ALGOMA CENTRAL CORPORATION

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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General

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

This Management’s Discussion and Analysis (“MD&A”) of the Company should be read in conjunction with its consolidated financial statements for the years ending December 31, 2015 and 2014 and related notes thereto and has been prepared as at February 19, 2016.

The MD&A has been prepared by reference to the disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” of the Canadian Securities Administrators. Additional information on the Corporation, including its 2015 Annual Information Form, is available on the SEDAR website at *www.sedar.com* or on the Corporation’s website at *www.algonet.com*.

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

Use of Non-GAAP Measures

The following summarizes non-GAAP financial measures utilized in the MD&A. As there is no generally accepted method of calculating these financial measures, they may not be comparable to similar measures reported by other corporations.

Return on capital employed (ROCE) refers to segment operating earnings after income taxes expressed as a percentage of average opening and closing capital employed. Capital employed is long-term debt plus shareholders’ equity. The Corporation uses return on capital employed to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders. ROCE is also used as one of the benchmark rates of return in assessing capital investment opportunities.

The Corporation also uses Adjusted Return on Capital Employed (AROCE) to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders and, in conjunction with other measures of operating performance, as one of the metrics for purposes of determining incentive compensation. The Corporation defines AROCE as segment operating earnings after income taxes expressed as a percentage of adjusted average capital employed. Adjusted average capital employed is average capital employed, less the average cash in excess of $10 million and less the average amount of instalments on shipbuilding contracts, reflecting the fact that these assets are currently not generating operating earnings.

Return on equity is net earnings as a percent of average shareholders’ equity.

Operating ratio, which is among the measures we use to assess the cost efficiency of our business units, is equal to operating costs plus general administrative costs plus depreciation expense expressed as a percentage of revenue. The operating ratio is a commonly used metric for transportation companies; however, our method of calculation of operating ratio may not be consistent with the calculation used by others.

EBITDA refers to earnings before interest, taxes, depreciation, and amortization. We also include our share of the EBITDA of our equity interest in non-real estate joint arrangement in this measure. EBITDA is not a recognized measure for financial statement presentation under generally accepted accounting principles as defined by IFRS. 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. The Corporation’s EBITDA may also not be comparable to EBITDA used by other corporations, which may be calculated differently. The Corporation considers EBITDA to be a meaningful measure to assess its operating performance in addition to other IFRS measures. It is included because the Corporation believes it can be useful in measuring its ability to service debt, fund capital expenditures, and expand its business, and it is used by credit providers in the financial covenants of the Corporation’s long-term debt.

Caution Regarding Forward-Looking Statements

Algoma Central Corporation's public communications often include written or oral forward-looking statements. Statements of this type are included in this document and may be included in other filings with Canadian securities regulators or in other communications. All such statements are made pursuant to the safe harbour provisions of any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2016 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price and the results of or outlook for our operations or for the Canadian and U.S. economies. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

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

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: on-time and on-budget delivery of new ships from shipbuilders; general economic and market conditions in the countries in which we operate; interest rate and currency value fluctuations; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates; operational and infrastructure risks; general political conditions; labour relations with our unionized workforce; the possible effects on our business of war or terrorist activities; disruptions to public infrastructure, such as transportation, communications, power or water supply, including water levels; technological changes; significant competition in the shipping industry and from other transportation providers; reliance on partnering relationships; appropriate maintenance and repair of our existing fleet by third-party contractors; health and safety regulations that affect our operations can change and be onerous and the risk of safety incidents can affect results; a change in applicable laws and regulations, including environmental regulations, could materially affect our results; economic conditions may prevent us from realizing sufficient investment returns to fund our defined benefit plans at the required levels; our ability to raise new equity and debt financing if required; weather conditions or natural disasters; our ability to attract and retain quality employees; the seasonal nature of our business; and, risks associated with the lease and ownership of real estate.

For more information, please see the discussion on pages 9 to 15 in the Company's Annual Information Form for the year ended December 31, 2015, which outlines in detail certain key factors that may affect the Company's future results. This should not be considered a complete list of all risks to which the Company may be subject from time to time. When relying on forward looking statements to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented and our strategic priorities and objectives and may not be appropriate for other purposes.

Overall Performance

	2015	2014	2013
For year ended December 31			
Segment revenues	**$ 413,493**	$ 473,446	$ 463,055
Segment operating earnings, net of income tax	**$ 26,794**	$ 54,276	$ 42,617
Net earnings from continuing operations	**$ 21,069**	$ 48,977	$ 38,439
Basic earnings per common share	**$ 0.54**	$ 1.26	$ 0.99
Diluted earnings per common share	**$ 0.54**	$ 1.21	$ 0.97
Net earnings from discontinued operations	**$ 4,702**	$ 3,788	$ 3,484
Basic and diluted earnings per common share	**$ 0.12**	$ 0.10	$ 0.09
At December 31			
Common shares outstanding	**$ 38,913,733**	$ 38,912,110	$ 38,912,110
Total assets	**$ 988,805**	$ 974,055	$ 932,354
Total long-term financial liabilities	**$ 245,306**	$ 227,562	$ 232,922

The Company is reporting 2015 revenues of $413,493 compared to $473,446 for the same period in 2014. Decreases in revenue were experienced in all three business segments. The Domestic Dry-Bulk segment saw the largest decline in revenue due primarily to falling freight rates and less efficient trade patterns. The Product Tanker segment decrease was due primarily to diminished volumes on the East Coast as a result of changes to their regional sourcing strategy made by a major customer. The Ocean Shipping segment revenue decrease was due primarily to fewer revenue days related to a regulatory dry-docking on one of its vessels.

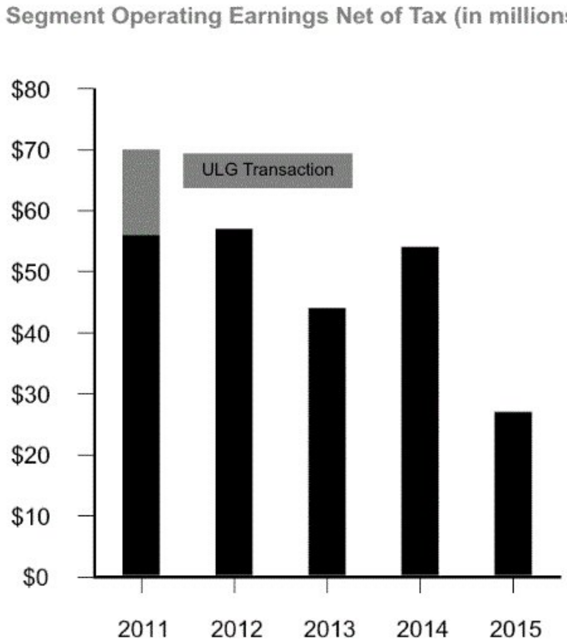
Segment operating earnings after income taxes in both 2015 and 2014 reflect the impact of unusual items. Included in 2015 segment earnings was a gain on the cancellation of shipbuilding contracts in the amount of $9,972 and in 2014, segment earnings reflect a net impairment reversal on property, plant and equipment of $7,362. Excluding these two items from segment earnings, results in 2015 earnings of $16,822 and 2014 earnings of $ $46,667, a decrease of $29,845. The significant decrease was primarily due to lower earnings in the Domestic-Dry Bulk segment.

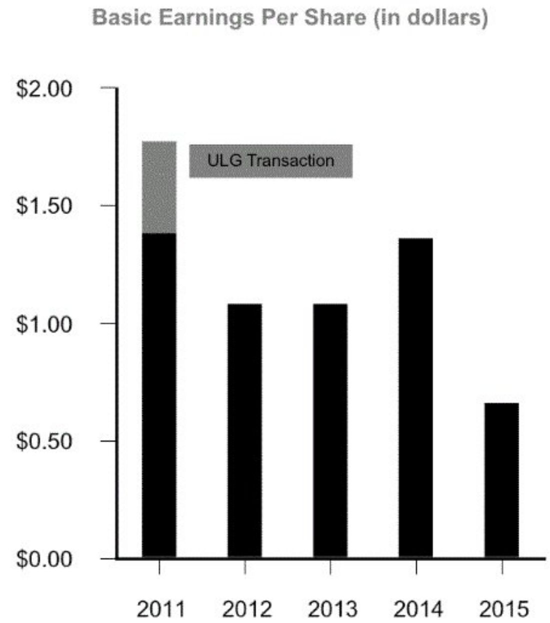
During the 2015 fourth quarter, the Company announced its intention to exit the real estate segment and divest its properties portfolio. The results of the real estate segment are now included as earnings from discontinued operations.

