A RECORD YEAR

2021 ANNUAL REPORT

Your Marine Carrier Of Choice

ALGOMA CENTRAL CORPORATION

Algoma Sault - Photo

Certain statements in this document about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements.
Forward-looking statements are based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein, recognizing that all such forward information is based on assumptions about the future that may not ultimately be borne out and are subject to many risks and uncertainties, including those listed above. Furthermore, unless otherwise stated, the forward-looking statements contained in this document are made as of the date hereof (unless stated to be as of an earlier date), and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement. Management approved the forward-looking financial information as of February 25, 2022. Certain figures included herein are non-GAAP measures. Please see our MD&A for further discussion of non-GAAP disclosures.

ALL AMOUNTS IN C$ THOUSANDS EXCEPT PER SHARE AMOUNTS AND UNLESS OTHERWISE NOTED.

submitted by Able Seaman, Tye Macfarlane

WHAT'S **INSIDE**

FINANCIAL SECTION

MESSAGE FROM

OUR PRESIDENT & CEO

2021 was a year of global recovery, resiliency and progress. Algoma continued to move essential goods with a focus on protecting our employees, supporting our customers and contributing to our communities by keeping supply chains moving here in Canada and around the world.

Gregg Ruhl
President & CEO

A SALUTE TO OUR PEOPLE

First and foremost, I would like to recognize the countless contributions of our ship and shore teams who are the reason Algoma, and the industries we support, kept moving forward in 2021. Under normal circumstances, it takes tremendous teamwork to coordinate the accurate and timely delivery of customer cargoes, however, the pandemic added a layer of challenges that everyone continued to pull together to overcome. This included sacrifices from our seafarers, many of whom adjusted their work rotations and gave up shore leave to keep their ships safe and in motion. Close collaboration with our labour unions was instrumental. Likewise, our shore staff adapted to new technologies and methods of executing their jobs, including remote work. A number of those individuals pitched in beyond their regular duties to strengthen the Company's response to the pandemic, which required nimble thinking and concentrated effort in such a dynamic environment. This included procuring critical stores for our vessels, such as rapid tests, PPE, and even basic needs for our crew who were often unable to go ashore to do their shopping. Vaccination appointments were arranged and a concerted effort was made to achieve 100% vaccinations status across all employee groups. The resilience and dedication demonstrated by the Algoma family is truly commendable.

DELIVERING RECORD RESULTS

Safety comes first in all that we do. Because of sincere employee commitment to Algoma's safety culture, I am pleased to report that we recorded the lowest number of lost time injuries in our history. We are extremely proud of this achievement as it is a tangible indicator of continuous improvement. It also motivates us to remain vigilant and to find new ways to protect our most important assets – our employees.

After a market downturn in 2020, demand strengthened in 2021 as many industries began to rebound as part of a broader global economic recovery. Shifting markets and customer demand are commonplace in marine shipping, however, Algoma proved, once again, to be particularly adept at strategically deploying capacity to capture opportunities. The balance between vessel supply and market demand drove freight rates up in many sectors and we experienced record returns as a result.

GROWTH OPPORTUNITIES

Algoma maintains a disciplined approach to growth, with each opportunity carefully considered to ensure capital is deployed responsibly. Each investment we make needs to fit into our long-term plan for sustaining a profitable business and maintaining a strong vessel portfolio.

Since our first Equinox-Class vessel was delivered in 2013, we have introduced ten ships to the fleet, the most recent of which was the Captain Henry Jackman in 2021. In May, we entered into a contract to build the eleventh vessel, which is expected to be delivered in 2024. The Equinox Class have replaced older, less efficient vessels and have proven to be valuable additions to our domestic dry-bulk fleet.

In December, we increased our investment in NovaAlgoma Cement Carriers ("NACC"), by acquiring an additional 25% share equity in JT Cement. This investment brings NACC's ownership to 50%. The fleet, which is part of our Global Short Sea Shipping segment, consists of eight cement carriers that operate in Northern Europe.

MAKING SUSTAINABLE PROGRESS

At Algoma, we have been focusing on making sustainable progress for more than a decade, however, today more than ever we are closely evaluating the environmental and social impact of our business. Our mission is to continue to deliver value for stakeholders for generations to come, and to ensure that we continue to be guided by our core values when making decisions for the future. Our people drive innovation and change within Algoma, and we continue to empower them with the tools to succeed in those endeavors. This includes investing over $3 million in training and development initiatives in 2021. Sustainable progress also means looking at ways to lessen our environmental impact. Our decarbonization initiatives ramped up this year and as part of that effort, we developed a team dedicated to researching and implementing ways to reduce our carbon footprint. We have, however, already made sizeable inroads in reducing our greenhouse gas intensity, principally via Equinox-Class vessels, which are, on average, 40% more efficient than the aging assets they replace.

> "At Algoma, we have been focusing on making **sustainable progress** for more than a decade."

LOOKING INTO 2022 AND BEYOND

As you read this, the 2022 navigation season will be underway and our teams will have another winter of hard work preparing our vessels for service well behind them. As we look to the months ahead, we are hopeful that the pandemic is something we all can start to put behind us. I would like to wish our crews a safe season and to also thank our customers and stakeholders for your continued support. We will continue to work hard to remain Your Marine Carrier of Choice this year and for many more years to come.

Gregg Ruhl
President & CEO

Randy Chislett, Ordinary Seaman

A SALUTE TO OUR
SEAFARERS

There are a lot of front-line workers to be thankful for; here at Algoma, we are truly grateful to all and are especially appreciative of our seafarers.


Kaysha MacNeil, 3rd Engineer

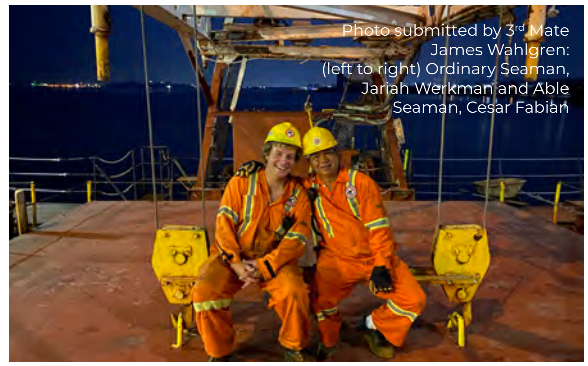


Photo submitted by 3rd Mate James Wahlgren: (left to right) Ordinary Seaman, Jariah Werkman and Able Seaman, Cesar Fabian

THANK YOU

Our seafarers have had to face many challenges throughout this pandemic; frequently changing requirements, pre-joining and screening processes, not being able to be home to support family and friends and extended shore leave restrictions. Despite these challenges, they showed up to work and ensured essential cargo was delivered safely and with minimal vessel delays and downtime. They also took steps not only to protect themselves but also their fellow seafarers by getting vaccinated, and we are proud to report that 100% of our employees, both ship and shore, are fully vaccinated.

Our shoreside team pivoted with changing work-from-home requirements, balancing remote working with stay-at-home orders which closed schools and child care facilities. We continued to implement and improve remote tools to support our staff at home and incorporated mental health sessions during our frequent virtual staff meetings.

Since the beginning of the pandemic, our teams here in Canada and around the world have continued to demonstrate true strength and resiliency and 2021 was no exception. A sincere thank you to the entire Algoma family, and also their families, for staying the course and keeping us moving forward.

COVID-19 TASK FORCE

At the beginning of 2020, the Algoma COVID-19 Task Force was created and this team has been working tirelessly in protecting staff, procuring PPE, organizing vaccination programs and/or locating vaccination clinics throughout North America based on vessel schedules. The Task Force also works to ensure we are staying up to date with changing regulations.

SPECIAL DELIVERY

Algoma initiated a COVID-19 Snack and Sundries Program to help alleviate some of the burden of shore leave restrictions and sent treats and personal supplies to all our domestic vessels during 2021.

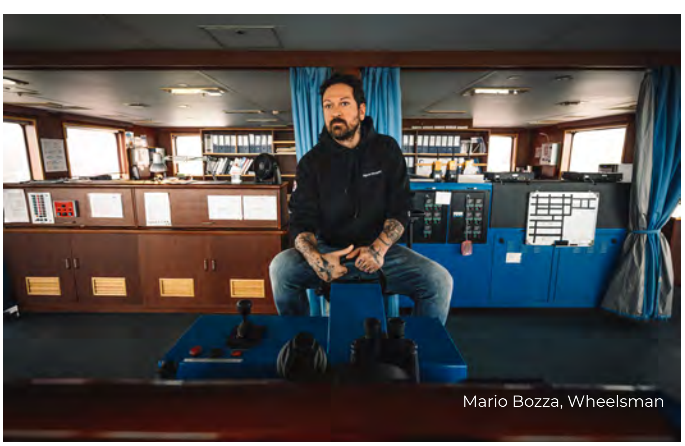
TRAINING THE NEXT **GENERATION**

Algoma's people are the backbone of our operations and our greatest asset. It is our mission to provide robust training programs that encourage development, innovation and internal growth.

FOSTERING A CULTURE OF LEARNING

Algoma's global team comprises nearly 2,000 dedicated employees that keep our business moving forward every day. Developing our future seafaring leaders was a major focus area in 2021. We have a strong Training Captain and Training Chief Engineer program that develops highly qualified candidates that will become Algoma's next generation of Captains and Chief Engineers. Each year, Algoma also provides an in-house training program for 1st Mates that emphasizes skills development required for their job, such as vessel loading and ship stability.

We also encourage continued education. Algoma employees have the opportunity to further their qualifications by returning to school to obtain a certificate or degree. A number of employees are currently enrolled in post-graduate programs that will prepare them for the next level of their career with us.



Mario Bozza, Wheelsman

Chief Engineer, Muhammad Akbar Khan (left) and Kaysha MacNeil, 3rd Engineer(right)

MARINE EMERGENCY DUTIES CENTRE

In 2016, Algoma committed $1 million to the Algoma Central Corporation Marine Emergency Duties Foundation at Georgian College in Owen Sound, Ontario. Since then, almost 3,000 students have come through its doors providing critical training to our seafarers.

ALGOMA SCHOLARSHIPS

Algoma provides scholarships to students at five marine schools across Canada. We also have a scholarship program that is available to dependents of permanent employees who are entering their first year of a post-secondary institution.

$3 Million

Invested in employee training and development programs in 2021

$174,000

Given through Algoma scholarship programs since 2017.

Radcliffe R. Latimer - Photo submitted by Captain Arnesh Misra

KEY

MOMENTS IN 2021

APRIL

DELIVERY OF THE CAPTAIN HENRY JACKMAN

The vessel is the fifth Equinox Class gearless dry-bulk carrier and the tenth overall in the Equinox Class to join the fleet. She began trading on the Great Lakes in June.

MAY

100% VACCINATION STATUS

First doses on the COVID-19 vaccine began rolling out in May and by the early fall all our employees are 100% vaccinated.

OCTOBER

FUELOPT SYSTEM TO ENHANCE EFFICIENCY

Algoma decides to install FuelOpt, a propulsion optimization system by Yara Marine Technologies, on all Equinox Class vessels.

NOVEMBER

CANADA GAMES 2022 SPONSORSHIP

Algoma will be the presenting sponsor of the 13 For 13 Cultural Festival event celebrating the province of Newfoundand & Labrador.

DECEMBER

NACC EXPANDS JT CEMENT INVESTMENT

NACC doubles its investment in JT Cement AS by acquiring an additional 25% in the Northern European specialized cement shipping company and added a 15th wholly owned vessel to the NACC fleet.

Training Captain Dale Bruce (front) and Captain Wallace James (back)

2021 VS. 2020

FINANCIAL PERFORMANCE

RECORD EARNINGS

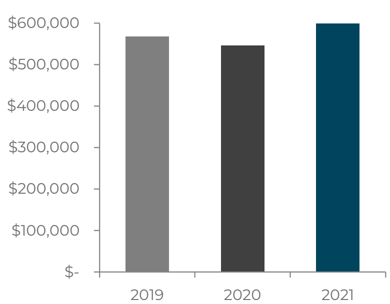
This year, Algoma's earnings demonstrated the true strength of our fleet and the capabilities of our diversified vessel portfolio. Many sectors have returned to pre-pandemic levels and as a result we have seen steady economic recovery here in Canada and around the world. We were able to respond to the significant demand improvement and continue to provide capacity for our customers so they could continue to supply essential cargo to key global industries.

Further commentary and analysis on all our business units can be found in our 2021 Management's Discussion and Analysis starting on page 1.

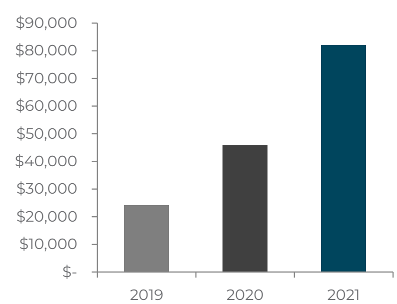
REPORTED REVENUES	**$598,873**
FREIGHT REVENUES[1]	**$721,450**
EBITDA	**$188,983**
EARNINGS PER SHARE	**$2.17**

(1) Freight revenues include our 50% share of freight revenues from the Global Short Sea Shipping Segment (revenues in joint venture are not included in consolidated reported revenues).

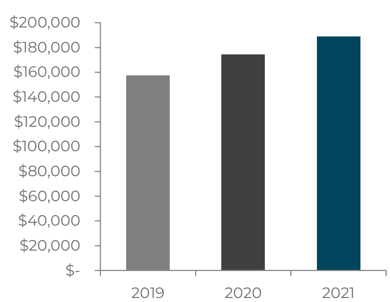
REPORTED REVENUES



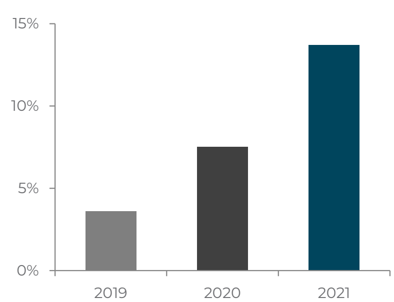
NET EARNINGS



EBITDA



RETURN ON EQUITY



2021 VS. 2020

OPERATIONAL PERFORMANCE

GLOBAL RECOVERY

Our fleets continued to move essential cargo in 2021, efficiently and effectively despite supply chain disruptions caused by the pandemic. We met this challenge with strategic capacity deployment and as a result we were able to supply customer demand with minimal delays and downtime. We did this with the safety of our crew as our top priority and took steps to isolate our ships and minimize contact with outside personnel and communities. Vessels were also equipped with the proper protective equipment and supplies.

2021 operations shifted significantly from the previous year when the pandemic put the world in unknown territory. We began to see the bounce-back of the global economy in the second quarter as vaccines became available and consequently, restrictions steadily lifted throughout the year. Volumes in many commodity groups steadily returned to pre-pandemic levels during the year, most notably seen in the mini-bulker fleet within our Global Short Sea Shipping segment.

Iron and steel, construction and salt drove higher returns in our Domestic Dry-Bulk segment and although volumes in the Ocean Self-Unloaders segment are not recovering as quickly as anticipated, additional demand for gypsum and fewer dry-dockings resulted in increased vessel on-hire time.

22,432,947 metric tonnes of cargo transported domestically and **25,695,112,040** tonnes kilometres travelled in 2021.

48%▼

LOST TIME INJURIES

18%▲

SUPPLIES COST

2%▲

VESSEL UTILIZATION

DOMESTIC DRY-BULK
OPERATIONAL PERFORMANCE

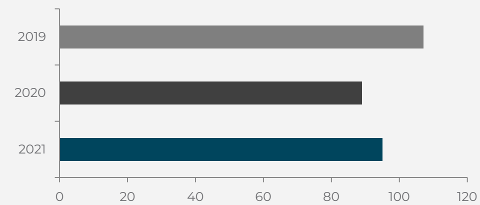
The Domestic Dry-Bulk segment serves a wide variety of major industrial sectors, including iron and steel manufacturers, construction aggregate producers, cement and building material suppliers, salt mining and agricultural product distributors.

REPORTED REVENUES	**$338,661**
NET EARNINGS	**$49,261**
EBITDA	**$88,578**

19

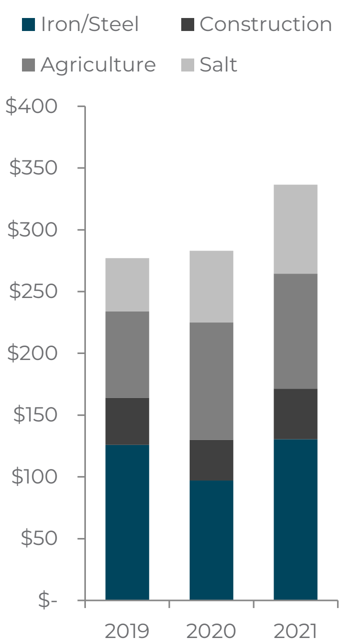
Number of vessels at the end of 2021 and includes one managed vessel.

VESSEL UTILIZATION (%)

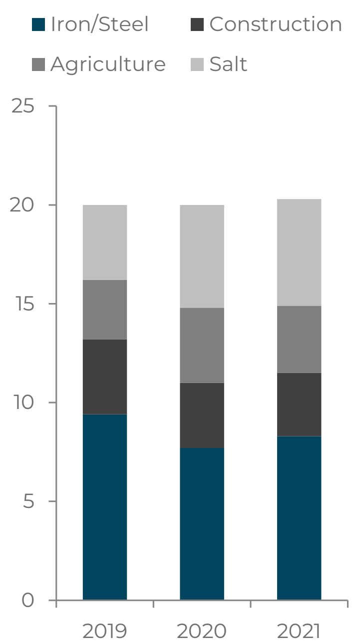


*Base capacity assumes normal navigational season

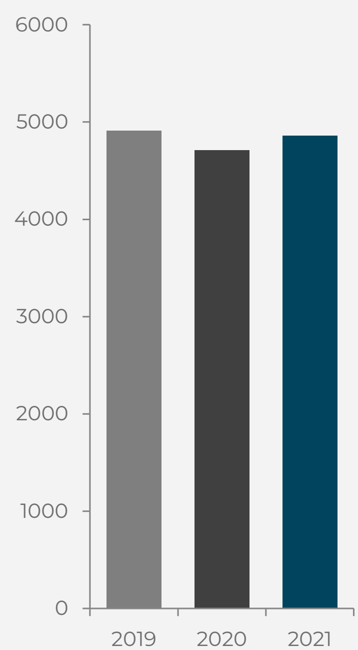
FREIGHT REVENUE
(MILLIONS)



VOLUMES
(MILLIONS METRIC-TONNES)



REVENUE DAYS



PRODUCT TANKER
OPERATIONAL PERFORMANCE

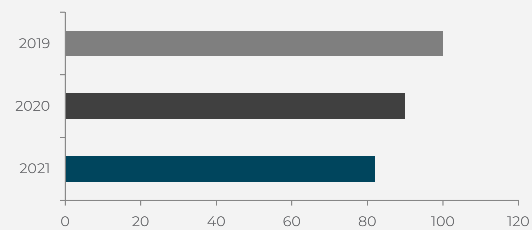
The Product Tanker fleet provides safe and reliable transportation of liquid petroleum cargoes throughout the Great Lakes, St. Lawrence Seaway and Atlantic Canada regions. This business unit consists of seven double-hull product tankers employed in Canadian flag service.

