accounts payable and accrued charges and other long-term liabilities on the Consolidated Balance Sheet.

36. Related Parties

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

There were no transactions with the Company's ultimate controlling party in 2022 and 2021.

37. Government Assistance

The Transport Canada Innovation Centre awarded the Company a twenty-month grant project commencing in 2020 to study emission reductions in the Great Lakes. The project involved a comprehensive exploration of the benefits of advanced coating and propeller maintenance in reducing ship resistance, thereby reducing emissions of all types. This included recoating a modern Great Lakes bulker, polishing the propeller of a second, and collecting and analysing data for these and other sister ships to establish a comprehensive picture of benefits and costs.

The project goal was to establish the most beneficial schedules and methods for coating and propeller finish maintenance that balance the costs of these activities with their fuel savings and environmental benefits. It is anticipated that greenhouse gas (GHG) emissions can be reduced by up to 10%, and other criteria air contaminants (CAC) by the same amounts.

The grant monies were paid subject to the Company satisfactorily completing all of its obligations as defined per the Contract milestones throughout the project period For the year ended December 31, 2022 the Company claimed $38 (2021 - $782) which is included in the Consolidated Statement of Earnings as an offset to operating expenses.

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