Net earnings and basic earnings per share from continuing operations for 2015 were $21,069 and $0.54, respectively, compared to $48,977 and $1.26, respectively, for the same period last year.

The increase in segment operating earnings net of income tax between 2013 and 2014 was due to improvements in operating earnings for the Domestic Dry- Bulk and Product Tankers segments which was partially offset by a reduction in the earnings of the Ocean Shipping segment.

The increase in total assets over the three years starting in 2013 and ending in 2015 was due primarily to an increase in cash balances generated during the years.





Summary of Quarterly Results

The results for the last eight quarters are as follows:

Year	Quarter	Revenue	Net earnings (loss)	Basic earnings (loss) per share
2015	Quarter 4	$ 119,171	$ 10,591	$ 0.27
	Quarter 3	$ 125,077	$ 14,842	$ 0.38
	Quarter 2	$ 125,336	$ 23,330	$ 0.60
	Quarter 1	$ 43,909	$ (22,992)	$ (0.59)
2014	Quarter 4	$ 141,647	$ 35,318	$ 0.91
	Quarter 3	$ 156,010	$ 24,367	$ 0.63
	Quarter 2	$ 131,087	$ 14,946	$ 0.38
	Quarter 1	$ 44,702	$ (21,866)	$ (0.56)

Impact of Seasonality on the Business

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

Business Segment Discussion

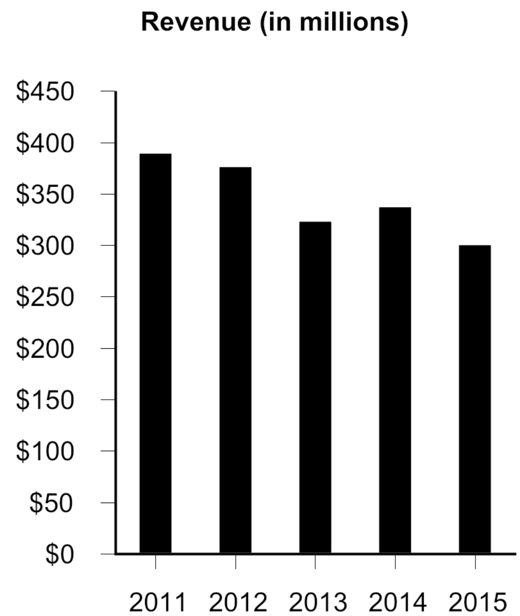
Domestic Dry-Bulk

Business Segment and Markets

The Domestic Dry-Bulk segment includes the activities of the Company's Canadian flag dry-bulk vessels, ship management, and ship repair and steel fabrication businesses.

The Company's Canadian flag dry-bulk fleet is the largest and most diversified dry-bulk cargo fleet operating on the Great Lakes. The size of the fleet, together with its variety of vessel configurations, allows the Company to accommodate almost every dry-bulk shipping requirement. The Company's fleet complies with and is certified under the ISO: 9001 Quality Management standard, the International Safety Management Code (ISM), the ISO 14001 Environmental Management standard, and OHSAS 18001, the internationally recognized standard for occupational health and safety management systems. All of the Company's vessels have approved security plans that fully comply with Canadian and U.S. regulations and the International Ship and Port Security Code. The Company is a member of Green Marine, an industry-led environmental initiative.

During 2015, the Company operated 18 self-unloading bulk carriers and seven gearless bulk carriers in its Canadian flag dry-bulk fleet, including the *CWB Marquis*, the third Equinox Class vessel to join the fleet. The *CWB Marquis* is owned by G3 Canada Limited (formerly the Canadian Wheat Board) and managed commercially and technically by Algoma. The G3 vessel is a gearless bulker that, along with six gearless bulkers owned by Algoma, form the Algoma Bulker Pool. Traditional gearless bulk carriers require shore-side facilities to discharge cargo and are primarily deployed in the movement of grain and iron ore.

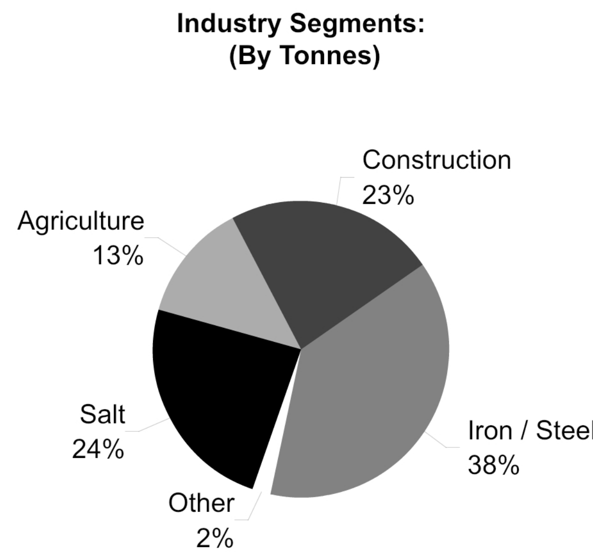


Self-unloading bulk carriers discharge their cargo using onboard equipment. Cargo flows from the cargo hold through gates to conveyors located below the cargo hold. The cargo is carried through the ship, and then elevated to an unloading boom at deck level. Unloading booms are 75-80 metres long and can be moved up to 90 degrees from each side of the vessel. Self-unloaders either discharge cargo to stockpiles or directly into receiving storage facilities. Due to the flexibility of self-unloaders, the demand for this type of vessel is high.

The Company serves a wide variety of major industrial segments, including iron and steel producers, aggregate producers, cement and building material producers, electric utilities, salt producers and agriculture product producers. Our customer base includes leading organizations in each market sector and service relationships are typically long-term in nature.

Total cargo volumes for fiscal 2015 were essentially unchanged from volumes for fiscal 2014; however, vessel revenue days for the commercial fleet were 2.4% lower. The decreased vessel days resulted from a change in the mix of trades that led to a combination of increased cargo sizes and reduced number of cargoes required to move the volumes. Volumes were lower in both iron and steel and agricultural markets and higher in construction materials and salt. Cargo size, trip times, and freight rates are typically lower for construction materials and salt than they are for agricultural products and iron ore.

The largest decrease in 2015 activity occurred within the iron and steel segment where total shipments were affected by a maintenance shut-down by our primary customer. Overall volumes in the market for iron and steel companies have been negatively impacted by the financial difficulty currently being experienced by two of the large Canadian steel manufacturers. Competition from cheap foreign steel has been raised as an issue by the domestic industry. Although our primary customer is focused on high value-added products and has not been as affected by these same issues, the overall level of iron ore and metallurgical coal moving through the system has been reduced. The total volume moved for our iron and steel customers decreased 9.0% compared to 2014, while revenues were lower by 9.5%.



After two very strong years in 2013 and 2014, grain volumes slowed slightly in 2015, with total volumes carried down 3.2%. Backlogs in east coast elevators and slower than expected exports from those locations reduced the total amount of grain shipped from the western end of the Great Lakes to the St. Lawrence Gulf. Given the length of these voyages, the drop in grain volumes contributed significantly to the decreased revenue days, with a drop of 13.9% compared to 2014 activity.

Shipments of aggregates and construction materials increased by 12.1% in 2015 compared to the prior year, driving a 17.6% improvement in revenue days for this segment. Increased construction activity and a lower Canadian dollar continued to help improve deliveries from Canadian aggregate quarries. Similarly, salt volumes increased again in 2015 as salt producers and municipalities worked to rebuild inventories depleted by the second cold and snowy winter in a row. Salt volumes grew 10.6% and revenue days increased 18.1%.

The domestic marine transportation industry is facing a significant challenge from over capacity. A number of companies, including Algoma, have been forced to lay ships up due to lack of business, particularly in the summer period. Although summer is typically a slower season for the industry, the increased amount of idle capacity combined with the expectations for reduced demand over the next one to two years, increases the likelihood that idle capacity will go up. Responding to this, Algoma has taken the unprecedented step of retiring five dry-bulk vessels at the completion of their 2016 winter season work. The vessels being demised include the *Algomarine,* the *Peter R. Cresswell*, the *Algoma Navigator*, and the *Algosoo*. The *Algosteel* will be maintained in cold lay-up as a spare vessel in the event that customer demand unexpectedly increases but steps are being taken to direct the remaining ships to scrapping.