REPORTED REVENUES	**$94,535**
NET EARNINGS	**$9,941**
EBITDA	**$26,800**

7

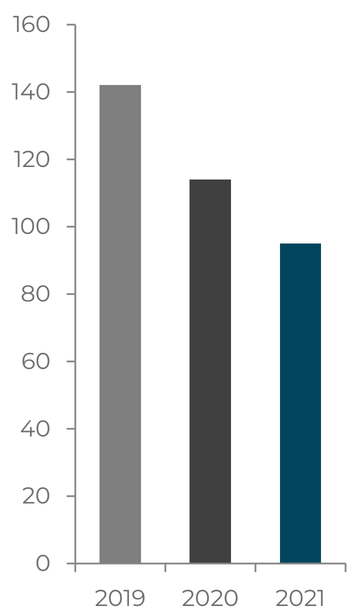
Number of vessels at the end of 2021

VESSEL UTILIZATION

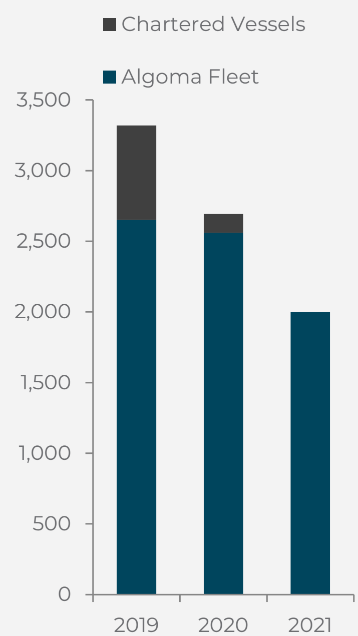


*Base capacity assumes normal navigational season

REVENUES
(MILLIONS)



VESSEL DAYS



OCEAN SELF-UNLOADERS
OPERATIONAL PERFORMANCE

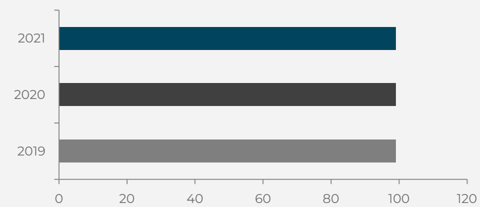
The Company's international Ocean Self-Unloaders segment consists of eight ocean-going self-unloading vessels and a 50% interest in a ninth self-unloader. The eight vessels are part of the world's largest pool of ocean-going self-unloaders, which at the end of 2021 totalled 18 vessels.

REPORTED REVENUES	**$156,294**
NET EARNINGS	**$29,451**
EBITDA	**$55,622**

9

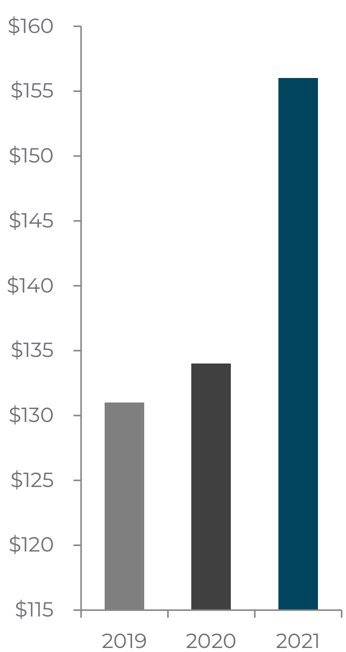
Number of vessels at the end of 2021

VESSEL UTILIZATION

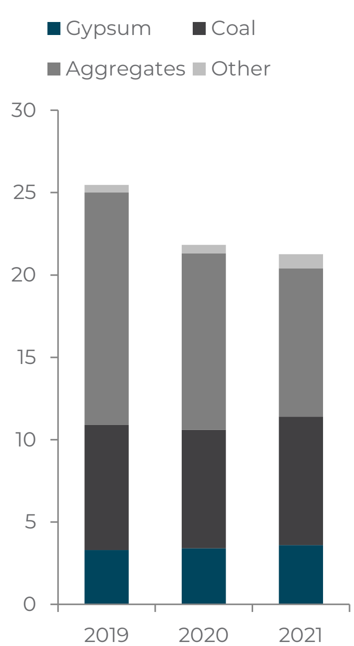


*Base capacity assumes normal navigational season

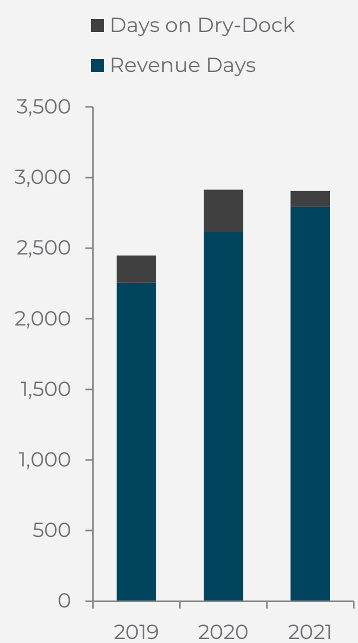
REVENUE
(MILLIONS)



POOL VOLUMES
(MILLIONS METRIC-TONNES)



REVENUE & DRY-DOCK DAYS



GLOBAL SHORT SEA SHIPPING

OPERATIONAL PERFORMANCE

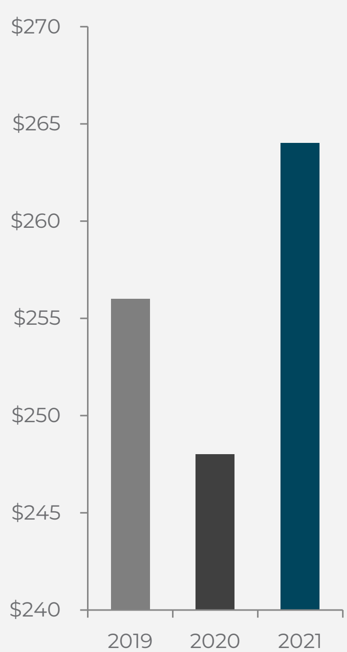
The Global Short Sea Shipping segment, which consists of the Company's NovaAlgoma joint ventures, focuses on niche marine transportation markets featuring specialized equipment or services. The cement carrier fleet comprises pneumatic cement carriers servicing large global cement manufacturers that support 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 sale-and-purchase vessel platform.

FREIGHT REVENUES(1)	**$263,953**
NET EARNINGS(2)	**$18,457**
EBITDA(2)	**$30,486**

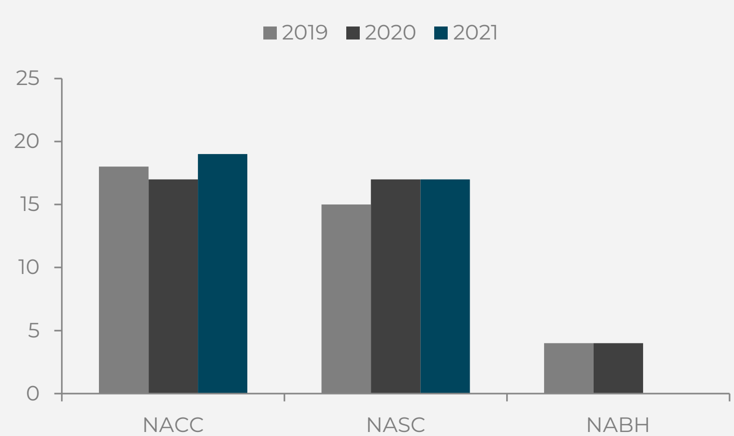
(1) Revenue from the Global Short Sea segment is not included in our consolidated reported revenue figure. Freight revenues shown is 100% of joint venture revenue.

(2) Net earnings and EBITDA shown includes the Company's 50% share of net earnings, adjusted for amortization arising from vessel purchase price allocation and intangibles.

JOINT VENTURE REVENUE
(MILLIONS)



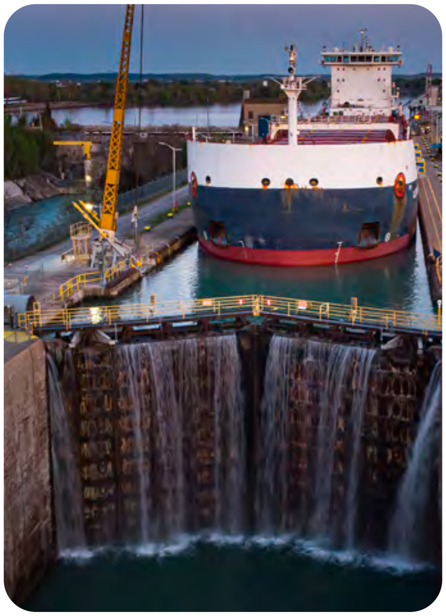
NUMBER OF OWNED VESSELS
(AT YEAR END)

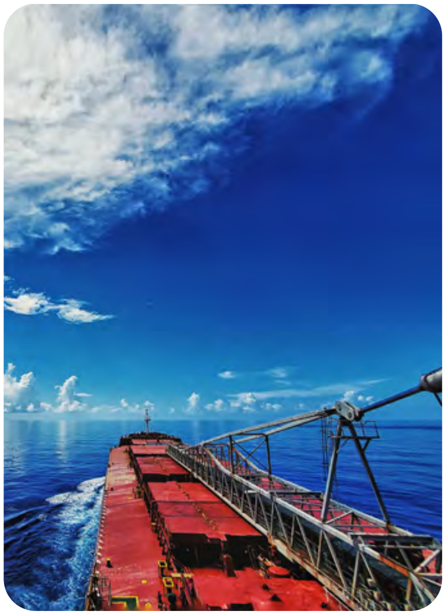


OUR BUSINESS

HOW WE CREATE VALUE

Algoma helps our customers provide essential commodities to key industries around the world. We do this by transporting cargo efficiently and effectively with the power of our people and technology driving our business forward.





WHO WE CREATE VALUE FOR

OUR PEOPLE

Our people are the backbone of our operations and they bring a wide range of knowledge, skills and abilities to our business. In turn, we keep them safe, support their training and development, maintain engagement and provide competitive compensation packages.

OUR SHAREHOLDERS

We continue to grow shareholder value by delivering long-term sustainable shipping solutions through investment in fleet renewal, partnerships and innovative technologies.

OUR CUSTOMERS

We focus on providing the most reliable and efficient mode of transportation of dry-bulk and liquid petroleum cargoes so our customers can focus on growing their businesses.

SOCIETY

We are working towards solutions to further reduce our carbon footprint and contribute to the communities in which we live. We have a responsibility to provide sustainable shipping solutions so that our economy can continue to grow and our environment can flourish.

OUR STRATEGY

Our vision to be the *Marine Carrier of Choice* drives our actions in all areas of our business. This means continuing to grow and adapt so we can remain the first choice for all our stakeholders.

PEOPLE

Our focus is to foster growth and development and to ensure a safe and healthy workforce across our shipboard and shoreside teams. That means furthering our injury prevention initiatives, developing improved training and mentorship programs, formalizing succession planning and engaging employees by increasing internal communications.

CARBON

Marine shipping is already the most sustainable mode of transportation and we are committed to continuing to reduce our environmental footprint as we implement new tools to increase efficiency. Our dedicated decarbonization team is working on a carbon strategy that focuses on vessel optimization, researching alternate fuel sources and advocating for a decarbonization solution that is right for short sea shipping in Canada and globally.

INVESTMENT

An important element of our business is to look for growth opportunities and, if the investment fits into our strategic plan, we move forward based on thorough analysis. Considerations for the future are ongoing fleet renewal, new innovations and vessel designs, partnerships and collaboration, growing with our customers, targeted acquisitions, and new decarbonization pathways.

OPTIMIZATION

Optimizing our operations is fundamental to the success of our business and our customers' businesses. Our main focus is on tracking key data points in real time across our fleets. Analyzing this information will help to find efficiency gaps and new ways to optimize our vessels. This will directly translate into value for all our stakeholders with improved performance and also increase the information available to our crew to empower them with the tools they need to make positive change.

MARINE INDUSTRY

MARKET INSIGHTS

01

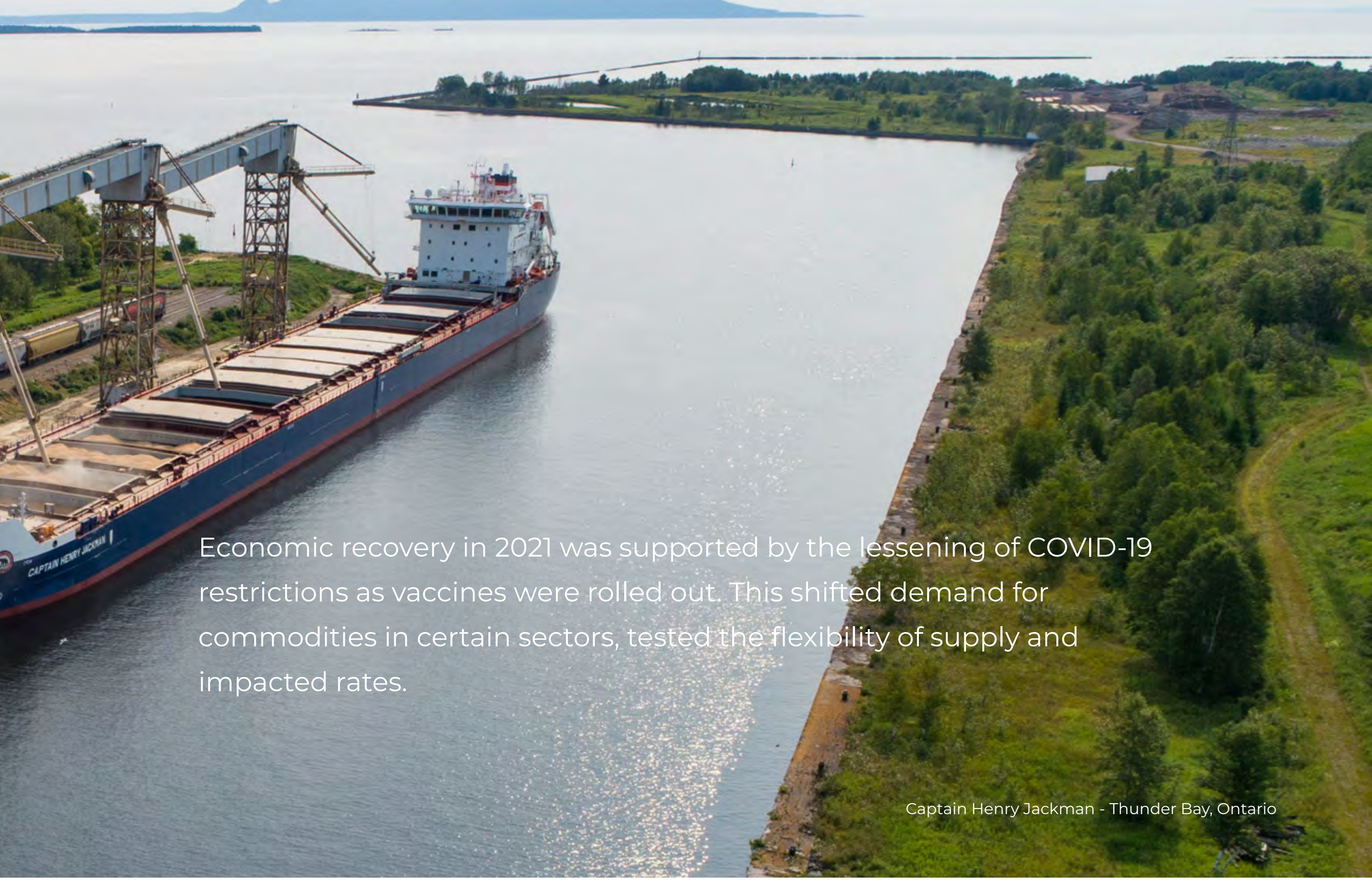
SUPPLY CHAINS

Global supply chains have certainly ridden the wave of COVID-19 demand over the past two years and have been impacted by production delays, port congestion and reduced workforce. In 2021, the strain on supply chains did begin to ease as global restrictions were lifted. Although the effects of these constraints are still being felt, we are beginning to experience a smoother flow of goods.

02

COMMODITIES

There was a significant shift in demand for certain commodities in 2021. Domestically, grain demand weakened and iron and steel and construction cargoes increased. Similarly, gypsum and cement cargoes are staying strong in international markets. Demand for petroleum products still remains lower, as travel has not returned to pre-pandemic levels.



Economic recovery in 2021 was supported by the lessening of COVID-19 restrictions as vaccines were rolled out. This shifted demand for commodities in certain sectors, tested the flexibility of supply and impacted rates.

Captain Henry Jackman - Thunder Bay, Ontario

03

FREIGHT RATES

Freight rates are generally stronger when vessel capacity and customer demand are balanced. This was the case in most sectors in 2021, as customer demand across most commodity groups, with the exception of agriculture, grew. The demand for cargoes with generally higher base freight rates were strong over the past two years, which has also positively impacted earnings.

04

FUEL PRICES

Rising global fuel prices are having an impact on all forms of transportation and the marine industry is no exception. Fuel prices have risen to record highs over the past year and a half. In our business, we experience a benefit on our vessels equipped with closed-loop exhaust gas scrubbers when the spread widens between heavy fuel oil and diesel, which allows us to earn a return on our investment.

OUR FLEET

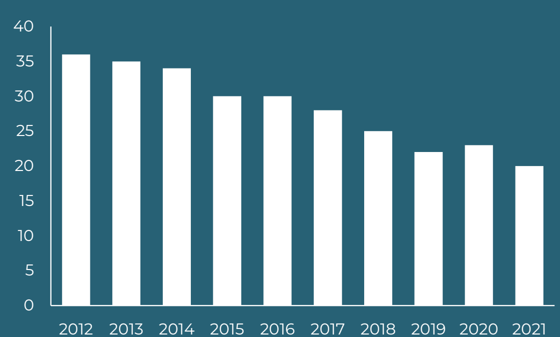
AROUND THE WORLD

AVERAGE FLEET AGE

36 2012

VS.

20 2021



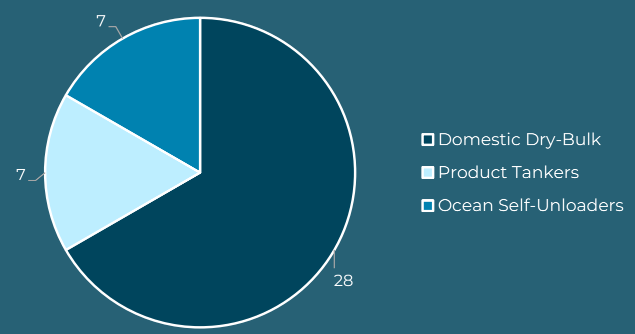
*Domestic Dry-Bulk fleet

Algoma's marine journey started in 1900, with four steam vessels operating out of Sault Ste. Marie, Ontario. Today we operate the largest fleet of dry and liquid bulk carriers on the Great Lakes with fleets that transport essential cargo around the world.

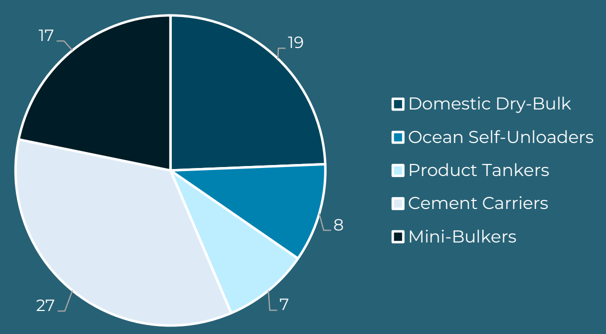
Interests in
78 vessels
operating globally.

A DECADE OF GROWTH

NUMBER OF VESSELS 2012 - 42



NUMBER OF VESSELS 2021 - 78



*Number of vessels as at year end 2012 and 2021

Algocanada - Detroit River

OUR IMPACT

ENVIRONMENT

Algoma recognizes that we are part of the solution to a lower carbon future. Working with our industry partners, our goal is to find the best solutions tailored to the unique advantages of short sea shipping in Canada and worldwide.

WE'RE MAKING STRIDES

Algoma has been on a mission to reduce our environmental footprint for more than a decade. Starting with our first Equinox Class ship in 2013, we were the first on the Great Lakes to adopt closed-loop exhaust gas scrubber technology on our vessels to address SOx emissions and particulate matter. Decarbonization was not as prevalent of a topic then as it is today but we knew that change could not wait. We also committed early to progressing our fleet towards having a lower environmental carbon impact and have achieved an average 40% reduction in greenhouse gas ("GHG") emissions intensity with each new vessel versus the ship it replaces. We have also improved the efficiency of our original vessel design with a new design that has been coined "Equinox Class 3.0." In 2021, the Captain Henry Jackman, the tenth Equinox Class vessel joined the fleet. She is the first vessel to be built under the new design, incorporating improvements in cargo deadweight capacity and equipment such as lighter aluminum hatch covers and an improved twin rudder design.

We know that more work needs to be done and are committed to achieving results. To do this we must first find a unique solution for minimizing our carbon footprint here in Canada and we will work with our industry partners to find a workable strategy.

GHG REDUCTION TARGET

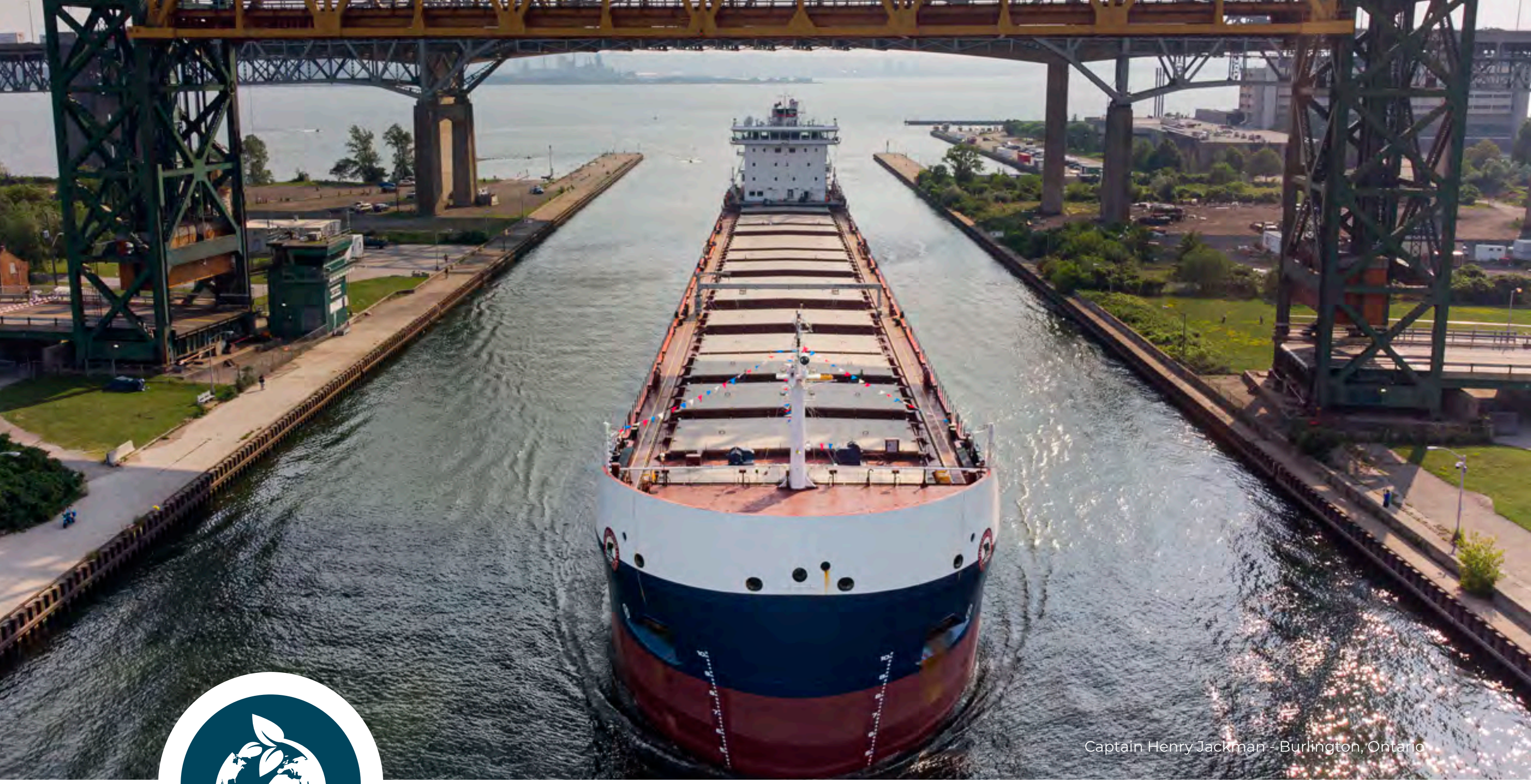
We have set an ambitious target to reduce our greenhouse gas emissions intensity 25% by 2025 compared to 2008. By the end of 2021, we had achieved an 18% reduction in GHG intensity within our Domestic Dry-Bulk fleet. We are well on our way and expect to be successful in meeting our target.

NEW TECHNOLOGIES

In late 2021, we committed to installing FuelOpt propulsion optimization technology by Yara Marine Technologies on all of our Equinox Class vessels. This system was trialled on the Algoma Conveyor and resulted in an almost 10% reduction in fuel consumption (full away or normal cruising speed).

DATA COLLECTION

Over the past six years, we have installed performance monitoring systems on 30 domestic vessels. This integrated system logs 30-500 signals every minute on each vessel. This allows us to collect and analyze real-time data points to identify efficiency opportunities, share best practices and actively manage fuel consumption and GHG emissions.



Captain Henry Jackman - Burlington, Ontario

THE ROAD TO REDUCTION - DECARBONIZATION

The International Maritime Organization ("IMO") set an ambitious goal in 2018 of a 50% reduction in absolute emissions of the global shipping fleet by 2050 and energy intensity reductions of 40% by 2030 and 70% by 2050 (all compared to 2008). More recently, the IMO has agreed to short-term greenhouse gas ("GHG") reduction measures for all vessels to come into force in 2023. So what does this mean for marine shipping in Canada? Short sea shipping already reduces carbon emissions by displacing less efficient shipments by truck and rail, reducing the carbon intensities of the key industries we support. Short sea shipping in Canada is unique and cannot be compared to ocean-going shipping due to design limitations related to physical constraints of the Seaway system. In order to meet the IMO's ambitions, a comprehensive solution that is specific to Great Lakes shipping must be developed. In the meantime, we cannot stop progress. In early 2021, we assembled a team, comprising members from different departments, dedicated to decarbonization. This team is focused on advocating for a solution for Canadian vessels by engaging with associations and governments. Additionally, the team is researching alternate fuel types, implementing propulsion innovations, collaborating with industry partners and working with experts to assist. They have already made strides and have taken part in vessel energy audits, completed a hull coating program which resulted in a 7% improvement in hull efficiency and we are continuing to monitor vessel performance and fuel consumption.

PROTECTING MARINE ECOSYSTEMS & BIODIVERSITY

To address the issue of aquatic invasive species, the IMO ruled in 2017 that all vessels will require a ballast water treatment system ("BWTS") with installation dates based on the dry-docking schedule, generally no later than 2024. At the end of 2021, 50% of vessels in our Ocean Self-Unloader fleet have had a BWTS installed; the first system was installed in 2019. In our domestic fleet, 10% have had a system installed; the first system was installed at the end of 2021. BWTS represent a very significant investment and Algoma has worked closely with researchers in this space and ballast water system manufacturers to provide access to vessels for sampling and testing. We will continue to work with regulatory agencies and manufacturers to advance our understanding of BWTS and the benefits of this solution. We have committed to continuing to mitigate the impact of aquatic invasive species and expect all eight of our ocean fleet will be equipped with a BWTS by the end of 2023. In our domestic dry-bulk fleet, we expect to have seven additional systems installed by the end of 2023 bringing us to 35% of the fleet.

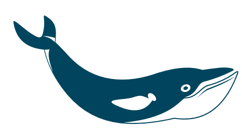
Algoma, along with several other shipowners, is providing both financial and in-kind support to a new underwater noise research project co-led by the Université du Québec à Rimouski (UQAR) and Innovation Maritime (IMAR). This project is dedicated to understanding the noise radiated by ships. In 2021, three Algoma vessels travelled through the noise measuring station. Algoma also participates in the Reseau d'Observation de Mammiferes (ROMM)/Marine Mammal Observation Network to compile observational data on whales in the lower St. Lawrence River and Gulf of St. Lawrence. Since we began in 2018, our crews have reported 326 whale observations (41 in 2021).

10%

Additional reduction in fuel consumption on vessels with propulsion optimization technology (FuelOpt).

18%

Reduction in GHG emissions intensity for the domestic dry-bulk fleet over the last 13 years (2021 compared to 2008).



Whale observations provided to ROMM/Marine Mammal Observation Network.

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OUR IMPACT
SOCIAL

At Algoma nothing is more important than ensuring a safe, healthy and engaged workforce. We strive to be the Marine Carrier of Choice for our employees, customers and communities.

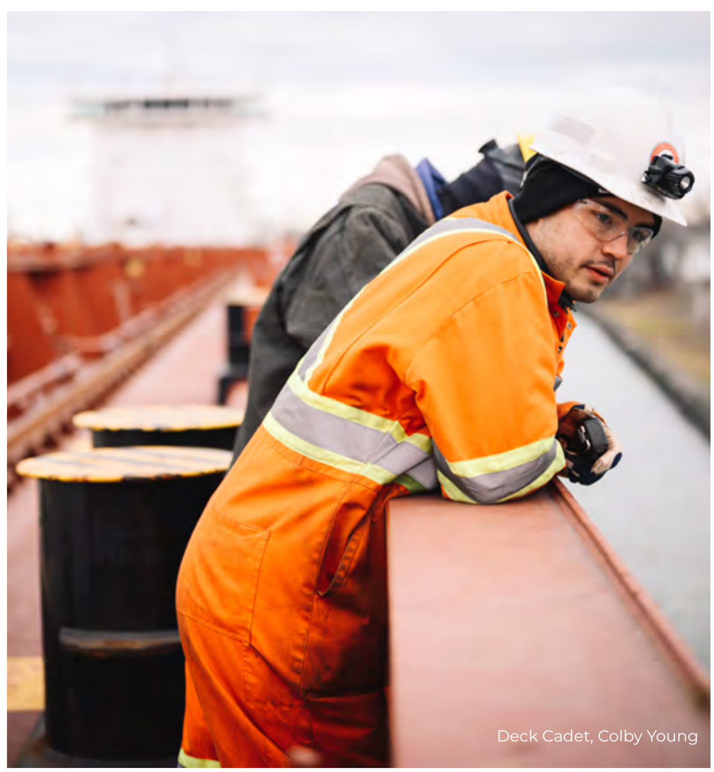
HEALTH & SAFETY

In 2021, we reported the lowest number of lost time injuries in our history. This is a significant achievement and one that would not have been possible without the hardwork, vigilance and teamwork shown by our shipboard and shoreside staff. Our safety teams conducted extensive root cause analyses in 2021, which helped identify the source of incidents such as hand and finger injuries. By identifying areas of improvement and with the dedication of our shipboard and shoreside staff, we achieved a 48% reduction in lost time injuries this year compared to 2020. Providing a safe work place takes a consistent commitment and focus on hazard identification and risk mitigation. Algoma has several very strong safety programs in place and has always made achieving an incident free workplace our number one priority.

In order to help support our employees and their families, Algoma has an Employee and Family Assistance Program ("EFAP") in place to support our staff. The progam has been in place for more than 15 years and is accessible to all employees and their families at no cost, is confidential and provides 24/7 counselling services. The program covers a wide range of topics including mental health and well-being, financial security, career and workplace as well as various life events such as marriage, starting a family and retirement.

This past year, our health and wellness team launched a virtual health care program that allows crew to get in touch with a shoreside representative if a health issue arises. To help lessen the burden of shore leave restrictions, delivery of prescriptions to our domestic vessels was also provided.

In 2021 we reported the lowest number of lost time injuries in our history.



Deck Cadet, Colby Young

EMPLOYEE ENGAGEMENT

Employee engagement was more important than ever in 2021 as the pandemic continued to keep our shoreside staff home and restrict visitors and shore leave for shipboard crew for most of the year. Maintaining connection with employees remotely presented its challenges but it also inspired us to do more, to look differently at how we use technology and to find new tools.

Staff meetings were held virtually in 2021 and included operational, safety, health and wellness and employee updates. We also developed an Algoma App that is available to all employees and includes regular Company updates, COVID-19 information, training resources, employee directories, policies, social media posts and video messages from our President and CEO.

In 2021, we crafted an internal communications plan that focuses on increasing the frequency we communicate to our staff. Our company newsletter, The Bear Facts, is now distributed monthly to all employees so they can receive news that is timely and relevant. The frequency also increases opportunities for employees to share their stories and photos. Along with a monthly newsletter, a message from our President and CEO is now sent out quarterly to act as a bridge between leadership and staff building on a culture of trust and transparency.

2021 was also a year of reflection and we took time to re-develop and improve upon our employee engagement plan. Part of this plan includes a leadership team ship visit program, on-boarding enhancements and further development of our employee recognition and awards program.

COMMUNITY RELATIONS

Community involvement is one of our core practices and we are committed to being a good neighbour in all of the communities that we serve. We have been a supporter of United Way and their Days of Caring® for decades and this year, through donations from our employees both shipboard and shoreside, along with Algoma's annual matching gift we contributed $110,126 to our 2021 campaign.

Every year, Algoma employees take part in United Way's *Backpacks for Kids* program to help pack school supplies for school boards across the Niagara Region. In 2021, despite limitations imposed by COVID-19, Algoma employees, with extra safety precautions, helped fill nearly 2,000 backpacks so that every child has the opportunity go to school with the tools necessary to succeed. We are proud of the dedication our employees show for their communities and they have been awarded the United Way Days of Caring® Award for 2021.

Algoma has also partnered with the Niagara 2022 Host Society of the Canada Games and we will be the presenting sponsor of one of the 13 For 13 Cultural festival events in August, 2022. Our sponsorship event will be celebrating the province of Newfoundland and Labrador. This concert event will celebrate the cultural heritage and identities of Canada's 13 provinces and territories through entertainment, food, art and dance.

Algoma employees filling backpacks for Backpacks for Kids

OUR IMPACT

GOVERNANCE

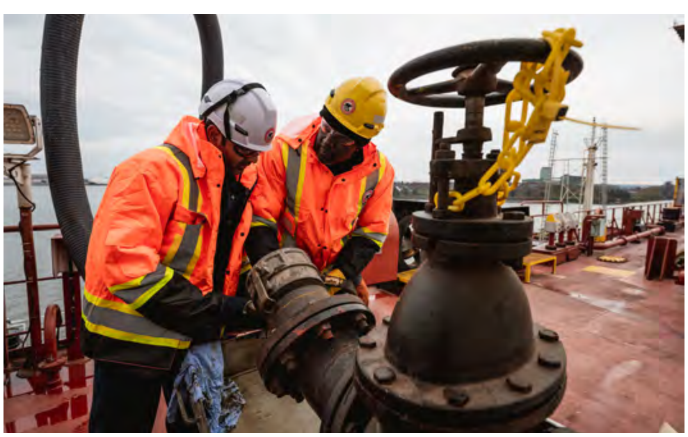
We operate based on responsible and ethical business practices to ensure we remain transparent, accountable and accurate. Algoma continuously develops its corporate governance to align with our strategic objective, goals and activities.

Strong corporate governance is a key foundation of a sustainable business and is one of our core practices at Algoma. As a Canadian reporting issuer listed on the Toronto Stock Exchange ("TSX"), Algoma ensures we comply with Canadian governance requirements and maintains a series of corporate policies and guidelines that are consistent with public company standards.

Our nine person Board of Directors oversees company management and convenes the following committees:

- Executive Committee
- Audit Committee
- Environment, Health and Safety Committee
- Corporate Governance Committee
- Investment Committee
- Special Committees (as required)

During Algoma's 2021 Annual General and Special Meeting of Shareholders, Trinity O. Jackman was elected as the first female member of our Board of Directors.



ETHICS & COMPLIANCE

All employees, officers and directors of the company are annually required to confirm their commitment to Algoma's Code of Conduct and are expected to act in alignment with the Company's core value system. A confidential and anonymous reporting line is available to report potential wrongdoing or unethical conduct.

CORE VALUES

- Integrity
- Sustainability
- Teamwork
- Ownership
- Passion

At Algoma, we work to ensure that we remain diligent in our transparency, accountability and security. Our core value system plays an important role in shaping our decision-making and ultimately our success.

For more information regarding Algoma's governance related policies, please visit our website at www.algonet.com.

Algoma Verity - Inagua, Bahamas

BOARD OF
DIRECTORS

RICHARD B. CARTY[1][2][3]

Toronto, Ontario
Vice President, General Counsel & Corporate Secretary
E-L Financial Corporation Limited

PAUL R. GURTLER[3][5]

Hamilton, Bermuda
Managing Director
Interlink Maritime Corporation

E.M. BLAKE HUTCHESON[1][3]

Toronto, Ontario
President & Chief Executive Officer
OMERS

DUNCAN N.R. JACKMAN[2][4][5]

Toronto, Ontario
Chairman, President & Chief Executive Officer
E-L Financial Corporation Limited

TRINITY O. JACKMAN

Toronto, Ontario
Professor of History
York University

MARK MCQUEEN[1]

Toronto, Ontario
President & Chief Executive Managing Director,
Innovation Banking
CIBC

CLIVE P. ROWE[2][4][5]

Gulf Stream, Florida
Partner
Oskie Capital

HAROLD S. STEPHEN[1][2]

Mississauga, Ontario
Chairman & Chief Executive Officer
Stephen Capital Inc.

ERIC STEVENSON[2][3][5]

Toronto, Ontario
Venture Capitalist & Co-Founder
Perseverance Marine

COMMITTEES:

(1) Member of the Audit Committee

(2) Member of Corporate Governance Committee

(3) Member of the Environment, Health & Safety Committee

(4) Member of the Executive Committee

(5) Member of the Investment Committee

PRINCIPLE

OFFICERS

DUNCAN N.R. JACKMAN

Chairman

GREGG A. RUHL

President & Chief Executive Officer

PETER D. WINKLEY CPA, CA

Chief Financial Officer

J. WESLEY NEWTON LLB

Senior Vice-President, Corporate Development

BRAD TIFFIN

Senior Vice-President, Operations & Technical

MARIO BATTISTA CPA, CMA

Vice-President, Finance & Process Innovation

JEFF DEROSARIO

Vice-President, Commercial

FREDRIK HANSON

Vice-President, Finance & Administration

CHRISTOPHER A.L. LAZARZ CPA, CA

Vice-President, Corporate Finance

CATHY SMITH

Vice-President, Human Resources

STEVE WRIGHT

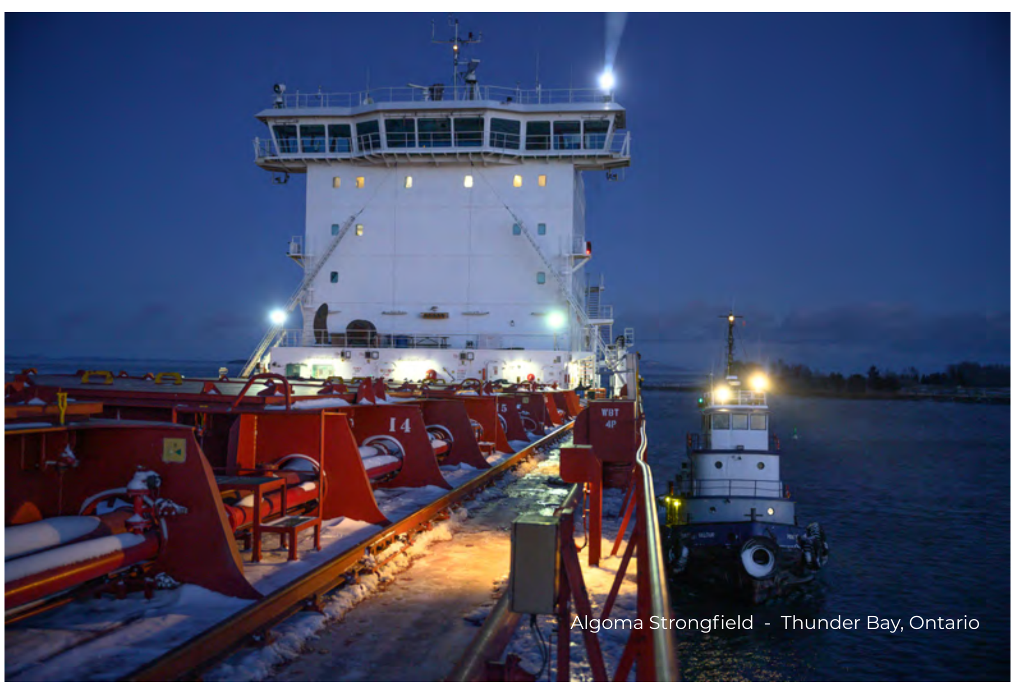
Vice-President, Engineering

CHARLIE BUNGARD CEng, FIMarEST

Assistant Vice-President, Technical Operations

JOSHUA JUEL MILR

Assistant Vice-President, Marine Ops & Fleet Personnel



Algoma Strongfield - Thunder Bay, Ontario

INFORMATION FOR
SHAREHOLDERS

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders will be held virtually via a live webcast available at: **www.virtualshareholdermeeting.com/ALC2022** at 11:30 am EST on May 4, 2022.