The choice of vessels for retirement is based on their age, the expected cost of dry-docking of two of the vessels, and the high daily operating costs of the other three. Although three of these vessels had reached the end of their accounting life by the end of 2015, the remaining two are being retired early and as a result, we have recorded accelerated depreciation totalling $3.3 million in the fourth quarter.

Equinox Project

The Company entered into contracts in 2010 with Nantong Mingde Heavy Industry Co., Ltd. (“Mingde” or the “Yard”) in China to construct a total of six Equinox Class dry-bulk vessels, continuing the fleet renewal initiative that began with the arrival of the *Radcliffe R Latimer* in 2009 and the *Algoma Mariner* in 2011.

By June 2014, Algoma had taken delivery of two bulkers, the *Algoma Equinox* and the *Algoma Harvester.* The remaining four vessels, all self unloaders, were expected to be delivered in 2015 and 2016.

As reported last year, on December 26, 2014, Mingde entered a court supervised restructuring process. This process was initiated by Sainty Marine Co. Ltd. which is both the largest creditor of the Yard and also the seller of record under one of the shipbuilding contracts held by Algoma. All monies paid by the Company against these shipbuilding contracts are supported by Refund Guarantees.

During the first half of 2015, the Yard made little progress on the construction of any of the remaining Algoma vessels and in June, senior management of Algoma visited the Yard to meet with Yard officials, the restructuring Administrator, one of the Refund Guarantee banks, and other parties to assess the situation and determine whether continuing to work with the Yard to complete the vessels would lead to delivery of the ships. Following these meetings, and based on a determination that there was no likelihood the Yard could devise a plan to emerge from creditor protection, the Company advised the Yard it no longer intended to take delivery of the four vessels, formally cancelled the remaining contracts, and re-commenced the arbitration processes that had been stayed.

As a result of cancelling these contracts, the Company has recognized a net gain of $9,972, comprising a foreign exchange gain on cash balances previously designated as a hedge of U.S. dollar purchase commitments and netted against a write-off of certain soft costs incurred on the construction project.

Cancellation of the Mingde contracts on their terms entitles the Company to demand repayment of construction instalments paid to date, along with accrued interest. The Company has been enforcing its rights with respect to these recoveries and these amounts are supported by bank Refund Guarantees. Although the Yard had previously exercised its right to request arbitration on this claim, during the second half of 2015 the Yard announced to the arbitration panel that it would drop its objection.

On February 16, 2016, the London arbitration panel found in favour of Algoma on three of the four matters before it. The arbitration on the fourth matter is on-going as the co-seller on that contract continues to exercise its right to object. The basis of our claim in all four cancellations is the same.

Algoma has commenced formal demand proceedings to collect the money owed it by the Yard and the Refund Guarantee banks. As at the date of this report, the fair value of the three contracts including interest on which payment is being sought totals $73,689 compared to a carrying value of $54,467. The net gain arising from this is expected to be recognized in the first quarter of 2016. Algoma will continue to pursue collection of the refund of the remaining instalments and we are hopeful the matter can be resolved in 2016 given the similarity of the claims.

While delayed, the overall fleet renewal program, of which these Equinox Class ships were a part, remains a priority for the Company. Algoma now has contracts in place for the construction of two new Equinox Class 650’ self-unloaders and five Equinox Class 740’ self-unloaders. Management expects the two 650’ Equinox self-unloaders to be delivered in 2017 and is targeting 2018 for delivery of the five 740’ Equinox self-unloaders.

Domestic Dry-Bulk Financial Review

	2015	2014	Favourable (Unfavourable)
Revenue	**$ 299,553**	$ 337,244	$ (37,691)
Operating expenses	**(256,020)**	(268,950)	12,930
General and administrative	**(19,027)**	(17,223)	(1,804)
	24,506	51,071	(26,565)
Depreciation	**(29,240)**	(25,067)	(4,173)
Impairment	**(937)**	(4,000)	3,063
Gain on cancellation of shipbuilding contracts	**13,567**	—	13,567
Income taxes	**(2,093)**	(5,832)	3,739
Net earnings	**$ 5,803**	$ 16,172	$ (10,369)
Operating ratio	**101.6%**	91.6%	
Additions to property, plant and equipment	**$ 111,194**	$ 24,750	
Total assets	**$ 466,582**	$ 410,856	

The Company operated all available vessels in 2015 and total tonnage carried for 2015 was approximately the same as 2014. Volumes increases in the construction and salt sectors were offset with drop in volumes in the agricultural and iron and steel sectors. Revenues for 2015 decreased by $37,691 or 11.2% when compared to 2014 due largely to reduced shipments of agricultural and iron and steel products, lower revenue from the fuel component of our freight rates as a result of lower fuel prices, and a reduction in net freight rates in some markets. These decreases were partially offset by higher volumes in the salt and construction products sectors.

Operating expenses for 2015 were lower than 2014 by $12,930 or 4.8% driven by the decrease in operating days and lower fuel costs. These decreases were partially offset by higher overall spending on maintenance, the majority of which is incurred in the first quarter each year and the profit-sharing on the Algoma Bulker Pool, which is new this year.

Depreciation expense for 2015 is higher than 2014. Depreciation increased due to the end of service lives of certain vessels and a full year of depreciation expense for the *Algoma Harvester*, which joined the fleet in July 2014.

Impairments of $937 and $4,000 were recognized in 2015 and 2014, respectively, on certain major vessel parts and spares that the Company deemed to be surplus. We have determined that use of these components on the Company's vessels is no longer economically feasible.

Segment earnings for 2015 of $5,803 were $10,369 less than 2014 period reported earnings of $16,172 as a result of the items noted above.

Additions to property plant, and equipment in both years include payments related to the Equinox Class vessels, the purchase of the *Algoma Integrity*, life extensions on certain vessels and capitalized dry-dockings costs on certain other vessels.

Outlook

The economic outlook for Canada for 2016 predicts a general softness as commodities continue to be under pressure in world markets. As noted earlier, we have taken steps to reduce costs by retiring older ships, but we expect that competition for business will remain fierce. Focusing on meeting the needs of our customers will remain an Algoma priority. We expect overall volumes to be lower; however we are working to offset the impact of this by reducing daily operating costs. Looking past 2016, with the arrival of new and more efficient vessels expected in 2017 and 2018, we are confident that the decrease in operating returns experienced this year will be reversed.

Product Tankers

Business Segment and Markets

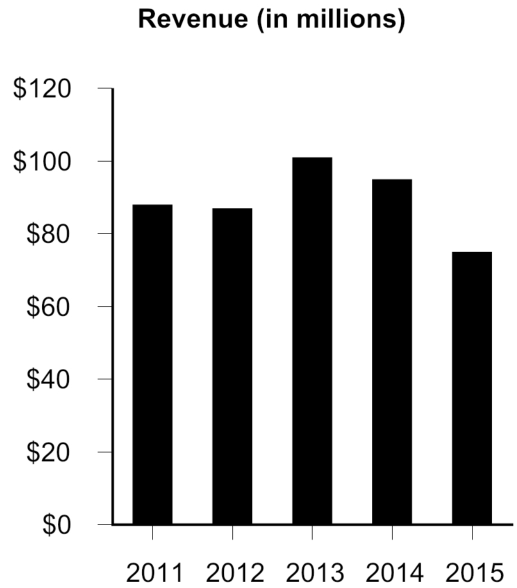
The Canadian flag product tanker fleet provides safe and reliable transportation of liquid petroleum products throughout the Great Lakes, St. Lawrence Seaway and Atlantic Canada regions. Customers include major oil refiners, leading wholesale distributors and large consumers of petroleum products who demand the highest levels of quality and service. Our goal is to achieve "Flawless Execution" in delivering oil products to our customers. To help achieve this goal, our tanker fleet operates under an ISO 14001 compliant environmental management system, ISM Code and an ISO 9001 quality management systems and OHSAS 18001 health and safety management system. As noted for the domestic dry-bulk segment, the Company is a member of Green Marine, an industry-led environmental initiative.