Please refer to www.algonet.com/investor-relations for further details.

TRANSFER AGENT & REGISTRAR

TSX Trust Company
PO Box 700, Postal Station B
Montreal, QC H3B 3K3

Telephone: 416-682-3800 (toll-free North America) or 416-682-3860 (outside North America)

Email: shareholderinquiries@tmx.com

Website: www.tsxtrust.com

STOCK MARKET

Algoma's common shares and convertible debentures are listed on the Toronto Stock Exchange.

Ticker Symbols:

Common shares: ALC

Convertible debentures: ALC.DB.A

INVESTOR RELATIONS

Chief Financial Officer

Telephone: 905-687-7888

Email: investorrelations@algonet.com

HEAD OFFICE

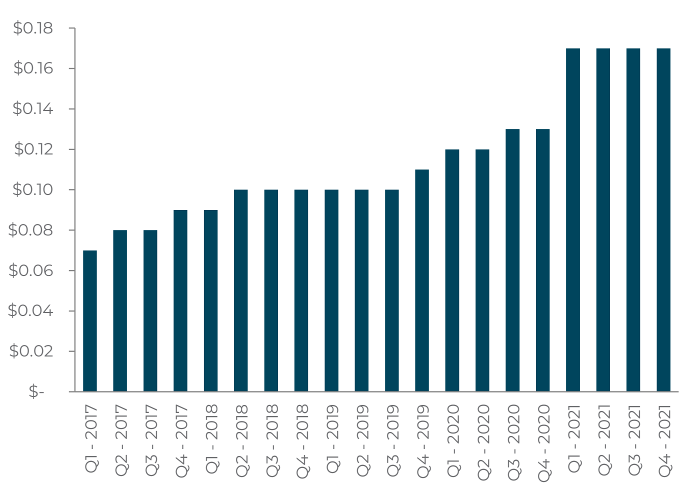
Algoma Central Corporation
63 Church Street, Suite 600,
St. Catharines, Ontario L2R 3C4

Telephone: (905) 687-7888

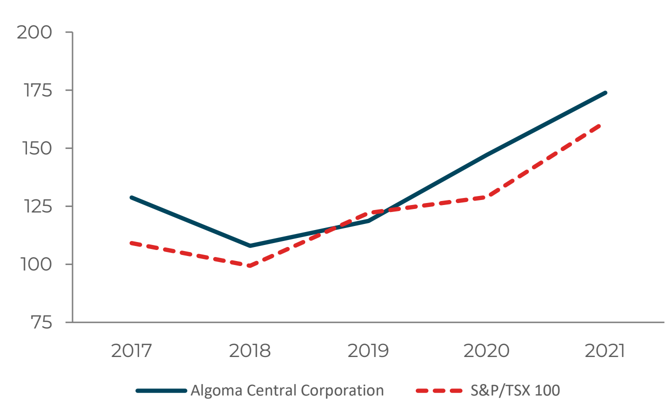
Website: www.algonet.com

Email: investorrelations@algonet.com

DIVIDENDS
(per quarter)



TOTAL SHAREHOLDER RETURN



*In December 2020, the Company declared a special dividend that was paid in January of 2021. The total return index for the Company reflects this dividend as a 2020 event.

SELECT FINANCIAL & OPERATIONAL STATISTICS

For the years ended December 31	2021	2020	2019
Financial Performance			
Total reported revenues	**$ 598,873**	$ 545,660	$ 567,908
Freight revenues[1]	**721,450**	658,254	647,063
Operating earnings	**93,307**	74,086	58,370
Net earnings	**82,170**	45,850	24,159
Adjusted net earnings[2]	**81,960**	51,508	40,129
Basic earnings per share	**2.17**	1.21	0.63
Adjusted basic earnings per share[2]	**2.16**	1.36	1.05
Diluted earnings per share	**2.01**	1.19	0.63
Adjusted diluted earnings per share[2]	**2.00**	1.34	1.05
Free cash flow[3]	**134,378**	104,496	93,186
EBITDA[4]	**188,983**	174,063	150,520
As at December 31			
Common shares outstanding	**37,800,943**	37,800,943	37,824,543
Total assets	**1,200,083**	1,223,096	1,147,377
Total long-term debt	**391,682**	390,633	254,777
Financial Ratios			
Profit margin	**13.72 %**	8.40 %	4.25 %
Adjusted profit margin	**13.69 %**	9.43 %	7.07 %
Debt to equity ratio	**0.74**	0.56	0.49
Return on equity (ROE) [5]	**13.68 %**	7.51 %	3.55 %
Adjusted return on equity (adjusted ROE)[2]	**13.65 %**	8.43 %	5.89 %
Domestic Operational Performance[6][7]			
Statistical operating data			
Total cargo carried (metric tonnes)	**22,432,947**	22,260,824	22,451,357
Tonnes-kilometre travelled	**25,695,112,040**	24,298,706,812	25,865,590,772
Vessel utilization			
Domestic Dry-Bulk	**95 %**	90 %	107 %
Product Tankers	**82 %**	90 %	100 %
Number of employees (full-time and relief employees)	**1,129**	1,151	1,106
Safety Indicators			
Lost time injury frequency (per 200,000 hours worked)	**0.47**	1.43	1.45
Lost time injuries	**12**	23	17

(1) See the section entitled Select Financial and operational highlights in the MD&A - revenues for further explanation.

(2) See the section entitled Adjusted performance measures in the MD&A for an explanation of these non-GAAP measures.

(3) See the section entitled Financial condition, liquidity and capital resources - cash flows in the MD&A for an explanation on this non-GAAP measure.

(4) See the section entitled Select Financial and Operational Highlights - EBITDA in the MD&A for an explanation on this non-GAAP measure.

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

(6) Operational performance relates only to our domestic segments which includes Domestic Dry-Bulk and Product Tankers.

(7) Statistical operating data and safety indicators are unaudited and based on data available at such time and are subject to change as more complete information becomes available. Definitions of each measure are included within the Company's Management Discussion & Analysis.

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, 2021, and 2020 and related notes thereto and has been prepared as at February 25, 2022.

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 2021 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 several global joint ventures, which include a diversified portfolio of dry-bulk fleets operating internationally. In addition to its owned vessels, the Company provides operational management for four vessels; one owned by G3 Canada Limited and 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. Domestic 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 50% interest in a ninth self-unloader. The eight self-unloaders are part of the world's largest pool of ocean-going self-unloaders, which at the end of 2021 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 consists of a shopping centre located in Sault Ste. Marie, Ontario.

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

Impact of Seasonality on the Company

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

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 2022 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;
- the economic impact of COVID-19 in Canada, the U.S., and other global markets;
- 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;
- 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 periods 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, 2021, 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 Pool'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 partially owned ships 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.

Impact of Current Economic Uncertainty

Since COVID-19 first appeared in our markets in early 2020, causing a swift and severe economic retraction, the global economy has staged a remarkable turn-around. The broad availability of vaccines in 2021 enabled many of our markets to return to more or less normal levels; however, the continued unpredictability of the future path of the pandemic, including but not limited to the efforts by governments in the markets that we serve to limit community spread, has resulted in uncertainty for the outlook on 2022. The six key sectors of the economy that we serve have been impacted differently to date by the pandemic and are experiencing different rates of recovery. We expect that this will continue to be the case.

The duration of the pandemic and its overall effect on the economy in the longer term remain uncertain and concerns have recently turned to the potential inflationary impacts of economic policies enacted to address the pandemic, which impact operating costs incurred by the Company.

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 the 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	**2021**	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	Favourable/(Unfavourable) 2020 vs. 2019
Reported revenue	**$ 598,873**	$ 545,660	$ 567,908	$ 53,213	$ (22,248)
Freight revenues[1]	**721,450**	658,254	647,063	63,196	11,191
Operating earnings	**93,307**	74,086	58,370	19,221	15,716
Net earnings	**82,170**	45,850	24,159	36,320	21,691
Basic earnings per share	**2.17**	1.21	0.63	0.96	0.58
Diluted earnings per share	**2.01**	1.19	0.63	0.82	0.56
EBITDA[2]	**188,983**	174,063	150,520	14,920	23,543
Free Cash Flow[3]	**134,378**	104,496	93,186	29,882	11,310
Dividends declared per share[4]	**0.68**	3.15	1.16	(2.47)	1.99
Return on Equity (ROE)[5]	**13.7 %**	7.5 %	3.6 %	6.2pp	3.9pp
As at December 31					
Common shares outstanding	**37,800,943**	37,800,943	37,824,543	—	(23,600)
Total assets	**1,200,083**	1,223,096	1,147,377	(23,013)	75,719
Total long-term financial liabilities	**$ 391,682**	$ 390,633	$ 254,777	$ (1,049)	$ (135,856)

(1) Freight revenues includes our 50% share of freight revenue from the Global Short Sea Shipping segment.

(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 Financial Condition, Liquidity and Capital Resources - Cash Flows for an explanation of this non-GAAP measure.

(4) There were special dividends declared of $0.75 in 2019 and $2.65 in 2020. Not including the special dividends, dividends declared in 2019 were $0.41 and $0.50 in 2020.

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

2021 Highlights

Demand in many commodity groups steadily returned to pre-pandemic levels during the year. Demand recovery was most notably seen in our mini-bulker fleet within our Global Short Sea Shipping Segment, which was hit hard by the economic fallout from COVID-19 in 2020. Iron and steel, construction and salt drove higher returns in our Domestic Dry-Bulk segment and although volumes in the Ocean Self-Unloaders segment are not recovering as quickly as anticipated, demand for gypsum, and fewer dry-dockings resulted in increased vessel on-hire time. The improvement in the global economy has also resulted in an increase in fuel prices which has consequently driven a significant rise in fuel cost recovery charges this year. Rising fuel prices impact revenues and are largely passed through to customers, mitigating any impact of this source of inflation on our earnings.

Fleet Renewal

During 2021, we took delivery of the Captain Henry Jackman, the fifth Equinox Class gearless dry-bulk carrier and the tenth Equinox Class vessel to join the fleet. The vessel began trading on the Great Lakes in late June and has been a valued addition to the fleet; the vessel's 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. Our fleet renewal program continues to move forward with an order placed for our eleventh Equinox Class vessel, which is to be constructed in China and is scheduled to join the fleet in 2024.

Financial Highlights - 2021 compared to 2020

- Reported revenue increased $53,213 or 10%, to $598,873.
- Operating earnings increased $19,221 or 26% to $93,307 and net earnings increased $36,320 or 79% to 82,170.
- Basic earnings per share were $2.17 compared to $1.21 and diluted earnings per share were $2.01 compared to $1.19.
- ROE increased 620 basis points to 13.7%.
- Book value per share as at December 31, 2021 and 2020 was $16.94 and $14.83.

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 and Product Tanker segments.

For the years ended December 31	**2021**	2020	2019
Total cargo carried (metric tonne)[(1)]	**22,432,947**	22,260,824	22,451,357
Tonne-kilometre travelled[(2)]	**25,695,112,040**	24,298,706,812	25,865,590,772
Vessel utilization[(3)]			
Domestic Dry-Bulk	**95 %**	90 %	107 %
Product Tankers	**82 %**	90 %	100 %

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

(2) Total cargo tonne-kilometres travelled in the period. Calculated as cargo quantity multiplied by the distance in kilometres that the cargo quantity was transported.

(3) Total number of days that vessels operated expressed as a percentage of the total number of days that were available for vessels to operate based on a standard operating season. The standard season for Domestic Dry-Bulk excludes days on which the Welland Canal 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, 2021, 2020 and 2019, and presented herein:

				Favourable/(Unfavourable)	
For the years ended December 31	**2021**	2020	2019	2021 vs. 2020	2020 vs. 2019
Net earnings	**$ 82,170**	$ 45,850	$ 24,159	$ 36,320	$ 21,691
Adjustments to net earnings:					
Depreciation and amortization	**67,852**	75,154	70,015	(7,302)	5,139
Other operating items	**(3,379)**	—	—	(3,379)	—
Interest expense, net	**20,652**	19,500	18,693	1,152	807
Loss (gain) on disposal of assets	**—**	65	(2,491)	(65)	2,556
Gain on sale of property	**(1,596)**	(5,621)	—	4,025	(5,621)
Foreign currency (gain) loss	**(1,326)**	(351)	886	(975)	(1,237)
Income tax expense	**11,812**	9,503	5,109	2,309	4,394
Joint ventures					
Interest expense	**1,930**	3,575	6,167	(1,645)	(2,592)
Foreign exchange (gain) loss	**(165)**	(183)	884	18	(1,067)
Depreciation and amortization	**15,389**	16,844	15,608	(1,455)	1,236
Impairment	**—**	9,746	15,970	(9,746)	(6,224)
Income tax expense (recovery)	**616**	296	(64)	320	360
Gain on disposal of vessels	**(4,972)**	(315)	(4,416)	(4,657)	4,101
EBITDA[(1)]	**$ 188,983**	$ 174,063	$ 150,520	$ 14,920	$ 23,543

(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	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	2020 vs. 2019
Reported Revenue	**$ 598,873**	$ 545,660	$ 567,908	$ 53,213	$ (22,248)
Freight revenues[1]	**$ 721,450**	$ 658,254	$ 647,063	$ 63,196	$ 11,191
Other revenues	**9,383**	11,122	12,891	(1,739)	(1,769)
Total revenues	**$ 730,833**	$ 669,376	$ 659,954	$ 61,457	$ 9,422
Freight revenues					
Domestic Dry-Bulk	**$ 338,644**	$ 285,931	$ 281,587	$ 52,713	$ 4,344
Product Tankers	**94,535**	114,273	106,271	(19,738)	8,002
Ocean Self-Unloaders	**156,294**	134,109	61,072	22,185	73,037
Global Short Sea Shipping[1]	**131,977**	123,941	127,780	8,036	(3,839)
Total freight revenues	**$ 721,450**	$ 658,254	$ 576,710	$ 63,196	$ 81,544

(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.

Freight revenues for the year were higher when compared to 2020 driven primarily by strong market rates across most commodity groups. Economic recovery is underway in Canadian and international markets and most segments were able to take advantage of higher demand and strong freight rates.

- Freight markets in the Domestic Dry-Bulk segment were generally robust in 2021, driving a slight increase to overall volumes and increased revenue days. Despite a decrease in grain volumes this year, higher volumes in the iron and steel and salt sectors more than offset the reduced demand for grain products.
- The continuation of travel restrictions and global stay-at-home orders continued to impact demand for petroleum products in 2021 and the Product Tanker segment did not experience a repeat of the significant cargo requirements in 2020 that were driven by movement of products from Great Lakes refineries to the East Coast.
- Volumes in the Ocean Self-Unloader segment were primarily impacted in 2021 by reduced demand for aggregates as infrastructure projects in the U.S. have not yet returned to pre COVID-19 levels. Strength in U.S. construction is positively impacting the gypsum market and the sector is seeing steady demand. Revenue improvements year-over-year were driven primarily by more on-hire days, reflecting fewer dry-dockings in the fleet in 2021.
- This year, higher demand and tight vessel capacity drove freight rates up in the mini-bulker segment and the demand in the cement market continues to stay strong.

2022 Business Outlook

For 2022, we are expecting the demand for manufacturing and building materials to continue to trend upwards, and steady production and associated demand should result in salt volumes approximating normal levels. The impact of the drought in Western Canada will be a significant factor in our domestic trade but we are preparing for lower volumes with plans for strategic capacity deployment and maintaining tight control of operating costs.

The demand for petroleum products in 2022 is expected to be similar to 2021 as our customers continue to recover from the impact COVID-19 has had on the demand for wholesale petroleum products. We are ready to deploy additional capacity should restrictions ease and global travel begin to recover.

Market trends remain positive in our international segments as we begin 2022 and we are hopeful there will be a return to more normal aggregate volumes following the recent downturn in global infrastructure projects. Freight rates in our Ocean Self-Unloader segment and in our Global Short Sea joint ventures are likely to remain strong as market demand continues to steadily increase after COVID-19 related downturns.

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 2021 were as follows:

Month	High	Low	Number of Trades	Volume Traded (000's)	Value Traded (000's)
January	$14.52	$13.26	1,947	557,121	7,876
February	$15.75	$13.51	833	152,667	2,282
March	$17.54	$14.82	1,421	290,106	4,798
April	$17.50	$16.58	1,106	206,189	3,511
May	$17.51	$16.37	726	156,468	2,664
June	$17.19	$16.33	525	100,359	1,670
July	$16.79	$15.08	761	157,133	2,496
August	$17.59	$15.45	888	189,846	3,125
September	$18.93	$16.62	807	148,925	2,586
October	$18.27	$16.14	662	117,098	2,029
November	$17.80	$16.50	704	124,440	2,138
December	$17.30	$16.38	532	107,887	1,830

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 2021 were as follows:

Month	High	Low	Number of Trades	Volume Traded (000's)	Value Traded (000's)
January	$106.00	$103.00	93	6	581.46
February	$105.86	$103.20	35	5,470	572.98
March	$112.72	$104.00	135	69,050	7,479.52
April	$113.55	$109.00	92	24,150	2,688.60
May	$112.17	$109.00	64	5,320	592.28
June	$112.00	$108.16	37	2,530	277.75
July	$111.06	$103.06	45	5,090	539.04
August	$112.00	$106.77	53	25,120	2,717.47
September	$117.25	$109.39	43	4,490	500.38
October	$113.25	$107.77	52	4,760	528.88
November	$112.00	$109.00	45	4,770	526.10
December	$111.00	$107.43	52	3,660	398.05

The current conversion price of the convertible debentures has been set at $16.11 effective August 18, 2021.

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, return on equity and basic and diluted earnings per share in accordance with GAAP, as reported for the years ended December 31, 2021, 2020 and 2019, to the adjusted non-GAAP performance measures presented herein:

For the years ended December 31		**2021**		2020		2019
Net earnings	**$**	**82,170**	$	45,850	$	24,159
Adjustments:						
Impairment (reversal)		**(210)**		9,789		15,970
Gain on sale of investment property		**—**		(4,131)		—
Adjusted net earnings	**$**	**81,960**	$	51,508	$	40,129
Return on equity		**13.68 %**		7.51 %		3.55 %
Adjusted return on equity(1)		**13.65 %**		8.43 %		5.89 %
Basic earnings per share	**$**	**2.17**	$	1.21	$	0.63
Impact of adjustments per share		**(0.01)**		0.15		0.42
Adjusted basic earnings per share	**$**	**2.16**	$	1.36	$	1.05
Diluted earnings per share	**$**	**2.01**	$	1.19	$	0.63
Impact of adjustments per share		**(0.01)**		0.15		0.42
Adjusted diluted earnings per share	**$**	**2.00**	$	1.34	$	1.05

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

- In the third quarter of 2021 a small bunkering vessel that had been laid up at the end of 2020 was sold and a $286 gain resulting from the sale was recorded as an impairment reversal.
- 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 2019, the Company determined that the carrying value of its investment in NASC was impaired and recognized an impairment loss of $15,542 in net earnings from investments in joint ventures.

The following table provides a reconciliation of operating earnings in accordance with GAAP, as reported for the years ended December 31, 2021, 2020 and 2019, to the adjusted non-GAAP performance measures presented herein:

For the years ended December 31		**2021**		2020		2019
Revenue	**$**	**598,873**	$	545,660	$	567,908
Operating earnings	**$**	**93,307**	$	74,086	$	58,370
Adjustments:						
Impairment reversal		**(286)**		—		—
Adjusted operating earnings	**$**	**93,021**	$	74,086	$	58,370
Profit margin		**15.58 %**		13.58 %		10.28 %
Impact of adjustments on profit margin		**(0.05)%**		— %		— %
Adjusted profit margin		**15.53 %**		13.58 %		10.28 %

Domestic Dry-Bulk Segment

Financial Performance

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	Favourable/(Unfavourable) 2020 vs. 2019
Revenue	**$ 338,661**	$ 286,156	$ 281,680	$ 52,505	$ 4,476
Operating expenses	**(238,423)**	(200,788)	(212,844)	(37,635)	12,056
Selling, general and administrative	**(11,660)**	(11,522)	(11,289)	(138)	(233)
Other operating items	**3,093**	—	—	3,093	—
Depreciation and amortization	**(26,701)**	(27,094)	(24,112)	393	(2,982)
Operating earnings	**64,970**	46,752	33,435	18,218	13,317
Gain on sale of property	**1,596**	—	—	1,596	—
Income tax expense	**(17,305)**	(12,244)	(9,238)	(5,061)	(3,006)
Net earnings	**$ 49,261**	$ 34,508	$ 24,197	$ 14,753	$ 10,311

Operational Performance

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	Favourable/(Unfavourable) 2020 vs. 2019
Volumes (metric tonnes)					
Iron and steel	**8,354**	7,682	9,422	672	(1,740)
Construction	**3,239**	3,255	3,840	(16)	(585)
Agriculture	**3,425**	3,804	3,093	(379)	711
Salt	**5,433**	5,285	3,830	148	1,455
Other	**—**	—	87	—	(87)
Total volumes	**20,451**	20,026	20,272	425	(246)
Revenue Days	**4,856**	4,708	4,907	148	(199)
Operating Days	**5,021**	4,879	5,142	142	(263)

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, 2021, 2020 and 2019, and presented herein:

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	Favourable/(Unfavourable) 2020 vs. 2019
Net earnings	**$ 49,261**	$ 34,508	$ 24,197	$ 14,753	$ 10,311
Adjustments to net earnings:					
Depreciation and amortization	**26,701**	27,094	24,112	(393)	2,982
Income tax expense	**17,305**	12,244	9,238	5,061	3,006
Other operating items	**(3,093)**	—	—	(3,093)	—
Loss (gain) on disposal of assets	**—**	65	(2,491)	(65)	2,556
Gain on sale of property	**(1,596)**	—	—	(1,596)	—
EBITDA[(1)]	**$ 88,578**	$ 73,911	$ 55,056	$ 14,667	$ 18,855

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

2021 Overview

The increase in revenue in the Domestic Dry-Bulk segment was mainly due to significantly improved freight rates realized in a number of sectors. Freight markets were generally robust in 2021, driving a 2% increase in overall volumes and a 3% increase in revenue days.

Despite lower volumes in agriculture this year compared to the significant surge in grain volumes experienced in 2020, increased iron and steel and salt volumes more than offset the reduced demand for grain and contributed to the increase in fleet utilization. In addition, the improvement in the global economy resulted in an increase in fuel prices, which in turn has driven a significant rise in fuel cost recovery charges for the year; average fuel prices having increased by 67% when compared to 2020 prices. The increase in fuel prices also affects operating costs; however, fuel costs are passed on to customers through the fuel component of freight rates and as a result, our earnings are largely sheltered from the impact of changes in the cost of this input.

Higher operating costs were mainly due to the increases in fuel prices and a 3% increase in operating days. Direct expenses, specifically crew and supply costs, were driven higher primarily by the increase in operating days. The increase in crew costs was also slightly impacted by investments made in crew training this year. The increase in operating costs was partially offset by an insurance settlement related to a 2020 vessel grounding that also resulted in the disposal of the affected vessel in the third quarter of 2021.

Overall, volumes reflect a 9% increase in iron and steel shipments and a 3% increase in salt volumes. Improvements in the export ore business and the steady recovery of North American steel demand following COVID-19 related production downturns were the driving forces behind the increase. Partially offsetting the increase was a 10% decrease in agriculture volumes; 2020 experienced an unexpected surge in grain demand, which was generally attributed to global stay-at-home orders.

Higher freight rates were driven by higher demand in certain trades and lack of excess vessel capacity. Rates in the export ore sector were a large contributor to the increase in freight revenue, driven by global demand for iron ore and high steel prices. Commodities that are part of the cement manufacturing process such as pet coke, are positively impacting freight rates in this sector as demand for building materials increases. Salt demand is holding steady and the sector is experiencing positive rate increases as a result. Demand for grain this year returned to more normal levels, as reflected in the decrease in volumes for this sector.

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 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.

2022 Outlook

The impact of the drought in Western Canada will be a significant factor in 2022. We currently expect reduced grain volumes, at least until the 2022 harvest begins shipping in the fall. Reduced grain volumes will impact some of our trade routes in the spring and summer. We are expecting the demand for manufacturing and building materials to continue to trend upwards, and steady production levels from our major salt customer should result in strong salt volumes. We are preparing for lower early-season grain volumes with plans for strategic capacity deployment and maintaining tight control over operating costs.

Our fleet renewal program continues and we expect good progress on our eleventh Equinox vessel, which is to be constructed in China and is scheduled to join the fleet in 2024. Construction of the vessel is set to begin in late 2022. These 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

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	Favourable/(Unfavourable) 2020 vs. 2019
Revenue	**$ 94,535**	$ 114,273	$ 141,912	$ (19,738)	$ (27,639)
Operating expenses	**(63,557)**	(73,198)	(104,439)	9,641	31,241
Selling, general and administrative	**(4,178)**	(4,951)	(4,019)	773	(932)
Other operating items	**286**	—	—	286	—
Depreciation and amortization	**(13,348)**	(14,574)	(13,555)	1,226	(1,019)
Operating earnings	**13,738**	21,550	19,899	(7,812)	1,651
Income tax expense	**(3,797)**	(5,814)	(5,273)	2,017	(541)
Net earnings	**$ 9,941**	$ 15,736	$ 14,626	$ (5,795)	$ 1,110

Operational Performance

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	Favourable/(Unfavourable) 2020 vs. 2019
Volume (metric tonnes)					
Petroleum products	**1,981**	2,235	2,179	(254)	56
Total volumes	**1,981**	2,235	2,179	(254)	56
Revenue days (owned fleet)	**1,998**	2,562	2,652	(564)	(90)
Operating days (owned fleet)	**2,087**	2,632	2,810	(545)	(178)
Outside charter days	**—**	132	667	(132)	(535)

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, 2021, 2020 and 2019, and presented herein:

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	Favourable/(Unfavourable) 2020 vs. 2019
Net earnings	**$ 9,941**	$ 15,736	$ 14,626	$ (5,795)	$ 1,110
Adjustments to net earnings:					
Depreciation and amortization	**13,348**	14,574	13,555	(1,226)	1,019
Income tax expense	**3,797**	5,814	5,273	(2,017)	541
Other operating items	**(286)**	—	—	(286)	—
EBITDA[(1)]	**$ 26,800**	$ 36,124	$ 33,454	$ (9,324)	$ 2,670

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

2021 Overview

The decrease in revenue was attributable to reductions in demand from our major customer and consequently a 22% decrease in revenue days compared to 2020. During the prior year, fleet utilization unexpectedly benefited from a significant number of cargoes delivered from Great Lakes refineries to the East Coast. The continuation of travel restrictions and global stay-at-home orders continued to impact demand for petroleum products but did not result in the same volume of East Coast cargoes in 2021.

Higher fuel recovery charges driven by the increases in fuel prices did offset some of the revenue impact from the lower utilization; however, passed through fuel costs do not add to earnings for the segment. Additionally, as a result of the lower demand, we did not require the use of any outside charters, as was the case in 2020. The decrease in outside charter revenue also has a minor impact on earnings, as the cost we incur to charter the capacity is passed through to our customers.

Operating costs were lower this year mainly due to a 21% decrease in operating days driven by the reduced customer demand and vessel utilization. We also incurred lower dry-dock costs this year. Partially offsetting the decrease in expenses was increased fuel costs driven by higher fuel prices.

During the third quarter of 2021, a multi-year contract renewal was successfully completed with our major customer. Additionally, we sold our small bunkering vessel, recording a $286 gain resulting from the sale as an impairment reversal.

2022 Outlook

We expect Product Tanker utilization in 2022 to be similar to 2021 as our customers continue to recover from the impact that COVID-19 has had on the demand for wholesale petroleum products. As a result of the recent contract renewal with our primary Tanker customer, we are anticipating a solid base of consistent vessel utilization in 2022 and are ready to deploy additional capacity if customer requirements change.

Ocean Self-Unloaders Segment

Financial Performance

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	2020 vs. 2019
Annual foreign exchange rate average	**$ 1.2537**	$ 1.3412	$ 1.3268	$ (0.0875)	$ 0.0144
Revenue	**$ 156,294**	$ 134,109	$ 131,425	$ 22,185	$ 2,684
Operating expenses	**(94,619)**	(84,615)	(82,959)	(10,004)	(1,656)
Selling, general and administrative	**(1,195)**	(910)	(1,136)	(285)	226
Other operating items	**(5,575)**	—	—	(5,575)	—
Depreciation and amortization	**(25,402)**	(29,793)	(28,657)	4,391	(1,136)
Operating earnings	**29,503**	18,791	18,673	10,712	118
Net loss from investments in joint ventures	**(52)**	(10,213)	(777)	10,161	(9,436)
Net earnings	**$ 29,451**	$ 8,578	$ 17,896	$ 20,873	$ (9,318)

Operational Performance

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	2020 vs. 2019
Pool Volumes (metric tonnes)(1)					
Gypsum	**3,619**	3,364	3,395	255	(31)
Aggregates	**9,007**	10,727	14,166	(1,720)	(3,439)
Coal	**7,805**	7,230	7,593	575	(363)
Other	**858**	531	463	327	68
Total volumes	**21,289**	21,852	25,617	(563)	(3,765)
Revenue days	**2,794**	2,618	2,254	176	364
Operating days	**2,814**	2,639	2,287	175	352
Off-hire days for dry-docking	**112**	297	193	185	(104)

(1) Pool volumes exclude volumes carried on vessels that were under time charter arrangements in 2020 and 2021.

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, 2021, 2020 and 2019, and presented herein:

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	2020 vs. 2019
Net earnings	**$ 29,451**	$ 8,578	$ 17,896	$ 20,873	$ (9,318)
Adjustments to net earnings:					
Depreciation and amortization	**25,402**	29,793	28,657	(4,391)	1,136
Joint Venture:					
Depreciation and amortization	**708**	1,563	2,215	(855)	(652)
Interest expense	**—**	138	625	(138)	(487)
Income tax expense (recovery)	**61**	208	(9)	(147)	217
Impairment provision	**—**	9,746	428	(9,746)	9,318
Foreign exchange loss	**—**	68	696	(68)	(628)
EBITDA(1)	**55,622**	50,094	50,508	5,528	(414)

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

2021 Overview

Revenue was higher in 2021 driven by a 7% increase in revenue days mainly due to fewer dry-dockings compared to 2020 when five vessels were dry-docked compared to one this year. Additionally, our pro-rata share of the Pool was higher than normal this year due to unanticipated delivery delays experienced by our Pool partner on replacement vessels. This offset the impact of a 3% decrease in overall Pool volumes.

Overall pool volumes have not recovered as quickly as hoped, particularly in the case of construction materials. Volumes were primarily impacted in 2021 by a 10% decrease in aggregate volumes as infrastructure projects in the U.S. have not returned to pre COVID-19 levels and port congestion in some markets is causing delivery delays. Despite the weakness in the aggregate sector, strength in U.S. house construction is positively impacting the gypsum market and the sector saw a 23% increase in volumes for the Pool.

Although volumes for the Pool were lower this year, strong freight rates across most sectors partially limited the extent of the decline. Gypsum and coal were the main contributors and both are experiencing a higher rate environment. There continues to be weakness in the aggregate market as a result of the downturn in demand.

Operating costs were higher in 2021, driven by a 7% increase in operating days compared to last year as a result of the higher fleet on-hire rate and increased global fuel prices. The segment benefited from more on-hire days and lower dry-dock expenditures this year compared to 2020 when there were five planned dry-dockings versus one this year.

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

Management determined in the 2020 third quarter that the carrying value of a jointly owned vessel should be written down to its net scrap value and accordingly an impairment provision of $9,789 was recorded and is reflected in equity earnings from joint ventures in that prior year quarter.

2022 Outlook

The outlook for the Ocean Self-Unloader segment for 2022 is for tonnage to grow in all sectors and for generally improving rates across the various markets. Vessel supply at at the Pool level is fairly well balanced, with five Pool vessels undertaking dry-dockings this year, including two Algoma vessels. With the arrival of our partner's two new conversion vessels in the fourth quarter of 2021, the Pool's capacity has returned to normal levels and Algoma's share of Pool earnings will return to normal levels for 2022.

Global Short Sea Shipping Segment

Financial Results Overview

For the years ended December 31		2021		2020		2019		Favourable/(Unfavourable) 2021 vs. 2020		2020 vs. 2019
Annual foreign exchange rate average	**$**	**1.2537**	$	1.3412	$	1.3268	$	(0.0875)	$	0.0144
Revenue	**$**	**263,953**	$	247,881	$	255,559	$	16,072	$	(7,678)
Operating expenses		**(195,582)**		(197,094)		(207,751)		1,512		10,657
Selling, general and administrative		**(6,684)**		(7,795)		(8,730)		1,111		935
Depreciation and amortization		**(28,186)**		(29,310)		(25,352)		1,124		(3,958)
Operating earnings		**33,501**		13,682		13,726		19,819		(44)
Gain on sale of vessels		**9,944**		629		8,832		9,315		(8,203)
Interest expense		**(3,859)**		(6,873)		(11,083)		3,014		4,210
Foreign exchange gain (loss)		**329**		502		(376)		(173)		878
Earnings before undernoted		**39,915**		7,940		11,099		31,975		(3,159)
Income tax (expense) recovery		**(1,110)**		(176)		110		(934)		(286)
Net earnings of joint ventures		**3,810**		1,827		2,324		1,983		(497)
Net (loss) earnings attributable to non-controlling interest		**(4,526)**		1,677		1,492		(6,203)		185
Net earnings	**$**	**38,089**	$	11,268	$	15,025	$	26,821	$	(3,757)
Company share of net earnings above	**$**	**19,045**	$	5,634	$	7,513	$	13,411	$	(1,879)
Impairment of investment in joint ventures		**—**		—		(15,542)		—		15,542
Amortization of vessel purchase price allocation and intangibles		**(588)**		(626)		(717)		38		91
Company share included in net earnings (loss) from investments in joint ventures	**$**	**18,457**	$	5,008	$	(8,746)	$	13,449	$	13,754

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, 2021, 2020 and 2019, and presented herein:

For the years ended December 31		2021		2020		2019		Favourable/(Unfavourable) 2021 vs. 2020		2020 vs. 2019
Company share of net earnings (loss) from investments in joint ventures	**$**	**18,457**	$	5,008	$	(8,746)	$	13,449	$	13,754
Adjustments to net earnings:										
Depreciation and amortization		**14,681**		15,281		13,393		(600)		1,888
Interest expense		**1,930**		3,437		5,542		(1,507)		(2,105)
Income tax expense (recovery)		**555**		88		(55)		467		143
Foreign currency (gain) loss		**(165)**		(251)		188		86		(439)
Impairment of investment in joint ventures		**—**		—		15,542		—		(15,542)
Gain on disposal of vessels		**(4,972)**		(315)		(4,416)		(4,657)		4,101
Company share of EBITDA[(1)]	**$**	**30,486**	$	23,248	$	21,448	$	7,238	$	1,800

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

2021 Overview

The global short sea segment experienced a year of strong market recovery compared to 2020 and we are seeing record results for this segment as a consequence. Revenue was higher this year mainly driven by significant improvements in freight rates in the mini-bulker segment and steady demand in the North American and Mediterranean cement markets. These increases were partially offset by lower revenues from the handy-size fleet; in 2021 all four vessels owned by the joint venture were sold for a gain. We initially acquired the handy-size vessels in order to participate in the active international sales and purchase market and have since received dividends from the sale of these vessels.

Revenue in the mini-bulker fleet increased 16% in 2021; in 2020 COVID-19 related reductions in customer demand and pressure on charter rates significantly impacted results. This year, higher demand in the market drove freight rates up and the segment was able to strategically deploy excess capacity to take advantage of the surge in business. With the continuation of a strong global cement market as infrastructure projects generally continue to improve in most market areas, revenue in the cement fleet increased 5%. We were able to support cement customer requirements domestically by redeploying one vessel into Canadian trades where two vessels are off-hire for dry-docking.

Operating costs decreased slightly in 2021 mainly driven by the reduction in the handy-size fleet this year from four vessels in 2020 to none by the end of the 2021 third quarter and the reduction of the mini-bulker fleet by two vessels during the year. Partially offsetting the decrease was a 9% increase in operating costs in the cement fleet as a result of higher fuel costs, vessel repositioning costs and adding an additional vessel to the Great Lakes fleet which impacts expenses as costs to operate domestically are generally higher.

The $9,944 gain on the sale of vessels in 2021 primarily relates to the sale of four vessels in the handy-size fleet and two vessels in the mini-bulker fleet. At the end of the year, the segment does not own any handy-sized vessels.

2022 Outlook

A very strong dry-bulk market benefited the mini-bulker fleet in 2021 and while the market has begun the year strongly, we are anticipating that the market will begin to normalize later in 2022. The cement sector is expected to remain steady for the 2022 season and with the additional 25% investment in our Northern European cement joint venture, we are looking forward to having additional vessel capacity to support increasing cement demand.

Subsequent to year-end, the Board of Directors of the Company approved a further investment in certain Global Short Sea Shipping joint ventures to a maximum of $16,000 to assist the joint ventures to acquire two cement vessels and two bulk carriers. Closings for the purchases is expected to occur at various dates in the first half of 2022.

Investment Properties Segment

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	2020 vs. 2019
Revenue	**$ 6,560**	$ 8,183	$ 9,809	$ (1,623)	$ (1,626)
Operating expenses	**(5,504)**	(7,113)	(6,956)	1,609	(157)
Selling, general and administrative	**(1,000)**	—	—	(1,000)	—
Depreciation	**(1,078)**	(2,684)	(2,725)	1,606	41
Operating (loss) earnings	**(1,022)**	(1,614)	128	592	(1,742)
Gain on sale of investment property	**—**	5,621	—	(5,621)	5,621
Income tax recovery (expense)	**292**	(513)	72	805	(585)
Net (loss) earnings	**$ (730)**	$ 3,494	$ 200	$ (4,224)	$ 3,294

The Company owns a shopping centre located in Sault Ste. Marie, Ontario and owned an apartment building in the city until it was sold late in 2020. The reduction in revenue and operating expenses in 2021 is largely a result of the impact of the COVID-19 pandemic on the shopping centre, which resulted in the mall being shut down for periods of time. During the fourth quarter of 2020, the Company sold the apartment building for gross proceeds of $6,250, and a gain of $5,621.