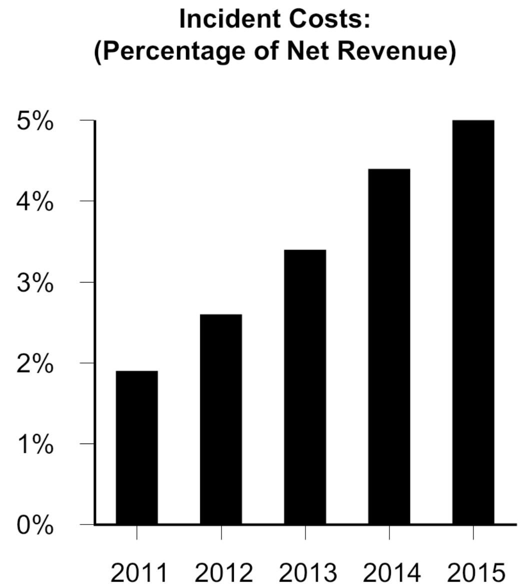
During 2015, the Company's product tanker segment served both domestic and international markets. This segment consisted of seven double-hull product tankers employed in domestic Canadian flag service. At the end of 2015, one of our domestic tankers was temporarily re-flagged to service international markets for the winter. This tanker would otherwise have been laid up until spring. In addition, the *Algosar* reached the end of its useful life in 2015 and was retired from service at the end of the season.

All commercial and operations management functions are carried out by Algoma's own team of professionals located in St. Catharines, Ontario. This group is focused on Operations Excellence, which comprises customer service, continual improved quality and safety performance and environmental responsibilities.

The closure of Imperial Oil's Dartmouth Refinery in Halifax in September 2013 and its conversion to an oil terminal resulted in a major change in the deployment of the Company's domestic product tankers in 2014 and 2015. As a result of the refinery closure, the sourcing of petroleum products by the Company's major shipper for their eastern terminals shifted to other sources of supply, including other Canadian and international sources. Late in 2015 we were advised by this customer that all future product for this market will be supplied by other manufacturers who provide delivery service. This has resulted in an estimated reduction in customer demand totalling approximately 1.2 vessels. We are taking steps to find alternative business for this vessel, including making it available to service international markets.

Vessel operating days decreased by 11% in 2015 compared to 2014 levels. This was partially as a result of these shifting trade patterns and also due to a mechanical failure that resulted in one ship being out of service for over 150 days. This mechanical failure was a major disappointment, following as it did on the heels of a vessel fire on the same ship in 2014. The cost of this equipment failure caused incident costs to increase to 7.6% of net freight revenue. Incident costs are a key measure of quality performance and we are committed to take all necessary steps to eliminate the costly impact on our business unit results from incidents of all types. Management considers all incidents to be very serious and thoroughly reviews all incidents and modifies onboard operating and management procedures and shore management procedures as indicated.





Product Tankers Financial Review

	2015	2014	Favourable (Unfavourable)
Revenue	**$ 75,335**	$ 95,152	$ (19,817)
Operating expenses	**(46,519)**	(62,896)	16,377
General and administrative	**(4,062)**	(3,605)	(457)
	24,754	28,651	(3,897)
Depreciation	**(10,161)**	(9,484)	(677)
Impairment	**—**	10,302	(10,302)
Income taxes	**(4,408)**	(5,013)	605
Net earnings	**$ 10,185**	$ 24,456	$ (14,271)
Operating ratio	**80.6%**	79.9%	
Additions to property, plant and equipment	**$ 459**	$ 582	
Total assets	**$ 135,975**	$ 151,596	

Revenue for the Product Tankers segment for 2015 decreased by $19,817 or 20.8% when compared to 2014. Revenues were lower in 2015 due to the reduced customer shipments and lower fuel prices, partially offset by higher rates. Customer demand fell in 2015 due primarily to the closure of a refinery on the East Coast. In addition, a change in trade patterns later in the year resulted in fewer revenue days.

Operating costs for the 2015 were $16,377 or 26.0% lower due primarily to reduced operating days, lower fuel costs and a reduction in in-chartered capacity.

The impairment reversal in 2014 related to the *Algoma Hansa* which previously operated as an ocean tanker. As a result of the severe impact of the 2009/2010 recession on ocean tanker trades and vessel values, impairment provisions totalling U.S. $13.5 million were recorded in 2009 and 2010 to reduce the vessel's carrying value to its estimated net realizable value. In 2014, it was determined that the *Algoma Hansa* could be used to service the domestic tanker business after modifications were made to the ship to make her better suited for this use. Given the decision to have the *Algoma Hansa* stay in Canadian service indefinitely, evidence of sustained improved cash flows from the asset necessitated a reversal of the impairment provisions in 2014 in the amount of $10,302.

Segment operating earnings net of income tax excluding the impairment reversal for the Product Tankers segment decreased from $14,154 in 2014 to $10,185 in 2015.

Additions to property, plant and equipment consisted of capitalized dry-docking costs and totalled $459 in 2015 compared to $582 in 2014.

Outlook

The Company plans to operate five product tankers domestically in 2016 and to have a sixth tanker that operates one half of the year domestically and one half of the year in international markets.

While still accounting for the majority of our revenue days, an expected reduction in demand resulting from our primary customer's new east coast sourcing strategy will free up ship capacity to service other markets. We are focused on growing our book of business with new customers both domestically and in international markets. We expect utilization to be down in 2016 as we work to build this new business.

Ocean Dry-Bulk Shipping

Business Segment and Markets

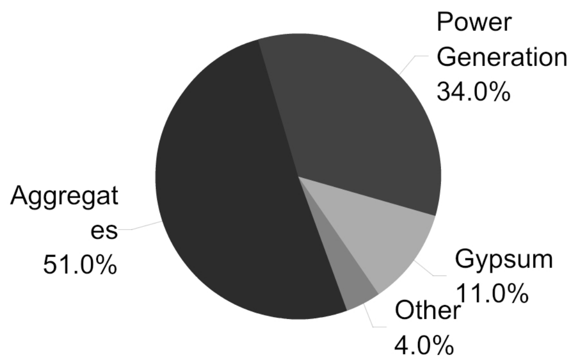
At year -end, the Company's interests in Ocean Shipping consist of two wholly owned ocean going self unloaders and joint interests in two other ocean going self-unloading vessels.. Three of these four self-unloaders are part of the world's largest pool of ocean going self-unloaders (the Pool), which at the end of 2015 totalled 26 vessels. In 2015, the charter party for the oldest of the Company's ocean-going self-unloading fleet bought out the balance of its charter commitment and returned the vessel. As the prospects for returning this vessel to service in the Pool were limited, the Company and its partner in the vessel determined that the vessel should be retired and sold for demolition. This transaction was completed during the second quarter.

The major commodities carried by ocean going self-unloaders include coal for power generation, crushed aggregates for construction, gypsum for wallboard manufacturing, iron ore for the steel industry and salt for winter road safety. Markets are centered in North and South America; however, activities can be worldwide. Service is provided typically under long-term contracts with leading companies in each sector. As a result, this ocean going sector is considerably less volatile than the general international shipping market.

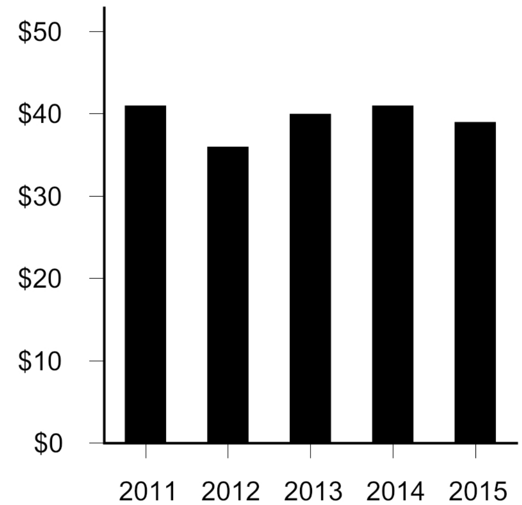
While the economic recovery has remained soft in 2015, overall tonnage shipped increased 13%, particularly reflecting strength in construction materials and iron ore. Time chartering of pool vessels decreased n 2015, with several ships returning to the Pool. Time-chartered ships are generally involved in trans-shipment projects, transferring various bulk commodities between shore facilities and large ocean-going vessels using their specialized self-unloading equipment. The tonnage carried by these vessels is not considered to be Pool volume and therefore is not reflected in the volume figures below. Despite the increase in volumes shipped, Pool revenues overall decreased 5.9% due to the decrease in time charters.

Construction product transportation, consisting primarily of crushed stone, limestone and granite products, is the largest market segment served by the Pool. Tonnages shipped increased by 22% over 2014. Coal transportation for power generation, the second largest sector served by the Pool, increased 5% in 2015. The third largest market segment served by the Pool is gypsum, which reversed the trend of last year, increasing 20% over 2014 levels. A 22% increase in iron ore shipments offset minor volume changes in other lesser commodity segments.

Industry Segments: By Tonnes



Revenue (in millions)



Vessel technical management for our Ocean ships is outsourced to international ship management companies. Technical experts employed by the Company and its partner maintain oversight responsibilities for the ocean shipping fleet. The Company and its ship managers continue to focus on productivity, operational excellence, safety, security and environmental protection.

Ocean Shipping Financial Review

	2015	2014	Favourable (Unfavourable)
Revenue	**$ 38,605**	$ 41,050	$ (2,445)
Operating expenses	**(24,683)**	(25,769)	1,086
General and administrative	**(3,224)**	(2,974)	(250)
	10,698	12,307	(1,609)
Depreciation	**(5,506)**	(4,704)	(802)
Income taxes	**(261)**	(171)	(90)
Earnings from joint venture	**5,875**	6,216	(341)
Net earnings	**$ 10,806**	$ 13,648	$ (2,842)
Operating ratio	**86.7%**	81.5%	
Additions to property, plant and equipment	**$ 4,204**	$ —	
Total assets	**$ 77,154**	$ 65,446	

The Company's share of Pool revenues for 2015 decreased by $2,445 or 6.0% when compared to 2014. The Company's vessel the *Bahama Spirit* underwent a regulatory dry-docking in the 2015 first quarter, resulting in fewer revenue days. Partially offsetting these decreases were improvements in revenue resulting from a weaker Canadian dollar.

Operating costs were down in 2015 by $1,086 or 4.2% compared to the prior year. The decrease in operating expenses was due largely to lower fuel costs, reduced outside charters by the Pool, and operating costs associated with the *Bahama Spirit* dry-docking in 2015, which are capitalized under IFRS. Partially offsetting these decreases in expenses are increases due to the cost of regular maintenance completed during the dry-docking, losses related to fuel derivative contracts and the weakening Canadian dollar.

Depreciation expense was up by $802 for 2015 compared to 2014. The increase was primarily a result of a weaker Canadian dollar.

The share of Pool revenue earned by our joint venture vessels decreased due to the sale of a vessel in April 2015. As a result, the joint venture generated slightly lower net earnings in 2015 when compared to the prior year.

Outlook

We are cautious in our outlook for 2016. While the US economy has shown continued strength, many of our customers are providing more modest outlooks. In addition, as a result of he cancellation of offshore time charters caused by weakness in markets in Europe, Africa, and Asia, the Pool currently has more vessel supply than customer forecasts indicate is required. For the Pool, this excess capacity will lead to reduced returns on a per-vessel basis. Offsetting this, with the purchase of the Klaveness vessels Algoma's interest in the Pool doubles to 26%.

Real Estate

In November 2015, the Company announced its decision to sell its real estate properties comprising commercial, retail and other buildings located in Sault Ste. Marie, St. Catharines and Waterloo, Ontario. The decision to sell the investment properties is a result of a review of the strategic objectives of the Company and a decision to focus the Company's capital on domestic and international shipping opportunities. Marketing of the properties has begun.

Properties held for sale are classified as assets held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" . The results of discontinued operations, net of tax, are presented separately from the results of continuing operations in the consolidated statements of earnings. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the consolidated statements of cash flows. All comparative periods are restated in the period that a component is classified as a discontinued operation.

Markets

In Sault Ste. Marie, the Company owns and manages Station Mall, the largest mall in the region, Station '49, a residential apartment building, and the Station Tower and 289 Bay Street office buildings. The Company also owns, but does not manage, the Delta Marriott Sault Ste. Marie Waterfront Hotel and Conference Centre. Approximately 63% of Company's holdings are located in Sault Ste. Marie.

With several small leases being signed and a large number of tenants renewing their leases, the occupancy of our regional shopping centre remained unchanged in 2015, even though the Canadian retail environment continues to be challenged. Average store sales improved throughout the year by over 5%.

The Delta Hotel had a significant increase in operating results over the previous year, with overall room occupancy increasing this year from 52% to over 55%, while average room rates remained unchanged at $120. During the year Marriott International purchased the Delta Hotel chain.

The financial performance of all other properties in Sault Ste. Marie remained unchanged from last year.

In St. Catharines, the Company owns and manages three office buildings - 63 Church Street, 20 Corporate Park Drive, and 25 Corporate Park Drive - as well as two commercial plazas, Ridley Square and Huntington Square, and a light industrial plaza known as Martindale Business Centre. In addition, the Company manages an office building in St. Catharines jointly owned with the lead tenant, Meridian Credit Union.

Our St. Catharines properties' performance remained consistent with occupancy remaining unchanged from last year's results. The local Niagara economy continues to be challenging, nonetheless several mid-sized leases were signed during the year with long term tenants such as BDC and Unifor in our Corporate Park properties.

In Waterloo, the Company owns and manages three office buildings, known collectively as the Waterloo Technology Campus. The properties remain 100% leased with no leases scheduled to expire in the coming year.

Real Estate Financial Review

	2015	2014	Favourable (Unfavourable)
Revenue	**$ 33,709**	$ 31,749	$ 1,960
Operating expenses	**(19,533)**	(18,931)	(602)
General and administrative	**(2,212)**	(2,170)	(42)
	11,964	10,648	1,316
Depreciation	**(5,544)**	(5,441)	(103)
Income taxes	**(1,718)**	(1,419)	(299)
Net earnings	**$ 4,702**	$ 3,788	$ 914
Average occupancy	**92.7%**	88.6%	
Additions to properties	**$ 5,844**	$ 12,540	
Total assets	**$ 82,665**	$ 84,429	

Revenue in the Real Estate segment increased by 6.2% or $1,960 in 2015. The increase was due primarily to increased occupancy in several of our buildings and the resulting increase in the recoverable share of common area costs.

Operating expenses were up in 2015 by $602 or 3.2% reflecting general inflation and the impact of the harsh winter conditions in early 2015 that resulted in significantly higher utility and snow removal costs.

Depreciation expense ceased as of November 1, 2015 as a result of the properties being classified as assets held for sale.

Outlook

Year-over-year results of the real estate portfolio improved as a result of leases signed in previous years, which should continue to impact future years..

Additionally, the Canadian dollar is expected to remain low throughout 2016, which should be a positive factor for the Station Mall tenants, from whom we receive percentage rents , and for the Delta Marriott Hotel with more leisure travel stays in Canada.

The outlook for operating income for the portfolio is positive as we expect continued improvements in occupancy levels.

Consolidated

	2015	2014	Increase (Decrease)
Revenue	**$ 413,493**	$ 473,446	$ (59,953)
Operating expenses	**(327,222)**	(357,615)	30,393
General and administrative	**(26,313)**	(23,831)	(2,482)
	59,958	92,000	(32,042)
Depreciation	**(44,907)**	(39,255)	(5,652)
Net gain on cancellation of shipbuilding contracts	**13,567**	—	—
Impairment (expense) reversal	**(937)**	6,302	(7,239)
Interest expense	**(13,280)**	(10,139)	(3,141)
Interest income	**1,270**	320	950
Net gain on foreign currency translation	**3,789**	885	2,904
Income tax expense	**(4,266)**	(7,351)	3,085
Earnings of joint venture	**5,875**	6,215	(340)
Net earnings from continuing operations	**$ 21,069**	$ 48,977	$ (27,908)

General and Administrative Expenses

General and administrative expenses in 2015 were $2,482 higher than the amount for 2014. Included in 2015 expenses are certain costs related to senior management transition, as well as higher compensation and professional fees related primarily to business development activities.

General and administrative costs, including all costs associated with the Corporate office are fully allocated to the business units discussed above.

Net Gain on Cancellation of Shipbuilding contracts

As previously described in this report, as a result of the cancellation of the Nantong Mingde shipbuilding contracts, the Company recognized an after -tax gain of $9,972 as a result of the bankruptcy and the related contract cancellation. The gain consisted of a foreign exchange gain on cash balances previously designated as a hedge of U.S. dollar purchase commitments, net of a write-off of certain soft costs incurred on the construction project.

Net Impairment (Expense) Reversal

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, or if an impairment loss previously recognized requires reversal. For the year ended December 31, 2015 an impairment of $937 on spare parts inventory was recognized. For the year ended December 31, 2014, a net impairment reversal of $6,302 was recognized consisting of the two items previously discussed in the business segment disclosures.