Corporate Segment

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	2020 vs. 2019
Revenue	**$ 2,823**	$ 2,939	$ 3,082	$ (116)	$ (143)
Operating expenses	**(864)**	(979)	(1,042)	115	63
Selling, general and administrative	**(14,518)**	(12,344)	(14,839)	(2,174)	2,495
Depreciation	**(1,323)**	(1,009)	(966)	(314)	(43)
Operating loss	**(13,882)**	(11,393)	(13,765)	(2,489)	2,372
Foreign currency gain (loss)	**1,326**	351	(886)	975	1,237
Interest expense, net	**(20,652)**	(19,500)	(18,693)	(1,152)	(807)
Income tax recovery	**8,998**	9,068	9,330	(70)	(262)
Net loss	**$ (24,210)**	$ (21,474)	$ (24,014)	$ (2,736)	$ 2,540

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	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	Favourable/(Unfavourable) 2020 vs. 2019
Interest expense on borrowings	**$ 18,633**	$ 18,088	$ 18,838	$ (545)	$ 750
Amortization of financing costs	**1,612**	1,429	1,099	(183)	(330)
Interest on employee future benefits, net	**1,444**	916	809	(528)	(107)
Interest capitalized on vessels under construction	**(956)**	(695)	(886)	261	(191)
	$ 20,733	$ 19,738	$ 19,860	$ (995)	$ 122

Foreign Currency Gain (Loss)

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	Favourable/(Unfavourable) 2020 vs. 2019
Gain on foreign denominated cash	**$ 943**	$ 872	$ 889	$ 71	$ (17)
Gain on return of capital from foreign subsidiary	**331**	—	—	331	—
Foreign exchange loss on contract cancellation receivable	**—**	—	(1,775)	—	1,775
Gain (loss) on foreign exchange forward contracts	**52**	(521)	—	573	(521)
	$ 1,326	$ 351	$ (886)	$ 975	$ 1,237

Income Taxes

For the years ended December 31	2021	2020	2019	Favourable/(Unfavourable) 2021 vs. 2020	Favourable/(Unfavourable) 2020 vs. 2019
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	**$ 75,577**	$ 60,558	$ 38,791	$ 15,019	$ 21,767
Expected income tax expense	**$ (20,028)**	$ (16,048)	$ (10,280)	$ (3,980)	$ (5,768)
Increase (decrease) in expense resulting from:					
Foreign tax rates different from Canadian statutory rate	**8,182**	5,478	5,439	2,704	39
Effect of items that are non (taxable) deductible	**(9)**	557	(418)	(566)	975
Non-recoverable withholding taxes	**(471)**	(520)	(448)	49	(72)
Deferred tax items recognized	**73**	300	—	(227)	300
Adjustments to prior period provision	**65**	968	557	(903)	411
Utilization of capital loss previously unrecognized	**232**	—	—	232	—
Other	**144**	(238)	41	382	(279)
Actual tax expense	**$ (11,812)**	$ (9,503)	$ (5,109)	$ (16,206)	$ 4,394
Effective tax rate excluding net earnings (loss) from investments in joint ventures	**15.6 %**	15.7 %	13.2 %	(.1)%	2.5 %

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 2021 and 2020 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.

Actual tax expense was $2,309 higher in 2021 as a result of an increase in earnings generated in our domestic segments where earnings are taxed.

Summary of Quarterly Financial Results

	2021 Quarters				2020 Quarters			
	Fourth	**Third**	**Second**	**First**	Fourth	Third	Second	First
Revenues	**$ 178,853**	**$ 174,734**	**$ 167,687**	**$ 77,599**	$ 154,291	$ 155,002	$ 151,270	$ 85,097
Operating earnings (loss)	**37,181**	**44,638**	**40,881**	**(29,393)**	31,978	40,542	28,999	(27,433)
Net earnings (loss)	**32,287**	**39,984**	**32,315**	**(22,416)**	29,499	22,235	17,742	(23,626)
Basic earnings (loss) per share	**0.85**	**1.06**	**0.85**	**(0.59)**	0.78	0.59	0.47	(0.62)
Diluted earnings (loss) per share	**0.77**	**0.96**	**0.78**	**(0.59)**	0.72	0.55	0.45	(0.62)
Dividends per share	**0.17**	**0.17**	**0.17**	**0.17**	2.78	0.13	0.12	0.12

Revenues generated by the Company during the year are influenced by seasonal weather conditions, general economic conditions, cyclical demand for marine transportation, competition in the transportation sector and the effects of the COVID-19 pandemic beginning in the second quarter of 2020. 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 28 of the Consolidated Financial Statements for the years ending December 31, 2021 and 2020. There have been no significant changes in the items presented since December 31, 2021.

Capital Resources

The Company has cash on hand of $108,942 at December 31, 2021. Available credit facilities along with projected cash from operations for 2022 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") expires December 10, 2023 and 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. 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 185 to 315 basis points above bankers' acceptance or LIBOR rates. The Company has granted a general security agreement in favour of the senior secured lenders and has granted specific collateral mortgages covering 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, 2021, 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, 2021.

Financial Condition, Liquidity and Capital Resources

Cash Flows

				Favourable/(Unfavourable)	
For the years ended December 31	**2021**	2020	2019	2021 vs. 2020	2020 vs. 2019
Net cash generated from operating activities	**$ 162,381**	$ 157,061	$ 137,758	$ 5,320	$ 19,303
Net cash used in investing activities	**(16,225)**	(88,060)	(154,609)	71,835	66,549
Net cash (used in) generated from financing activities	**(141,016)**	17,190	12,942	(158,206)	4,248
Net change in cash	**5,140**	86,191	(3,909)	(81,051)	90,100
Effects of exchange rate changes on cash held in foreign currencies	**(108)**	(1,146)	(2,765)	1,038	1,619
Cash, beginning of year	**103,910**	18,865	25,539	85,045	(6,674)
Cash, end of year	**$ 108,942**	$ 103,910	$ 18,865	$ 5,032	$ 85,045

Operating Activities

The significant contributor to the higher net cash generated from operating activities in 2021 was an increase in net earnings in the Domestic Dry-Bulk and Ocean Self-Unloader segments, partially offset by lower earnings in the Product Tankers segment.

Investing Activities

Net cash used in investing activities decreased in 2021; fiscal 2020 included one final delivery payment on one vessel and two progress payments made on an additional vessel whereas in 2021 there was one final delivery payment and one progress payment made. The decrease was also attributable to higher distributions received from joint ventures, a $7,548 insurance proceed payment on the disposal of one vessel and $8,530 proceeds from the sale of property, plant and equipment.

Financing Activities

Net cash used in financing activities increased this year compared to 2020 driven primarily by the special dividend of $97,679 paid in January 2021.

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 proceeds or 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. Free cash flow does 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 cash generated from operating activities in accordance with GAAP to the non-GAAP free cash flow, as reported for the years ended December 31, 2021, 2020 and 2019, and presented herein:

				Favourable/(Unfavourable)	
For the years ended December 31	**2021**	2020	2019	2021 vs. 2020	2020 vs. 2019
Net cash generated from operating activities	**$ 162,381**	$ 157,061	$ 137,758	$ 5,320	$ 19,303
Net debt service repayments	**(18,351)**	(30,342)	(18,709)	11,991	(11,633)
Capital required for maintenance of existing assets	**(9,652)**	(22,223)	(25,863)	12,571	3,640
Free cash flow	**$ 134,378**	$ 104,496	$ 93,186	$ 29,882	$ 11,310

- Higher net debt service repayments in 2020 relates to make-whole interest payments on the debt refinancing
- There was lower capital required for maintenance of existing assets in 2021 as a result of fewer dry-dockings.

Normal Course Issuer Bid

Effective March 19, 2021, the Company renewed its normal course issuer bid (the "2021 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 6, 2021 (the “NCIB”).

Subject to prescribed exceptions, the Company is allowed to purchase up to 3,163 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 12,653 Shares. Any Shares purchased under the 2021 NCIB are cancelled. The Company did not purchase Shares under the 2021 NCIB.

In conjunction with the renewal of the NCIB, Algoma entered into a new automatic share purchase plan (the “ASPP”) with a designated broker to allow for the purchase of its Shares under the NCIB at times when Algoma normally would not be active in the market due to applicable regulatory restrictions or internal trading black-out periods. Before the commencement of any particular internal trading black-out period, Algoma may, but is not required to, instruct its designated broker to make purchases of Shares under the NCIB during the ensuing black-out period in accordance with the terms of the ASPP. Such purchases will be determined by the broker in its sole discretion based on parameters established by Algoma prior to commencement of the applicable black-out period in accordance with the terms of the ASPP and applicable TSX rules. Outside of these black-out periods, Shares will continue to be purchasable by Algoma at its discretion under its NCIB.

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

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

Commitments

The table below provides aggregate information about the Company's contractual obligations as at December 31, 2021 that affect the Company's liquidity and capital resource needs.

	2022	2023	2024	2025	2026 and Beyond	Total
Long-term debt	$ 150	$ 5,197	$ 81,137	$ —	$ 314,367	$ 400,851
Capital asset commitments	19,396	54,345	—	—	—	73,741
Interest payments on long-term debt	16,536	16,346	14,120	11,955	98,202	157,159
Employee future benefit special payments	1,452	—	—	—	—	1,452
Leases	132	114	116	120	53	535
	$ 37,666	$ 76,002	$ 95,373	$ 12,075	$ 412,622	$ 633,738

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 21 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 21 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 2021, 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 changed to 2.5% in 2021 compared to 3.0% to 2020, 2.5% thereafter.

Property, Plant, Equipment and Impairment

For information on property, plant and equipment please refer to Note 15 of the Consolidated Financial Statements for the years ending December 31, 2021 and 2020. 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, 2021. 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, 2021.

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, 2021.

Changes in Internal Controls over Financial Reporting

During the period ended December 31, 2021, 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, 2021 and 2020, the net investment in U.S. dollar foreign subsidiaries and joint ventures was $328,345 and $330,601 U.S. dollars, respectively. The amount used as a hedge at December 31, 2021 and 2020 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, 2021 the Company had U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $39,420 (2020 - $17,500) and fair value gain of $1,984 (2020 - ($1,296)).

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.

Global Pandemic and Economic Downturn

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

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;
- the economic impact of COVID-19 in Canada, the U.S., and other global markets;
- 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 can weigh tens of thousands of tonnes when fully loaded and which carry materials that may be harmful to the environment is inherently risky. The potential costs that could be incurred by the Company because of these risks include damages caused to property owned by others, the cost of environmental contamination including fines and clean up costs, costs associated with damage to our own assets, and the impact of injuries sustained by our employees or by others. The Company has in place a system designed to guide its employees in the management of all of these risks and is focused on a process of learning and continuous improvement after any incident. The Company also carries insurance designed to provide financial mitigation of costs incurred as the result of an incident; however, there is no guarantee that the insurance coverage will be sufficient to provide full reimbursement of all costs, nor is there any assurance that such insurance will continue to be available in the future at a reasonable cost.

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. In 2019, all five Great Lakes were well above their long term water level averages. Water levels in the lower Great Lakes were closer to normal levels in 2020; however, water levels on the upper Great Lakes remain above average.

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

The expectation is that climate change could result in more extreme weather events in the 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 DDB fleet, all of which expire in 2023.

Unlicensed Employees

There are six bargaining units for unlicensed shipboard employees. The Seafarers' International Union (SIU) represents five unlicensed employee bargaining units, three of which are in the NACC Canada Fleet and are presently under negotiation with a desired outcome of merging these units into one group. The next unlicensed contracts due for negotiation are the Unifor and SIU DDB agreements, both of which expire in 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 25, 2022

Peter D. Winkley, CPA, CA
Chief Financial Officer
February 25, 2022

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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, 2021 and December 31, 2020, 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, 2021 and 2020, 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, 2021. 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 16 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 25, 2022

Consolidated Statement of Earnings

For the years ended December 31 (in thousands of dollars, except per share data)	Notes	2021	2020
Revenue	5	**$ 598,873**	$ 545,660
Operating expenses		**(402,967)**	(366,693)
Selling, general and administrative expenses		**(32,551)**	(29,727)
Other operating items	6	**(2,196)**	—
Depreciation and amortization		**(67,852)**	(75,154)
Operating earnings		**93,307**	74,086
Interest expense	8	**(20,733)**	(19,738)
Interest income		**81**	238
Gain on sale of properties		**1,596**	5,621
Foreign currency gain	10	**1,326**	351
		75,577	60,558
Income tax expense	11	**(11,812)**	(9,503)
Net earnings (loss) from investments in joint ventures	7	**18,405**	(5,205)
Net earnings		**$ 82,170**	$ 45,850
Basic earnings per share	23	**$ 2.17**	$ 1.21
Diluted earnings per share	23	**$ 2.01**	$ 1.19

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Earnings

For the years ended December 31 (in thousands of dollars)	Notes	2021	2020
Net earnings		**$ 82,170**	$ 45,850
Other Comprehensive Earnings (Loss)			
Items that may be subsequently reclassified to net earnings (loss):			
Unrealized loss on translation of financial statements of foreign operations		**(1,916)**	(8,092)
Unrealized gain on hedging instruments, net of income tax		**2,190**	1,421
Foreign exchange gain (loss) on purchase commitment hedge reserve, net of income tax, transferred to:			
Net earnings		**—**	(1,300)
Property, plant, and equipment		**1,194**	1,134
Items that will not be subsequently reclassified to net earnings:			
Employee future benefits actuarial gain (loss), net of income tax	21	**20,686**	(19,950)
		22,154	(26,787)
Comprehensive earnings		**$ 104,324**	$ 19,063

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheet

As at December 31 (in thousands of dollars)	Notes	2021	2020
Assets			
Current			
Cash		$ 108,942	$ 103,910
Accounts receivable	13	56,560	64,373
Income taxes recoverable		4,052	5,346
Other current assets	14	21,020	15,147
		190,574	188,776
Property, plant, and equipment	15	818,922	855,988
Investments in joint ventures	7	155,140	145,789
Goodwill	16	7,910	7,910
Employee future benefits	21	4,618	—
Non-current asset held for sale	15	14,167	—
Other assets	17	8,752	24,633
		$ 1,200,083	$ 1,223,096
Liabilities			
Current			
Accounts payable and accrued charges	18	$ 79,167	$ 72,621
Current portion of long-term debt	22	150	143
Income taxes payable		794	2,668
Other current liabilities	19	4,400	103,891
		84,511	179,323
Long-term debt	22	391,532	390,490
Employee future benefits	21	23,882	47,653
Deferred income taxes	11	57,728	43,513
Other long-term liabilities	20	2,147	1,501
		475,289	483,157
Commitments	27		
Shareholders' Equity			
Share capital	23	8,110	8,110
Contributed surplus		985	1,028
Convertible debentures		2,309	2,309
Accumulated other comprehensive loss	24	(31,319)	(32,787)
Retained earnings		660,198	581,956
		640,283	560,616
		$ 1,200,083	$ 1,223,096

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 23)		(Note 24)		
Balance at January 1, 2020	$ 8,115	$ 3,493	$ (25,950)	$ 674,763	$ 660,421
Net earnings	—	—	—	45,850	45,850
Dividends	—	—	—	(118,707)	(118,707)
Repurchase and cancellation of common shares	(5)	(308)	—	—	(313)
Share-based compensation	—	152	—	—	152
Other comprehensive loss	—	—	(6,837)	(19,950)	(26,787)
Balance at December 31, 2020	$ 8,110	$ 3,337	$ (32,787)	$ 581,956	$ 560,616
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**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended December 31 (in thousands of dollars)	Notes	**2021**	2020
Net Inflow (Outflow) of Cash Related to the Following Activities			
Operating			
Net earnings		**$ 82,170**	$ 45,850
Net (earnings) loss from investments in joint ventures	7	**(18,405)**	5,205
Items not affecting cash			
Depreciation and amortization		**67,852**	75,154
Gain on disposal of assets		**(1,897)**	(5,556)
Net gain from insurance settlement	9	**(2,793)**	—
Impairment reversal	15	**(286)**	—
Other non-cash items	25	**33,506**	30,921
Net change in non-cash working capital	25	**12,710**	14,147
Income taxes paid, net		**(6,401)**	(5,891)
Employee future benefits paid		**(4,075)**	(2,769)
Net cash generated from operating activities		**162,381**	157,061
Investing			
Additions to property, plant, and equipment	25	**(31,882)**	(75,195)
Distributions received from joint ventures	7	**16,279**	—
Investment in joint ventures	7	**(7,773)**	—
Compensation payments to other pool members for retired vessels		**—**	(3,473)
Progress payments for shipbuilding contracts		**(8,927)**	(15,266)
Insurance proceeds on vessel disposal	9	**7,548**	—
Proceeds on sale of property, plant, and equipment		**8,530**	5,874
Net cash used in investing activities		**(16,225)**	(88,060)
Financing			
Interest paid		**(18,208)**	(30,207)
Interest received		**81**	873
Proceeds of long-term debt		**58,500**	482,341
Repayments of long-term debt		**(58,643)**	(417,109)
Normal Course Issuer Bid	23	**(2)**	(277)
Dividends paid		**(122,744)**	(18,431)
Net cash (used in) generated from financing activities		**(141,016)**	17,190
Net change in cash		**5,140**	86,191
Effects of exchange rate changes on cash held in foreign currencies		**(108)**	(1,146)
Cash, beginning of year		**103,910**	18,865
Cash, end of year		**$ 108,942**	$ 103,910

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 is listed on the Toronto Stock Exchange. The address of the Company's registered office is 63 Church St, Suite 600, St. Catharines, Ontario, Canada. The consolidated financial statements of the Company for the twelve months ended December 31, 2021 and 2020 comprise the Company, its subsidiaries and the Company's interests in associated and jointly controlled entities.

The principal subsidiaries are Algoma Shipping Ltd., Algoma International Shipholdings Ltd., Algoma Tankers Limited and Algoma Central Properties Inc. The principal jointly controlled entities are Marbulk Canada Inc. (50%), 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.

The Ocean Self-Unloaders marine transportation segment includes ownership interests in eight ocean-going self-unloading vessels and a 50% interest in a ninth self-unloader. The ocean vessels are engaged in the carriage of dry-bulk commodities in worldwide trades in the ocean 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 closing of the canal system and the winter weather conditions in the Great Lakes – St. Lawrence Waterway, the majority of the domestic dry-bulk fleet does not operate for most of the first quarter. In addition, significant repair and maintenance costs are incurred in the first quarter to prepare the domestic dry-bulk fleet for the upcoming navigation season. As a result, first quarter revenues and earnings are significantly lower than those for the remaining three quarters of the year.

2. Statement of Compliance

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

The consolidated financial statements were approved by the Board of Directors and authorized for issue on February 25, 2022.

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 incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-company transactions, balances, earnings and expenses are 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 concluded that it 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 has accounted for these using the equity method.

Materials and Supplies

Materials 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 five 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 to sell 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.

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

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.

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.

Treatment of contract fulfilment assets and capitalized costs to obtain a contract

The Company amortizes contract fulfilment assets and capitalized costs to obtain a contract to operations or selling expense over the expected contract period using a systematic basis that mirrors the pattern in which the Company transfers control of the service to the customer. Judgement is applied to determine this period, for example whether this expected period would be the contract term or a longer period such as the estimated life of the customer relationship for a particular contract if, for example, renewals are expected.