Interest Expense

Interest expense consists of the following:

	2015	2014	Increase (Decrease)
Interest expense on borrowings	**$ 14,960**	$ 14,174	$ 786
Interest on employee future benefits, net	**1,049**	1,862	(813)
Amortization of financing costs	**951**	608	343
Interest capitalized	**(3,680)**	(6,505)	2,825
	$ 13,280	$ 10,139	$ 3,141

Net interest expense increased by $3,141 due to a number of factors.

Total interest on borrowings increased due to the conversion of the U.S. dollar interest to Canadian dollars due to the weakening of the Canadian dollar.

The interest capitalized on vessels under construction relates to interest incurred on payments made to various shipyards for the construction of Equinox vessels. The lower interest capitalized in 2015 relates to the cessation of capitalizing interest in the 2015 second quarter on payments made to the Nantong Mingde Shipyard with the cancellation of these shipbuilding contracts.

In 2014, the Company prepaid certain non-revolving debt facilities and accordingly accelerated the amortization of deferred financing costs associated with those facilities. This resulted in an increase of $448 in amortization of deferred financing costs incurred in 2014 which was almost entirely offset by lower interest on borrowings.

Lower interest on employee future benefits in 2015 resulted from a reduction in the discount rate used to calculate the net interest expense on employee future benefit plans.

Net Gain on Foreign Currency Translation

The net gain on translation of foreign denominated assets and liabilities consists of the following:

	2015	2014	Increase (Decrease)
Gain on U.S cash	**$ 20,623**	$ 9,643	$ 10,980
Portion of the gain on U.S cash recorded in:			
Net gain on cancellation of shipbuilding contracts	**(8,689)**	—	(8,689)
Other comprehensive earnings	**(9,720)**	(9,603)	(117)
Realized gain on return of capital from foreign subsidiary	**1,575**	590	985
Gain on mark-to-market for derivatives that are not eligible for hedge accounting	**—**	340	(340)
Other	**—**	(85)	85
	$ 3,789	$ 885	$ 2,904

The Company designated its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments relating to the Equinox Class project with the Nantong Mingde Shipyard. In June 2015, the cash hedge against the U.S. dollar purchase commitments became ineffective as a result of the cancellation of the shipbuilding contracts. Gains and losses on the translation of the U.S. dollar cash from the date on which the respective hedges were designated to the date on which the hedge ceased to be so designated, were initially recorded in other comprehensive earnings.

As of July 1, 2015, the Company re-designated its U.S. dollar cash balances as a hedge against its U.S. dollar purchase commitments for two new Equinox Class 650’ self unloaders with a Croatian shipyard. Gains and losses on the translation of the U.S. dollar cash from the date on which these respective hedges were designated to the end of the financial reporting period are being recorded in other comprehensive earnings.

The realized gain on capital returned from a foreign investee in 2015 and 2014 reflects gains on U.S. dollar cash returned from the Company’s non-controlled foreign investee.

The mark-to-market gain on derivatives is a result of the fluctuation in the periods of the fair value of certain currency contracts. The contracts are marked to market each quarter and the gain or loss is dictated by the change in the value of the Canadian dollar compared to U.S. dollar. As of December 31, 2015 the Company had a Euro denominated foreign exchange forward contract outstanding with a notional principal and fair value of $7,147 (2014 - nil). The contract matures on December 1, 2017.

Income Tax Provision

The income tax provision on earnings from continuing operations decreased to $4,266 for 2015 compared to $7,351 in 2014. Below is a reconciliation of the provision for the two years.

	2015	2014
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%
Earnings before income tax from continuing operations	**$ 19,460**	$ 50,113
Expected income tax expense	**$ 5,157**	$ 13,280
Increase (decrease) resulting from:		
Effect of items that are not deductible (taxable)	**28**	(661)
Foreign tax rates different from statutory rate	**(1,624)**	(5,492)
Adjustment of prior years taxes on filing	**637**	357
Other	**68**	(133)
	$ 4,266	$ 7,351

Earnings from the Company’s foreign subsidiaries are taxed in jurisdictions which have nil income tax rates. The 2015 pre-tax earnings of the foreign subsidiaries decreased significantly when compared to 2014 primarily as a result of the reversal of an impairment loss in the prior year which is not tax impacted.

The Canadian statutory rate for the Company for 2015 and 2014 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.

Comprehensive Earnings

Comprehensive earnings for 2015 were $20,191 compared to $55,910 for 2014. The decrease of $35,719 was due to lower net earnings from operations partially offset with foreign exchange gains on hedges and the translation of financial statements of foreign operations and an increase in gains incurred on employee future benefit plans in 2015 compared to losses realized in the prior year.

The Company has a net investment in foreign subsidiaries of approximately U.S. $125 million. The Company recognized unrealized gains on the translation of the financial statement of foreign subsidiaries of $8,079 in 2015 and $10,145 in 2014 due to the Canadian dollar weakening when compared to the U.S. dollar.

The Company has hedged a portion of its future commitments on shipbuilding contracts with U.S cash. The cumulative exchange differences on translation of cash held in foreign currency for 2015 were $2,574 compared to a loss of $28 for 2014. Exchange differences accumulated in the hedge reserve will be reclassified to property, plant, and equipment when the payments to the supplier are made or to earnings if a hedge is deemed to be ineffective.

Employee future benefits for 2015 experienced an actuarial gain, net of income tax, of $824 compared to a net actuarial loss of $6,153 for 2014. The net loss in 2014 includes an actuarial loss of $14,979 related to the discount rate changing from 4.7% to 3.9%. This loss was partially offset by investment returns on pension fund assets of $4,028 and an adjustment of $1,558 on implementing the new Canadian mortality table. The discount rate, which is based on long-term interest rates, is used to value the liabilities of the post-employment plans. The discount rate at December 31, 2015 and 2014 was 3.9%.

Financial Condition, Liquidity and Capital Resources

Statement of Cash Flows

	2015	2014	Increase (Decrease)
Net earnings from continuing operations	**$ 21,069**	$ 48,977	$ (27,908)
Net cash generated from operating activities	**$ 57,751**	$ 97,647	$ (39,896)
Net cash used in investing activities	**$ 109,613**	$ 23,312	$ 86,301
Net cash used in financing activities	**$ 24,016**	$ 38,569	$ (14,553)

Net Cash Generated from Operating Activities

Net cash generated from operating activities in 2015 decreased by $27,908 when compared to 2014.

The reduced net cash from operating activities in 2015 resulted from lower operating income and additional net cash required for corporate income tax instalments compared to 2014 when the Company received a tax refund related to a settled tax dispute. These decreases were partially offset with favourable changes in cash provided from working capital.

Net Cash Used in Investing Activities

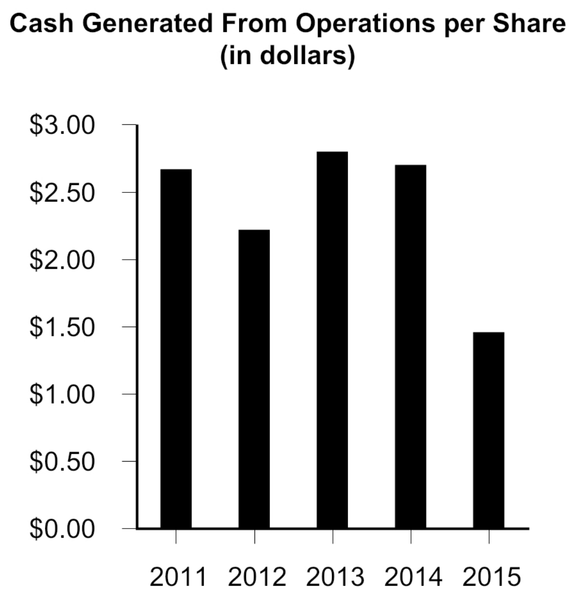
Net cash used in investing activities in 2015 was primarily for the purchase of a used self-unloading bulker, the *Algoma Integrity*, instalments on the two new 650’ and five new self unloaders and costs related to life extensions and capitalized dry-dockings costs on certain vessels.

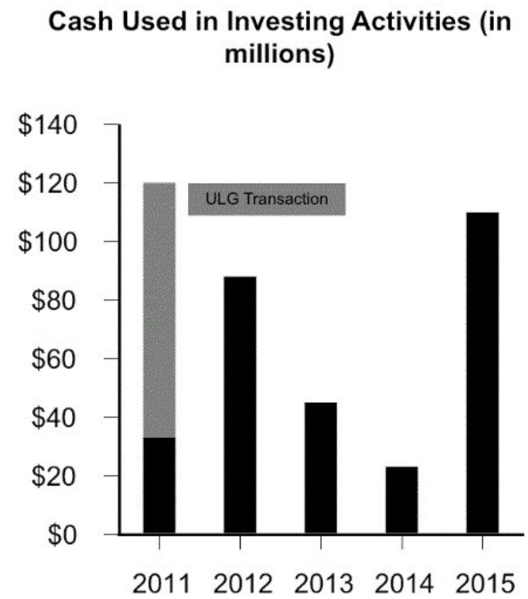
Net cash used in investing activities for 2014 include payments related to the Equinox Class vessels, life extensions and capitalized dry-dockings costs on certain other vessels.

Retired vessels were sold in each of 2015 and 2014 for net proceeds of $3,687 and $385, respectively.

Net Cash Used in Financing Activities

Included in the net cash used in financing activities in both periods are repayments of term debt, payment of interest on borrowings and the payment of dividends to shareholders. Dividends were paid to shareholders at $0.28 per common share in both 2015 and 2014.





Capital Resources

Cash and cash equivalents on hand at December 31, 2015 of $210,562, credit facilities and projected cash from operations for 2016 are expected to be more than sufficient to meet the Corporation's planned operating and capital requirements and other contractual obligations for the year.

The Corporation maintains credit facilities that are reviewed periodically to determine if sufficient capital is available to meet current and anticipated needs. The total authorized credit facilities at December 31, 2015 with the Corporation's bank syndicate consisted of a $150,000 revolving facility of which $147,975 was available at December 31, 2015.

Labour Update

The majority of our shipboard employees, along with hourly employees of Algoma Ship Repair and the Delta Hotel in Sault Ste. Marie are unionized. Details of the status of the various union agreements are provided below.

Navigation and Engineering Officers

Navigation and engineering officers are represented by six separate bargaining units of the Canadian Merchant Service Guild. Four of these agreements will expire on May 31, 2016 and the other two agreements will expire on July 31, 2016.

Unlicensed Employees

There are three unlicensed bargaining units of shipboard employees. The Seafarers' International Union (SIU) represents two unlicensed employee bargaining units and the Canadian Maritime Union, a unit of Unifor, represents one unlicensed employees bargaining unit.

The collective bargaining agreement with one bargaining unit of the SIU was renewed in 2015 and will expire on July 31, 2018. The second collective bargaining agreement with the SIU will expire on May 31, 2016.

The collective agreement with Unifor expired on March 31, 2015 and bargaining is underway to renew the collective agreement.

Algoma Ship Repair

The collective agreement between Algoma Ship Repair and its hourly paid workers, who are represented by the United Steelworkers, expired on May 31, 2015 and was renewed for a three year period. This agreement will now expire on May 31, 2018.

Algoma Central Properties

The Delta Sault Ste. Marie Waterfront Hotel & Conference Centre’s hourly paid workers are represented by the Retail, Wholesale and Department Store Union. The collective agreement with this group will expired on July 5, 2015 and was renewed for a three year term. This agreement will now expire on July 5, 2018.

Contingencies

For information on contingencies, please refer to Notes 23 and 24 of the consolidated financial statements for the years ending December 31, 2015 and 2014. There have been no significant changes in the items presented since December 31, 2014.

Transactions with Related Parties

The Corporation’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 related parties in 2015 and 2014.

Three-Month Results Ending December 31, 2015 and 2014

	2015	2014	Favourable (Unfavourable)
Revenues			
Domestic Dry-Bulk	**$ 92,081**	$ 106,567	$ (14,486)
Product Tankers	**16,426**	25,221	(8,795)
Ocean Shipping	**10,663**	9,858	805
	$ 119,170	$ 141,646	$ (22,476)

	2015	2014	Favourable (Unfavourable)
Operating earnings net of income tax			
Domestic Dry-Bulk	$ 6,531	$ 16,221	$ (9,690)
Product Tankers			
Operating earnings , net of income tax	788	4,916	
Impairment reversal on vessel	—	10,302	
	788	15,218	(14,430)
Ocean Shipping	2,273	3,321	(1,048)
	9,592	34,760	(25,168)
Not specifically identifiable to segments			
Net gain on translation of foreign-denominated monetary assets and liabilities	558	(28)	586
Interest expense, net	(3,765)	(2,568)	(1,197)
Interest income	324	273	51
Income tax recovery	2,264	1,785	479
Net earnings from continuing operations	$ 8,973	$ 34,222	$ (25,249)
Basic earnings per common share	$ 0.23	$ 0.88	$ (0.65)

The Company is reporting revenues for the 2015 fourth quarter of $119,170 compared to $141,646 for the fourth quarter of 2014 with decreases reported in all three business segments.

The segment earnings after income taxes were $9,592 for the 2015 fourth quarter compared to $34,760 for 2014. Included in the 2014 quarterly results was an impairment reversal in the Product Tanker segment of $10,302. Excluding this from the 2014 quarterly results, segment earnings for the 2014 quarter would have been $24,458.

All business segments experienced decreased earnings in 2015. The results of the Domestic Dry-Bulk segment decreased due to fewer operating days as a result of softer demand in the iron and steel sector, an increase in depreciation expense and higher maintenance costs. Product Tanker results were lower due to reduced customer demand and higher maintenance costs. Ocean Shipping results were lower due to reduced pool earnings.

The net earnings and basic earnings per share from continuing operations were $8,973 and $0.23, respectively, compared to $34,222 and $0.88, respectively, for the same period last year.

Critical Accounting Estimates

The Company's significant accounting policies are described in Note 4 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 16 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 16 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.

Property, Plant, and Equipment

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.

Change in Accounting Estimates

Employee Future Benefits

For 2015 the the Company decreased its assumed discount rate for purposes of calculating the net interest cost included in the net benefit cost incurred from 4.7% to 3.9%. The discount rate for valuing the accrued benefit obligations at both December 31, 2015 and 2014 was 3.9%.

The discount rate assumption is based on current long-term corporate bond rates which fluctuate due to market conditions. Increases in the assumed discount rate will result in a decrease in the accrued benefit obligation and decreases in the assumed discount rate will result in an increase in the accrued benefit obligation.

Depreciation

The accounting policy for vessels 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 occupancy. The remaining useful life and residual value of the vessels are reviewed at least annually and depreciation for remaining future periods is adjusted accordingly.

The review of the remaining useful life of the vessels is based on their age, the expected cost of dry-docking and the daily operating costs. As a result of the review in 2015 two vessels were retired early and the Company has recorded accelerated depreciation totalling $3.3 million in the fourth quarter.

New Accounting Standards Not Yet Applied

Joint Arrangements

The amendments to IFRS 11 *Joint Arrangements* (IFRS 11) provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3, *Business Combinations* (IFRS 3). The amendment is effective for annual periods beginning on or after January 1, 2016. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Revenue Recognition

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Corporation's ordinary activities.

Additional disclosure is required under the standard including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgements and estimates. The standard is effective for annual periods beginning on or after January 1, 2017. Early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning in the initial period of adoption and restatements to the comparative periods are not required. The Corporation is required to disclose the impact by financial line item as a result of the adoption of the new standard.

Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9"), which replaces IAS 39 Financial Instruments: Recognition and Measurement. This final version of IFRS 9 represents the completion of the IASB's project on financial instruments and it includes the requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This final version of IFRS 9 supercedes all prior versions of IFRS 9 and is mandatorily effective for annual periods beginning on or after January 1, 2018, with early application permitted.

The Corporation is currently evaluating the impact of these new pronouncements on its consolidated financial statements.

Internal Controls and Disclosure Controls over Financial Reporting

In accordance with the requirements of *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Corporation's management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), have evaluated the operating effectiveness of the Company's internal controls over financial reporting. Under the supervision of and with the participation of the CEO and the CFO, management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2015. Based on this assessment, the CEO and CFO have concluded that the Corporation's internal controls over financial reporting are operating effectively as of December 31, 2015. Management determined that there were no material weaknesses in the Company's internal controls over financial reporting as of December 31, 2015. There have been no changes in the Company's internal controls over financial reporting during the year ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect its internal controls over financial reporting.