A contract fulfilment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

Management is required to determine the recoverability of all contract related assets. At each reporting date, the Company determines whether or not the contract related assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates of cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

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 defined benefit pension plans, defined contribution pension plans 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 as adjusted 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, including its interests in joint arrangements, 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 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 a 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 on 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.

In light of the COVID-19 pandemic and the related global economic instability, the Company continues to monitor the critical accounting estimates and judgments utilized in the preparation of the consolidated financial statements. As of the authorization date, there have not been any material adjustments for accounting estimates impacted by the pandemic.

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 when determining the grouping of assets to identify their 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. Each individual investment property.
6. 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 to sell 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.

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. 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
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**
2020						
Contract of Affreightment	$ 273,147	$ 1,356	$ —	$ —	$ —	$ 274,503
Time Charter	11,886	112,917	—	—	—	124,803
Pool Revenue Share	—	—	134,109	—	—	134,109
Other	1,123	—	—	8,183	2,939	12,245
	$ 286,156	$ 114,273	$ 134,109	$ 8,183	$ 2,939	$ 545,660

The Company's unbilled revenue and deferred revenue are as follows:

As at December 31 (in thousands of dollars)	**2021**	**2020**
Unbilled revenue	**$ 14,799**	$ 12,471
Deferred revenue	**$ 1,122**	$ 907

6. Other Operating Items

The components of other operating items are as follow:

For the years ended December 31 (in thousands of dollars)	**2021**	**2020**
Net gain from insurance settlement (Note 9)	**$ 2,793**	$ —
Gain on sale of vessels	**586**	—
Pool compensation payment	**(5,575)**	—
	$ (2,196)	$ —

The Company owns vessels that participate in an ocean-going self-unloader Pool with an unrelated party. In 2021, the other Pool member was compensated to redeploy two of its vessels due to market overcapacity.

7. Joint Ventures

The Company has a 50% interest in Marbulk Canada Inc. ("Marbulk"), which owns and operates ocean-going vessels, a 50% interest in NovaAlgoma Cement Carriers Limited ("NACC"), which owns and operates pneumatic cement carriers to support infrastructure projects worldwide, a 50% interest in NovaAlgoma Short-Sea Holdings Ltd. ("NASC"), which owns and manages a fleet of short sea mini-bulkers operating in global markets, and a 50% interest in NovaAlgoma Bulk Holdings Ltd. ("NABH"), which participates in the trade of purchasing and selling handy-size vessels. In the tables below, Marbulk results are presented in "Ocean Self-Unloaders" and all NovaAlgoma joint ventures are presented in "Global Short Sea Shipping".

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

For the years ended December 31 (in thousands of dollars)	**2021**		2020	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Revenue	**$ 6,802**	**$ 263,953**	$ 8,710	$ 247,881
Operating expenses	**(4,721)**	**(195,582)**	(4,589)	(197,094)
General and administrative	**(647)**	**(6,684)**	(891)	(7,795)
Depreciation and amortization	**(1,415)**	**(28,186)**	(3,126)	(29,310)
Operating earnings	**19**	**33,501**	104	13,682
Impairment	**—**	**—**	(19,492)	—
Interest expense	**—**	**(3,859)**	(275)	(6,873)
Foreign exchange gain (loss)	**—**	**329**	(135)	502
Gain on sale of vessels	**—**	**9,944**	—	629
Other expenses	**—**	**—**	(213)	—
Earnings (loss) before undernoted	**19**	**39,915**	(20,011)	7,940
Net earnings of joint ventures	**—**	**3,810**	—	1,827
Net (loss) earnings attributable to non-controlling interest	**—**	**(4,526)**	—	1,677
Income tax expense	**(122)**	**(1,110)**	(415)	(176)
Net (loss) earnings	**$ (103)**	**$ 38,089**	$ (20,426)	$ 11,268
Company share of net (loss) earnings	**$ (52)**	**$ 19,045**	$ (10,213)	$ 5,634
Amortization of vessel purchase price allocation and intangibles	**—**	**(588)**	—	(626)
Company share of net (loss) earnings from investments in joint ventures	**$ (52)**	**$ 18,457**	$ (10,213)	$ 5,008

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

For the years ended December 31 (in thousands of dollars)	**2021**	2020
Ocean Self-Unloaders	**$ (52)**	$ (10,213)
Global Short Sea Shipping	**18,457**	5,008
	$ 18,405	$ (5,205)

Impairments

Ocean Self-Unloaders

In 2020, a vessel owned by Marbulk was reviewed for impairment and a loss of $19,492 was recognized in its net loss for the year. The impairment loss was calculated as the amount by which the carrying value of the vessel exceeded the net recoverable amount. The net recoverable amount was based on fair value, less costs of disposal, of the vessel. Level 2 inputs were used in determining the fair value.

There were no impairments determined for the year ended December 31, 2021.

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

As at December 31 (in thousands of dollars)	2021		2020	
	Ocean Self-Unloaders	**Global Short Sea Shipping**	Ocean Self-Unloaders	Global Short Sea Shipping
Cash	**$ 3,712**	**$ 28,117**	$ 4,272	$ 11,404
Other current assets	**532**	**57,455**	776	52,550
Income taxes recoverable	**48**	**223**	48	128
Property, plant, and equipment	**3,644**	**318,779**	4,914	415,688
Investment in joint ventures	**—**	**44,027**	—	21,372
Other assets	**—**	**14,627**	77	12,216
Current liabilities	**(642)**	**(54,176)**	(751)	(52,995)
Current portion of long-term debt	**—**	**(21,450)**	—	(29,843)
Long-term debt	**—**	**(80,601)**	—	(142,046)
Other long-term liabilities	**—**	**(13,330)**	—	(20,688)
Non-controlling interest	**—**	**(3,646)**	—	934
Net assets of jointly controlled operations	**$ 7,294**	**$ 290,025**	$ 9,336	$ 268,720
Company share of net assets	**$ 3,647**	**$ 145,013**	$ 4,668	$ 134,360
Goodwill and other purchase price adjustments	**—**	**6,480**	—	6,761
Company share of joint venture	**$ 3,647**	**$ 151,493**	$ 4,668	$ 141,121

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

As at December 31 (in thousands of dollars)	2021	2020
Ocean Self-Unloaders	**$ 3,647**	$ 4,668
Global Short Sea Shipping	**151,493**	141,121
	$ 155,140	$ 145,789

The Company has related party relationships with its joint ventures with respect to management services, technical management services, vessel operations, and a loan receivable. 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)	2021	2020
Revenue	**$ 1,686**	$ 1,860
Interest income	**—**	226

As at December 31 (in thousands of dollars)	2021	2020
Accounts receivable	**$ 10,882**	$ 11,456
Accounts payable	**6,656**	—
Loans guaranteed by the Company	**20,303**	25,162

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

For the years ended December 31 (in thousand of dollars)	2021		2020	
	Distributions received	**Investment in joint ventures**	Distributions received	Investment in joint ventures
Ocean Self-Unloaders	**$ 939**	**$ —**	$ —	$ —
Global Short Sea Shipping	**15,340**	**(7,773)**	—	$ —
	$ 16,279	**$ (7,773)**	$ —	$ —

8. Interest Expense

The components of interest expense are as follows:

For the years ended December 31 (in thousands of dollars)	2021	2020
Interest expense on borrowings	**$ 18,633**	$ 18,088
Amortization of financing costs	**1,612**	1,429
Interest on employee future benefits, net	**1,444**	916
Interest capitalized on vessels under construction	**(956)**	(695)
	$ 20,733	$ 19,738

9. 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)	2021	2020
Net proceeds from insurance settlement	**$ 7,548**	$ —
Reversal of accrued insurance absorption	**1,109**	—
Impairment loss (Note 15)	**(5,864)**	—
Net gain from insurance settlement	**$ 2,793**	$ —

10. 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)	2021	2020
Gain on foreign denominated cash and debt	**$ 943**	$ 872
Gain on return of capital from foreign subsidiary	**331**	—
Gain (loss) on foreign exchange forward contracts	**52**	(521)
	$ 1,326	$ 351

11. Income Taxes

The components of the income tax expense are as follows:

For the years ended December 31 (in thousands of dollars)	2021	2020
Current tax expense	**$ 5,464**	$ 6,983
Deferred tax expense	**6,348**	2,520
	$ 11,812	$ 9,503

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)	2021	2020
Combined federal and provincial statutory income tax rate	**26.5%**	26.5%
Net earnings before income tax and net earnings (loss) from investments in joint ventures	**$ 75,577**	$ 60,558
Expected income tax expense	**$ (20,028)**	$ (16,048)
Increase (decrease) in expense resulting from:		
Foreign tax rates different from Canadian statutory rate	**8,182**	5,478
Effect of items that are non (taxable) deductible	**(9)**	557
Non-recoverable withholding taxes	**(471)**	(520)
Deferred tax items recognized	**73**	300
Adjustments to prior period provision	**65**	968
Utilization of capital loss previously unrecognized	**232**	—
Other	**144**	(238)
	$ (11,812)	$ (9,503)
Effective tax rate excluding net earnings (loss) from investments in joint ventures	**15.6 %**	15.7 %

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

For the years ended December 31 (in thousands of dollars)	**2021**	2020
Unrealized gains (losses) on hedging instruments	**$ 373**	$ (192)
Realized losses on hedging instruments	**—**	(137)
Actuarial gains (losses) on employee future benefits	**7,458**	(7,193)
	$ 7,831	$ (7,522)

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

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**

Liabilities (assets) as at December 31, 2020 (in thousands of dollars)	Opening balance	Reclassification	Recognized in equity	Recognized in earnings	Recognized in other comprehensive earnings	Closing balance
Property, plant, and equipment	$ 59,148	$ (744)	$ —	$ 5,462	$ —	$ 63,866
Employee future benefits	(5,350)	—	—	(88)	(7,193)	(12,631)
Foreign exchange differences	186	—	—	(46)	(329)	(189)
Losses for tax purposes	(5,886)	—	—	(3,342)	—	(9,228)
Convertible debentures	614	—	—	(123)	—	491
Tax allowances, provisions and other	(232)	744	35	657	—	1,204
	$ 48,480	**$ —**	$ 35	$ 2,520	$ (7,522)	$ 43,513

12. Leases

The Company reports its right-of-use asset and lease liability 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	
For the years ended December 31 (in thousands of dollars)	**2021**	2020	**2021**	2020
Opening balance	**$ 511**	$ 360	**$ 522**	$ 376
Additions	**545**	265	**537**	265
Depreciation	**(163)**	(110)	**—**	—
Interest accretion	**—**	—	**24**	31
Payments	**—**	—	**(277)**	(144)
Remeasurement adjustment	**(220)**	—	**(220)**	—
Derecognition of terminated lease	**(39)**	—	**(59)**	—
Effect of foreign currency exchange differences	**6**	(4)	**8**	(6)
Closing balance	**$ 640**	$ 511	**$ 535**	$ 522

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. One of the Company's leased properties has been derecognized due to an early termination of the lease agreement.

Shown below is a maturity analysis of the lease liabilities:

As at December 31 (in thousands of dollars)	2021	2020
Within 1 year	$ 132	$ 194
Between 1 and 5 years	403	226
Over 5 years	—	102
Total lease liabilities	**$ 535**	$ 522

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)	2021	2020
Payments - short term leases	$ 1	$ 5,647
Payments per IFRS 16	277	144
Non-lease components per IFRS 16	102	71
Total cash payments	$ 380	$ 5,862

13. Accounts Receivable

The components of accounts receivable are as follows:

As at December 31 (in thousands of dollars)	2021	2020
Due from customers	$ 36,411	$ 39,805
Unbilled revenue (Note 5)	14,799	12,471
Government related	2,504	5,662
Other	2,846	6,435
	$ 56,560	$ 64,373

14. Other Current Assets

The components of other current assets are as follows:

As at December 31 (in thousands of dollars)	2021	2020
Materials and supplies	$ 12,455	$ 8,880
Prepaid expenses	8,319	6,267
Derivative asset	246	—
	$ 21,020	$ 15,147

15. 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, 2020	$ 597,562	$ 241,289	$ 382,691	$ 55,851	$ 18,426	$ 1,295,819
Additions	55,858	1,684	14,646	672	2,286	75,146
Disposals	(3,814)	—	—	(2,568)	(105)	(6,487)
Fully depreciated assets no longer in use and other	(1,072)	(33)	(10,021)	(238)	—	(11,364)
Transfer from progress payments for shipbuilding contracts	1,268	—	—	—	—	1,268
Effect of foreign currency exchange differences	—	—	(7,565)	—	(1)	(7,566)
Balance at December 31, 2020	$ 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**

Accumulated depreciation (n thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
Balance at January 1, 2020	$ 167,017	$ 120,534	$ 100,980	$ 39,143	$ 11,758	$ 439,432
Depreciation expense	27,080	14,573	26,374	2,685	912	71,624
Disposals	(3,734)	—	—	(2,428)	—	(6,162)
Fully depreciated assets no longer in use	(1,072)	(33)	(10,021)	(238)	—	(11,364)
Effect of foreign currency exchange differences and other adjustments	—	—	(2,704)	2	—	(2,702)
Balance at December 31, 2020	$ 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**

Net Book Value (in thousands of dollars)	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Total
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**
December 31, 2020						
Cost	$ 649,802	$ 242,940	$ 379,751	$ 53,717	$ 20,606	$ 1,346,816
Accumulated depreciation	189,291	135,074	114,629	39,164	12,670	490,828
	$ 460,511	$ 107,866	$ 265,122	$ 14,553	$ 7,936	$ 855,988

Net book value at December 31, 2021 includes capitalized dry-docking costs of $46,073 (2020 - $43,455) and related accumulated depreciation of $26,599 (2020 - $21,008).

As at December 31, 2021, the Company is committed to selling a shopping centre located in Sault Ste. Marie, Ontario. The carrying value of this asset has been reclassified to non-current asset held for sale on the Consolidated Balance Sheet. The Company is in the process of selling the asset and the transaction is expected to close in the second quarter of 2022.

During the year ended December 31, 2021, the Company disposed of a gearless bulker from the Domestic Dry-Bulk fleet (see Note 9) and a bunkering vessel from the Product Tanker fleet.

Impairment provision (reversal)

Domestic Dry-Bulk

In the second quarter of 2021, it was determined that a gearless bulker, which was involved in a grounding incident in late 2020 would not return to fleet service and would instead be disposed of in its existing condition.

An impairment loss was recorded for the amount by which the carrying value exceeded the net recoverable amount of the vessel. The net recoverable amount was based on fair value, less costs of disposal, of the vessel. The Company used Level 2 inputs, including quoted scrap market pricing, in determining the fair value of the asset. The vessel was sold in the 2021 third quarter.

Product Tankers

The Company recognized an impairment loss for the bunkering vessel in the tanker fleet of $2,150. During the third quarter of 2021, the Company sold the bunkering vessel for net proceeds, less costs of disposal, in excess of the vessel's carrying amount. The transaction resulted in a partial reversal of the previously recognized impairment loss in the amount of $286.

16. 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. For the purpose of impairment testing, goodwill is tested 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 cash generating units (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, 2021 or 2020. No impairment losses have been recorded against the value of goodwill since its acquisition.

17. Other Assets

Other assets consist of the following:

As at December 31 (in thousands of dollars)	2021	2020
Progress payments for shipbuilding contracts	**$ 6,365**	$ 24,114
Derivative asset	**1,738**	—
Right-of-use assets (Note 12)	**640**	511
Other	**9**	8
	$ 8,752	$ 24,633

The Company capitalized $956 (2020 - $695) 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% (2020 - 5.32%).

18. Accounts Payable and Accrued Charges

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

As at December 31 (in thousands of dollars)	2021	2020
Due to suppliers and accrued charges	**$ 77,224**	$ 70,916
Deferred revenue (Note 5)	**1,122**	907
Commodity taxes payable	**821**	798
	$ 79,167	$ 72,621

19. Other Current Liabilities

The components of other current liabilities are as follows:

As at December 31 (in thousands of dollars)	**2021**	2020
Accrued interest on long-term debt	**$ 664**	$ 666
Dividends payable	**3,604**	101,735
Lease obligations (Note 12)	**132**	194
Derivative liability	**—**	1,296
	$ 4,400	$ 103,891

20. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

As at December 31 (in thousands of dollars)	**2021**	2020
Deferred compensation	**$ 1,744**	$ 1,173
Lease obligations (Note 12)	**403**	328
	$ 2,147	$ 1,501

21. Employee Future Benefits

Plan Descriptions

The Company maintains two funded and one unfunded defined benefit pension plans and two defined contribution pension plans, which together cover all of its non-union employees and certain unionized employees. 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, 2021 for the Employee Pension Plan of Algoma Central Corporation and January 1, 2020 for the Union Employee Pension Plan for Algoma Ship Repair. The next required valuations for the defined benefit plans will be as of January 1, 2022 and January 1, 2023, respectively.

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:

	2021	2020
Discount rate used for estimating accrued benefit obligation	**3.0%**	2.5%
Discount rate used for estimating net interest cost included in net benefit cost incurred	**2.5%**	3.3%
Rate of compensation increases	**2.5%**	3.0% to 2020, 2.5% thereafter
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 4.9% (2020 – 5.2%), 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 $338 and ($585) 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)	**2021**	2020
Opening balance	**$ (36,543)**	$ (16,593)
Gains (losses) recognized during year, net of income tax	**20,686**	(19,950)
	$ (15,857)	$ (36,543)

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

For the years ended December 31 (in thousands of dollars)	**2021**	2020
Return (loss) on plan assets	**$ 16,457**	$ (10,052)
Actuarial losses arising from changes in demographic assumptions	**(258)**	—
Actuarial gains (losses) arising from changes in financial assumptions	**12,189**	(17,991)
Actuarial gains (losses) arising from experience adjustments	**51**	(101)
Actuarial gains (losses) arising from administration expenses	**14**	(30)
Adjustments for restrictions on the defined benefit asset	**(309)**	1,031
	28,144	(27,143)
Income tax (expense) recovery	**(7,458)**	7,193
	$ 20,686	$ (19,950)

Information, in aggregate, regarding the effect of the asset ceiling for the Company's benefit plans for the years 2021 and 2020 is presented below.

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

As at December 31, 2020 (in thousands of dollars)	Pension Plans	Other Benefit Plans	Total
Effect of asset ceiling at beginning of year	$ 998	$ —	$ 998
Interest on the effect of the asset ceiling	33	—	33
Other changes in effect of asset ceiling	(1,031)	—	(1,031)
Effect of asset ceiling at end of year	$ —	$ —	$ —

Information, in aggregate, regarding the Company's reconciliation of net liability arising from employee future benefits for the years 2021 and 2020 is presented below.

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)
Net liability	**$ 7,756**	**$ 11,508**	**$ 19,264**

As at December 31, 2020 (in thousands of dollars)	Pension Plans	Other Benefit Plans	Total
Present value of benefit obligation	$ 183,068	$ 13,390	$ 196,458
Less: fair value of plan assets	(148,793)	—	(148,793)
Other	23	(35)	(12)
Net liability	$ 34,298	$ 13,355	$ 47,653

The presentation on the consolidated financial statements of the net liability is as follows:

As at December 31 (in thousands of dollars)	**2021**	2020
Employee future benefit liabilities	**$ 23,882**	$ 47,653
Employee future benefit assets	**(4,618)**	—
Net liability	**$ 19,264**	$ 47,653

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

As at December 31, 2021 (in thousands of dollars)

Employee Future Benefit Assets	Pension Plans	Other Benefit Plans	Total
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	Pension Plans	Other Benefit Plans	Total
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)
Retiree contributions	—	173	173
Actuarial gains	(10,109)	(1,873)	(11,982)
Other	1	—	1
Obligations, end of year	**$ 170,492**	**$ 11,508**	**$ 182,000**

As at December 31, 2020 (in thousands of dollars)

Employee Future Benefit Assets	Pension Plans	Other Benefit Plans	Total
Fair value, beginning of year	$ 160,320	$ —	$ 160,320
Expected return on plan assets	5,181	—	5,181
Return on plan assets in excess of expected return	(10,052)	—	(10,052)
Benefits paid	(9,177)	(669)	(9,846)
Administrative expenses	(330)	—	(330)
Employer contributions to plans	2,364	512	2,876
Employee contributions to plans	487	—	487
Other	—	157	157
Fair value, end of year	$ 148,793	$ —	$ 148,793

Employee Future Benefit Obligations	Pension Plans	Other Benefit Plans	Total
Obligations, beginning of year	$ 167,337	$ 12,076	$ 179,413
Employer current service cost	2,150	145	2,295
Employee current service cost	487	—	487
Interest cost	5,369	394	5,763
Benefits paid	(9,177)	(669)	(9,846)
Actuarial losses	16,901	1,135	18,036
Other	1	309	310
Obligations, end of year	$ 183,068	$ 13,390	$ 196,458

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

As at December 31 (in thousands of dollars)	2021	2020
The Employee Pension Plan of Algoma Central Corporation	**$ 4,442**	$ —
The Union Employee Pension Plan of Algoma Ship Repair	**176**	—
	$ 4,618	$ —

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

As at December 31 (in thousands of dollars)	2021	2020
The Employee Pension Plan of Algoma Central Corporation	**$ —**	$ 19,889
The Union Employee Pension Plan of Algoma Ship Repair	**—**	1,135
Supplementary Employee Retirement Plan	**12,374**	13,274
Other benefit plans	**11,508**	13,355
	$ 23,882	$ 47,653

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

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
Net benefit expense	**$ 3,413**	**$ 497**	**$ 3,910**

For the year ended December 31, 2020 (in thousands of dollars)	Pension Plans	Other Benefit Plans	Total
Current service cost	$ 2,150	$ 145	$ 2,295
Interest cost on plan obligations	5,369	394	5,763
Interest on effect of asset ceiling	33	—	33
Expected return on plan assets	(5,181)	—	(5,181)
Administrative expenses	300		300
Net benefit expense	$ 2,671	$ 539	$ 3,210

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

As at December 31 (in thousands of dollars)	2021	2020
Short term notes	**$ 1,821**	$ 1,260
Canadian Government bonds	**28,498**	29,173
Canadian corporate bonds	**10,264**	10,599
Canadian equities	**48,228**	41,175
Foreign equities	**81,494**	72,523
Annuities	**3,272**	3,851
	173,577	158,581
Amount related to defined contribution plans	**(10,532)**	(9,788)
	$ 163,045	$ 148,793

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 2021 was 14.5% or $21,984 (2020 - (2.9%) or ($4,794)).

The Company expects to make contributions of $2,738 (2020 - $1,441) 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 $1,980 (2020 - $1,874).

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 $19,761 (increase by $24,174).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $2,055 (decrease by $1,866).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $4,554 (decrease by $4,581).

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, 2021 is 11.0 years (2020 - 11.7 years). This number can be analysed as follows:

- active members: 15.6 years (2020 - 16.1 years);
- deferred members: 14.5 years (2020 - 15.8 years); and
- retired members: 9.1 years (2020 - 9.4 years).

22. Long-Term Debt

As at December 31 (in thousands of dollars)	2021	2020
Convertible unsecured subordinated debentures, due June 30, 2024, interest at 5.25%	**$ 81,137**	$ 80,646
Senior Secured Notes		
U.S. $20,000, interest at 3.37%, due December 10, 2027	**25,356**	25,464
U.S. $42,000, interest at 3.60%, due December 10, 2030	**53,248**	53,474
U.S. $35,000, interest at 3.70%, due December 10, 2032	**44,373**	44,562
U.S. $50,000, interest at 3.80%, due December 10, 2035	**63,390**	63,660
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%	**5,347**	5,490
	400,851	401,296
Less: unamortized financing expenses	**9,169**	10,663
	391,682	390,633
Less: current portion of long-term debt	**150**	143
	$ 391,532	$ 390,490

In December 2020, the Company entered into a new bank credit facility which comprises a $75 million Canadian dollar and a $75 million U.S. dollar senior secured revolving bank credit. The bank facility bears interest at rates based on the Company's ratio of net senior debt, as defined, to earnings before interest, taxes, depreciation and amortization and ranges from 185 to 315 basis points above bankers' acceptance or LIBOR rates. The bank facility agreement matures on December 10, 2023. As of December 31, 2021 and 2020, 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 bank facility and the senior secured notes.

As at December 31, 2021 and December 31, 2020 the Company was in compliance with all of its covenants.

The unamortized financing expenses relate to costs incurred to establish the credit facilities and to issue the debentures and senior notes. They are being 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)	2021	2020
Falling due within one year	**$ 150**	$ 143
Falling due between one and two years	**5,197**	150
Falling due between two and three years	**81,137**	5,197
Falling due between three and four years	**—**	80,646
Falling due in four years or later	**314,367**	315,160
	$ 400,851	$ 401,296

23. Share Capital

Share capital

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

The Company had 37,800,943 common shares outstanding as at December 31, 2021 (December 31, 2020 - 37,800,943).

At December 31, 2021 and December 31, 2020 there were no preferred shares issued and outstanding.

The Company's Board of Directors have authorized payment of a quarterly dividend to shareholders of $0.17 per common share. The dividend will be paid on March 1, 2022 to shareholders of record on February 15, 2022.

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

For the years ended December 31 (in thousands of dollars)		**2021**		2020
Net earnings	**$**	**82,170**	$	45,850
Interest expense on debentures, net of tax		**3,927**		3,977
Net earnings for diluted earnings per share	**$**	**86,097**	$	49,827
Basic weighted average common shares		**37,800,943**		37,802,685
Shares due to dilutive effect of debentures		**5,074,101**		4,202,512
Diluted weighted average common shares		**42,875,044**		42,005,197
Basic earnings per common share	**$**	**2.17**	$	1.21
Diluted earnings per common share	**$**	**2.01**	$	1.19

Convertible Debentures

The 2021 dividends of 0.17 cents per share per quarter reached a cumulative excess with the September 1, 2021 payment. This triggered a further adjustment to the conversion price reducing it from $16.32 to $16.11 per share. The quantity of issuable shares increased from 5,055,147 to 5,074,101.

In 2020, the Company's Board of Directors authorized the payment of a special dividend in the amount of $2.65 per common share. The payment of this special dividend triggered an adjustment to the conversion price of the unsecured debentures from $20.00 to $16.32 per share. The lower conversion price resulted in an increase in the quantity of issuable shares under conversion from 4,125,000 to 5,055,147.

Normal Course Issuer Bid

On March 16, 2021, 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 6, 2021.

Under the NCIB, the Company may purchase up to 3,163 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 19, 2021 and ending on March 18, 2022. The stated capital of the common shares of $0.21 per share on the balance sheet equals the approximate paid-up capital amount of the common shares for purposes of the Income Tax Act. The purchase results in a reduction to share capital and a reduction to contributed surplus for the balance of the purchase price and expenses. Both items have been identified separately on the Consolidated Statement of Changes in Equity.

Under the current NCIB, no common shares have been purchased or cancelled for the year ended December 31, 2021.

The Company's previous NCIB, which began on March 19, 2020 and concluded on March 18, 2021, resulted in the repurchase and cancellation of 1,200 common shares.

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

24. Accumulated Other Comprehensive Loss

(in thousands of dollars)	Hedges: Net investment	Hedges: Purchase Commitment	Foreign exchange translation	Total
Balance at January 1, 2020	$ (21,680)	$ —	$ (4,270)	$ (25,950)
Gain (loss)	1,904	(812)	(8,092)	(7,000)
Reclassified to earnings	—	(1,300)	—	(1,300)
Reclassified to property, plant, and equipment	—	1,134	—	1,134
Income tax recovery	329	—	—	329
Net gain (loss)	2,233	(978)	(8,092)	(6,837)
Balance at December 31, 2020	$ (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)**

25. 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)	**2021**	2020
Interest expense	**$ 20,733**	$ 19,738
Interest income	**(81)**	(238)
Income tax expense (Note 11)	**11,812**	9,503
Foreign currency gains (Note 10)	**(1,326)**	(351)
Other	**2,368**	2,269
	$ 33,506	$ 30,921

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

For the years ended December 31 (in thousands of dollars)	**2021**	2020
Accounts receivable	**$ 7,680**	$ 2,771
Materials and supplies	**(3,540)**	1,400
Prepaid expenses	**(2,395)**	2,774
Accounts payable and accrued charges	**11,237**	6,893
Other working capital	**(272)**	309
	$ 12,710	$ 14,147

The change in additions to property, plant and equipment is as follows:

For the years ended December 31 (in thousands of dollars)	**2021**	2020
Additions to property, plant, and equipment (Note 15)	**(33,092)**	$ (75,146)
Amounts included in working capital	**(352)**	(49)
Capitalized interest	**524**	—
Loss on forward contract transferred from OCI	**1,038**	—
	$ (31,882)	$ (75,195)

26. 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 13.7%.

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)		**2021**		2020
Total long-term debt	**$**	**400,851**	$	401,296
Shareholders' equity	**$**	**640,283**	$	560,616
Debt to shareholders' equity ratio		**0.63 to 1**		0.72 to 1

27. Commitments

The table below reflects the commitments of the Company at December 31, 2021.

Construction of one domestic dry bulk self-unloader	$	49,977
Construction and purchase of four bulk carriers, through the Company's interest in a joint venture		23,764
Employee future benefit payments		1,452
Leases		535
	$	**75,728**

Annual expected payments are as follows:

Due in 2022	$	20,980
Due in 2023		54,459
Due in 2024		116
Due in 2025		120
Due in 2026		53
	$	**75,728**

28. 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.

29. Financial Instruments and Risk Management

Financial Instruments

The Company's financial instruments that are included in the Consolidated Balance Sheet comprise cash, accounts receivable, accounts payable and accrued charges, derivative assets and liabilities, 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 into or out of Level 1, 2 or 3 during the periods.

Fair Value

The carrying values of the Company's financial assets are equal to their fair values. 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)		**2021**		2020
Long-term debt				
Carrying value	**$**	**400,851**	$	401,296
Fair value, classified as Level 2	**$**	**409,094**	$	406,522

The derivative liabilities are classified as Level 2.

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, 2021 and 2020 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 field 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, 2021 and December 31, 2020 was not significant. The percentage of accounts receivable greater than 60 days past due was 20% and 23%, for December 31, 2021 and 2020, 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, 2021 and 2020 was Canadian $75,000 and USD $75,000 in a revolving facility. At December 31, 2021 and 2020, the Company had Canadian $75,000 and USD $75,000 available in the existing credit facility.

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, 2021 of the assets pledged was approximately $764,287 (2020 - $771,232). 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)	2022	2023	2024	2025	2026 and Beyond	Total
Long-term debt	$ 150	$ 5,197	$ 81,137	$ —	$ 314,367	$ 400,851
Capital asset commitments	19,396	54,345	—	—	—	73,741
Interest payments on long-term debt	16,536	16,346	14,120	11,955	98,202	157,159
Employee future benefit special payments	1,452	—	—	—	—	1,452
Leases	132	114	116	120	53	535
	$ 37,666	$ 76,002	$ 95,373	$ 12,075	$ 412,622	$ 633,738

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, 2021 and 2020, 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 22).

(c) Interest rate sensitivity analysis

At December 31, 2021 and 2020 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 Company's reporting currencies, the Canadian dollar and the U.S. dollar.

At December 31, 2021 and December 31, 2020, approximately 42% and 40% respectively of the Company's total assets were denominated in U.S. dollars, including U.S. cash of $71,935 and $46,373 at December 31, 2021 and December 31, 2020, respectively.

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, 2021 and 2020, the net investment in U.S. dollar foreign subsidiaries and joint ventures was $328,345 and $330,601 U.S. dollars, respectively. The amount used as a hedge at December 31, 2021 and 2020 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, 2021 the Company had U.S. dollar denominated foreign exchange forward contracts outstanding with a notional principal of $39,420 (2020 - $17,500) and fair value gain of $1,984 (2020 - ($1,296)).

(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 $3,925.

Based on the balances at December 31, 2021 and 2020:

- A ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase other comprehensive earnings by $32,835 and $33,060, respectively.
- A ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase total assets by $40,120 and $38,085, respectively.
- A ten-cent weakening in the Canadian dollar relative to the U.S. dollar would increase total liabilities by$16,070 and $15,805, 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.

30. 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.

	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
For the year ended December 31, 2021 (in thousands of dollars)							
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 (loss) earnings 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**

	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
For the year ended December 31, 2020 (in thousands of dollars)							
Revenue	$ 286,156	$ 114,273	$ 134,109	$ 8,183	$ 2,939	$ —	$ 545,660
Operating expenses	(200,788)	(73,198)	(84,615)	(7,113)	(979)	—	(366,693)
Selling, general and administrative	(11,522)	(4,951)	(910)	—	(12,344)	—	(29,727)
Depreciation and amortization	(27,094)	(14,574)	(29,793)	(2,684)	(1,009)	—	(75,154)
Operating earnings (loss)	46,752	21,550	18,791	(1,614)	(11,393)	—	74,086
Interest, net	—	—	—	—	(19,500)	—	(19,500)
Gain on sale of property	—	—	—	5,621	—	—	5,621
Foreign currency gain	—	—	—	—	351	—	351
	46,752	21,550	18,791	4,007	(30,542)	—	60,558
Income tax (expense) recovery	(12,244)	(5,814)	—	(513)	9,068	—	(9,503)
Net (loss) earnings from investments in joint ventures	—	—	(10,213)	—	—	5,008	(5,205)
Net earnings (loss)	$ 34,508	$ 15,736	$ 8,578	$ 3,494	$ (21,474)	$ 5,008	$ 45,850

	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
As at December 31, 2021 (in thousands of dollars)							
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 assets 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**

	Domestic Dry-Bulk	Product Tankers	Ocean Self-Unloaders	Investment Properties	Corporate	Global Short Sea Shipping	Total
As at December 31, 2020 (in thousands of dollars)							
Assets							
Current assets	$ 39,990	$ 7,312	$ 22,792	$ 4,682	$ 114,000	$ —	$ 188,776
Property, plant, and equipment	460,511	107,866	265,122	14,553	7,936	—	855,988
Investments in joint ventures	—	—	4,668	—	—	141,121	145,789
Goodwill	7,910	—	—	—	—	—	7,910
Other assets	24,114	—	8	—	511	—	24,633
	$ 532,525	$ 115,178	$ 292,590	$ 19,235	$ 122,447	$ 141,121	$ 1,223,096
Liabilities							
Current liabilities	$ 44,217	$ 10,612	$ 12,903	$ 362	$ 111,086	$ —	$ 179,180
Current portion of long-term debt	—	—	—	—	143	—	143
Long-term liabilities	3,436	15,348	61	—	73,822	—	92,667
Long-term debt	—	—	—	—	390,490	—	390,490
	47,653	25,960	12,964	362	575,541	—	662,480
Shareholders' Equity	484,872	89,218	279,626	18,873	(453,094)	141,121	560,616
	$ 532,525	$ 115,178	$ 292,590	$ 19,235	$ 122,447	$ 141,121	$ 1,223,096

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)	**2021**	2020
Property, plant, and equipment	**$ 242,241**	$ 265,122
Revenues	**$ 156,294**	$ 134,109

Revenue earned outside of Canada, primarily in the United States, relate to vessel operations and are based on the location at which a shipment is unloaded. For the years ended December 31, 2021 and 2020, sales outside of Canada were $161,451 and $178,369, respectively.

The Company had one customer in 2021 and one in 2020 whose revenues exceeded 10% of consolidated revenues. Sales by segment for these customers are as follows:

For the years ended December 31 (in thousands of dollars)	**2021**	2020
Product Tankers	**$ 93,341**	$ 109,102

31. 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)	**2021**	2020
Short-term compensation and benefits	**$ 6,930**	$ 6,524
Share-based compensation	**2,132**	454
Post-employment benefits	**282**	197
	$ 9,344	$ 7,175

32. 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 for terms 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, 1,890,047 common shares have been reserved for future issuance. The outstanding options expire on various dates to February 26, 2026. The following table summarizes the Company's stock option activity and related information for the years ended December 31, 2021 and December 31, 2020.

As at December 31 (amounts not stated in thousands)	**2021**		2020	
Stock Option Activity	**Number of shares**	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Number outstanding, beginning of year	**343,542**	**$ 13.13**	230,000	$ 13.43
Granted	**112,668**	**14.69**	113,542	12.52
Exercised	**(100,000)**	**(12.74)**	—	—
Exercise price adjustment	**—**	**(1.77)**	—	—
Number outstanding, end of year	**356,210**	**$ 12.03**	343,542	$ 13.13

The weighted average share price at the date of exercise during the year was $17.44 per share.

In December, 2020, the Company's Board of Directors authorized the payment of a special dividend in the amount of $2.65 per common share. 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, 2021.

	Options outstanding	
Exercise price per share (amounts not stated in thousands)	Number of shares	Remaining contractual life (years)
$10.75	113,542	3.16
$10.83	130,000	2.17
$14.69	112,668	4.16
	356,210	

For the year ended December 31, 2021, the Company recognized compensation expense for stock option awards of $164 (2020 - $152). For the year ended December 31, 2021, 112,668 (2020 - 113,542) options were granted by the Company at a weighted average fair value of $1.77 per option (2020 - $1.08).

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)	**2021**	2020
Risk-free interest rate	**0.88%**	1.14%
Expected option life	**5 years**	5 years
Expected volatility*	**24.86%**	17.53%
Expected dividend yield	**4.63%**	3.83%

*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, 2021 was 264,342 (2020 – 224,739).

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, 2021, the Company recognized compensation expense (recovery) for these plans of $942 (2020 – ($601)). 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 $3,315 at December 31, 2021 (2020 – $1,926), and is reported in accounts payable and accrued charges and other long-term liabilities on the Consolidated Balance Sheet.

33. 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 2021 and 2020.

34. Government Assistance

Canada Emergency Wage Subsidy (CEWS)

In response to the negative economic impact of COVID-19, the Government of Canada introduced the Canada Emergency Wage Subsidy (CEWS) in April 2020. CEWS provides a wage subsidy for on eligible remuneration to eligible employees based on certain criteria. The wage subsidy was extended to October 2021. The Company applied for the subsidy for all qualifying periods from March 2020 through October 2021. For the year ended December 31, 2021 the Company claimed $2,340 (2020 - $1,919) which is included in the Consolidated Statement of Earnings as a reduction to operating expenses.

Transport Canada Innovation Centre (TC-IC)

Through the Transport Canada Innovation Centre (TC-IC), a total of $816 has been granted to the Company in a project that will undertake a comprehensive exploration of the benefits of advanced coating and propeller maintenance in reducing ship resistance, and thereby reducing emissions of all types. This will involve recoating a modern Great Lakes bulker, polishing the propeller of a second, and collecting and analysing data for these and potentially other sister ships to establish a comprehensive picture of benefits and costs.

The project goal is 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 will be paid subject to the Company satisfactorily completing all of its obligations as defined per the Contract milestones throughout a twenty month period. For the year ended December 31, 2021 the Company claimed $782 which is included in the Consolidated Statement of Earnings as an offset to operating expenses.

35. Subsequent Event

On February 25, 2022, the Board of Directors of the Company approved a further investment in certain Global Short Sea Shipping joint ventures to a maximum of $16,000 to assist the joint ventures to acquire two cement vessels and two bulk carriers. Closings for the purchases is expected to occur at various dates in the first half of 2022.

Algocanada in St. Mary's River - Photo submitted by Captain Clovis Saccomano

ALGOMA CENTRAL CORPORATION

2021