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is reported to the CEO and CFO on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at the financial year ended December 31, 2015, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was carried out under the supervision of and with the participation of the CEO and CFO in accordance with *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings.* Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective as of December 31, 2015, to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

Derivative Financial Instruments

The Company has hedged part of its investments in foreign subsidiaries against its foreign denominated long-term debt. At December 31, 2015, the net investment in U.S. dollar foreign subsidiaries was $81,873 and the amount used as a hedge was $75,000 U.S. dollars.

The Company also utilizes U.S. cash as a hedge on purchase commitments to manage its foreign exchange risk associated with payments required under ship building contracts with foreign shipbuilders for vessels that will join our Canadian flag domestic dry-bulk fleet.

The Company also utilizes foreign exchange forward contracts to manage its foreign exchange risk associated with payments required under shipbuilding contracts with foreign shipbuilders.

As of December 31, 2015 the Company had a Euro denominated foreign exchange forward contract outstanding with a notional principal and fair value of $7,147 (2014 - nil). The contract matures on December 1, 2017.

Return on Capital Employed (ROCE)

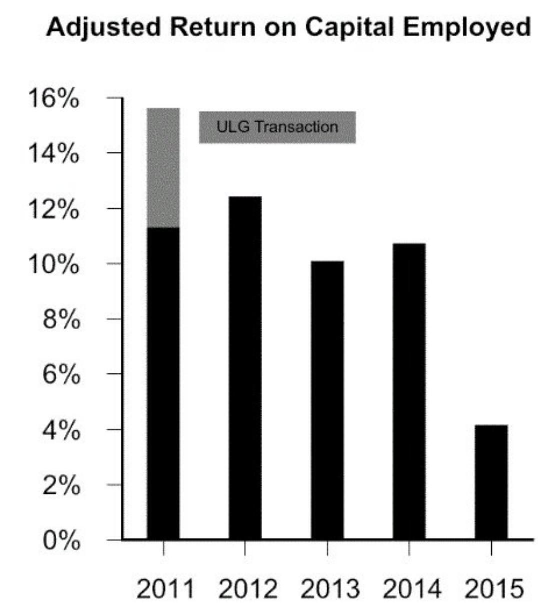
The Corporation's Board of Directors reviews the ROCE target on an annual basis.

The returns on capital employed over the last five years of the Corporation ranged from 2.9% to 8.2%.

The Corporation also uses Adjusted Return on Capital Employed (AROCE) to measure how effectively management utilizes the capital it has been provided and the value that has been created for shareholders and, in conjunction with other measures of operating performance, AROCE is one of the metrics for purposes of determining incentive compensation.

The AROCE for 2015 was 4.1% versus 10.7% for 2014 and it has averaged 9.7% over the five years ended December 31, 2015. The decrease in the AROCE for 2015 was due primarily to a decrease in the after tax operating earnings of the business segments.

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



Contractual Obligations

The table below provides aggregate information about the Corporation's contractual obligations at December 31, 2015 that affect the Corporation's liquidity and capital resource needs.

	Within one year	2-3 years	4-5 years	Over 5 years	Total
Long-term debt including equity component	$ 1,448	$ 68,975	$ —	$ 178,800	$ 249,223
Capital asset commitments	194,951	242,895	—	—	437,846
Dividends payable	527	—	—	—	527
Interest payments on long-term debt	13,583	24,061	18,888	6,697	63,229
Employee future benefit payments	1,150	2,300	1,150	—	4,600
	$ 211,659	$ 338,231	$ 20,038	$ 185,497	$ 755,425

The capital asset commitments relate to the contracts in place for the construction of two new Equinox Class 650' self-unloaders, five Equinox Class 740' self-unloaders, the acquisition of two ocean going panamax size self-unloaders and a 50% interest in a handymax size ocean going self unloader. The two 650' Equinox self-unloaders are expected to be delivered in 2017 and 2018 is targeted for the delivery of the five 740' Equinox self-unloaders.

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.

Shipboard Personnel

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

Unions

The majority of the positions on the Company's domestic vessels are unionized. Failure to enter into new collective agreements with any of the unions representing workers could result in service interruptions. The Company believes it offers fair and competitive compensation packages and does not expect service interruptions.

Partnering

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

Outsourcing

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

Service Failure

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

Health and Safety

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

Property, Plant, and Equipment

The failure by a shipyard to complete the construction of a vessel under development would impact on the Company's ability to replace existing assets and expand the business. The Company has remaining commitments with two shipyards of U.S.$254,793 for the construction of seven Equinox Class vessels with delivery dates currently estimated to extend through 2018. These vessels are important to the modernization and service capacity of its fleet and to the business strategy of the Company. The Company has a knowledgeable supervision team in place at the shipyard to monitor the quality of construction and to assist the shipyard in moving to a successful completion of the contract. In addition, the Company holds refund guarantees from the shipyard's bankers for instalments made by the Company.

A significant portion of the funding for the additions to property, plant, and equipment will come from internally generated cash flows, but due to the magnitude of the commitments, additional financing has been secured with credit facilities expiring on various dates through July 2021, including a revolving bank facility provided by a syndicate of six leading banks that will meet the cash requirements for its existing commitments.

Competitive Markets

The marine transportation and real estate businesses are competitive on both domestic and international fronts. 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 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 Company believes the effect on earnings due to inflation or specific price changes will not be material.

Real estate assets are well maintained to provide long-term capacity to tenants and their users.
The geographic and operational diversity of the Company will help to mitigate negative economic impact to the sectors in which it operates.

Environmental

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 and cargo residues/wash waters are being scrutinized and regulated worldwide. A change in environmental legislation could have a significant impact on the Company's future operations and profitability.

The Company's fleet continues to monitor fuel sulphur levels in accordance with Emission Control Area (ECA) and Fleet Averaging requirements and remains in compliance with all requirements. The Company's highly efficient Equinox Class ships are equipped with exhaust gas scrubbers designed to satisfy the air emission rules. The Company's other vessels are capable of using lower sulphur fuels to satisfy air emission rules, although the cost and availability of low sulphur fuels may be a risk in the future.

Emission Control Area rules also require mandatory and significant reduction in NOx emissions for new engines installed after January 1, 2016. Cost and availability of this 'Tier III NOx' compliant equipment for new vessels constructed after 2016 may represent a risk to the Company.

Monitoring, reporting and verification (MRV) of greenhouse gases (GHGs) is in the planning stages at the International Maritime Organization (IMO) and mandatory GHG reporting is anticipated to be implemented in the near future by Canada and the United States. There is potential for mandatory GHG reduction targets or market-based measures such as fuel levies or carbon taxes to be applied to the marine industry in the future. If implemented, such measures could have an impact on operating costs that cannot be estimated at this time.

Canada is a signatory to the IMO Ballast Water Convention. Although the convention is not yet ratified, the Canadian government is currently developing amendments to its own ballast water regulations to implement the international ballast water discharge standards in Canadian waters. A portion of the Company's vessels also remain subject to United States regulations that will require installation of ballast water treatment systems during future dry dockings. There are presently no U.S. Coast Guard approved ballast water treatment systems available and furthermore there are no technologies proven to work in the unique operating conditions of the Great Lakes. The current imposition of unachievable and discriminatory ballast water regulations by the U.S. on Canadian vessels presents an economic and regulatory risk to the Company. The Company and other stakeholders continue to express their concern that the domestic industry needs a unique solution that provides a single, achievable regulatory approach for all domestic vessels operating in Canadian waters.

Regulatory

A change in governmental policy could impact the ability to transport certain cargos. 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 our 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.

Water Levels

The Company's domestic dry-bulk vessels and product tankers operate primarily in the Great Lakes and the St. Lawrence River. Rising or declining water levels in ports in which the vessels load and unload have the effect of increasing or reducing cargo sizes and this affects the profitability of these vessels.

Drops in water levels in the Great Lakes and the St. Lawrence, 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. At the end of 2015, water levels on the Great Lakes were above the long term average for the second year in a row after a decade of below average water levels. According to the U.S. Army Corp of Engineers, preliminary precipitation estimates for the Great Lakes region was above average in January and, in their latest six month forecast, the Corps predicts water levels to track above the long term average similar to those experienced during the same period in 2015.

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 decreasing water levels.

Catastrophic Loss

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

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.

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

Credit Risk

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

Employee Future Benefits

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

Judicial and Other Proceedings

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

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